
By: **Delegate Jennings**

Introduced and read first time: February 11, 2005

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 21, 2005

CHAPTER_____

1 AN ACT concerning

2 **Private Passenger Motor Vehicle Insurance - Underwriting Standards -**
 3 **Active Duty Military Personnel Returning from Overseas**

4 FOR the purpose of prohibiting an insurer, except under certain circumstances, from
 5 denying, refusing to renew, or cancelling coverage or increasing rates with
 6 respect to private passenger motor vehicle insurance for certain military
 7 personnel because they fail to meet underwriting standards that require
 8 continuous coverage; clarifying the applicability of certain standards related to
 9 an insurer's economic and business purposes; and generally relating to
 10 underwriting standards for private passenger motor vehicle insurance.

11 BY repealing and reenacting, without amendments,
 12 Article - Insurance
 13 Section 27-501(a)
 14 Annotated Code of Maryland
 15 (2002 Replacement Volume and 2004 Supplement)
 16 (As enacted by Chapter 5 of the Acts of the General Assembly of the 2004 Special
 17 Session)

18 BY repealing and reenacting, with amendments,
 19 Article - Insurance
 20 Section 27-501(l)(1)
 21 Annotated Code of Maryland
 22 (2002 Replacement Volume and 2004 Supplement)

23 BY adding to

1 Article - Insurance
2 Section 27-501(o)
3 Annotated Code of Maryland
4 (2002 Replacement Volume and 2004 Supplement)

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

7 **Article - Insurance**

8 27-501.

9 (a) (1) An insurer or insurance producer may not cancel or refuse to
10 underwrite or renew a particular insurance risk or class of risk for a reason based
11 wholly or partly on race, color, creed, sex, or blindness of an applicant or policyholder
12 or for any arbitrary, capricious, or unfairly discriminatory reason.

13 (2) (i) This paragraph does not apply to a medical professional liability
14 insurer or insurance producer that issues or delivers a policy in the State to a health
15 care provider who has been licensed for more than 3 years by the appropriate State
16 licensing board for the health care provider.

17 (ii) Except as provided in this section, an insurer or insurance
18 producer may not cancel or refuse to underwrite or renew a particular insurance risk
19 or class of risk except by the application of standards that are reasonably related to
20 the insurer's economic and business purposes.

21 (l) (1) In the case of private passenger motor vehicle insurance, standards
22 reasonably related to the insurer's economic and business purposes under subsection
23 (a)(2) of this section include, but are not limited to, the following and do not require
24 statistical validation:

25 (i) a material misrepresentation in connection with the
26 application, policy, or presentation of a claim;

27 (ii) nonpayment of premium;

28 (iii) subject to § 27-606 of this title, revocation or suspension of the
29 driver's license or motor vehicle registration within the preceding 2-year period:

30 1. of the named insured or covered driver under the policy;
31 and

32 2. for reasons related to the driving record of the driver;

33 (iv) subject to § 27-606 of this title, two or more motor vehicle
34 accidents or any combination of three or more accidents and moving violations within
35 the preceding 3-year period for which the insured was at fault for the accidents;

1 (v) subject to § 27-606 of this title, three or more moving violations
2 against the insured or a covered driver under the policy within the preceding 2-year
3 period;

4 (vi) subject to § 27-606 of this title, conviction of the named insured
5 or a covered driver under the policy of any of the following:

6 1. a violation of § 21-902(a), (c), or (d) of the Transportation
7 Article;

8 2. homicide, assault, reckless endangerment, or criminal
9 negligence arising out of the operation of the motor vehicle; or

10 3. using the motor vehicle to participate in a felony;

11 (vii) SUBJECT TO SUBSECTION (O) OF THIS SECTION, any other
12 standard approved by the Commissioner that is based on factors that adversely affect
13 the losses or expenses of the insurer under its approved rating plan and for which
14 statistical validation is unavailable or is unduly burdensome to produce; and

15 (viii) SUBJECT TO SUBSECTION (O) OF THIS SECTION, any other
16 standard set forth in regulations adopted by the Commissioner that is found to be
17 reasonably related to the insurer's economic and business purposes.

18 (O) WITH RESPECT TO PRIVATE PASSENGER MOTOR VEHICLE INSURANCE, AN
19 INSURER MAY NOT DENY, REFUSE TO RENEW, OR CANCEL COVERAGE OR INCREASE
20 RATES FOR APPLICANTS OR POLICYHOLDERS WHO ARE MILITARY PERSONNEL
21 RETURNING FROM ACTIVE DUTY OVERSEAS SOLELY BECAUSE THEY FAIL TO MEET
22 UNDERWRITING STANDARDS THAT REQUIRE CONTINUOUS COVERAGE UNLESS THE
23 FAILURE TO MAINTAIN CONTINUOUS COVERAGE EXISTED PRIOR TO THE
24 APPLICANT'S OR POLICYHOLDER'S ASSIGNMENT TO ACTIVE DUTY OVERSEAS.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 October 1, 2005.