

Chapter 9

(Senate Bill 53)

AN ACT concerning

Maryland Automobile Insurance Fund – Installment Payment Plan – Clarification

FOR the purpose of clarifying that the Maryland Automobile Insurance Fund may not discriminate among certain insureds by charging different premiums to insureds who select, as a payment option, the Fund's installment payment plan instead of a premium finance agreement; making this Act an emergency measure; and generally relating to the Maryland Automobile Insurance Fund's installment payment plan.

BY repealing and reenacting, with amendments,
Article – Insurance
Section 20–507(g)
Annotated Code of Maryland
(2011 Replacement Volume and 2013 Supplement)

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

Article – Insurance

20–507.

(g) (1) (i) Subject to the approval of the Commissioner and in accordance with this subsection, the Fund may accept premiums on an installment payment basis only on 12–month personal lines policies.

(ii) In approving the Fund's plan for accepting premiums on an installment payment basis, the Commissioner shall ensure that the Fund's installment payment plan:

1. requires an insured's initial premium payment to be no less than:
 - A. for a total annual premium of less than \$3,000, 25% of the total annual premium; and
 - B. for a total annual premium of \$3,000 or more, 20% of the total annual premium;

2. adjusts the amount of the total annual premium used to determine the initial premium payment under item 1 of this subparagraph on October 1 of each year using data from the U.S. Government Bureau of Labor Statistics motor vehicle insurance expenditure category of the Consumer Price Index for all urban consumers;

3. is structured and administered to ensure that the Fund at no time provides insurance coverage to an insured for a period during which the Fund has not received the actuarially justified premium payment;

4. offers no more than:

A. for a policy under item 1A of this subparagraph, six installment payments on the 12-month policy; and

B. for a policy under item 1B of this subparagraph, eight installment payments on the 12-month policy;

5. allows insureds to make an initial premium payment and installment payments in any commercially acceptable form; and

6. allows the Fund to impose an administrative processing fee on insureds participating in the installment plan of no more than \$8 per installment payment.

(2) The Fund may not discriminate among insureds by charging different premiums [based on the payment option selected by an insured] **TO INSUREDS WHO SELECT, AS A PAYMENT OPTION, THE FUND'S INSTALLMENT PAYMENT PLAN INSTEAD OF A PREMIUM FINANCE AGREEMENT.**

(3) In determining commissions paid to a fund producer, the Fund may not consider whether the fund producer placed an insured in an installment payment plan.

(4) (i) In accordance with this paragraph, written and electronic communications, including the Fund's Web site, affecting the placement of coverage by the Fund or a fund producer shall include a statement, on a form approved by the Commissioner, advising an applicant or an insured of the payment options available to the applicant or insured.

(ii) The statement shall state that the applicant or insured has the following payment options:

1. the Fund's installment payment plan;

2. a premium finance agreement; or
3. payment of the policy in full.

(iii) The statement shall be included on written or electronic communications at the time the applicant or insured:

1. is issued a new policy; or
2. is issued a reissuance, rewrite, or renewal of an existing policy.

(iv) The statement shall state that the applicant or insured should consult a fund producer who will fully describe the terms of each payment option.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency measure, is necessary for the immediate preservation of the public health or safety, has been passed by a ye and nay vote supported by three-fifths of all the members elected to each of the two Houses of the General Assembly, and shall take effect from the date it is enacted.

Approved by the Governor, April 8, 2014.