
By: **Senator Gladden**

Introduced and read first time: February 3, 2006

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Automobile Insurance Fund - Acceptance of Premiums on**
3 **Installment Basis**

4 FOR the purpose of authorizing the Maryland Automobile Insurance Fund to accept
5 premiums on an installment basis; authorizing the Fund to offer to accept
6 premiums on an installment basis on certain policies in a certain manner on or
7 after a certain date; requiring the Maryland Insurance Commissioner to conduct
8 a certain study after a certain date; authorizing the Fund to request approval of
9 the Commissioner to offer to accept premiums on an installment basis on any
10 policy issued in the State in a certain manner on or after a certain date;
11 requiring the Commissioner to determine whether to approve the request in a
12 certain manner within a certain period of time; requiring the Commissioner to
13 hold certain public hearings; providing that a request is deemed approved
14 within a certain period of time under certain circumstances; requiring the
15 Commissioner to phase in the number of policies that may be paid on an
16 installment basis in a certain manner; requiring the Commissioner to require
17 the Fund to terminate offering to accept premiums on an installment basis if the
18 request is disapproved; requiring the Commissioner to make a certain report
19 within a certain period of time after a certain study is completed; and generally
20 relating to accepting premiums on an installment basis on policies issued by the
21 Maryland Automobile Insurance Fund.

22 BY repealing and reenacting, without amendments,
23 Article - Insurance
24 Section 20-101(a) and (g)
25 Annotated Code of Maryland
26 (2002 Replacement Volume and 2005 Supplement)

27 BY repealing and reenacting, with amendments,
28 Article - Insurance
29 Section 20-507
30 Annotated Code of Maryland
31 (2002 Replacement Volume and 2005 Supplement)

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

3 **Article - Insurance**

4 20-101.

5 (a) In this title the following words have the meanings indicated.

6 (g) "Fund" means the Maryland Automobile Insurance Fund.

7 20-507.

8 (a) Subject to the approval of the Commissioner, the Executive Director shall
9 determine the premiums to be charged on policies issued by the Fund.

10 (b) (1) Except as provided in subsection (c) of this section, the provisions of
11 Title 11, Subtitle 2 of this article apply to the determination of premiums by the
12 Executive Director.

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

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

19 (ii) the prior claims experience of an insured or applicant for
20 insurance.

21 (c) (1) Premiums for all commercial coverage shall be determined in
22 accordance with this section and § 20-508 of this subtitle.

23 (2) Notwithstanding paragraph (1) of this subsection, the rating
24 principles under subsection (d) of this section may not be used to determine the
25 premium for commercial coverage.

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

29 (e) (1) The Motor Vehicle Administration and Executive Director may
30 arrange for the Motor Vehicle Administration to collect premiums on policies issued
31 by the Fund when the Motor Vehicle Administration issues a driver's license or
32 certificate of registration.

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

1 (f) (1) The Fund may not[:

2 (i)] provide directly or indirectly for the financing of premiums[; or

3 (ii) accept premiums on an installment basis].

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

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

9 (G) (1) IN ACCORDANCE WITH THIS SUBSECTION, THE FUND MAY ACCEPT
10 PREMIUMS ON AN INSTALLMENT BASIS.

11 (2) (I) ON OR AFTER OCTOBER 1, 2006, THE FUND MAY OFFER TO
12 ACCEPT PREMIUMS ON AN INSTALLMENT BASIS ON POLICIES ISSUED IN THE TWO
13 TERRITORIES IN THE STATE WHERE THE FUND CHARGES THE HIGHEST PREMIUM.

14 (II) THE NUMBER OF POLICIES THAT MAY BE PAID ON AN
15 INSTALLMENT BASIS FROM THE TWO TERRITORIES MAY NOT EXCEED 20% OF THE
16 TOTAL NUMBER OF POLICIES IN EFFECT FOR THE FUND IN THE ENTIRE STATE ON
17 THE DATE THE FUND INITIALLY OFFERS TO ACCEPT PREMIUMS ON AN
18 INSTALLMENT BASIS.

19 (3) AFTER 1 YEAR FOLLOWING THE DATE THE FUND INITIALLY OFFERS
20 TO ACCEPT PREMIUMS ON AN INSTALLMENT BASIS UNDER PARAGRAPH (2)(I) OF THIS
21 SUBSECTION, THE COMMISSIONER SHALL CONDUCT A STUDY TO DETERMINE
22 WHETHER THE ACCEPTANCE OF PREMIUMS ON AN INSTALLMENT BASIS HAS:

23 (I) BEEN BENEFICIAL TO POLICYHOLDERS OF THE FUND;

24 (II) ADVERSELY IMPAIRED THE FINANCIAL SOLVENCY OF THE
25 FUND; AND

26 (III) IMPACTED THE VIABILITY OF THE PREMIUM FINANCE
27 INDUSTRY.

28 (4) (I) ON OR AFTER 15 MONTHS FOLLOWING THE DATE THE FUND
29 INITIALLY OFFERS TO ACCEPT PREMIUMS ON AN INSTALLMENT BASIS UNDER
30 PARAGRAPH (2)(I) OF THIS SUBSECTION, THE FUND MAY REQUEST, IN WRITING,
31 APPROVAL OF THE COMMISSIONER TO OFFER TO ACCEPT PREMIUMS ON AN
32 INSTALLMENT BASIS FOR ANY POLICY ISSUED IN THE STATE.

33 (II) 1. ON RECEIPT OF A REQUEST BY THE FUND UNDER
34 SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE COMMISSIONER SHALL DETERMINE
35 WHETHER TO APPROVE THE REQUEST AS SOON AS REASONABLY POSSIBLE AFTER
36 THE REQUEST IS MADE.

