

HOUSE BILL 1320
EMERGENCY BILL

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C4

1998 Regular Session
8lr2584

By: **Delegates Barve and Love**

Introduced and read first time: February 19, 1998

Assigned to: Rules and Executive Nominations

Re-referred to: Economic Matters, February 23, 1998

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 31, 1998

CHAPTER _____

1 AN ACT concerning

2 **Motor Vehicle Rental Insurance Companies - Certificate of Authority -**
3 **Exceptions Requirements to Offer or Sell Insurance**

4 FOR the purpose of ~~clarifying that a certificate of authority is not required for an~~
5 ~~insurer to engage in transactions involving certain insurance coverages offered~~
6 ~~by a motor vehicle rental company to a motor vehicle renter; clarifying that a~~
7 ~~certificate of qualification is not required for insurance agents and brokers to~~
8 ~~engage in transactions involving certain insurance coverages offered by a motor~~
9 ~~vehicle rental company to a motor vehicle renter; making this Act an emergency~~
10 ~~measure; and generally relating to exceptions to the requirement that an~~
11 ~~insurer possess a certificate of authority authorizing motor vehicle rental~~
12 ~~companies to offer for sale and sell to renters of motor vehicles certain insurance~~
13 ~~policies under certain circumstances; prohibiting motor vehicle rental~~
14 ~~companies and any of their employees from advertising, representing, or~~
15 ~~otherwise holding themselves out in a certain manner to the general public;~~
16 ~~requiring a certain study by the Insurance Commissioner; requiring the~~
17 ~~Insurance Commissioner to submit a certain report by a certain date; providing~~
18 ~~for the effective date of this Act; providing for the termination of this Act; and~~
19 ~~generally relating to authorizing motor vehicle rental companies to offer for sale~~
20 ~~and sell certain insurance policies to renters.~~

21 ~~BY repealing and reenacting, with amendments,~~
22 ~~Article Insurance~~
23 ~~Section 4-101 and 10-102~~
24 ~~Annotated Code of Maryland~~
25 ~~(1997 Volume)~~

1 BY adding to
2 Article - Insurance
3 Section 10-601 to be under the new subtitle "Subtitle 6. Miscellaneous
4 Provisions"
5 Annotated Code of Maryland
6 (1997 Volume)

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

9 **Article - Insurance**

10 ~~4-101.~~

11 (a) (1) ~~Except as otherwise provided in this article, a person may not act as~~
12 ~~an insurer and an insurer may not engage in the insurance business in the State~~
13 ~~unless the person has a certificate of authority issued by the Commissioner.~~

14 (2) ~~An insurer may not have or maintain in this State an office,~~
15 ~~representative, or other facility to solicit or service any kind of insurance in another~~
16 ~~state unless the insurer is then authorized to engage in the same kind of insurance~~
17 ~~business in this State.~~

18 (b) A certificate of authority is not required for an insurer to engage in:

19 (1) ~~transactions that relate to policies that were lawfully written in the~~
20 ~~State, or the liquidation of assets and liabilities of the insurer, including the collection~~
21 ~~of premiums on existing policies, resulting from former authorized operations of the~~
22 ~~insurer in the State;~~

23 (2) ~~transactions that occur after issuance of a policy that covers only~~
24 ~~subjects of insurance not resident, located, or expressly to be performed in the State~~
25 ~~at the time of issuance, or that covers property in the course of transportation by land,~~
26 ~~air, or water to, from, or through the State, including any incidental preparation and~~
27 ~~storage, and the coverage was lawfully solicited, written, and delivered outside the~~
28 ~~State;~~

29 (3) ~~transactions that relate to surplus lines coverages lawfully written~~
30 ~~under Title 3, Subtitle 3 of this article; [or]~~

31 (4) ~~reinsurance transactions, except as to domestic reinsurers; OR~~

32 (5) ~~TRANSACTIONS IN THE STATE INVOLVING ACCIDENT, HEALTH,~~
33 ~~PERSONAL PROPERTY, LIABILITY, OR OTHER TRAVEL OR MOTOR VEHICLE RELATED~~
34 ~~PRODUCTS OR COVERAGES OFFERED BY A MOTOR VEHICLE RENTAL COMPANY TO A~~
35 ~~MOTOR VEHICLE RENTER IN CONNECTION WITH AND INCIDENTAL TO THE RENTAL~~
36 ~~OF A MOTOR VEHICLE.~~

1 ~~40-102.~~

2 (a) This subtitle applies to agents, brokers, all kinds of insurance and
3 annuities, and all types of insurers, including:

4 (1) ~~nonprofit health service plans;~~

5 (2) ~~dental plan organizations; and~~

6 (3) ~~health maintenance organizations.~~

7 (b) This subtitle does not apply to:

8 (1) ~~reinsurance;~~

9 (2) ~~fraternal benefit societies, which are subject to Title 8, Subtitle 4 of~~
10 ~~this article;~~

11 (3) ~~surplus lines transactions, which are subject to Title 3, Subtitle 3 of~~
12 ~~this article;~~

13 (4) ~~a person while employed by an insured to administer or help to~~
14 ~~administer the insurance or risk management program of the person's employer, if~~
15 ~~the person is not authorized to accept any compensation from an agent, broker, or~~
16 ~~insurer; [or]~~

17 (5) ~~a licensed insurance adviser while employed under contract by an~~
18 ~~insured and acting for the insured, if the insurance adviser is not authorized to accept~~
19 ~~any compensation from an agent, broker, or insurer; OR~~

20 (6) ~~TRANSACTIONS IN THE STATE INVOLVING ACCIDENT, HEALTH,~~
21 ~~PERSONAL PROPERTY, LIABILITY, OR OTHER TRAVEL OR MOTOR VEHICLE RELATED~~
22 ~~PRODUCTS OR COVERAGES OFFERED BY A MOTOR VEHICLE RENTAL COMPANY, ITS~~
23 ~~AGENTS, OR ITS EMPLOYEES TO A MOTOR VEHICLE RENTER IN CONNECTION WITH~~
24 ~~AND INCIDENTAL TO THE RENTAL OF A MOTOR VEHICLE.~~

25 SUBTITLE 6. MISCELLANEOUS PROVISIONS.

26 10-601.

27 (A) NOTWITHSTANDING ANY PROVISION OF THIS TITLE, A MOTOR VEHICLE
28 RENTAL COMPANY MAY OFFER OR SELL AN INSURANCE POLICY IF:

29 (1) THE POLICY IS SOLD IN CONNECTION WITH A RENTAL OF A MOTOR
30 VEHICLE FOR A PERIOD NOT TO EXCEED 30 DAYS;

31 (2) THE POLICY HAS BEEN FILED AND APPROVED BY THE
32 COMMISSIONER AND ISSUED BY AN AUTHORIZED INSURER;

33 (3) THE MOTOR VEHICLE RENTAL COMPANY EMPLOYS OR CONTRACTS
34 WITH A QUALIFIED AGENT FOR PROPERTY AND CASUALTY INSURANCE WHO SHALL:

- 1 (I) REVIEW THE POLICIES;
2 (II) DEVELOP A TRAINING PROGRAM FOR THE EMPLOYEES OF THE
3 MOTOR VEHICLE RENTAL COMPANY;
4 (III) REVIEW DISCLOSURES AVAILABLE TO CONSUMERS; AND
5 (IV) PERFORM ANY OTHER DUTIES THAT THE COMMISSIONER MAY
6 REQUIRE;

- 7 (4) THE MOTOR VEHICLE RENTAL COMPANY FILES WITH THE
8 COMMISSIONER A LIST OF THE APPROVED POLICIES TO BE OFFERED TO RENTERS;
9 AND
10 (5) THE MOTOR VEHICLE RENTAL COMPANY PROVIDES TO EACH
11 RENTER COVERED BY A POLICY SOLD BY THE MOTOR VEHICLE RENTAL COMPANY A
12 DISCLOSURE APPROVED BY THE COMMISSIONER.

- 13 (B) NO MOTOR VEHICLE RENTAL COMPANY OR ANY EMPLOYEE OF A MOTOR
14 VEHICLE RENTAL COMPANY MAY ADVERTISE, REPRESENT, OR OTHERWISE HOLD
15 ITSELF OUT AS AN AUTHORIZED INSURER, REINSURER, AGENT, OR BROKER.

16 SECTION 2. AND BE IT FURTHER ENACTED, That the Insurance
17 Commissioner shall:

- 18 (a) conduct a study of:
19 (1) the insurance products offered and sold by motor vehicle rental
20 companies and current practices of the rental car industry related to the sale of
21 insurance products, including the compensation arrangements between insurers,
22 motor vehicle rental companies, and employees of the motor vehicle rental companies;
23 (2) the method by which other states regulate the offer and sale of
24 insurance products by the rental car industry and similar industries; and
25 (3) any other issue that the Commissioner considers appropriate;
26 (b) as part of the study, solicit comments from representatives of the rental car
27 industry, organizations representing independent agents and brokers, the automobile
28 liability industry, and the Maryland Automobile Insurance Fund;
29 (c) make recommendations on an appropriate regulatory structure for the
30 industry, including draft legislation, if necessary; and
31 (d) on or before November 1, 1998, submit a report, including the
32 recommendations required under subsection (c) of this section, to the House Economic
33 Matters Committee and the Senate Finance Committee.

34 ~~SECTION 2. 3. AND BE IT FURTHER ENACTED, That this Act is an~~
35 ~~emergency measure, is necessary for the immediate preservation of the public health~~
36 ~~and safety, has been passed by a ye and nay vote supported by three-fifths of all the~~

1 ~~members elected to each of the two Houses of the General Assembly, and shall take~~
2 ~~effect from the date it is enacted shall take effect June 1, 1998. It shall remain~~
3 ~~effective for a period of 1 year and, at the end of May 31, 1999, with no further action~~
4 ~~required by the General Assembly, this Act shall be abrogated and of no further force~~
5 ~~and effect.~~