

SENATE BILL 307

Unofficial Copy  
C4

2000 Regular Session  
(01r1507)

**ENROLLED BILL**  
-- Finance/Economic Matters --

Introduced by **Senator Baker**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
President.

CHAPTER 514

1 AN ACT concerning

2 **Motor Vehicle Liability Insurance - Voluntary Cancellation of Policy -**  
3 **~~Surrender of Evidences of Registration Required~~ Regulations**

4 FOR the purpose of ~~requiring an insurer to notify an owner of a motor vehicle who~~  
5 ~~wishes to cancel voluntarily the motor vehicle liability insurance policy that~~  
6 ~~insures the vehicle, that the owner must surrender all evidences of registration~~  
7 ~~to the Motor Vehicle Administration before the insurer cancels the policy;~~  
8 ~~prohibiting an insurer from canceling a policy of motor vehicle liability~~  
9 ~~insurance under certain circumstances until the owner of the motor vehicle~~  
10 ~~insured under the policy provides proof to the insurer that all evidences of~~  
11 ~~registration have been surrendered to the Motor Vehicle Administration; and~~  
12 ~~generally relating to surrender of evidences of registration to the Motor Vehicle~~  
13 ~~Administration before voluntary cancellation of policies of motor vehicle liability~~  
14 ~~insurance insured within a certain time under certain circumstances in a~~  
15 ~~certain manner that, if the insured fails to renew or replace motor vehicle~~  
16 ~~insurance before the cancellation, a certain law provides that certain penalties~~  
17 ~~may be assessed and that evidences of registration shall be surrendered and~~

1 ~~that failure to surrender evidences of registration may result in suspension of~~  
 2 ~~certain registration privileges requiring the Motor Vehicle Administration, in~~  
 3 ~~consultation with the Maryland Insurance Administration and representatives of~~  
 4 ~~the automobile insurance industry, to adopt certain regulations establishing~~  
 5 ~~certain notification procedures; providing that certain regulations shall establish~~  
 6 ~~procedures that will be used by certain insurers to provide notification of certain~~  
 7 ~~penalties; and generally relating to the notification by an insurer of an insured~~  
 8 ~~that seeks to voluntarily cancel automobile liability insurance.~~

9 ~~BY adding to~~  
 10 ~~Article—Insurance~~  
 11 ~~Section 19-517~~  
 12 ~~Annotated Code of Maryland~~  
 13 ~~(1997 Volume and 1999 Supplement)~~

14 ~~BY repealing and reenacting, with amendments,~~  
 15 ~~Article - Transportation~~  
 16 ~~Section 17-104~~  
 17 ~~Annotated Code of Maryland~~  
 18 ~~(1999 Replacement Volume and 1999 Supplement)~~

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

21 **~~Article—Insurance~~**

22 ~~19-517.~~

23 ~~(A) WHEN THE OWNER OF A MOTOR VEHICLE NOTIFIES AN INSURER THAT~~  
 24 ~~THE OWNER WISHES TO CANCEL VOLUNTARILY THE MOTOR VEHICLE LIABILITY~~  
 25 ~~INSURANCE POLICY THAT INSURES THE VEHICLE, THE INSURER SHALL NOTIFY THE~~  
 26 ~~OWNER THAT ALL EVIDENCES OF REGISTRATION FOR THAT MOTOR VEHICLE MUST~~  
 27 ~~BE SURRENDERED TO THE MOTOR VEHICLE ADMINISTRATION BEFORE THE INSURER~~  
 28 ~~CANCELS THE POLICY.~~

29 ~~(B) AN INSURER MAY NOT CANCEL A POLICY OF MOTOR VEHICLE LIABILITY~~  
 30 ~~INSURANCE AT THE REQUEST OF THE OWNER OF THE MOTOR VEHICLE INSURED~~  
 31 ~~UNDER THE POLICY UNTIL THE OWNER PROVIDES PROOF TO THE INSURER THAT ALL~~  
 32 ~~EVIDENCES OF REGISTRATION FOR THAT MOTOR VEHICLE HAVE BEEN~~  
 33 ~~SURRENDERED TO THE MOTOR VEHICLE ADMINISTRATION WITHIN 10 DAYS AFTER~~  
 34 ~~AN INSURED NOTIFIES AN INSURER THAT THE INSURED WISHES TO CANCEL~~  
 35 ~~VOLUNTARILY THE MOTOR VEHICLE LIABILITY INSURANCE POLICY THAT INSURES~~  
 36 ~~THE INSURED'S VEHICLE, THE INSURER SHALL PROVIDE WRITTEN NOTICE TO THE~~  
 37 ~~INSURED IN CLEAR AND SPECIFIC TERMS THAT IF THE INSURED FAILS TO RENEW OR~~  
 38 ~~REPLACE THE MOTOR VEHICLE INSURANCE BEFORE THE CANCELLATION, § 17-106~~  
 39 ~~OF THE TRANSPORTATION ARTICLE PROVIDES THAT:~~

40 ~~(1) UNINSURED MOTORIST PENALTIES MAY BE ASSESSED, INCLUDING:~~

1 ~~(I) \$150 FOR EACH VEHICLE WITHOUT THE REQUIRED SECURITY~~  
 2 ~~FOR A PERIOD OF 1 TO 30 DAYS;~~

3 ~~(II) \$7 FOR EACH VEHICLE WITHOUT THE REQUIRED SECURITY~~  
 4 ~~BEGINNING ON THE 31ST DAY; AND~~

5 ~~(III) UP TO \$2,500 FOR EACH VIOLATION IN A 12 MONTH PERIOD;~~  
 6 ~~AND~~

7 ~~(2) EVIDENCES OF REGISTRATION SHALL BE SURRENDERED TO THE~~  
 8 ~~MOTOR VEHICLE ADMINISTRATION AND FAILURE TO SURRENDER THE EVIDENCES~~  
 9 ~~OF REGISTRATION MAY RESULT IN SUSPENSION OF CURRENT AND FUTURE~~  
 10 ~~REGISTRATION PRIVILEGES.~~

11 Article - Transportation

12 17-104.

13 (a) The Administration may not issue or transfer the registration of a motor  
 14 vehicle unless the owner or prospective owner of the vehicle furnishes evidence  
 15 satisfactory to the Administration that the required security is in effect.

16 (b) The owner of a motor vehicle that is required to be registered in this State  
 17 shall maintain the required security for the vehicle during the registration period.

18 (C) THE ADMINISTRATION, IN CONSULTATION WITH THE MARYLAND  
 19 INSURANCE ADMINISTRATION AND REPRESENTATIVES OF THE AUTOMOBILE  
 20 INSURANCE INDUSTRY, SHALL ADOPT REGULATIONS THAT ESTABLISH  
 21 PROCEDURES TO BE USED BY AN INSURER TO PROVIDE TIMELY NOTIFICATION TO  
 22 AN INSURED OF THE PENALTIES THAT MAY BE IMPOSED IN ACCORDANCE WITH §  
 23 17-106 OF THIS SUBTITLE IF THE INSURED FAILS TO RENEW OR REPLACE A POLICY  
 24 OF MOTOR VEHICLE LIABILITY INSURANCE WITHOUT SURRENDERING THE  
 25 EVIDENCES OF REGISTRATION.

26 [(c)] (D) (1) In this subsection, "replacement vehicle" means a vehicle that is  
 27 loaned by an auto repair facility or a dealer, or that an individual rents temporarily, to  
 28 use while a vehicle owned by the individual is not in use because of loss, as "loss" is  
 29 defined in that individual's applicable private passenger automobile insurance policy  
 30 or because of breakdown, repair, service, or damage.

31 (2) Subject to paragraph (3) of this subsection, an owner of a replacement  
 32 vehicle may satisfy the requirement of subsection (a) of this section by maintaining the  
 33 required security described in § 17-103 of this subtitle that is secondary to any other  
 34 valid and collectible coverage and that extends coverage in amounts required under §  
 35 17-103(b) of this subtitle to the owner's vehicle while it is used as a replacement  
 36 vehicle.

37 (3) If an owner of a replacement vehicle provides coverage as provided  
 38 under paragraph (2) of this subsection, the agreement for the replacement vehicle to be  
 39 signed by the renter or the individual to whom the vehicle is loaned shall contain a

1 provision on the face of the agreement, in at least 10 point bold type, that informs the  
2 individual that the coverage on the vehicle being serviced or repaired is primary  
3 coverage for the replacement vehicle and the coverage maintained by the owner on the  
4 replacement vehicle is secondary.

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
6 October 1, 2000.