
By: **Delegates Krysiak, Anderson, Conroy, Feldman, Kirk, McHale, Moe, and Vaughn**

Introduced and read first time: February 10, 2006

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Maryland Automobile Insurance Fund - Calculation and Use of**
3 **Surplus**

4 FOR the purpose of requiring the Maryland Automobile Insurance Fund to calculate
5 the surplus of the Fund by a certain date; providing that if the surplus exceeds
6 a certain percent of net direct written premiums the Fund shall file with the
7 Maryland Insurance Commissioner for a reduction in certain premiums
8 charged; providing that the reduction in premiums shall apply on a pro rata
9 basis among certain policyholders; requiring the Commissioner to review a
10 certain filing as soon as reasonably possible to ensure that the filing is in
11 compliance with a certain provision of law; defining a certain term; providing for
12 the application of this Act; and generally relating to the Maryland Automobile
13 Insurance Fund and the calculation and use of surplus.

14 BY repealing and reenacting, with amendments,
15 Article - Insurance
16 Section 20-507
17 Annotated Code of Maryland
18 (2002 Replacement Volume and 2005 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 20-507.

23 (a) IN THIS SECTION, "NET DIRECT WRITTEN PREMIUMS" MEANS DIRECT
24 GROSS PREMIUMS WRITTEN ON ALL POLICIES OF MOTOR VEHICLE LIABILITY
25 INSURANCE AND MOTOR VEHICLE PHYSICAL DAMAGE INSURANCE LESS RETURN
26 PREMIUMS OR DIVIDENDS PAID OR CREDITED TO POLICYHOLDERS WITH RESPECT
27 TO THOSE POLICIES.

1 (B) Subject to the approval of the Commissioner, the Executive Director shall
2 determine the premiums to be charged on policies issued by the Fund.

3 [(b)] (C) (1) Except as provided in [subsection (c)] SUBSECTIONS (D) AND (E)
4 of this section, the provisions of Title 11, Subtitle 2 of this article apply to the
5 determination of premiums by the Executive Director.

6 (2) Notwithstanding Title 11, Subtitle 2 of this article or any other
7 provision of this title, the Executive Director may base premiums on one or both of the
8 following items:

9 (i) the number of points accumulated by an insured or applicant
10 for insurance under the point system provided for in Title 16, Subtitle 4 of the
11 Transportation Article; or

12 (ii) the prior claims experience of an insured or applicant for
13 insurance.

14 [(c)] (D) (1) Premiums for all commercial coverage shall be determined in
15 accordance with this section and § 20-508 of this subtitle.

16 (2) Notwithstanding paragraph (1) of this subsection, the rating
17 principles under subsection [(d)] (F) of this section may not be used to determine the
18 premium for commercial coverage.

19 (E) (1) NOT LATER THAN FEBRUARY 15 OF EACH YEAR, THE FUND SHALL:

20 (I) CALCULATE THE SURPLUS OF THE FUND; AND

21 (II) IF THE SURPLUS OF THE FUND EXCEEDS 40% OF THE NET
22 DIRECT WRITTEN PREMIUMS FOR THE PRECEDING CALENDAR YEAR, FILE WITH THE
23 COMMISSIONER FOR A REDUCTION IN PREMIUMS CHARGED ON ALL POLICIES
24 ISSUED BY THE FUND FOR THE CURRENT CALENDAR YEAR.

25 (2) A REDUCTION IN PREMIUMS CHARGED SHALL BE APPLIED ON A PRO
26 RATA BASIS AMONG THE POLICYHOLDERS OF THE FUND FOR THE CURRENT
27 CALENDAR YEAR.

28 (3) THE COMMISSIONER SHALL REVIEW THE FILING AS SOON AS
29 REASONABLY POSSIBLE TO ENSURE THAT THE FILING IS IN COMPLIANCE WITH THIS
30 SUBSECTION.

31 [(d)] (F) In reviewing rates filed by the Fund, the Commissioner shall
32 consider not only the rating principles under Title 11, Subtitle 2 of this article but also
33 the statutory purpose of the Fund under § 20-301 of this title.

34 [(e)] (G) (1) The Motor Vehicle Administration and Executive Director may
35 arrange for the Motor Vehicle Administration to collect premiums on policies issued
36 by the Fund when the Motor Vehicle Administration issues a driver's license or
37 certificate of registration.

1 (2) A premium collected under this subsection shall be paid to the State
2 Treasurer for the account of the Fund.

3 [(f)] (H) (1) The Fund may not:

4 (i) provide directly or indirectly for the financing of premiums; or

5 (ii) accept premiums on an installment basis.

6 (2) A premium may be financed only by a premium finance company
7 registered with the Commissioner in accordance with § 23-201 of this article.

8 (3) If a prospective insured's initial payment to the Fund, a fund
9 producer, or premium finance company is not honored, a policy or endorsement issued
10 in reliance on that payment is void.

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all
12 policies issued, delivered, or renewed by the Maryland Automobile Insurance Fund on
13 or after the effective date of this Act.

14 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
15 October 1, 2006.