

SENATE BILL 533

C4

7lr1839
CF 7lr2996

By: **Senators Benson, Currie, Lee, Madaleno, McFadden, Muse, Pinsky, Robinson, and Smith**

Introduced and read first time: February 1, 2017

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Low-Cost Automobile Insurance Program**

3 FOR the purpose of establishing a Low-Cost Automobile Insurance Program; establishing
4 the purpose of the Program; providing that the Program is part of the Maryland
5 Automobile Insurance Fund; altering the purpose of the Fund; providing for the
6 administration and development of the Program; authorizing the Program to sell,
7 issue, and deliver certain policies of automobile insurance to individuals who meet
8 certain eligibility requirements; providing that low-cost automobile insurance
9 policies issued by the Program shall provide certain minimum coverages with certain
10 exceptions and may contain other provisions under certain circumstances;
11 establishing certain limitations on policies issued by the Program; providing that a
12 low-cost policy issued by the Program shall satisfy certain minimum security
13 required by certain provisions of law; requiring the Executive Director of the
14 Maryland Automobile Insurance Fund to determine certain premiums subject to the
15 approval of the Maryland Insurance Commissioner; authorizing certain insurance
16 producers to bind certain coverage under certain circumstances; requiring certain
17 notice to applicants about the limitations under the low-cost policies; authorizing
18 the Program to reject applications for coverage under the Program and to cancel
19 low-cost policies under certain circumstances; requiring the Board of Trustees of the
20 Maryland Automobile Insurance Fund, in consultation with the Maryland Insurance
21 Administration, to adopt certain regulations; defining a certain term; and generally
22 relating to the Low-Cost Automobile Insurance Program.

23 BY repealing and reenacting, with amendments,
24 Article – Insurance
25 Section 20–301
26 Annotated Code of Maryland
27 (2011 Replacement Volume and 2016 Supplement)

28 BY adding to

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – Insurance

2 Section 20–6A–01 through 20–6A–08 to be under the new subtitle “Subtitle 6A.
3 Low–Cost Automobile Insurance Program”

4 Annotated Code of Maryland

5 (2011 Replacement Volume and 2016 Supplement)

6 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

7 That the Laws of Maryland read as follows:

8 **Article – Insurance**

9 20–301.

10 (a) The purpose of the Fund is to provide the financial security required under §
11 17–103 of the Transportation Article to:

12 **(1)** those eligible persons that are unable to obtain it from an Association
13 member; AND

14 **(2) ELIGIBLE INDIVIDUALS UNDER THE LOW–COST AUTOMOBILE**
15 **INSURANCE PROGRAM ESTABLISHED UNDER SUBTITLE 6A OF THIS TITLE.**

16 (b) Moneys of the Fund consist of revenues, premiums, and other receipts
17 provided by law.

18 (c) (1) All operating expenses of the Fund shall be paid from the moneys
19 collected by or for the Fund.

20 (2) (i) Subject to subparagraphs (ii) through (iv) of this paragraph,
21 moneys and property available to the Fund may be used for the general purposes of the
22 Fund.

23 (ii) Premiums collected and income accruing from those premiums
24 may be used only for the payment of claims arising under policies issued by the Fund and
25 for the administrative expenses of the Fund.

26 (iii) The Fund shall keep separate records of any income and
27 expenses directly attributable to the processing and payment of unsatisfied claims under
28 Subtitle 6 of this title.

29 (iv) The Fund shall keep separate records of any income and
30 expenses directly attributable to its commercial policy and claims operations.

31 **SUBTITLE 6A. LOW–COST AUTOMOBILE INSURANCE PROGRAM.**

32 **20–6A–01.**

1 IN THIS SUBTITLE, “PROGRAM” MEANS THE LOW-COST AUTOMOBILE
2 INSURANCE PROGRAM.

3 **20-6A-02.**

4 (A) THERE IS A LOW-COST AUTOMOBILE INSURANCE PROGRAM.

5 (B) THE PURPOSE OF THE PROGRAM IS TO OFFER LOW-COST AUTOMOBILE
6 INSURANCE POLICIES TO RESIDENTS OF THE STATE IN ACCORDANCE WITH THIS
7 SUBTITLE.

8 (C) (1) THE PROGRAM IS PART OF THE FUND.

9 (2) THE PROGRAM SHALL BE ADMINISTERED IN THE SAME MANNER
10 AS THE FUND.

11 (D) THE PROGRAM SHALL BE DEVELOPED IN CONSULTATION WITH THE
12 ADMINISTRATION.

13 **20-6A-03.**

14 (A) ON PAYMENT OF THE PREMIUM SET BY THE FUND, THE PROGRAM MAY
15 SELL, ISSUE, AND DELIVER A POLICY THAT PROVIDES THE SECURITY REQUIRED
16 UNDER § 17-103 OF THE TRANSPORTATION ARTICLE TO AN INDIVIDUAL WHO MEETS
17 THE REQUIREMENTS OF THIS SECTION.

18 (B) TO BE ELIGIBLE FOR A POLICY ISSUED UNDER THIS SUBTITLE, AN
19 INDIVIDUAL:

20 (1) SHALL OWN, LEASE, OR RENT A PRIMARY PLACE OF RESIDENCE IN
21 THE STATE AND RESIDE IN THE STATE FOR MORE THAN 1 YEAR;

22 (2) SHALL HAVE FILED AS A STATE RESIDENT FOR INCOME TAX
23 PURPOSES;

24 (3) SHALL BE IN A HOUSEHOLD WITH A GROSS ANNUAL HOUSEHOLD
25 INCOME THAT DOES NOT EXCEED 250% OF THE FEDERAL POVERTY LEVEL;

26 (4) SHALL BE AT LEAST 19 YEARS OF AGE AND HAVE BEEN
27 CONTINUOUSLY LICENSED TO DRIVE AN AUTOMOBILE FOR THE PREVIOUS 3 YEARS;

1 **(5) MAY NOT HAVE MORE THAN ONE OF EITHER, BUT NOT BOTH, OF**
2 **THE FOLLOWING WITHIN THE PREVIOUS 3 YEARS:**

3 **(I) A PROPERTY-DAMAGE-ONLY ACCIDENT IN WHICH THE**
4 **DRIVER WAS PRINCIPALLY AT FAULT; OR**

5 **(II) A POINT FOR A MOVING VIOLATION;**

6 **(6) MAY NOT HAVE ON RECORD WITHIN THE PREVIOUS 3 YEARS AN**
7 **AT-FAULT ACCIDENT INVOLVING BODILY INJURY OR DEATH;**

8 **(7) MAY NOT HAVE A FELONY OR MISDEMEANOR CONVICTION FOR A**
9 **VIOLATION OF THE MOTOR VEHICLE LAWS; AND**

10 **(8) MAY NOT BE A COLLEGE STUDENT CLAIMED AS A DEPENDENT OF**
11 **ANOTHER INDIVIDUAL FOR FEDERAL OR STATE INCOME TAX PURPOSES.**

12 **(C) THE ELIGIBILITY OF AN APPLICANT FOR INSURANCE FROM THE**
13 **PROGRAM SHALL BE CERTIFIED AT A TIME AND IN A MANNER APPROVED BY THE**
14 **PROGRAM.**

15 **20-6A-04.**

16 **(A) EACH LOW-COST AUTOMOBILE INSURANCE POLICY ISSUED BY THE**
17 **PROGRAM:**

18 **(1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, SHALL**
19 **CONTAIN THE MINIMUM COVERAGES REQUIRED UNDER TITLE 19, SUBTITLE 5 OF**
20 **THIS ARTICLE; AND**

21 **(2) MAY CONTAIN OTHER PROVISIONS DETERMINED BY THE**
22 **EXECUTIVE DIRECTOR AND APPROVED BY THE BOARD OF TRUSTEES AND THE**
23 **COMMISSIONER.**

24 **(B) EACH POLICY ISSUED BY THE PROGRAM MAY PROVIDE COVERAGE ONLY**
25 **FOR AN AUTOMOBILE WITH, AT THE TIME OF PURCHASE BY THE INSURED, A VALUE**
26 **OF \$10,000 OR LESS, AS EVIDENCED BY THE VALUE GIVEN TO THE AUTOMOBILE BY**
27 **THE MOTOR VEHICLE ADMINISTRATION IN ASSESSING VEHICLE LICENSE FEES.**

28 **(C) (1) EACH POLICY ISSUED BY THE PROGRAM MAY PROVIDE ONLY FOR:**

29 **(I) THE PAYMENT OF CLAIMS FOR BODILY INJURY OR DEATH**
30 **ARISING FROM AN ACCIDENT OF UP TO \$15,000 FOR ANY ONE PERSON AND UP TO**

1 **\$30,000** FOR ANY TWO OR MORE PERSONS, IN ADDITION TO INTEREST AND COSTS;
2 AND

3 (II) THE PAYMENT OF CLAIMS FOR PROPERTY OF OTHERS
4 DAMAGED OR DESTROYED IN AN ACCIDENT OF UP TO **\$7,500**, IN ADDITION TO
5 INTEREST AND COSTS.

6 (2) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE, A
7 LOW-COST POLICY ISSUED BY THE PROGRAM SHALL SATISFY THE MINIMUM
8 SECURITY REQUIRED BY § 17-103 OF THE TRANSPORTATION ARTICLE.

9 **20-6A-05.**

10 SUBJECT TO THE APPROVAL OF THE COMMISSIONER, THE EXECUTIVE
11 DIRECTOR SHALL DETERMINE THE PREMIUMS TO BE CHARGED ON POLICIES ISSUED
12 BY THE PROGRAM.

13 **20-6A-06.**

14 (A) FUND PRODUCERS MAY BIND COVERAGE IN THE FUND FOR AN
15 APPLICANT TO THE PROGRAM IF THE APPLICANT SUBMITS AN APPLICATION TO THE
16 FUND PRODUCER AND PAYS THE REQUIRED PREMIUM.

17 (B) FUND PRODUCERS SHALL PROVIDE NOTICE TO APPLICANTS FOR
18 LOW-COST POLICIES UNDER THIS SUBTITLE ABOUT THE LIMITATIONS UNDER THE
19 POLICY.

20 (C) THE BOARD OF TRUSTEES, IN CONSULTATION WITH THE
21 ADMINISTRATION, SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION.

22 **20-6A-07.**

23 (A) THE PROGRAM:

24 (1) MAY REJECT AN APPLICATION FOR LOW-COST AUTOMOBILE
25 INSURANCE IF THE APPLICANT OWES TO THE PROGRAM AN UNPAID PREMIUM ON AN
26 EXPIRED OR CANCELED POLICY;

27 (2) AT ANY TIME MAY CANCEL A POLICY FOR NONPAYMENT OF
28 PREMIUMS;

1 **(3) MAY REJECT AN APPLICATION OF INSURANCE OR AT ANY TIME**
2 **MAY CANCEL A POLICY IF IT IS FOUND THAT THE DRIVER'S LICENSE OF THE**
3 **APPLICANT OR POLICYHOLDER IS SUSPENDED OR REVOKED; OR**

4 **(4) MAY CANCEL AT ANY TIME A POLICY IF THE INSURED FAILS TO**
5 **MEET THE ELIGIBILITY REQUIREMENTS UNDER § 20-6A-03 OF THIS SUBTITLE.**

6 **(B) THE BOARD OF TRUSTEES, IN CONSULTATION WITH THE**
7 **ADMINISTRATION, SHALL ADOPT REGULATIONS THAT RELATE TO PROCEDURES FOR**
8 **CANCELLATION OF POLICIES UNDER THIS SECTION.**

9 **20-6A-08.**

10 **THE BOARD OF TRUSTEES, IN CONSULTATION WITH THE ADMINISTRATION,**
11 **SHALL ADOPT REGULATIONS TO CARRY OUT THIS SUBTITLE.**

12 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**
13 **October 1, 2017.**