

SENATE BILL 488

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C4

1998 Regular Session  
(8r1730)

**ENROLLED BILL**  
-- Finance/Economic Matters --

Introduced by **Senator Bromwell**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
President.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Maryland Automobile Insurance Fund - Residential Ineligibility of**  
3 **Insured - Policy Processing Fee**

4 FOR the purpose of authorizing the Maryland Automobile Insurance Fund to charge  
5 and collect a processing fee or certain other amounts on policies that are void  
6 because the insured fails to meet certain residency requirements for eligibility  
7 under certain circumstances; requiring the Insurance Fraud Division in the  
8 Maryland Insurance Administration to submit certain reports; and generally  
9 relating to policies issued by the Maryland Automobile Insurance Fund.

10 BY repealing and reenacting, with amendments,  
11 Article - Insurance  
12 Section 20-502  
13 Annotated Code of Maryland  
14 (1997 Volume)

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

3 **Article - Insurance**

4 20-502.

5 (a) On payment of the premium set by the Fund, the Fund is authorized to  
6 and shall sell, issue, and deliver a policy that provides the security required under §  
7 17-103 of the Transportation Article to a person:

8 (1) that owns a covered vehicle registered with the Motor Vehicle  
9 Administration, has a license issued by the Motor Vehicle Administration to drive a  
10 covered vehicle, or is a lessee under a "lease not intended as security", as defined in §  
11 11-127.2(b) of the Transportation Article;

12 (2) that does not owe to the Fund:

13 (i) an unpaid premium with respect to a policy that has expired or  
14 been canceled; or

15 (ii) a claim payment obtained by fraud;

16 (3) that:

17 (i) has attempted in good faith to obtain a policy that provides the  
18 security required under § 17-103 of the Transportation Article from at least two  
19 Association members and has been rejected or refused the policy by two Association  
20 members for any reason other than nonpayment of premiums; or

21 (ii) has had a policy that provides the security required under §  
22 17-103 of the Transportation Article canceled or nonrenewed by an Association  
23 member for any reason other than nonpayment of premiums; and

24 (4) that meets the requirements of subsection (b) of this section.

25 (b) To be eligible for a policy issued under this subtitle, a person must:

26 (1) be domiciled in the State;

27 (2) own, lease, or rent a primary place of residence in the State and,  
28 regardless of the person's domicile, reside in the State for more than 1 year;

29 (3) maintain a main or branch office or warehouse facility in the State,  
30 and base and operate motor vehicles intrastate in the State;

31 (4) have filed as a State resident for income tax purposes; or

32 (5) have a nonresident permit issued under § 13-402.1(e) of the  
33 Transportation Article.

1 (c) (1) Except as provided in paragraph (2) of this subsection, this section  
2 does not apply to a person to the extent that the person:

3 (i) leases a covered vehicle that is a private passenger vehicle to an  
4 individual who does not meet the requirements of subsection (b) of this section; or

5 (ii) garages the covered vehicle principally outside of the State.

6 (2) This section applies to a person described in paragraph (1) of this  
7 subsection who is:

8 (i) a member, on active duty, of the armed forces of the United  
9 States or the United States Public Health Service; or

10 (ii) a student enrolled in an accredited school, college, or university  
11 or serving a medical internship.

12 (d) The eligibility of an applicant for insurance from the Fund shall be  
13 certified at a time and in a manner approved by the Fund.

14 (e) (1) If a prospective insured fails to qualify under this section, any policy  
15 issued is void and a commission may not be paid by the Fund to a producer.

16 (2) (I) SUBJECT TO THE PROVISIONS OF SUBPARAGRAPH (II) OF THIS  
17 PARAGRAPH, IF A PERSON FAILS TO MEET THE REQUIREMENTS OF SUBSECTION (B)  
18 OF THIS SECTION, THE FUND MAY CHARGE AND COLLECT THE GREATER OF:

19 1. A POLICY PROCESSING FEE TO COVER ITS EXPENSES; OR

20 2. THE AMOUNT THAT THE PERSON WOULD HAVE RECEIVED  
21 AFTER THE FUND RETURNS TO A PRODUCER, OR ANY OTHER PERSON OTHER THAN  
22 THE PERSON WHO FAILS TO MEET THE REQUIREMENTS OF SUBSECTION (B) OF THIS  
23 SECTION, ANY GROSS UNEARNED PREMIUMS THAT ARE DUE UNDER THE POLICY.

24 (II) PRIOR TO CHARGING AND COLLECTING A POLICY PROCESSING  
25 FEE OR THE AMOUNT ALLOWED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH,  
26 THE FUND SHALL REFER TO THE INSURANCE FRAUD DIVISION IN THE  
27 ADMINISTRATION FOR INVESTIGATION AND POSSIBLE PROSECUTION OF THE  
28 PERSON WHO FAILS TO MEET THE REQUIREMENTS OF SUBSECTION (B) OF THIS  
29 SECTION.

30 SECTION 2. AND BE IT FURTHER ENACTED, That the Insurance Fraud  
31 Division in the Maryland Insurance Administration shall submit a preliminary  
32 summary report on or before October 1, 1999 and a final summary report on or before  
33 October 1, 2000 to the Governor and, subject to § 2-1246 of the State Government  
34 Article, to the General Assembly on the number of cases of possible insurance fraud  
35 that were referred for investigation and possible prosecution to the Insurance Fraud  
36 Division by the Maryland Automobile Insurance Fund, as required under this Act, and  
37 the results of the investigations and prosecutions, if any.

1 SECTION ~~2.~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take  
2 effect October 1, 1998.