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February 2, 2022

To: The Honorable Delores G. Kelley
Chair, Finance Committee

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 278 – Maryland Automobile Insurance Fund – Installment Payment Plans (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 278 submitted by Senator Cory V. McCray. This bill provides for installment payment plans for individuals insured through the Maryland Automobile Insurance Fund.

The Maryland Automobile Insurance Fund provides personal automobile protection to higher risk individuals who may not qualify for insurance through a standard carrier. Some are considered higher risk due to their driving records, yet others are considered higher risk as a result of their inability to keep their payments current.

The premiums experienced by the individuals insured through Maryland Auto are generally higher than what is paid to standard carriers. As a result, many individuals are unable to afford to pay the full premium up front and have been forced to finance their premiums at an even higher cost. In some cases, the expense results in consumers being unable to afford automobile insurance.

By permitting individuals to pay through an installment plan, they can spread the payments out over time and pay a fee per payment that is lower than the finance charges consumers are currently paying. This will result in a lower overall cost to individuals insured through Maryland

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Auto, making them less likely to default. This will also assist those who may have had payment problems in the past to be able to maintain their payments and eventually return to a standard carrier.

For these reasons, we ask that the Finance Committee return a favorable report on this bill.

cc: The Honorable Cory V. McCray
Members, Finance Committee