
By: **Delegates Dypski, Branch, Cole, C. Davis, Dobson, Doory, Fulton,
Gladden, Hammen, Harrison, V. Jones, Kirk, Krysiak, Marriott, McHale,
McIntosh, Montague, Nathan-Pulliam, Oaks, Paige, Phillips, Rawlings,
and Rosenberg**

Introduced and read first time: February 15, 2001

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Motor Vehicle Liability Insurance - Rate Making Principles - Geographic**
3 **Terms**

4 FOR the purpose of prohibiting an insurer under a private passenger motor vehicle
5 liability insurance policy from expressing any underlying risk consideration in
6 geographic terms or using any rating territory smaller than the entire State of
7 Maryland in the classification of any rate; providing for the application of this
8 Act; and generally relating to rate making principles in motor vehicle insurance.

9 BY repealing and reenacting, without amendments,
10 Article - Insurance
11 Section 11-205(f), 11-215(a), 11-306(e), and 11-318(a)
12 Annotated Code of Maryland
13 (1997 Volume and 2000 Supplement)

14 BY adding to
15 Article - Insurance
16 Section 11-215(h) and 11-318(h)
17 Annotated Code of Maryland
18 (1997 Volume and 2000 Supplement)

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

21 **Article - Insurance**

22 11-205.

23 (f) (1) Risks may be grouped by classifications for the establishment of rates
24 and minimum premiums.

1 (2) Classification rates may be modified to produce rates for individual
2 risks in accordance with rating plans that establish standards for measuring
3 variations in hazards or expense provisions, or both.

4 (3) The standards may measure any difference among risks that are
5 demonstrated objectively to the Commissioner to have had a direct and substantial
6 effect on losses or expenses.

7 (4) Notwithstanding any other provision of this subsection, a rate may
8 not be based wholly or partly on geographic area itself, as opposed to underlying risk
9 considerations, even though expressed in geographic terms.

10 11-215.

11 (a) All automobile insurance rates shall be made in accordance with the
12 principles set forth in this section.

13 (H) NOTWITHSTANDING THE PROVISIONS OF § 11-205(F)(4) OF THIS SUBTITLE,
14 AN INSURER UNDER A PRIVATE PASSENGER MOTOR VEHICLE LIABILITY INSURANCE
15 POLICY MAY NOT:

16 (1) EXPRESS ANY UNDERLYING RISK CONSIDERATION IN GEOGRAPHIC
17 TERMS; OR

18 (2) USE OR EMPLOY ANY RATING TERRITORY SMALLER THAN THE
19 ENTIRE STATE IN THE CLASSIFICATION OF ANY RATE.

20 11-306.

21 (e) (1) Risks may be grouped by classifications for the establishment of rates
22 and minimum premiums.

23 (2) Classification rates may be modified to produce rates for individual
24 risks in accordance with rating plans that establish standards for measuring
25 variations in hazards or expense provisions, or both.

26 (3) The standards may measure any difference among risks that have
27 had a direct and substantial effect on losses or expenses.

28 (4) Notwithstanding any other provision of this subsection, a rate may
29 not be based wholly or partly on geographic area itself, as opposed to underlying risk
30 considerations, even though expressed in geographic terms.

31 11-318.

32 (a) All automobile insurance rates shall be made in accordance with the
33 principles set forth in this section.

34 (H) NOTWITHSTANDING THE PROVISIONS OF § 11-306(E)(4) OF THIS SUBTITLE,
35 AN INSURER UNDER A PRIVATE PASSENGER MOTOR VEHICLE LIABILITY INSURANCE
36 POLICY MAY NOT:

1 (1) EXPRESS ANY UNDERLYING RISK CONSIDERATION IN GEOGRAPHIC
2 TERMS; OR

3 (2) USE OR EMPLOY ANY RATING TERRITORY SMALLER THAN THE
4 ENTIRE STATE IN THE CLASSIFICATION OF ANY RATE.

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be
6 construed only prospectively and may not be applied or interpreted to have any effect
7 on or application to any private passenger motor vehicle liability insurance policies
8 issued or renewed before the effective date of this Act.

9 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
10 October 1, 2001.