

HOUSE BILL 478

C4

EMERGENCY BILL

4lr0936
CF SB 53

By: **Delegate Davis**

Introduced and read first time: January 27, 2014

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Automobile Insurance Fund – Installment Payment Plan –**
3 **Clarification**

4 FOR the purpose of clarifying that the Maryland Automobile Insurance Fund may not
5 discriminate among certain insureds by charging different premiums to
6 insureds who select, as a payment option, the Fund’s installment payment plan
7 instead of a premium finance agreement; making this Act an emergency
8 measure; and generally relating to the Maryland Automobile Insurance Fund’s
9 installment payment plan.

10 BY repealing and reenacting, with amendments,
11 Article – Insurance
12 Section 20–507(g)
13 Annotated Code of Maryland
14 (2011 Replacement Volume and 2013 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article – Insurance**

18 20–507.

19 (g) (1) (i) Subject to the approval of the Commissioner and in
20 accordance with this subsection, the Fund may accept premiums on an installment
21 payment basis only on 12–month personal lines policies.

22 (ii) In approving the Fund’s plan for accepting premiums on an
23 installment payment basis, the Commissioner shall ensure that the Fund’s
24 installment payment plan:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 1. requires an insured's initial premium payment to be
2 no less than:

3 A. for a total annual premium of less than \$3,000, 25% of
4 the total annual premium; and

5 B. for a total annual premium of \$3,000 or more, 20% of
6 the total annual premium;

7 2. adjusts the amount of the total annual premium used
8 to determine the initial premium payment under item 1 of this subparagraph on
9 October 1 of each year using data from the U.S. Government Bureau of Labor
10 Statistics motor vehicle insurance expenditure category of the Consumer Price Index
11 for all urban consumers;

12 3. is structured and administered to ensure that the
13 Fund at no time provides insurance coverage to an insured for a period during which
14 the Fund has not received the actuarially justified premium payment;

15 4. offers no more than:

16 A. for a policy under item 1A of this subparagraph, six
17 installment payments on the 12-month policy; and

18 B. for a policy under item 1B of this subparagraph, eight
19 installment payments on the 12-month policy;

20 5. allows insureds to make an initial premium payment
21 and installment payments in any commercially acceptable form; and

22 6. allows the Fund to impose an administrative
23 processing fee on insureds participating in the installment plan of no more than \$8 per
24 installment payment.

25 (2) The Fund may not discriminate among insureds by charging
26 different premiums [based on the payment option selected by an insured] **TO**
27 **INSUREDS WHO SELECT, AS A PAYMENT OPTION, THE FUND'S INSTALLMENT**
28 **PAYMENT PLAN INSTEAD OF A PREMIUM FINANCE AGREEMENT.**

29 (3) In determining commissions paid to a fund producer, the Fund
30 may not consider whether the fund producer placed an insured in an installment
31 payment plan.

32 (4) (i) In accordance with this paragraph, written and electronic
33 communications, including the Fund's Web site, affecting the placement of coverage by
34 the Fund or a fund producer shall include a statement, on a form approved by the

1 Commissioner, advising an applicant or an insured of the payment options available to
2 the applicant or insured.

3 (ii) The statement shall state that the applicant or insured has
4 the following payment options:

- 5 1. the Fund's installment payment plan;
- 6 2. a premium finance agreement; or
- 7 3. payment of the policy in full.

8 (iii) The statement shall be included on written or electronic
9 communications at the time the applicant or insured:

- 10 1. is issued a new policy; or
- 11 2. is issued a reissuance, rewrite, or renewal of an
12 existing policy.

13 (iv) The statement shall state that the applicant or insured
14 should consult a fund producer who will fully describe the terms of each payment
15 option.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency
17 measure, is necessary for the immediate preservation of the public health or safety,
18 has been passed by a ye and nay vote supported by three-fifths of all the members
19 elected to each of the two Houses of the General Assembly, and shall take effect from
20 the date it is enacted.