
By: **Delegates Dypski, Hammen, Krysiak, Marriott, and McIntosh**
Introduced and read first time: February 8, 2002
Assigned to: Economic Matters

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 2001 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 2001 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.

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

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

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

7 11-215.

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

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

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

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

17 11-306.

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

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

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

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

28 11-318.

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

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

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

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

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

7 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 October 1, 2002.