

HOUSE BILL 1514

C4

8lr3351

By: **Delegates Brooks, Ali, Bromwell, Ebersole, Fennell, Hayes, Haynes, Hettleman, Jalisi, Jones, Lam, Lierman, Lisanti, A. Miller, Moon, Mosby, Stein, Sydnor, Turner, and P. Young**

Introduced and read first time: February 9, 2018

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Baltimore City and Baltimore County – Low–Cost Automobile Insurance**
3 **Program**

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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 Low-Cost Automobile Insurance Program”
 31 Annotated Code of Maryland
 32 (2017 Replacement Volume)

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 LOW-COST AUTOMOBILE**
2 **INSURANCE PROGRAM ESTABLISHED UNDER SUBTITLE 6A OF THIS TITLE.**

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

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

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

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

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

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

18 **SUBTITLE 6A. LOW-COST AUTOMOBILE INSURANCE PROGRAM.**

19 **20-6A-01.**

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

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

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

26 **20-6A-02.**

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

28 **(B) THE PURPOSE OF THE PROGRAM IS TO OFFER LOW-COST AUTOMOBILE**
29 **INSURANCE POLICIES TO RESIDENTS OF BALTIMORE CITY AND BALTIMORE**
30 **COUNTY IN ACCORDANCE WITH THIS SUBTITLE.**

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

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

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

6 20-6A-03.

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

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

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

17 (II) MUST HAVE RESIDED IN BALTIMORE CITY OR BALTIMORE
18 COUNTY FOR MORE THAN 1 YEAR;

19 (2) MUST HAVE FILED AS A STATE RESIDENT FOR INCOME TAX
20 PURPOSES;

21 (3) MUST BE IN A HOUSEHOLD WITH A GROSS ANNUAL HOUSEHOLD
22 INCOME THAT DOES NOT EXCEED 250% OF THE FEDERAL POVERTY LEVEL;

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

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

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

29 (II) A POINT FOR A MOVING VIOLATION;

1 **(6) MAY NOT HAVE ON RECORD WITHIN THE IMMEDIATELY**
2 **PRECEDING 3 YEARS AN AT-FAULT ACCIDENT INVOLVING BODILY INJURY OR**
3 **DEATH;**

4 **(7) MAY NOT HAVE A FELONY OR MISDEMEANOR CONVICTION FOR A**
5 **VIOLATION OF THE MOTOR VEHICLE LAWS; AND**

6 **(8) MAY NOT BE A COLLEGE STUDENT CLAIMED AS A DEPENDENT OF**
7 **ANOTHER INDIVIDUAL FOR FEDERAL OR STATE INCOME TAX PURPOSES.**

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

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

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

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

21 **20-6A-04.**

22 **(A) EACH POLICY ISSUED BY THE PROGRAM:**

23 **(1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, SHALL**
24 **CONTAIN THE MINIMUM COVERAGES REQUIRED UNDER TITLE 19, SUBTITLE 5 OF**
25 **THIS ARTICLE; AND**

26 **(2) MAY CONTAIN OTHER PROVISIONS DETERMINED BY THE**
27 **EXECUTIVE DIRECTOR AND APPROVED BY THE BOARD OF TRUSTEES AND THE**
28 **COMMISSIONER.**

29 **(B) EACH POLICY ISSUED BY THE PROGRAM MAY PROVIDE COVERAGE ONLY**
30 **FOR AN AUTOMOBILE WITH, AT THE TIME OF PURCHASE BY THE INSURED, A VALUE**
31 **OF \$10,000 OR LESS, AS EVIDENCED BY THE VALUE GIVEN TO THE AUTOMOBILE BY**
32 **THE MOTOR VEHICLE ADMINISTRATION IN ASSESSING VEHICLE LICENSE FEES.**

1 (C) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, EACH
2 POLICY ISSUED BY THE PROGRAM MAY PROVIDE ONLY FOR:

3 (I) THE PAYMENT OF CLAIMS FOR BODILY INJURY OR DEATH
4 ARISING FROM AN ACCIDENT OF UP TO \$15,000 FOR ANY ONE PERSON AND UP TO
5 \$30,000 FOR ANY TWO OR MORE PERSONS, IN ADDITION TO INTEREST AND COSTS;
6 AND

7 (II) THE PAYMENT OF CLAIMS FOR PROPERTY OF OTHERS
8 DAMAGED OR DESTROYED IN AN ACCIDENT OF UP TO \$7,500, IN ADDITION TO
9 INTEREST AND COSTS.

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

13 (D) THE PROGRAM SHALL OFFER AN APPLICANT WHO PURCHASES A POLICY
14 ISSUED BY THE PROGRAM THE OPTION TO PURCHASE THE FOLLOWING ADDITIONAL
15 COVERAGES:

16 (1) UNINSURED MOTORIST COVERAGE OR UNDERINSURED MOTORIST
17 COVERAGE; OR

18 (2) PERSONAL INJURY PROTECTION COVERAGE.

19 20-6A-05.

20 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
21 INDICATED.

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

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

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

28 (B) SUBJECT TO THE APPROVAL OF THE COMMISSIONER, THE EXECUTIVE
29 DIRECTOR SHALL DETERMINE THE PREMIUMS TO BE CHARGED ON POLICIES ISSUED
30 BY THE PROGRAM.

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

3 **(I) LOSSES INCURRED FOR CLAIMS FILED UNDER THE POLICY;**
4 **AND**

5 **(II) PROGRAM EXPENSES INCURRED BY THE PROGRAM TO**
6 **PROVIDE THE POLICY, INCLUDING ALL REASONABLE AND NECESSARY EXPENSES**
7 **FOR THE COSTS OF ADMINISTRATION, UNDERWRITING, TAXES, COMMISSION, AND**
8 **CLAIMS ADJUSTING.**

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

15 **(D) (1) IN DETERMINING THE PREMIUMS FOR POLICIES ISSUED BY THE**
16 **PROGRAM, THE PROGRAM MAY CHARGE A DIFFERENT PREMIUM TO**
17 **POLICYHOLDERS FOR DRIVERS UNDER THE AGE OF 25 YEARS THAN IS CHARGED TO**
18 **POLICYHOLDERS FOR DRIVERS AT LEAST 25 YEARS OLD, EXCEPT THAT THE**
19 **PREMIUM CHARGED FOR DRIVERS UNDER THE AGE OF 25 YEARS MAY NOT BE MORE**
20 **THAN 25% HIGHER THAN THE PREMIUM CHARGED FOR DRIVERS AT LEAST 25 YEARS**
21 **OLD.**

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

24 **(E) (1) THE PROGRAM SHALL FILE PROPOSED RATES ANNUALLY WITH**
25 **THE COMMISSIONER.**

26 **(2) THE PROGRAM MAY NOT USE THE PROPOSED RATES UNTIL THE**
27 **COMMISSIONER APPROVES THE RATES.**

28 **(3) BEFORE TAKING ACTION ON THE PROPOSED RATES FILED UNDER**
29 **PARAGRAPH (1) OF THIS SUBSECTION, THE COMMISSIONER SHALL HOLD A PUBLIC**
30 **HEARING TO REVIEW THE PROPOSED RATES.**

31 **20-6A-06.**

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

1 **(B) THE PROGRAM MAY ACCEPT PREMIUMS:**

2 **(1) AS PAID IN FULL; OR**

3 **(2) SUBJECT TO SUBSECTION (C) OF THIS SECTION, ON AN**
4 **INSTALLMENT BASIS.**

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

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

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

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

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

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

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

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

26 **(I) CASH;**

27 **(II) CHECK;**

28 **(III) MONEY ORDER;**

- 1 (IV) DEBIT CARD;
- 2 (V) CREDIT CARD;
- 3 (VI) PRODUCER SWEEP ACCOUNT; AND
- 4 (VII) ANY OTHER METHOD THE PROGRAM DETERMINES
- 5 APPROPRIATE.

6 (2) ANY FEE ASSOCIATED WITH A PAYMENT METHOD SHALL BE

7 INCLUDED IN THE MAXIMUM ADMINISTRATIVE PROCESSING FEE ALLOWABLE

8 UNDER SUBSECTION (D) OF THIS SECTION.

9 (F) POLICIES ISSUED BY THE PROGRAM MAY NOT BE FINANCED UNDER A

10 PREMIUM FINANCE AGREEMENT.

11 **20-6A-07.**

12 (A) A FUND PRODUCER MAY BIND COVERAGE IN THE FUND FOR AN

13 APPLICANT TO THE PROGRAM IF THE APPLICANT SUBMITS AN APPLICATION TO THE

14 FUND PRODUCER AND PAYS THE REQUIRED PREMIUM.

15 (B) A FUND PRODUCER SHALL PROVIDE NOTICE TO AN APPLICANT FOR A

16 POLICY UNDER THIS SUBTITLE ABOUT THE LIMITATIONS UNDER THE POLICY.

17 **20-6A-08.**

18 (A) THE PROGRAM MAY:

19 (1) SUBJECT TO SUBSECTION (B) OF THIS SECTION, REJECT AN

20 APPLICATION FOR INSURANCE IF THE APPLICANT OWES TO THE PROGRAM AN

21 UNPAID PREMIUM ON AN EXPIRED OR CANCELED POLICY;

22 (2) CANCEL A POLICY FOR NONPAYMENT OF PREMIUM AT ANY TIME

23 AFTER A MINIMUM OF 10 CALENDAR DAYS' NOTICE OF NONPAYMENT;

24 (3) REJECT AN APPLICATION FOR INSURANCE OR AT ANY TIME

25 CANCEL A POLICY IF THE DRIVER'S LICENSE OF THE APPLICANT OR POLICYHOLDER

26 IS SUSPENDED OR REVOKED; AND

27 (4) CANCEL AT ANY TIME A POLICY IF THE INSURED FAILS TO MEET

28 THE ELIGIBILITY REQUIREMENTS UNDER § 20-6A-03 OF THIS SUBTITLE.

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

3 **(I) NOTIFY THE APPLICANT OF THE AMOUNT OF THE UNPAID**
4 **PREMIUM; AND**

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

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

8 **20-6A-09.**

9 **(A) ALL PRIVATE PASSENGER POLICYHOLDERS IN THE STATE SHALL PAY**
10 **AN ANNUAL FEE OF \$0.10 PER INSURED VEHICLE TO SUPPORT THE PROGRAM'S**
11 **MARKETING, OUTREACH, AND OTHER PUBLIC EDUCATION EFFORTS REQUIRED TO**
12 **RAISE PUBLIC AWARENESS OF THE PROGRAM.**

13 **(B) THE COMMISSIONER SHALL ANNUALLY REVIEW THE PUBLIC**
14 **AWARENESS EXPENDITURES INCURRED BY THE PROGRAM UNDER SUBSECTION (A)**
15 **OF THIS SECTION.**

16 **20-6A-10.**

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

21 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**
22 **October 1, 2018.**