
**By: Senators Pinsky, Stone, Lawlah, Ruben, Kelley, Frosh, McFadden, Sfikas,
Van Hollen, Teitelbaum, and Forehand**

Introduced and read first time: January 17, 1997

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Property and Casualty Insurance - Personal Lines - Rate Making**

3 FOR the purpose of requiring the Maryland Insurance Commissioner to review all rates
4 in certain personal lines property and casualty insurance; requiring the
5 Commissioner to order a personal lines property and casualty insurer to refund the
6 excessive portion of premiums collected under certain circumstances; repealing
7 competitive rating for private passenger motor vehicle insurance and homeowner's
8 insurance; repealing the authority of a private passenger motor vehicle insurer to
9 utilize certain underwriting standards that have not been subject to statistical
10 validation for purposes of the cancellation or nonrenewal of policies under certain
11 circumstances; repealing certain obsolete provisions concerning underwriting
12 standards that have not been subject to statistical validation for purposes of the
13 cancellation or nonrenewal of policies of private passenger motor vehicle insurance;
14 and generally relating to the repeal of competitive rating and the establishment of
15 prior approval rate making for personal lines property and casualty insurance.

16 BY adding to

17 Article - Insurance
18 Section 11-216
19 Annotated Code of Maryland
20 (1995 Volume and 1996 Supplement)
21 (As enacted by Chapter ____ (H.B. 11) of the Acts of the General Assembly of
22 1997)

23 BY repealing and reenacting, with amendments,

24 Article - Insurance
25 Section 11-303(a)
26 Annotated Code of Maryland
27 (1995 Volume and 1996 Supplement)
28 (As enacted by Chapter ____ (H.B. 11) of the Acts of the General Assembly of
29 1997)

30 BY repealing

31 Article - Insurance

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1 Section 27-908
2 Annotated Code of Maryland
3 (1995 Volume and 1996 Supplement)
4 (As enacted by Chapter _____ (H.B. 11) of the Acts of the General Assembly of
5 1997)

6 BY repealing
7 Chapter 352 of the Acts of the General Assembly of 1995
8 Section 16

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

11 **Article - Insurance**

12 11-216.

13 (A) THE COMMISSIONER SHALL REVIEW UNDER THE PROVISIONS OF THIS
14 SUBTITLE ALL RATES IN PERSONAL LINES PROPERTY AND CASUALTY INSURANCE
15 THAT WERE IN EFFECT BETWEEN JULY 1, 1995 AND SEPTEMBER 30, 1997 UNDER THE
16 PROVISIONS OF SUBTITLE 3 OF THIS TITLE.

17 (B) (1) SUBJECT TO THE PROVISIONS OF PARAGRAPH (2) OF THIS
18 SUBSECTION, IF THE COMMISSIONER DISAPPROVES AS EXCESSIVE A RATE FOR ANY
19 LINE OF PERSONAL LINES PROPERTY AND CASUALTY INSURANCE UNDER THIS
20 SUBTITLE, THE COMMISSIONER SHALL ORDER THE INSURER TO REFUND THE
21 EXCESSIVE PORTION OF PREMIUMS COLLECTED FOR A PERIOD NOT EXCEEDING 1
22 YEAR PRIOR TO THE EFFECTIVE DATE OF THE DISAPPROVAL.

23 (2) NOTWITHSTANDING THE PROVISIONS OF PARAGRAPH (1) OF THIS
24 SUBSECTION, THE COMMISSIONER MAY NOT REQUIRE REFUNDS THAT ARE
25 MINIMAL.

26 (C) WHEN A REFUND IS ORDERED UNDER SUBSECTION (B) OF THIS SECTION,
27 THE COMMISSIONER MAY ORDER THE INSURER TO PAY INTEREST AT A RATE SET
28 BY THE COMMISSIONER.

29 11-303.

30 (a) Notwithstanding Subtitle 2 of this title, this subtitle applies to the
31 establishment of rates for all types of insurance except:

- 32 (1) life insurance;
- 33 (2) annuities;
- 34 (3) health insurance;
- 35 (4) marine insurance described in § 11-202(b)(2) of this title;
- 36 (5) aircraft insurance described in § 11-202(b)(3) of this title;
- 37 (6) reinsurance;

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- 1 (7) insurance provided under the Maryland Automobile Insurance Fund;
- 2 (8) insurance provided under the Injured Workers' Insurance Fund;
- 3 (9) title insurance;
- 4 (10) medical malpractice insurance;
- 5 (11) any form or plan of insurance regulated under § 27-217 of this article;
- 6 [and]
- 7 (12) surety insurance;
- 8 (13) PRIVATE PASSENGER MOTOR VEHICLE INSURANCE; AND
- 9 (14) HOMEOWNER'S INSURANCE.

10 [27-908.

11 For purposes of the cancellation or nonrenewal of policies of private passenger
12 motor vehicle insurance, and subject to § 27-501 of this title, an insurer may utilize
13 underwriting standards that have not been subject to statistical validation if:

14 (1) the standards are based on factors that adversely affect the losses or
15 expenses of insurers, and the statistical validation is not available or is unduly
16 burdensome to produce; or

17 (2) the standards relate to:

18 (i) the submission by the applicant or policyholder of a false or
19 fraudulent claim or application or other action that would constitute a violation of
20 Subtitle 8 of this title; or

21 (ii) the conviction of the insured of a crime that increases the hazard
22 insured against.]

23 **Chapter 352 of the Acts of 1995**

24 [SECTION 16. AND BE IT FURTHER ENACTED, That Section 7 of this Act
25 shall take effect October 1, 1995. It shall remain effective for a period of 3 years and, at
26 the end of September 30, 1998, with no further action required by the General Assembly,
27 Section 7 of this Act shall be abrogated and of no further force and effect. Prior to the
28 abrogation of Section 7 of this Act, the Insurance Commissioner shall study the impact of
29 the effect of Article 48A, § 240L of the Code on the availability of automobile insurance
30 in the State, and the impact of the provisions of Article 48A, § 240L of the Code on the
31 insurance consumers of the State, and on or before October 1, 1997, report to the
32 General Assembly, subject to § 2-1312 of the State Government Article, with
33 recommendations as to whether Article 48A, § 240L of the Code should be amended or
34 repealed. For the purposes of conducting the study required under this Section, the
35 Commissioner may require that any insurer authorized to issue and deliver private
36 passenger motor vehicle insurance policies file, in a form and manner approved by the
37 Commissioner, data relating to cancellation and nonrenewals by the insurer, including the
38 number of cancellation and nonrenewals by the insurer, the specific reason or reasons for

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1 the cancellation or nonrenewals, and whether the insurer action was contested by the
2 insured or applicant.]

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 October 1, 1997.