

MAIF_FWA_SB50

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Position: FWA



POSITION ON SENATE BILL 50

Date: January 9, 2020

Position: Favorable with Amendments

Bill: Senate Bill 50 Insurance –Maryland Automobile Insurance Fund – Notice of Cancellation

Maryland Auto policy-holders have three ways to pay their premium: (1) pay in full at the time the policy is issued; (2) finance the premium through a registered premium finance company and pay that company in installments or; (3) pay under a Maryland Auto installment plan. Maryland Auto installment plans are very limited by statute, and only 2% of Maryland Auto policyholders are in Maryland Auto installment plans. Instead, 96% of all Maryland Auto policyholders pay under an installment plan with a premium finance company (2% pay in full).

If an individual fails to pay an installment, both Maryland Auto and premium finance companies send a notice of intent to cancel before actual cancellation. Maryland Auto sends this notice by first-class mail (copy attached) 15 to 30-days in advance, instead of 10 days, and also makes one or more phone calls to the policyholder or the producer to try to keep the policy in effect. There have been no complaints under this system to Maryland Auto, or, we are told, by the Maryland Insurance Administration.

Despite the lack of complaints, Senate Bill 50 would require Maryland Auto to send a notice of intent to cancel by “a first-class mail tracking method.” The stated rationale is to provide a statutory standard for the MIA to enforce. It chooses, however, the wrong standard. It adopts a standard applicable to private insurance companies, but not the standard applicable to premium finance companies. This is illogical and would place administrative and cost burdens on Maryland Auto, but not on premium finance companies.

Policyholders of Maryland Auto should be treated the same when they are paying installments on a Maryland Auto policy whether through Maryland Auto or a premium finance company. To do otherwise would engender confusion among this population. The vast majority of Maryland Auto

policies that are cancelled are cancelled by a premium finance company. We do not have statistics on the number of notices that are sent by these companies. We do track the actual cancellations, which would be a much smaller number, and this confirms that the overwhelming majority of cancellations are done by premium finance companies:

Cancellation of Maryland Auto Policies for Failure to Pay an Installment

Year	Cancellations by PFCs	Cancellations by Maryland Auto
2016	24,580	490
2017	23,623	428
2018	23,592	420
2019	22,184	339
Four-Year Total	93,979	1677

The amendment offered will ensure that Maryland Auto is required to give proper, timely notice to 1,677 policyholders in the same fashion as premium finance companies give to 93,979 Maryland Auto policyholders.

Conclusion

For these reasons, Maryland Auto urges an unfavorable report on Senate Bill 50 unless it is amended as proposed.

Please let us know if we can answer any questions.

For Information:

Mark McCurdy – Executive Director	667-210-5181
Sandra Dodson – Government Relations	667-210-5182
Thomas (“Mac”) Middleton	667-210-5181

**AMENDMENTS TO SENATE BILL 50
OFFERED BY MARYLAND AUTO**

On page 2, in line 12, strike "SEND" insert "DELIVER OR MAIL" and strike "BY A FIRST-CLASS MAIL TRACKING METHOD."

Reason for the Amendment

This amendment would ensure that Maryland Auto notices would be the same as premium finance company notices since 96% of all Maryland Auto policies go through premium finance companies.

NOTICE OF INTENT TO CANCEL POLICY

Your Agent

Germantown MD

Date of Notice Jan-9-2020	Policy Number	Pay This Amount	\$ 185.00	Payment Due Date Oct-06-2019
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There is unpaid premium due on your automobile insurance policy. This policy will be cancelled in its entirety at **12:01 a.m. 2-2-2020** unless the Maryland Automobile Insurance Fund has the entire billed premium in its possession prior to the cancellation date.

Please promptly forward your payment along with the attached coupon to Maryland Automobile Insurance Fund, P.O. Box 62883, Baltimore, MD 21264-2883. You may also pay this bill directly to MDAuto with your credit/debit card by calling 1-800-492-7120. MDAuto accepts Visa, Mastercard and Discover cards. You may also contact your producer listed above to arrange payment.

If your policy is cancelled, uninsured motorist penalties may be assessed in accordance with the provisions of Section 17-106 of the Transportation Article.

Hay un saldo pendiente en el pago de la prima de su póliza de seguro de automóviles. Esta póliza será cancelada en su totalidad a las **12:01 a.m. 2-2-2020** a menos que el Fondo de Seguros de Automóviles de Maryland (MDAuto) reciba antes de la fecha de cancelación el total del monto facturado.

Por favor mande lo mas pronto posible su pago junto con el cupón adjunto a Maryland Automobile Insurance Fund, P.O. Box 62883, Baltimore, MD 21264-2883. Usted también puede pagar esta factura a MDAuto directamente con su tarjeta de crédito/debito llamando al 1-800-492-7120. MDAuto acepta la tarjeta Visa, Mastercard o Discover. También puede contactar a su agente entlistado arriba para arreglar la forma de pago.

Si su póliza es cancelada, le pueden calcular una multa por conductor no asegurado de acuerdo con lo dispuesto en la Sección 17-106 del Artículo sobre Transporte.

Note: A \$5.00 late fee has been added to the amount due.

Tear Here

Policy Number: _____

Mail this coupon along with your check or money order payable to : **Maryland Automobile Insurance Fund**

Policy Term: May-09-19 to May-09-20

Payment Due \$ 185.00

PAYMENT DUE DATE Oct-06-19

Amount Enclosed \$

MARYLAND AUTOMOBILE INSURANCE FUND
P.O. BOX 62883
BALTIMORE, MARYLAND 21264-2883

MIA_FWA_Senate Bill 50

Uploaded by: Paddy, Michael

Position: FWA

LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lt. Governor

AL REDMER, JR.
Commissioner



200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202
Direct Dial: 410-468-2408 Fax: 410-468-2020
Email: Michael.paddy@maryland.gov
www.insurance.maryland.gov

**TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
SENATE FINANCE COMMITTEE**

JANUARY 9, 2020

**SENATE BILL 50 – INSURANCE - MARYLAND AUTOMOBILE INSURANCE FUND - NOTICE OF
CANCELLATION**

POSITION: SUPPORT WITH AMENDMENTS

Thank you for the opportunity to provide written comments regarding Senate Bill 50. Senate Bill 50 amends Title 20 Subtitle 5 of the Insurance Article to require the Maryland Automobile Insurance Fund (MAIF) to send a notice 10 days in advance of a policy cancellation for non-payment of premium for policyholders that utilize MAIF's installment payment plan. Senate Bill 50 requires the notice to be sent by a first class mail tracking method, which is identical to the required mail tracking requirement insurers must follow in §27-613(d) of the Insurance Article. Currently, § 20-516 only requires MAIF to notify a policyholder of a cancellation for nonpayment of premium after the policy has been cancelled by MAIF.

The attached amendment would allow certain MAIF policyholders who initially opted to receive electronic notices when signing up for their policy, to now receive this cancellation notice electronically as well. This amendment is consistent with how insurers currently send cancellation notices.

The Maryland Insurance Administration supports Senate Bill 50 with amendments and urges the Committee to give Senate Bill 50 a favorable report.

BY: Maryland Insurance Administration

AMENDMENTS TO SENATE BILL 50

(First Reading File Bill)

AMENDMENT NO. 1

On page 2, after Line 14, insert “**(D) THE NOTICE REQUIRED BY THIS SECTION MAY BE DELIVERED BY ELECTRONIC MEANS PROVIDED THE MARYLAND AUTOMOBILE INSURANCE FUND COMPLIES WITH THE REQUIREMENTS OF § 27-601.2 OF THIS ARTICLE.**”

On page 2, Line 14, strike “**(D)**” and insert “**(E)**”

On page 2, Line 18, strike “**(E)**” and insert “**(F)**”

Rationale: This would allow MAIF to send the cancellation notice electronically and would be identical to what is currently required of insurers.