

SENATE BILL 171

C4
SB 301/22 – FIN

3lr1667
CF HB 128

By: **Senators Feldman and Klausmeier**
Introduced and read first time: January 20, 2023
Assigned to: Finance

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 26, 2023

CHAPTER _____

1 AN ACT concerning

2 **Private Passenger Motor Vehicle Liability Insurance – Enhanced Underinsured**
3 **Motorist Coverage – Opt-Out Option**

4 FOR the purpose of converting enhanced underinsured motorist coverage from an opt-in
5 offering of coverage into an opt-out coverage option under certain provisions of law
6 establishing requirements for private passenger motor vehicle liability insurance;
7 and generally relating to private passenger motor vehicle liability insurance.

8 BY repealing and reenacting, without amendments,
9 Article – Insurance
10 Section 19–509(a) and (c), 19–510(b), 19–511(b), and 19–511.1(b)
11 Annotated Code of Maryland
12 (2017 Replacement Volume and 2022 Supplement)

13 BY repealing and reenacting, with amendments,
14 Article – Insurance
15 Section 19–509(b), 19–509.1, 19–510(a), 19–511(a), and 19–511.1(a)
16 Annotated Code of Maryland
17 (2017 Replacement Volume and 2022 Supplement)

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

20 **Article – Insurance**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 19-509.

2 (a) In this section, “uninsured motor vehicle” means a motor vehicle:

3 (1) the ownership, maintenance, or use of which has resulted in the bodily
4 injury or death of an insured; and

5 (2) for which the sum of the limits of liability under all valid and collectible
6 liability insurance policies, bonds, and securities applicable to bodily injury or death:

7 (i) is less than the amount of coverage provided under this section;
8 or

9 (ii) has been reduced by payment to other persons of claims arising
10 from the same occurrence to an amount less than the amount of coverage provided under
11 this section.

12 (b) The uninsured motorist coverage required by this section does not apply to a
13 motor vehicle liability insurance policy:

14 (1) that insures a motor vehicle that:

15 (i) is not subject to registration under § 13-402 of the
16 Transportation Article because it is not driven on a highway; or

17 (ii) is exempt from registration under § 13-402(c)(10) of the
18 Transportation Article; or

19 (2) if the first named insured under a policy or binder of private passenger
20 motor vehicle liability insurance has ~~elect to obtain~~ **NOT WAIVED AND THEREFORE**
21 **MAINTAINS** enhanced underinsured motorist coverage under § 19-509.1 of this subtitle
22 [instead of the uninsured motorist coverage required under this section].

23 (c) In addition to any other coverage required by this subtitle, each motor vehicle
24 liability insurance policy issued, sold, or delivered in the State after July 1, 1975, shall
25 contain coverage for damages, subject to the policy limits, that:

26 (1) the insured is entitled to recover from the owner or operator of an
27 uninsured motor vehicle because of bodily injuries sustained in a motor vehicle accident
28 arising out of the ownership, maintenance, or use of the uninsured motor vehicle;

29 (2) the insured is entitled to recover from the owner or operator of an
30 uninsured motor vehicle because of property damage, including loss of use of the insured
31 vehicle; and

32 (3) a surviving relative of the insured, who is described in § 3-904 of the
33 Courts Article, is entitled to recover from the owner or operator of an uninsured motor

1 vehicle because the insured died as the result of a motor vehicle accident arising out of the
2 ownership, maintenance, or use of the uninsured motor vehicle.

3 19-509.1.

4 (a) In this section, “underinsured motor vehicle” means a motor vehicle that has
5 liability coverage in an amount less than, more than, or equal to the uninsured motorist
6 coverage provided under the insured party’s motor vehicle liability insurance policy.

7 (b) The enhanced underinsured motorist coverage required by this section does
8 not apply to a motor vehicle liability insurance policy:

9 (1) that insures a motor vehicle that:

10 (i) is not subject to registration under § 13-402 of the
11 Transportation Article because it is not driven on a highway; or

12 (ii) is exempt from registration under § 13-402(c)(10) of the
13 Transportation Article; ~~or~~

14 (2) [when] **IF** a first named insured under a **NEW** policy or binder of private
15 passenger motor vehicle liability insurance **ISSUED ON OR AFTER JULY 1, 2024**, has [not
16 elected to obtain] **WAIVED** enhanced underinsured motorist coverage under this section
17 [instead of the uninsured motorist coverage required under § 19-509 of this subtitle]; **OR**

18 **(3) IF A FIRST NAMED INSURED ON A RENEWAL POLICY ISSUED**
19 **BEFORE JULY 1, 2024, HAS NOT ELECTED TO OBTAIN ENHANCED UNDERINSURED**
20 **MOTORIST COVERAGE UNDER THIS SECTION.**

21 (c) (1) [An] **UNLESS WAIVED IN ACCORDANCE WITH THIS SUBSECTION,**
22 **AN** insurer shall [offer] **PROVIDE** enhanced underinsured motorist coverage ~~at~~ the time
23 of purchase of a private passenger motor vehicle liability insurance policy~~].~~

24 (2) **(I)** The first named insured under a policy or binder of private
25 passenger motor vehicle liability insurance may elect to [obtain] **WAIVE** enhanced
26 underinsured motorist coverage **AND** instead [of the] **MAINTAIN** uninsured motorist
27 coverage required under § 19-509 of this subtitle.

28 **(II) IF THE FIRST NAMED INSURED DOES NOT WISH TO OBTAIN**
29 **THE ENHANCED UNDERINSURED MOTORIST COVERAGE UNDER THIS SECTION, THE**
30 **FIRST NAMED INSURED SHALL MAKE AN AFFIRMATIVE WRITTEN STATEMENT**
31 **WAIVING THE COVERAGE.**

32 **(III) A WAIVER MADE UNDER THIS SUBSECTION IS NOT**
33 **EFFECTIVE UNLESS, BEFORE THE WAIVER, THE INSURER GIVES THE FIRST NAMED**

1 INSURED WRITTEN NOTICE OF THE NATURE, EXTENT, BENEFIT, AND COST OF THE
2 LEVEL OF THE ENHANCED UNDERINSURED MOTORIST COVERAGE BEING WAIVED.

3 (IV) 1. A WAIVER MADE UNDER THIS SUBSECTION SHALL BE
4 MADE ON THE FORM THAT THE COMMISSIONER REQUIRES.

5 2. THE FORM MAY BE PART OF THE INSURANCE
6 CONTRACT.

7 3. THE FORM SHALL CLEARLY AND CONCISELY EXPLAIN
8 IN AT LEAST ~~10~~ 14 POINT BOLDFACE TYPE:

9 A. THE NATURE, EXTENT, BENEFIT, AND COST OF THE
10 LEVEL OF THE ENHANCED UNDERINSURED MOTORIST COVERAGE THAT WOULD BE
11 PROVIDED UNDER THE POLICY IF NOT WAIVED BY THE FIRST NAMED INSURED;

12 B. THAT A FAILURE OF THE FIRST NAMED INSURED TO
13 MAKE A WAIVER REQUIRES THE INSURER TO PROVIDE ENHANCED UNDERINSURED
14 MOTORIST COVERAGE;

15 C. THAT THE INSURER MAY NOT REFUSE TO
16 UNDERWRITE A PERSON BECAUSE THE PERSON REFUSES TO WAIVE THE ENHANCED
17 UNDERINSURED MOTORIST COVERAGE UNDER THIS SUBSECTION; AND

18 D. THAT A WAIVER MADE UNDER THIS SUBSECTION MUST
19 BE AN AFFIRMATIVE WRITTEN WAIVER.

20 (V) IF THE FIRST NAMED INSURED DOES NOT MAKE AN
21 AFFIRMATIVE WRITTEN STATEMENT WAIVING THE ENHANCED UNDERINSURED
22 MOTORIST COVERAGE, THE INSURER SHALL PROVIDE THE COVERAGE UNDER THIS
23 SECTION.

24 (3) Unless the first named insured affirmatively makes a change in
25 writing, the election to [obtain] WAIVE enhanced underinsured motorist coverage applies
26 to all subsequent renewals of coverage and to all other policies or endorsements that extend,
27 change, supersede, or replace an existing private passenger motor vehicle insurance policy
28 issued to the first named insured.

29 (d) In addition to any other coverage required by this subtitle, each private
30 passenger motor vehicle liability insurance policy issued, sold, or delivered in the State on
31 or after July 1, [2018] **2024**, to an insured that [elects to obtain] MAINTAINS enhanced
32 underinsured motorist coverage instead of the uninsured motorist coverage required under
33 § 19–509 of this subtitle shall contain coverage for damages, subject to the policy limits,
34 that:

1 (1) the insured is entitled to recover from the owner or operator of an
2 underinsured motor vehicle because of bodily injuries sustained in a motor vehicle accident
3 arising out of the ownership, maintenance, or use of the underinsured motor vehicle;

4 (2) the insured is entitled to recover from the owner or operator of an
5 underinsured motor vehicle because of property damage, including loss of use of the insured
6 vehicle; and

7 (3) a surviving relative of the insured, who is described in § 3-904 of the
8 Courts Article, is entitled to recover from the owner or operator of an underinsured motor
9 vehicle because the insured died as the result of a motor vehicle accident arising out of the
10 ownership, maintenance, or use of the underinsured motor vehicle.

11 (e) The [offer of] enhanced underinsured motorist coverage required by this
12 section shall be on the form that the Commissioner requires.

13 (f) (1) The enhanced underinsured motorist coverage contained in a private
14 passenger motor vehicle liability insurance policy:

15 (i) shall at least equal:

16 1. the amounts required by Title 17 of the Transportation
17 Article for bodily injury and property damage, including loss of use of the insured vehicle;
18 and

19 2. the coverage provided to a qualified person under Title 20,
20 Subtitle 6 of this article; and

21 (ii) may not exceed the amount of liability coverage provided under
22 the policy.

23 (2) The amount of enhanced underinsured motorist coverage provided
24 under a private passenger motor vehicle liability insurance policy shall equal the amount
25 of liability coverage provided under the policy.

26 (g) An insurer may exclude from the enhanced underinsured motorist coverage
27 required by this section benefits for:

28 (1) the named insured or a family member of the named insured who
29 resides in the named insured's household for an injury that occurs when the named insured
30 or family member is occupying or is struck as a pedestrian by an underinsured motor
31 vehicle that is owned by the named insured or an immediate family member of the named
32 insured who resides in the named insured's household; and

33 (2) the named insured, a family member of the named insured who resides
34 in the named insured's household, and any other individual who has other applicable motor
35 vehicle insurance for an injury that occurs when the named insured, family member, or

1 other individual is occupying or is struck as a pedestrian by the insured motor vehicle while
2 the motor vehicle is operated or used by an individual who is excluded from coverage under
3 § 27–609 of this article.

4 (h) The limit of liability for an insurer that provides enhanced underinsured
5 motorist coverage under this section:

6 (1) is subject to § 19–511.1 of this subtitle; and

7 (2) is the amount of that coverage without any reduction for the amount
8 paid to the insured, that exhausts any applicable liability insurance policies, bonds, and
9 securities, on behalf of any person that may be held liable for the bodily injuries or death
10 of the insured.

11 (i) (1) A policy that, as its primary purpose, provides coverage in excess of
12 other valid and collectible insurance or qualified self–insurance may include the enhanced
13 underinsured motorist coverage provided for in this section.

14 (2) The enhanced underinsured motorist coverage required by this section
15 is primary to any right to recovery from the Maryland Automobile Insurance Fund under
16 Title 20, Subtitle 6 of this article.

17 (j) An endorsement or a provision that protects the insured against damages
18 caused by an underinsured motor vehicle that is contained in a policy issued and delivered
19 in the State is deemed to cover damages caused by a motor vehicle insured by a liability
20 insurer that is insolvent or otherwise unable to pay claims to the same extent and in the
21 same manner as if the damages were caused by an underinsured motor vehicle.

22 (k) A provision in a private passenger motor vehicle liability insurance policy
23 issued on or after July 1, 2018, about coverage for damages sustained by the insured as a
24 result of the operation of an underinsured motor vehicle that requires a dispute between
25 the insured and the insurer to be submitted to binding arbitration is prohibited and is of
26 no legal effect.

27 19–510.

28 (a) This section applies only when:

29 (1) the liability coverage under a policy or binder of private passenger
30 motor vehicle liability insurance exceeds the amount required under § 17–103 of the
31 Transportation Article; and

32 (2) the first named insured under a policy or binder of private passenger
33 motor vehicle liability insurance has ~~[not elected to obtain] WAIVED enhanced~~
34 ~~underinsured motorist coverage under § 19–509.1 of this subtitle AND instead [of the]~~
35 ~~MAINTAINS uninsured motorist coverage required under § 19–509 of this subtitle~~
36 UNINSURED MOTORIST COVERAGE REQUIRED UNDER § 19–509 OF THIS SUBTITLE

1 AND HAS NOT OBTAINED ENHANCED UNDERINSURED MOTORIST COVERAGE UNDER
2 § 19-509.1 OF THIS SUBTITLE.

3 (b) (1) If the first named insured under a policy or binder of private passenger
4 motor vehicle liability insurance does not wish to obtain uninsured motorist coverage in the
5 same amount as the liability coverage provided under the policy or binder, the first named
6 insured shall make an affirmative written waiver of having uninsured motorist coverage in
7 the same amount as the liability coverage.

8 (2) If the first named insured does not make an affirmative written waiver
9 under this section, the insurer shall provide uninsured motorist coverage in an amount
10 equal to the amount of the liability coverage provided under the policy or binder.

11 19-511.

12 (a) This section ~~[does not apply]~~ ~~APPLIES ONLY~~ when the first named insured
13 under a policy or binder of private passenger motor vehicle liability insurance has [elected
14 to obtain] ~~WAIVED~~ enhanced underinsured motorist coverage under § 19-509.1 of this
15 subtitle ~~AND~~ instead ~~[of the]~~ ~~MAINTAINS~~ uninsured motorist coverage required under §
16 19-509 of this subtitle.

17 (b) If an injured person receives a written offer from a motor vehicle insurance
18 liability insurer or that insurer's authorized agent to settle a claim for bodily injury or
19 death, and the amount of the settlement offer, in combination with any other settlements
20 arising out of the same occurrence, would exhaust the bodily injury or death limits of the
21 applicable liability insurance policies, bonds, and securities, the injured person shall send
22 by certified mail, to any insurer that provides uninsured motorist coverage for the bodily
23 injury or death, a copy of the liability insurer's written settlement offer.

24 19-511.1.

25 (a) This section applies only when the first named insured under a policy or
26 binder of private passenger motor vehicle liability insurance has [elected to obtain] ~~NOT~~
27 ~~WAIVED AND THEREFORE MAINTAINS~~ enhanced underinsured motorist coverage under
28 § 19-509.1 of this subtitle ~~[instead of the uninsured motorist coverage required under §~~
29 ~~19-509 of this subtitle]~~.

30 (b) If an injured person receives a written offer from a motor vehicle liability
31 insurer or that insurer's authorized agent to settle a claim for bodily injury or death, and
32 the amount of the settlement offer, in combination with any other settlements arising out
33 of the same occurrence, would exhaust the bodily injury or death limits of the applicable
34 liability insurance policies, bonds, and securities, the injured person shall send by certified
35 mail, to any insurer that provides enhanced underinsured motorist coverage for the bodily
36 injury or death, a copy of the liability insurer's written settlement offer.

37 SECTION 2. AND BE IT FURTHER ENACTED, That:

1 (a) The Maryland Insurance Administration shall conduct a study on the impact
2 of converting enhanced underinsured motorist coverage under private passenger motor
3 vehicle liability insurance from an opt-in coverage option to an opt-out coverage option.

4 (b) The study shall include:

5 (1) a comparison of the rate of selection of enhanced underinsured motorist
6 coverage before and after the implementation of this Act;

7 (2) an analysis of the impact on premiums from enhanced underinsured
8 motorist coverage being offered as a default selection for coverage, including the
9 identification and analysis of any factors contributing to any observed impact on premiums
10 relating to the offering of enhanced underinsured motorist coverage as a default selection
11 for coverage;

12 (3) to the extent information is available, an analysis of the impact of the
13 offering of enhanced underinsured motorist coverage as a default option on compensation
14 for damages resulting from motor vehicle accidents, including the impact on out-of-pocket
15 costs incurred by insureds for damages exceeding policy limits;

16 (4) a review of notice and waiver procedures relating to the offering of
17 enhanced underinsured motorist coverage as a default coverage option to:

18 (i) assess whether consumers are aware of the uninsured motorist
19 and enhanced underinsured motorist coverage options and able to make an informed
20 selection from the description of the coverage options and the per vehicle premium
21 associated with each option; and

22 (ii) make recommendations regarding any changes to notice and
23 coverage selection procedures to improve consumer awareness and informed decision
24 making regarding uninsured motorist and enhanced underinsured motorist coverage; and

25 (5) any other relevant matters relating to the offering of uninsured
26 motorist and enhanced underinsured motorist coverage by private passenger motor vehicle
27 liability insurers.

28 (c) (1) On or before December 31, 2026, the Maryland Insurance
29 Administration shall submit an interim report to the Governor and, in accordance with §
30 2-1257 of the State Government Article, the Senate Finance Committee and the House
31 Economic Matters Committee that includes any initial findings and recommendations from
32 the study required under this section.

33 (2) On or before December 31, 2028, the Maryland Insurance
34 Administration shall submit a final report to the Governor and, in accordance with §
35 2-1257 of the State Government Article, the Senate Finance Committee and the House

1 Economic Matters Committee that includes the findings and recommendations from the
2 study required under this section.

3 SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act applies to each
4 policy of private passenger motor vehicle insurance issued, sold, or delivered in the State
5 on or after July 1, 2024.

6 SECTION ~~3~~ 4. AND BE IT FURTHER ENACTED, That this Act shall take effect
7 October 1, 2023. It shall remain effective for a period of 5 years and 8 months and, at the
8 end of June 30, 2029, this Act, with no further action required by the General Assembly,
9 shall be abrogated and of no further force and effect.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.