

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 195
Finance

(Senators Feldman and Hershey)

Economic Matters

Automobile Insurance – Usage–Based Insurance

This bill makes various changes to the regulatory framework governing automobile insurance as it relates to programs that measure the operation of an insured vehicle during the current policy period, which are commonly known as usage-based insurance (UBI) programs.

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances.

Maryland Automobile Insurance Fund (MAIF) Effect: None. MAIF does not use UBI programs.

Local Effect: The bill does not directly affect local governmental operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary/Current Law:

Insurer Use of Usage-based Insurance Programs

The bill prohibits a private passenger motor vehicle insurer from requiring an applicant or a policyholder to participate in a UBI program as a condition for underwriting the insurance policy *unless* the insurer (1) only offers insurance that requires a policyholder to participate in a UBI program; (2) discloses that information to applicants and policyholders in a

specified manner; and (3) includes that information in any advertising materials, as specified.

Insured Classification and Premium Rates

Under current law, when rating an automobile liability insurance policy, an insurer may not classify or maintain an insured in a classification with a higher premium for more than three years because of a specific claim or because of the insured's driving record. Similarly, when rating a new liability insurance policy or renewing a policy, an insurer may only review the preceding three years.

The bill specifies that the application of a UBI program does not violate these requirements.

Multiple Insured Individuals under One Policy

Under current law, if a private passenger motor vehicle liability insurance policy covers more than one insured and the insurer seeks to cancel, nonrenew, or increase the premium of the policy because of the claim experience or driving record of one or more (but not all) of the insured individuals, the insurer is generally authorized to (or in some cases required to) offer to continue or renew the insurance while excluding coverage for those individuals.

The bill specifies that these requirements do not apply to a premium increase for a driver or vehicle due to a UBI program.

Notification for Premium Increases

Under current law, at least 45 days before the effective date of a premium increase for a private passenger motor vehicle liability insurance policy, the insurer must send written notice of the increase to the insured. The notice must include specified information about the premium increase, including if the increase is the result of an accident or a violation of State or federal law.

The bill requires this notice to also inform the insured if the premium increase is due to a UBI program, including a specific description of the factor(s) in the program resulting in the premium increase and the amount of the premium increase attributable to the program.

Background: UBI programs use telematics devices installed on or in an insured vehicle to directly monitor driving behavior (such as distances driven, speeding, or hard braking). Once the data is collected and analyzed, an insurer adjusts the premiums accordingly. Traditional automobile insurance relies on actuarial analysis of data, including driving record, credit-based insurance score, personal characteristics, vehicle type, and

garage location. UBI programs add individual driving behaviors as an additional rating factor.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 270 (Delegate Dumais) - Economic Matters.

Information Source(s): National Association of Insurance Commissioners; Maryland Insurance Administration; Maryland Automobile Insurance Fund; Department of Legislative Services

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