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By: ~~Delegates Feldman and Miller, Miller, and Conroy~~

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Assigned to: Economic Matters

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Committee Report: Favorable with amendments

House action: Adopted

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Insurance - Private Passenger Motor Vehicle Liability Insurance -**  
3 **Cancellations, Failures to Renew, Reductions in Coverage, and Premium**  
4 **Increases**

5 FOR the purpose of providing that certain insurers may cancel, fail to renew, or  
6 reduce coverage under a binder or policy of private passenger motor vehicle  
7 insurance under certain circumstances; altering the contents of a certain notice  
8 of proposed action; requiring an insurer's statement of actual reason for a  
9 proposed action to include a brief statement of the basis for the action;  
10 specifying the minimum contents of the statement; altering the circumstances  
11 under which the Maryland Insurance Commissioner is prohibited from  
12 disallowing a proposed action of an insurer; repealing a provision of law that  
13 authorizes the Commissioner to adopt certain regulations; altering a certain  
14 burden of proof; providing that a notice of premium increase for private  
15 passenger motor vehicle liability insurance may be included in a renewal offer or  
16 policy; providing for the form and contents of the notice; authorizing an insured  
17 to protest certain premium increases and request a certain hearing under  
18 certain circumstances; establishing the criteria the Commissioner must use in  
19 dismissing a protest or disallowing the proposed action of an insurer;  
20 authorizing the Commissioner to order a stay of a premium increase under  
21 certain circumstances; prohibiting the Commissioner from dismissing a protest  
22 under certain circumstances; altering the amount of interest an insurer is  
23 required to pay to an insured under certain circumstances; authorizing the  
24 Maryland Insurance Administration to establish a certain pilot program;  
25 requiring the Administration to report to certain committees of the General  
26 Assembly on the pilot program on or before a certain date; making conforming  
27 and stylistic changes; providing for the application of this Act; providing for a  
28 delayed effective date; and generally relating to private passenger motor vehicle

1 liability insurance.

2 BY repealing and reenacting, with amendments,

3 Article - Insurance

4 Section 27-605

5 Annotated Code of Maryland

6 (2002 Replacement Volume and 2005 Supplement)

7 BY adding to

8 Article - Insurance

9 Section 27-605.1

10 Annotated Code of Maryland

11 (2002 Replacement Volume and 2005 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

13 MARYLAND, That the Laws of Maryland read as follows:

14 **Article - Insurance**

15 27-605.

16 (a) [In this section, "increase in premium" and "premium increase" include an  
17 increase in the premium for any coverage on a policy due to:

18 (1) a surcharge;

19 (2) retiering or other reclassification of an insured; or

20 (3) removal or reduction of a discount.]

21 (1) THIS SECTION APPLIES ONLY TO PRIVATE PASSENGER MOTOR  
22 VEHICLE LIABILITY INSURANCE.

23 (2) THIS SECTION DOES NOT APPLY TO THE MARYLAND AUTOMOBILE  
24 INSURANCE FUND.

25 (b) (1) [Except in] IN accordance with this [article] SECTION, with respect  
26 to a policy of PRIVATE PASSENGER motor vehicle liability insurance or a binder of  
27 PRIVATE PASSENGER motor vehicle liability insurance, if the binder has been in effect  
28 for at least 45 days, issued in the State to any resident of the household of the named  
29 insured, an insurer [other than the Maryland Automobile Insurance Fund] may  
30 [not]:

31 (i) cancel or fail to renew the policy or binder [for a reason other  
32 than nonpayment of premium]; OR

33 (ii) [increase a premium for any coverage on the policy; or

34 (iii)] reduce coverage under the policy.

1 (2) Notwithstanding paragraph (1) of this subsection, the requirements  
2 of this section do not apply if:

3 (i) [the premium increase described in paragraph (1)(ii) of this  
4 subsection is part of a general increase in premiums approved by the Commissioner  
5 and does not result from a reclassification of the insured;

6 (ii) the reduction in coverage described in paragraph [(1)(iii)] (1)(II)  
7 of this subsection is part of a general reduction in coverage approved by the  
8 Commissioner or satisfies the requirements of Title 19, Subtitle 5 of this article; or

9 [(iii)] (II) the failure to renew the policy takes place under a plan of  
10 withdrawal that:

11 1. is approved by the Commissioner under § 27-603 of this  
12 subtitle; and

13 2. provides that each insured affected by the plan of  
14 withdrawal shall be sent by certificate of mailing at least 45 days before the  
15 nonrenewal of the policy a written notice that states the date that the policy will be  
16 nonrenewed and that the nonrenewal is the result of the withdrawal of the insurer  
17 from the market.

18 (c) (1) At least 45 days before the proposed effective date of the action, an  
19 insurer that intends to take an action subject to this section [must] SHALL send  
20 written notice of its proposed action to the insured at the last known address of the  
21 insured:

22 (i) for notice of cancellation or nonrenewal, by certified mail; and

23 (ii) for all other notices of actions subject to this section, by  
24 certificate of mailing.

25 (2) The notice must be in triplicate and on a form approved by the  
26 Commissioner.

27 (3) The notice must state in clear and specific terms:

28 (i) the proposed action to be taken, including[:

29 1. for a premium increase, the amount of the increase and  
30 the type of coverage to which it is applicable; and

31 2.] for a reduction in coverage, the type of coverage reduced  
32 and the extent of the reduction;

33 (ii) the proposed effective date of the action;

34 (iii) subject to paragraph (4) of this subsection, the actual reason of  
35 the insurer for proposing to take the action;

1 (iv) if there is coupled with the notice an offer to continue or renew  
2 the policy in accordance with § 27-606 of this subtitle:

3 1. the name of the individual or individuals to be excluded  
4 from coverage; and

5 2. the premium amount if the policy is continued or renewed  
6 with the named individual or individuals excluded from coverage;

7 (v) the right of the insured to replace the insurance through the  
8 Maryland Automobile Insurance Fund and the current address and telephone number  
9 of the Fund;

10 (vi) the right of the insured to protest the proposed action of the  
11 insurer and[, except in the case of a premium increase of 15% or less for the entire  
12 policy,] request a hearing before the Commissioner on the proposed action by signing  
13 two copies of the notice and sending them to the Commissioner within 30 days after  
14 the mailing date of the notice;

15 (vii) [except for a premium increase of 15% or less for the entire  
16 policy,] that if a protest is filed by the insured, the insurer must maintain the current  
17 insurance in effect until a final determination is made by the Commissioner, subject  
18 to the payment of any authorized premium due or becoming due before the  
19 determination; AND

20 (viii) that the Commissioner shall order the insurer to pay reasonable  
21 attorney fees incurred by the insured for representation at the hearing if the  
22 Commissioner finds that:

23 1. the actual reason for the proposed action is not stated in  
24 the notice or the proposed action is not in accordance with § 27-501 of this article, the  
25 insurer's filed rating plan, its underwriting standards, or the lawful terms and  
26 conditions of the policy related to a cancellation, nonrenewal, premium increase, or  
27 reduction in coverage; and

28 2. the insurer's conduct in maintaining or defending the  
29 proceeding was in bad faith or the insurer acted willfully in the absence of a bona fide  
30 dispute; and

31 (ix) if the proposed action is based wholly or partly on a credit score  
32 or information from a credit report:

33 1. the name, address, and telephone number of the consumer  
34 reporting agency that furnished the credit report to the insurer, including the  
35 toll-free telephone number established by the agency if the agency compiles and  
36 maintains files on consumers on a nationwide basis;

37 2. that the consumer reporting agency did not make the  
38 decision to take the proposed action and is unable to provide the insured the specific  
39 reasons why the action is proposed to be taken;



1 (iii) The Commissioner may not disallow a proposed action of an  
2 insurer because the statement of actual reason contains:

3 1. grammatical errors, typographical errors, or other errors  
4 provided that the errors are nonmaterial and not misleading; [or]

5 2. surplus information, provided that the surplus  
6 information is nonmaterial and not misleading; OR

7 3. ERRONEOUS INFORMATION, PROVIDED THAT IN ABSENCE  
8 OF THE ERRONEOUS INFORMATION, THERE REMAINS A SUFFICIENT BASIS TO  
9 SUPPORT THE ACTION.

10 (d) At least 10 days before the date an insurer proposes to cancel a policy for  
11 nonpayment of premium, the insurer shall [cause to be sent] SEND to the insured, by  
12 certificate of ~~mailing~~ MAIL, a written notice of intention to cancel for nonpayment of  
13 premium.

14 (e) A statement of actual reason contained in the notice given under  
15 subsection (c) of this section is privileged and does not constitute grounds for an  
16 action against the insurer, its representatives, or another person that in good faith  
17 provides to the insurer information on which the statement is based.

18 (f) (1) This subsection does not apply to an action of an insurer taken under  
19 subsection (d) of this section.

20 (2) An insured may protest a proposed action of the insurer under this  
21 section by signing two copies of the notice and sending them to the Commissioner  
22 within 30 days after the mailing date of the notice.

23 (3) On receipt of a protest, the Commissioner shall notify the insurer of  
24 the filing of the protest.

25 (4) [Except for a premium increase of 15% or less for the entire policy, a]  
26 A protest filed with the Commissioner stays the proposed action of the insurer  
27 pending a final determination by the Commissioner.

28 (5) [(i) Except for a premium increase of 15% or less for the entire  
29 policy, the] THE insurer shall maintain in effect the same coverage and premium that  
30 were in effect on the day the notice of proposed action was sent to the insured until a  
31 final determination is made, subject to the payment of any authorized premium due  
32 or becoming due before the determination.

33 [(ii) In the case of a premium increase, a dismissal of the protest or  
34 disallowance of the premium increase is deemed to be a final determination of the  
35 Commissioner 20 days after the mailing date of the Commissioner's notice of action.]

36 (g) (1) Based on the information contained in the notice, the Commissioner  
37 SHALL:

1 (i) [shall] determine whether the protest by the insured has merit;  
2 and

3 (ii) [either shall] dismiss the protest or disallow the proposed  
4 action of the insurer.

5 (2) The Commissioner shall notify the insurer and the insured of the  
6 action of the Commissioner promptly in writing.

7 (3) Subject to paragraph (4) of this subsection, within 30 days after the  
8 mailing date of the Commissioner's notice of action, the aggrieved party may request  
9 a hearing.

10 (4) [Except in the case of a premium increase of 15% or less for the  
11 entire policy the] THE Commissioner shall:

12 (i) hold a hearing within a reasonable time after the request for a  
13 hearing; and

14 (ii) give written notice of the time and place of the hearing at least  
15 10 days before the hearing.

16 (5) A hearing held under this subsection shall be conducted in  
17 accordance with Title 10, Subtitle 2 of the State Government Article.

18 (6) At the hearing the insurer has the burden of proving its proposed  
19 action to be [justified] IN ACCORDANCE WITH THE INSURER'S FILED RATING PLAN,  
20 ITS UNDERWRITING STANDARDS, OR THE LAWFUL TERMS AND CONDITIONS OF THE  
21 POLICY RELATED TO A CANCELLATION, NONRENEWAL, OR REDUCTION IN  
22 COVERAGE, AS APPLICABLE, AND NOT IN VIOLATION OF § 27-501 OF THIS TITLE and,  
23 in doing so, may rely only on the reasons set forth in its notice to the insured.

24 (h) (1) The Commissioner shall issue an order within 30 days after the  
25 conclusion of the hearing.

26 (2) If the Commissioner finds the proposed action of the insurer to be in  
27 accordance with the insurer's {filed rating plan, its} underwriting standards{,} or  
28 the lawful terms and conditions of the policy related to a cancellation, nonrenewal,  
29 [premium increase,] or reduction in coverage, as applicable, and not in violation of §  
30 27-501 of this [article] TITLE, the Commissioner shall:

31 (i) dismiss the protest; and

32 (ii) allow the proposed action to be taken on the later of:

33 1. its proposed effective date; and

34 2. 30 days after the date of the determination.

35 (3) If the Commissioner finds that the actual reason for the proposed  
36 action is not stated in the notice or the proposed action is not in accordance with §

1 27-501 of this [article] TITLE, the insurer's {filed rating plan, its} underwriting  
2 standards{,} or the lawful terms and conditions of the policy related to a cancellation,  
3 nonrenewal, [premium increase,] or reduction in coverage, the Commissioner shall:

4 (i) disallow the action; and

5 (ii) order the insurer to pay reasonable attorney fees incurred by  
6 the insured for representation at the hearing if the Commissioner finds that the  
7 insurer's conduct in maintaining or defending the proceeding was in bad faith or the  
8 insurer acted willfully in the absence of a bona fide dispute.

9 (i) The Commissioner may delegate the powers and duties of the  
10 Commissioner under this section to one or more employees or hearing examiners.

11 (j) [(1) If the Commissioner disallows a premium increase of 15% or less for  
12 the entire policy, the insurer, within 30 days after the disallowance, shall:

13 (i) return to the insured all disallowed premium received from the  
14 insured; and

15 (ii) pay to the insured interest on the disallowed premium received  
16 from the insured calculated at 10% per annum from the date the disallowed premium  
17 was received to the date the disallowed premium was returned.

18 (2) If an insurer fails to return any disallowed premium or fails to pay  
19 interest to an insured in violation of paragraph (1) of this subsection, the insurer is in  
20 violation of this article and subject to the penalties under § 4-113(d) of this article.

21 (k)] A party to a proceeding under this section may appeal the decision of the  
22 Commissioner in accordance with § 2-215 of this article.

23 [(1) The Commissioner may adopt regulations that exclude from the  
24 requirements of this section certain types of premium increases, except for premium  
25 increases due to:

26 (1) an accident;

27 (2) a violation of the Maryland vehicle law or the vehicle law of another  
28 state;

29 (3) the claims history of the insured;

30 (4) the credit history or the credit score of the insured;

31 (5) a retiering of the insured; or

32 (6) a surcharge.]

1 27-605.1.

2 (A) IN THIS SECTION, "INCREASE IN PREMIUM" AND "PREMIUM INCREASE"  
3 INCLUDE AN INCREASE IN TOTAL PREMIUM FOR ~~ANY COVERAGE ON~~ A POLICY DUE  
4 TO:

5 (1) A SURCHARGE;

6 (2) RETIERING OR OTHER RECLASSIFICATION OF AN INSURED; OR

7 (3) REMOVAL OR REDUCTION OF A DISCOUNT.

8 (B) (1) THIS SECTION APPLIES ONLY TO PRIVATE PASSENGER MOTOR  
9 VEHICLE LIABILITY INSURANCE.

10 (2) THIS SECTION DOES NOT APPLY TO THE MARYLAND AUTOMOBILE  
11 INSURANCE FUND.

12 (C) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AT  
13 LEAST 45 DAYS BEFORE THE EFFECTIVE DATE OF AN INCREASE IN THE TOTAL  
14 PREMIUM FOR A POLICY OF PRIVATE PASSENGER MOTOR VEHICLE LIABILITY  
15 INSURANCE, THE INSURER SHALL SEND WRITTEN NOTICE OF THE PREMIUM  
16 INCREASE TO THE INSURED AT THE LAST KNOWN ADDRESS OF THE INSURED BY  
17 CERTIFICATE OF ~~MAILING~~ MAIL.

18 (2) THE NOTICE REQUIRED BY PARAGRAPH (1) OF THIS SUBSECTION  
19 NEED NOT BE GIVEN IF THE PREMIUM INCREASE IS PART OF A GENERAL INCREASE  
20 IN PREMIUMS ~~APPROVED BY THE COMMISSIONER THAT IS FILED IN ACCORDANCE~~  
21 WITH TITLE 11 OF THIS ARTICLE AND DOES NOT RESULT FROM A RECLASSIFICATION  
22 OF THE INSURED.

23 (3) THE NOTICE MAY ACCOMPANY OR BE INCLUDED IN THE RENEWAL  
24 OFFER OR POLICY.

25 (4) THE NOTICE MUST BE IN DUPLICATE AND ON A FORM APPROVED BY  
26 THE COMMISSIONER.

27 (5) THE NOTICE MUST STATE IN CLEAR AND SPECIFIC TERMS:

28 (I) THE PREMIUM FOR THE CURRENT POLICY PERIOD;

29 (II) THE PREMIUM FOR THE RENEWAL POLICY PERIOD;

30 (III) THE BASIS FOR THE ACTION, INCLUDING, AT A MINIMUM:

31 1. IF THE PREMIUM INCREASE IS DUE WHOLLY OR PARTLY  
32 TO AN ACCIDENT:

33 A. THE NAME OF THE DRIVER;

34 B. THE DATE OF THE ACCIDENT; AND

1 C. IF FAULT IS A MATERIAL FACTOR FOR THE INSURER'S  
2 ACTION, A STATEMENT THAT THE DRIVER WAS AT FAULT;

3 2. IF THE PREMIUM INCREASE IS DUE WHOLLY OR PARTLY  
4 TO A VIOLATION OF THE MARYLAND VEHICLE LAW OR THE VEHICLE LAWS OF  
5 ANOTHER STATE OR TERRITORY OF THE UNITED STATES:

6 A. THE NAME OF THE DRIVER;

7 B. THE DATE OF THE VIOLATION; AND

8 C. A DESCRIPTION OF THE VIOLATION;

9 3. IF THE PREMIUM INCREASE IS DUE WHOLLY OR PARTLY  
10 TO THE CLAIMS HISTORY OF AN INSURED, A DESCRIPTION OF EACH CLAIM; AND

11 4. ANY OTHER INFORMATION THAT IS THE BASIS FOR THE  
12 INSURER'S ACTION;

13 (IV) THAT THE INSURED SHOULD CONTACT THE INSURED'S  
14 INSURANCE PRODUCER OR INSURER FOR A REVIEW OF THE PREMIUM IF THE  
15 INSURED HAS A QUESTION ABOUT THE INCREASE IN PREMIUM OR BELIEVES THE  
16 INFORMATION IN THE NOTICE IS INCORRECT;

17 (V) THE RIGHT OF THE INSURED TO PROTEST THE PREMIUM  
18 INCREASE AND, IN THE CASE OF A PREMIUM INCREASE OF MORE THAN 15% FOR THE  
19 ENTIRE POLICY, TO REQUEST A HEARING BEFORE THE COMMISSIONER BY MAILING  
20 OR TRANSMITTING BY FACSIMILE TO THE COMMISSIONER:

21 1. A COPY OF THE NOTICE;

22 2. THE INSURED'S ADDRESS AND DAYTIME TELEPHONE  
23 NUMBER; AND

24 3. A STATEMENT OF THE REASON THAT THE INSURED  
25 BELIEVES THE PREMIUM INCREASE IS INCORRECT;

26 (VI) THE ADDRESS AND FACSIMILE NUMBER OF THE  
27 ADMINISTRATION; AND

28 (VII) THAT THE COMMISSIONER SHALL ORDER THE INSURER TO PAY  
29 REASONABLE ATTORNEY FEES INCURRED BY THE INSURED FOR REPRESENTATION  
30 AT A HEARING IF THE COMMISSIONER FINDS THAT:

31 1. THE ACTUAL REASON FOR THE PROPOSED ACTION IS NOT  
32 STATED IN THE NOTICE OR THE PROPOSED ACTION IS NOT IN ACCORDANCE WITH  
33 THIS ARTICLE OR THE INSURER'S FILED RATING PLAN; AND

34 2. THE INSURER'S CONDUCT IN MAINTAINING OR  
35 DEFENDING THE PROCEEDING WAS IN BAD FAITH OR THE INSURER ACTED  
36 WILLFULLY IN THE ABSENCE OF A BONA FIDE DISPUTE.

1 (D) (1) IF THE INSURED BELIEVES THAT THE PREMIUM INCREASE IS  
2 INCORRECT, THE INSURED MAY PROTEST THE PROPOSED ACTION OF THE INSURER  
3 WITHIN 30 DAYS AFTER THE MAILING DATE OF THE NOTICE BY MAILING OR  
4 TRANSMITTING BY FACSIMILE TO THE COMMISSIONER:

5 (I) A COPY OF THE NOTICE;

6 (II) THE INSURED'S ADDRESS AND DAYTIME TELEPHONE NUMBER;  
7 AND

8 (III) A STATEMENT OF THE REASON THAT THE INSURED BELIEVES  
9 THE PREMIUM INCREASE IS INCORRECT.

10 (2) ON RECEIPT OF A PROTEST, THE COMMISSIONER SHALL NOTIFY THE  
11 INSURER OF THE FILING OF THE PROTEST.

12 (3) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS  
13 PARAGRAPH, A PROTEST FILED WITH THE COMMISSIONER DOES NOT STAY THE  
14 PROPOSED ACTION OF THE INSURER.

15 (II) IF A PREMIUM INCREASE FOR A POLICY EXCEEDS 15%, THE  
16 COMMISSIONER MAY ORDER A STAY OF THE PREMIUM INCREASE PENDING A FINAL  
17 DECISION IF THE COMMISSIONER MAKES A FINDING THAT THE PREMIUM INCREASE:

18 1. MAY CAUSE THE POLICYHOLDER UNDUE HARM; AND

19 2. IS IN VIOLATION OF THE INSURER'S FILED RATING PLAN.

20 (4) BASED ON THE INFORMATION CONTAINED IN THE NOTICE, THE  
21 COMMISSIONER SHALL:

22 (I) DETERMINE WHETHER THE INSURER'S ACTION IS IN  
23 ACCORDANCE WITH THE INSURER'S FILED RATING PLAN AND THIS ARTICLE; AND

24 (II) DISMISS THE PROTEST OR DISALLOW THE PROPOSED ACTION  
25 OF THE INSURER.

26 (5) THE COMMISSIONER SHALL NOTIFY THE INSURER AND THE  
27 INSURED OF THE ACTION OF THE COMMISSIONER PROMPTLY IN WRITING.

28 (6) FOR A PREMIUM INCREASE OF MORE THAN 15% FOR THE ENTIRE  
29 POLICY, WITHIN 30 DAYS AFTER THE MAILING DATE OF THE COMMISSIONER'S  
30 NOTICE OF ACTION, THE AGGRIEVED PARTY MAY REQUEST A HEARING.

31 (7) THE COMMISSIONER SHALL:

32 (I) HOLD A HEARING WITHIN A REASONABLE TIME AFTER THE  
33 REQUEST FOR A HEARING; AND

34 (II) GIVE WRITTEN NOTICE OF THE TIME AND PLACE OF THE  
35 HEARING AT LEAST 10 DAYS BEFORE THE HEARING.

1 (8) A HEARING REQUESTED UNDER THIS SUBSECTION SHALL BE  
2 CONDUCTED IN ACCORDANCE WITH TITLE 10, SUBTITLE 2 OF THE STATE  
3 GOVERNMENT ARTICLE.

4 (9) AT THE HEARING THE INSURER HAS THE BURDEN OF PROVING ITS  
5 PROPOSED ACTION TO BE IN ACCORDANCE WITH ITS FILED RATING PLAN AND THIS  
6 ARTICLE AND, IN DOING SO, MAY RELY ONLY ON THE REASONS SET FORTH IN ITS  
7 NOTICE TO THE INSURED.

8 (E) (1) THE COMMISSIONER SHALL ISSUE AN ORDER WITHIN 30 DAYS AFTER  
9 THE CONCLUSION OF THE HEARING.

10 (2) IF THE COMMISSIONER FINDS THE PROPOSED ACTION OF THE  
11 INSURER TO BE IN ACCORDANCE WITH THE INSURER'S FILED RATING PLAN AND  
12 THIS ARTICLE, THE COMMISSIONER SHALL:

13 (I) DISMISS THE PROTEST; AND

14 (II) IF THE INSURER'S ACTION IS STAYED, ALLOW THE PROPOSED  
15 ACTION OF THE INSURER TO BE TAKEN ON THE LATER OF:

16 1. ITS PROPOSED EFFECTIVE DATE; AND

17 2. 30 DAYS AFTER THE DATE OF THE DETERMINATION.

18 (3) IF THE COMMISSIONER FINDS THAT THE ACTUAL REASON FOR THE  
19 PROPOSED ACTION IS NOT STATED IN THE NOTICE OR THE PROPOSED ACTION IS NOT  
20 IN ACCORDANCE WITH THE INSURER'S FILED RATING PLAN OR THIS ARTICLE, THE  
21 COMMISSIONER SHALL:

22 (I) DISALLOW THE ACTION; AND

23 (II) ORDER THE INSURER TO PAY REASONABLE ATTORNEY FEES  
24 INCURRED BY THE INSURED FOR REPRESENTATION AT THE HEARING IF THE  
25 COMMISSIONER FINDS THAT THE INSURER'S CONDUCT IN MAINTAINING OR  
26 DEFENDING THE PROCEEDING WAS IN BAD FAITH OR THE INSURER ACTED  
27 WILLFULLY IN THE ABSENCE OF A BONA FIDE DISPUTE.

28 (4) THE COMMISSIONER MAY NOT DISMISS A PROTEST SOLELY BECAUSE  
29 OF THE INSURED'S FAILURE TO STATE A REASON THAT THE INSURED BELIEVES THE  
30 PREMIUM INCREASE IS INCORRECT.

31 (F) (1) IF THE COMMISSIONER DISALLOWS A PREMIUM INCREASE FOR THE  
32 ENTIRE POLICY, THE INSURER, WITHIN 30 DAYS AFTER THE DISALLOWANCE, SHALL:

33 (I) RETURN TO THE INSURED ALL DISALLOWED PREMIUM  
34 RECEIVED FROM THE INSURED; AND

35 (II) PAY TO THE INSURED INTEREST ON THE DISALLOWED  
36 PREMIUM RECEIVED FROM THE INSURED CALCULATED AT 10% A YEAR FROM THE

1 DATE THE DISALLOWED PREMIUM WAS RECEIVED TO THE DATE THE DISALLOWED  
2 PREMIUM WAS RETURNED.

3           (2)     IF AN INSURER FAILS TO RETURN ANY DISALLOWED PREMIUM AND  
4 INTEREST TO THE INSURED AS PROVIDED IN PARAGRAPH (1) OF THIS SUBSECTION  
5 WITHIN 30 DAYS AFTER THE COMMISSIONER DISALLOWS THE ACTION OF THE  
6 INSURER, THE INSURER SHALL PAY INTEREST ON THE DISALLOWED PREMIUM  
7 CALCULATED AT 20% A YEAR BEGINNING ON THE 31ST DAY FOLLOWING THE  
8 DISALLOWANCE TO THE DATE THE DISALLOWED PREMIUM IS RETURNED.

9           ~~(2)~~   (3)     IF AN INSURER FAILS TO RETURN ANY DISALLOWED PREMIUM  
10 OR FAILS TO PAY INTEREST TO AN INSURED IN VIOLATION OF ~~PARAGRAPH (1)~~  
11 PARAGRAPHS (1) AND (2) OF THIS SUBSECTION, THE INSURER IS SUBJECT TO THE  
12 PENALTIES UNDER § 4-113(D) OF THIS ARTICLE.

13       (G)     A PARTY TO A PROCEEDING UNDER THIS SECTION MAY APPEAL THE  
14 DECISION OF THE COMMISSIONER IN ACCORDANCE WITH § 2-215 OF THIS ARTICLE.

15       SECTION 2. AND BE IT FURTHER ENACTED, That:

16       (a)     The Maryland Insurance Administration may establish a pilot program for  
17 the purpose of reducing the number of protests filed under this Act.

18       (b)     Participation by insurers and insureds in the pilot program shall be  
19 voluntary.

20       (c)     The pilot program may require participating insurers to provide certain  
21 information and assistance to consumers who request information about premium  
22 increases.

23       (d)     On or before January 1, 2008, the Maryland Insurance Administration  
24 shall report to the Senate Finance Committee and the House Economic Matters  
25 Committee, in accordance with § 2-1246 of the State Government Article, on the  
26 implementation and results of the pilot program.

27       SECTION 3. AND BE IT FURTHER ENACTED, That this Act applies to all  
28 private passenger motor vehicle liability binders and policies issued or renewed on or  
29 after the effective date of this Act.

30       SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect  
31 January 1, 2007.

