

SENATE BILL 934

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CF HB 660

By: **Senators Hayes, Augustine, Carter, Griffith, Patterson, Pinsky, Rosapepe, Sydnor, and Washington**

Introduced and read first time: February 3, 2020

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Baltimore City and Prince George's County – Lifeline Low-Cost Automobile**
3 **Insurance Program**

4 FOR the purpose of establishing the Lifeline Low-Cost Automobile Insurance Program for
5 residents of Baltimore City and Prince George's County; establishing the purpose of
6 the Program; providing that the Program is part of the Maryland Automobile
7 Insurance Fund; altering the purpose of the Fund; providing for the administration
8 and development of the Program; requiring the Program, on receipt of a certain
9 premium, to sell, issue, and deliver certain policies of automobile insurance to
10 individuals who meet certain eligibility requirements; establishing certain eligibility
11 requirements; requiring that the eligibility of an applicant for certain insurance be
12 certified at a time and in a manner approved by the Program; requiring the Program
13 to determine certain methods to demonstrate eligibility to purchase a policy;
14 requiring, as soon as practicable, the Program to allow applicants to demonstrate
15 eligibility and to purchase policies online; requiring that the low-cost automobile
16 insurance policies issued by the Program provide certain minimum coverages with
17 certain exceptions; establishing certain limitations on policies issued by the
18 Program; requiring that a policy issued by the Program satisfy certain minimum
19 security required by certain provisions of law; requiring the Program to offer certain
20 applicants the option to purchase certain additional coverages; requiring the
21 Executive Director of the Fund to determine certain premiums subject to the
22 approval of the Maryland Insurance Commissioner; requiring that rates charged for
23 certain policies be adequate to cover certain losses and expenses; requiring the
24 Commissioner to allow only certain loss reserves; allowing the Program to charge
25 different premiums under certain circumstances; requiring the Program to file
26 certain rates annually with the Commissioner; prohibiting the Program from using
27 certain rates until the Commissioner approves the rates; requiring the
28 Commissioner to hold a certain hearing before taking a certain action; specifying the
29 terms of a policy, including accepting premiums in a certain manner; authorizing the
30 Program to offer a certain alternative payment plan and impose a certain

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 administrative processing fee; requiring a certain administrative processing fee to
 2 be approved by the Commissioner and justified in a certain manner; requiring the
 3 Program to accept payments for premiums in certain manners; requiring a certain
 4 fee associated with a payment method to be included in a certain maximum
 5 administrative processing fee; prohibiting policies from being premium-financed;
 6 authorizing certain insurance producers to bind certain coverage under certain
 7 circumstances; requiring certain insurance producers to provide certain notice to
 8 applicants about the limitations under the policies; authorizing the Program to reject
 9 applications for coverage under the Program under certain circumstances, to cancel
 10 a policy for a certain reason after certain notice, and to nonrenew policies under
 11 certain circumstances; requiring the Program to provide an applicant certain notice
 12 and allow the applicant to cure a certain deficiency under certain circumstances;
 13 prohibiting the Program from rejecting a certain applicant under certain
 14 circumstances; requiring certain insurers to pay a certain annual fee to support
 15 certain Program public awareness efforts; requiring certain committees of the
 16 General Assembly to review annually certain expenditures for public awareness;
 17 requiring the Board of Trustees of the Maryland Automobile Insurance Fund, in
 18 consultation with the Maryland Insurance Administration, to adopt certain
 19 regulations; defining certain terms; and generally relating to the Lifeline Low-Cost
 20 Automobile Insurance Program for residents of Baltimore City and Prince George's
 21 County.

22 BY repealing and reenacting, with amendments,
 23 Article – Insurance
 24 Section 20–301
 25 Annotated Code of Maryland
 26 (2017 Replacement Volume and 2019 Supplement)

27 BY adding to
 28 Article – Insurance
 29 Section 20–6A–01 through 20–6A–10 to be under the new subtitle “Subtitle 6A.
 30 Lifeline Low-Cost Automobile Insurance Program”
 31 Annotated Code of Maryland
 32 (2017 Replacement Volume and 2019 Supplement)

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

35 **Article – Insurance**

36 20–301.

37 (a) The purpose of the Fund is to provide the financial security required under §
 38 17–103 of the Transportation Article to:

39 (1) those eligible persons that are unable to obtain it from an Association
 40 member; AND

1 **(2) ELIGIBLE INDIVIDUALS UNDER THE LIFELINE LOW-COST**
2 **AUTOMOBILE INSURANCE PROGRAM ESTABLISHED UNDER SUBTITLE 6A OF THIS**
3 **TITLE.**

4 (b) Money of the Fund consists of revenues, premiums, and other receipts
5 provided by law.

6 (c) (1) All operating expenses of the Fund shall be paid from the money
7 collected by or for the Fund.

8 (2) (i) Subject to subparagraphs (ii) through (iv) of this paragraph,
9 money and property available to the Fund may be used for the general purposes of the
10 Fund.

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

14 (iii) The Fund shall keep separate records of any income and
15 expenses directly attributable to the Uninsured Division, including the processing and
16 payment of unsatisfied claims under Subtitle 6 of this title.

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

19 **SUBTITLE 6A. LIFELINE LOW-COST AUTOMOBILE INSURANCE PROGRAM.**

20 **20-6A-01.**

21 **(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**
22 **INDICATED.**

23 **(B) "POLICY" MEANS A LOW-COST AUTOMOBILE INSURANCE POLICY**
24 **ISSUED UNDER THIS SUBTITLE BY THE PROGRAM.**

25 **(C) "PROGRAM" MEANS THE LIFELINE LOW-COST AUTOMOBILE**
26 **INSURANCE PROGRAM.**

27 **20-6A-02.**

28 **(A) THERE IS A LIFELINE LOW-COST AUTOMOBILE INSURANCE PROGRAM.**

29 **(B) THE PURPOSE OF THE PROGRAM IS TO OFFER LOW-COST AUTOMOBILE**
30 **INSURANCE POLICIES TO RESIDENTS OF BALTIMORE CITY AND PRINCE GEORGE'S**

1 COUNTY IN ACCORDANCE WITH THIS SUBTITLE.

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

3 (2) THE PROGRAM SHALL BE ADMINISTERED IN THE SAME MANNER
4 AS THE FUND.

5 (D) THE PROGRAM SHALL BE DEVELOPED IN CONSULTATION WITH THE
6 ADMINISTRATION.

7 20-6A-03.

8 (A) ON RECEIPT OF THE PREMIUM SET BY THE FUND, THE PROGRAM SHALL
9 SELL, ISSUE, AND DELIVER A POLICY THAT PROVIDES THE SECURITY REQUIRED
10 UNDER § 17-103 OF THE TRANSPORTATION ARTICLE TO AN INDIVIDUAL WHO MEETS
11 THE REQUIREMENTS OF THIS SECTION.

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

14 (1) MUST OWN, LEASE, OR RENT A PRIMARY PLACE OF RESIDENCE IN
15 BALTIMORE CITY OR PRINCE GEORGE'S COUNTY, OR OTHERWISE DEMONSTRATE
16 THAT THE INDIVIDUAL'S PRIMARY PLACE OF RESIDENCE IS IN BALTIMORE CITY OR
17 PRINCE GEORGE'S COUNTY;

18 (2) MUST HAVE FILED AS A STATE RESIDENT FOR INCOME TAX
19 PURPOSES, IF REQUIRED BY LAW;

20 (3) MUST BE IN A HOUSEHOLD WITH A GROSS ANNUAL HOUSEHOLD
21 INCOME THAT DOES NOT EXCEED 300% OF THE FEDERAL POVERTY LEVEL;

22 (4) MUST BE AT LEAST 19 YEARS OLD AND HAVE BEEN CONTINUOUSLY
23 LICENSED TO DRIVE AN AUTOMOBILE FOR THE IMMEDIATELY PRECEDING 3 YEARS;

24 (5) MAY NOT HAVE MORE THAN ONE OF EITHER, BUT NOT BOTH, OF
25 THE FOLLOWING WITHIN THE IMMEDIATELY PRECEDING 3 YEARS:

26 (I) A PROPERTY-DAMAGE-ONLY ACCIDENT IN WHICH THE
27 DRIVER WAS PRINCIPALLY AT FAULT; OR

28 (II) A POINT FOR A MOVING VIOLATION;

29 (6) MAY NOT HAVE ON RECORD WITHIN THE IMMEDIATELY

1 PRECEDING 3 YEARS AN AT-FAULT ACCIDENT INVOLVING BODILY INJURY OR
2 DEATH; AND

3 (7) MAY NOT HAVE A FELONY OR MISDEMEANOR CONVICTION FOR A
4 VIOLATION OF THE MOTOR VEHICLE LAWS OTHER THAN FOR A VIOLATION OF §
5 17-107 OF THE TRANSPORTATION ARTICLE.

6 (C) (1) THE ELIGIBILITY OF AN APPLICANT FOR INSURANCE FROM THE
7 PROGRAM SHALL BE CERTIFIED AT A TIME AND IN A MANNER APPROVED BY THE
8 PROGRAM.

9 (2) (I) IN ESTABLISHING ACCEPTABLE METHODS THAT
10 DEMONSTRATE THE ELIGIBILITY OF INDIVIDUALS UNDER SUBSECTION (B)(3) OF
11 THIS SECTION, THE PROGRAM SHALL DETERMINE METHODS THAT ARE THE LEAST
12 CUMBERSOME METHODS AVAILABLE.

13 (II) TO BE ELIGIBLE TO RENEW A POLICY ISSUED UNDER THIS
14 SUBTITLE, AN INDIVIDUAL SHALL DEMONSTRATE ELIGIBILITY UNDER SUBSECTION
15 (B)(3) OF THIS SECTION AT LEAST ONCE EVERY 3 YEARS.

16 (D) AS SOON AS PRACTICABLE, THE PROGRAM SHALL ALLOW AN APPLICANT
17 TO DEMONSTRATE ELIGIBILITY FOR THE PROGRAM AND PURCHASE A POLICY
18 ISSUED BY THE PROGRAM ONLINE.

19 20-6A-04.

20 (A) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, EACH POLICY
21 ISSUED BY THE PROGRAM SHALL CONTAIN THE MINIMUM COVERAGES REQUIRED
22 UNDER TITLE 19, SUBTITLE 5 OF THIS ARTICLE.

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

27 (C) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, EACH
28 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
31 \$30,000 FOR ANY TWO OR MORE PERSONS, IN ADDITION TO INTEREST AND COSTS;
32 AND

33 (II) THE PAYMENT OF CLAIMS FOR PROPERTY OF OTHERS

1 DAMAGED OR DESTROYED IN AN ACCIDENT OF UP TO \$7,500 IN ADDITION TO
2 INTEREST AND COSTS.

3 (2) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE, A
4 POLICY ISSUED BY THE PROGRAM SHALL SATISFY THE MINIMUM SECURITY
5 REQUIRED BY § 17-103 OF THE TRANSPORTATION ARTICLE.

6 (D) THE PROGRAM SHALL OFFER AN APPLICANT WHO PURCHASES A POLICY
7 ISSUED BY THE PROGRAM THE OPTION TO PURCHASE THE FOLLOWING ADDITIONAL
8 COVERAGES:

9 (1) UNINSURED MOTORIST COVERAGE OR UNDERINSURED MOTORIST
10 COVERAGE;

11 (2) PERSONAL INJURY PROTECTION COVERAGE; OR

12 (3) ANY OTHER COVERAGE APPROVED BY THE COMMISSIONER.

13 20-6A-05.

14 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
15 INDICATED.

16 (2) "LOSSES INCURRED" MEANS CLAIMS PAID, CLAIMS INCURRED
17 AND REPORTED, AND CLAIMS INCURRED BUT NOT YET REPORTED.

18 (3) "PREMIUM" MEANS THE ACTUAL AMOUNT CHARGED FOR A
19 POLICY ISSUED BY THE PROGRAM.

20 (4) "RATE" MEANS THE AVERAGE PREMIUM REQUIRED FOR EACH
21 INSURANCE COVERAGE UNDER A POLICY ISSUED BY THE PROGRAM.

22 (B) SUBJECT TO THE APPROVAL OF THE COMMISSIONER, THE EXECUTIVE
23 DIRECTOR SHALL DETERMINE THE PREMIUMS TO BE CHARGED ON POLICIES ISSUED
24 BY THE PROGRAM.

25 (C) (1) RATES CHARGED FOR POLICIES ISSUED BY THE PROGRAM SHALL
26 BE ADEQUATE TO COVER:

27 (I) LOSSES INCURRED FOR CLAIMS FILED UNDER THE POLICY;
28 AND

29 (II) PROGRAM EXPENSES INCURRED BY THE PROGRAM TO

1 PROVIDE THE POLICY, INCLUDING ALL REASONABLE AND NECESSARY EXPENSES
2 FOR THE COSTS OF ADMINISTRATION, UNDERWRITING, TAXES, COMMISSION, AND
3 CLAIMS ADJUSTING.

4 (2) IN ASSESSING LOSS RESERVES, THE COMMISSIONER SHALL
5 ALLOW ONLY LOSS RESERVES THAT ARE ESTIMATED FROM ACTUAL CLAIM LOSSES
6 UNDER POLICIES ISSUED BY THE PROGRAM OR COMPARABLE DATA BY A LICENSED
7 STATISTICAL AGENT, AS ADJUSTED TO REFLECT COVERAGE PROVIDED UNDER
8 POLICIES ISSUED BY THE PROGRAM AND ELIGIBILITY FACTORS REQUIRED TO
9 PURCHASE POLICIES ISSUED BY THE PROGRAM.

10 (D) (1) IN DETERMINING THE PREMIUMS FOR POLICIES ISSUED BY THE
11 PROGRAM, THE PROGRAM MAY CHARGE A DIFFERENT PREMIUM TO
12 POLICYHOLDERS FOR DRIVERS UNDER THE AGE OF 25 YEARS THAN IS CHARGED TO
13 POLICYHOLDERS FOR DRIVERS AT LEAST 25 YEARS OLD, EXCEPT THAT THE
14 PREMIUM CHARGED FOR DRIVERS UNDER THE AGE OF 25 YEARS MAY NOT BE MORE
15 THAN 25% HIGHER THAN THE PREMIUM CHARGED FOR DRIVERS AT LEAST 25 YEARS
16 OLD.

17 (2) NO OTHER RATING FACTORS MAY BE USED TO DETERMINE THE
18 PREMIUMS OF POLICIES ISSUED BY THE PROGRAM.

19 (E) (1) THE PROGRAM SHALL FILE PROPOSED RATES ANNUALLY WITH
20 THE COMMISSIONER.

21 (2) THE PROGRAM MAY NOT USE THE PROPOSED RATES UNTIL THE
22 COMMISSIONER APPROVES THE RATES.

23 (3) BEFORE TAKING ACTION ON THE PROPOSED RATES FILED UNDER
24 PARAGRAPH (1) OF THIS SUBSECTION, THE COMMISSIONER SHALL HOLD A PUBLIC
25 HEARING TO REVIEW THE PROPOSED RATES.

26 20-6A-06.

27 (A) A POLICY ISSUED BY THE PROGRAM SHALL BE A 12-MONTH POLICY.

28 (B) THE PROGRAM MAY ACCEPT PREMIUMS:

29 (1) AS PAID IN FULL; OR

30 (2) SUBJECT TO SUBSECTION (C) OF THIS SECTION, ON AN
31 INSTALLMENT BASIS.

1 **(C) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,**
2 **THE PROGRAM SHALL OFFER AN INSTALLMENT PAYMENT PLAN THAT REQUIRES:**

3 **(I) AN INITIAL PREMIUM PAYMENT TO BE NOT LESS THAN 16%**
4 **OF THE TOTAL ANNUAL PREMIUM; AND**

5 **(II) OF THE REMAINING PREMIUM DUE, EQUAL AMOUNTS OF**
6 **INSTALLMENT PAYMENTS DUE EACH MONTH BEGINNING IN THE THIRD MONTH OF**
7 **THE POLICY PERIOD AND ENDING IN THE TENTH MONTH OF THE POLICY PERIOD.**

8 **(2) THE PROGRAM MAY OFFER AN ALTERNATIVE PAYMENT PLAN TO**
9 **THE PAYMENT PLAN SPECIFIED UNDER PARAGRAPH (1) OF THIS SUBSECTION AS**
10 **THE PROGRAM DETERMINES APPROPRIATE.**

11 **(D) (1) (I) THE PROGRAM MAY IMPOSE AN ADMINISTRATIVE**
12 **PROCESSING FEE ON POLICYHOLDERS PARTICIPATING IN AN INSTALLMENT PLAN**
13 **OF NOT MORE THAN \$3 PER INSTALLMENT PAYMENT.**

14 **(II) AN ADMINISTRATIVE PROCESSING FEE MAY NOT BE**
15 **CHARGED ON AN INITIAL PREMIUM PAYMENT.**

16 **(2) SUBJECT TO THE APPROVAL OF THE COMMISSIONER, THE**
17 **ADMINISTRATIVE PROCESSING FEE SHALL BE JUSTIFIED BASED ON ACTUAL COSTS**
18 **RELATED TO COLLECTING INSTALLMENT PAYMENTS.**

19 **(E) (1) IN ACCORDANCE WITH PARAGRAPH (2) OF THIS SUBSECTION, THE**
20 **PROGRAM SHALL ACCEPT PAYMENTS FOR PREMIUMS USING THE FOLLOWING**
21 **METHODS:**

22 **(I) CASH;**

23 **(II) CHECK;**

24 **(III) MONEY ORDER;**

25 **(IV) DEBIT CARD;**

26 **(V) CREDIT CARD;**

27 **(VI) PRODUCER SWEEP ACCOUNT; AND**

28 **(VII) ANY OTHER METHOD THE PROGRAM DETERMINES**
29 **APPROPRIATE.**

1 **(2) ANY FEE ASSOCIATED WITH A PAYMENT METHOD SHALL BE**
2 **INCLUDED IN THE MAXIMUM ADMINISTRATIVE PROCESSING FEE ALLOWABLE**
3 **UNDER SUBSECTION (D) OF THIS SECTION.**

4 **(F) POLICIES ISSUED BY THE PROGRAM MAY NOT BE FINANCED UNDER A**
5 **PREMIUM FINANCE AGREEMENT.**

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

7 **(A) A FUND PRODUCER MAY BIND COVERAGE IN THE FUND FOR AN**
8 **APPLICANT TO THE PROGRAM IF THE APPLICANT SUBMITS AN APPLICATION TO THE**
9 **FUND PRODUCER AND PAYS THE REQUIRED PREMIUM.**

10 **(B) A FUND PRODUCER SHALL PROVIDE NOTICE TO AN APPLICANT FOR A**
11 **POLICY UNDER THIS SUBTITLE ABOUT THE LIMITATIONS UNDER THE POLICY.**

12 **20-6A-08.**

13 **(A) THE PROGRAM MAY:**

14 **(1) SUBJECT TO SUBSECTION (B) OF THIS SECTION, REJECT AN**
15 **APPLICATION FOR INSURANCE IF THE APPLICANT OWES TO THE PROGRAM AN**
16 **UNPAID PREMIUM ON AN EXPIRED OR CANCELED POLICY;**

17 **(2) CANCEL A POLICY FOR NONPAYMENT OF PREMIUM AT ANY TIME**
18 **AFTER A MINIMUM OF 10 CALENDAR DAYS' NOTICE OF NONPAYMENT;**

19 **(3) REJECT AN APPLICATION FOR INSURANCE OR AT ANY TIME**
20 **CANCEL A POLICY IF THE DRIVER'S LICENSE OF THE APPLICANT OR POLICYHOLDER**
21 **IS SUSPENDED OR REVOKED; AND**

22 **(4) NONRENEW A POLICY IF THE INSURED FAILS TO MEET THE**
23 **ELIGIBILITY REQUIREMENTS UNDER § 20-6A-03 OF THIS SUBTITLE.**

24 **(B) (1) IF THE PROGRAM REJECTS AN APPLICATION UNDER SUBSECTION**
25 **(A)(1) OF THIS SECTION, THE PROGRAM SHALL:**

26 **(I) NOTIFY THE APPLICANT OF THE AMOUNT OF THE UNPAID**
27 **PREMIUM; AND**

28 **(II) ALLOW THE APPLICANT TO CURE THE DEFICIENCY.**

1 **(2) IF THE APPLICANT CURES THE DEFICIENCY, THE PROGRAM MAY**
2 **NOT REJECT THE APPLICANT IF THE APPLICANT IS OTHERWISE ELIGIBLE.**

3 **20-6A-09.**

4 **(A) ALL INSURERS LICENSED TO WRITE MOTOR VEHICLE LIABILITY**
5 **INSURANCE OR MOTOR VEHICLE PHYSICAL DAMAGE INSURANCE IN THE STATE**
6 **SHALL PAY AN ANNUAL FEE OF \$0.10 PER VEHICLE INSURED BY THE INSURER TO**
7 **SUPPORT THE PROGRAM'S MARKETING, OUTREACH, AND OTHER PUBLIC**
8 **EDUCATION EFFORTS REQUIRED TO RAISE PUBLIC AWARENESS OF THE PROGRAM.**

9 **(B) THE HOUSE ECONOMIC MATTERS COMMITTEE AND THE SENATE**
10 **FINANCE COMMITTEE SHALL REVIEW ANNUALLY THE PUBLIC AWARENESS**
11 **EXPENDITURES INCURRED BY THE PROGRAM UNDER SUBSECTION (A) OF THIS**
12 **SECTION.**

13 **20-6A-10.**

14 **THE BOARD OF TRUSTEES, IN CONSULTATION WITH THE ADMINISTRATION,**
15 **SHALL ADOPT REGULATIONS TO CARRY OUT THIS SUBTITLE, INCLUDING**
16 **REGULATIONS THAT RELATE TO PROCEDURES FOR THE CANCELLATION AND**
17 **NONRENEWAL OF POLICIES ISSUED UNDER THIS SUBTITLE.**

18 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**
19 **October 1, 2020.**