

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1573
Economic Matters

(Delegate Doory)

Finance

Motor Vehicle Liability Insurance - Pilot Programs

This bill authorizes a motor vehicle liability insurer to conduct a pilot program in the State, subject to the prior approval of the Maryland Insurance Commissioner, and requires the Commissioner to report to the General Assembly on pilot programs by December 31 each year.

Fiscal Summary

State Effect: Special fund revenues would increase to the extent pilot programs are instituted or converted into a regular line of insurance under the bill.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: A pilot program is a program under which motor vehicle liability insurance is offered in the State by an authorized insurer using rates, rules, underwriting standards, or forms that are not used in similar combinations in connection with other motor vehicle liability insurance. A pilot program may not be made available to all insureds and applicants who meet its underwriting standards and other eligibility requirements. A pilot program is exempt from the provisions that generally govern rates, filings, and cancellations for motor vehicle insurance.

A policy under the pilot program must provide the minimum required liability coverage of: (1) for bodily injury or death arising from an accident, \$20,000 for one person and

\$40,000 for two or more persons; and (2) for property of others damaged or destroyed in an accident, \$15,000.

An insurer that seeks approval to conduct a pilot program must file rates, rules, underwriting standards, and forms to be used in the pilot program, any additional criteria to be used by the insurer to restrict eligibility for the pilot program, and the time period during which the pilot program will be conducted. Any modification of rates, rules, underwriting standards, and forms initially approved must be filed with the Commissioner before their use. The insurer must pay any filing fees required by law or the Commissioner.

Information provided by the insurer to the Commissioner is proprietary and may not be disclosed without the insurer's prior consent.

The Commissioner may not approve a pilot program for which the sole underwriting standard is the number of miles traveled by the insured motor vehicle.

An insurer may terminate a pilot program if the insurer: (1) meets specified notice requirements for termination; or (2) the coverage is made available by the insurer to any person who meets the underwriting standards and other eligibility requirements for coverage.

Approval of a pilot program is conclusive evidence that the program satisfies the provisions governing discrimination in underwriting. A pilot program must comply with the notice requirement for cancellation because of nonpayment of premium.

Current Law: New insurance products, including any product with a restricted application like a pilot program, are subject to the same approval, legal, and regulatory schemes as other insurance products.

State Revenues: The number of pilot programs that would be instituted under the bill cannot be accurately estimated. It is assumed that each form and each rate or rule filed with the Maryland Insurance Administration would be subject to the \$125 filing fee. It is further assumed that each pilot program would have at least one form and one rate or rule to be filed. Special fund revenues for the Insurance Regulation Fund would increase by \$125 for each filing under a pilot program. Special fund revenues would also increase by \$125 for each filing if a pilot program is converted to a permanent line of insurance.

Additional Information

Prior Introductions: None.

Cross File: SB 938 (Senator Gladden) – Finance.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - March 16, 2005
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Analysis by: T. Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510