

SENATE BILL 573

C4, I3

2lr1878
CF HB 587

By: **Senator Klausmeier**

Introduced and read first time: February 2, 2022

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Motor Vehicle Financial Protection Product Agreements Act**

3 FOR the purpose of establishing requirements applicable to motor vehicle financial
4 protection product agreements, including requirements related to the circumstances
5 under which motor vehicle financial protection product agreements can be canceled
6 and disclosed; authorizing creditors to insure obligations under debt waiver
7 agreements; establishing requirements for insurance policies providing coverage for
8 obligations under debt waiver agreements; requiring certain creditors to insure
9 certain obligations under a debt waiver agreement in a certain manner; requiring a
10 provider of a vehicle value protection agreement to comply with certain
11 requirements; and generally relating to motor vehicle financial protection product
12 agreements.

13 BY adding to

14 Article – Insurance

15 Section 33–101 through 33–401 to be under the new title “Title 33. Motor Vehicle
16 Financial Protection Product Agreements”

17 Annotated Code of Maryland

18 (2017 Replacement Volume and 2021 Supplement)

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

21 **Article – Insurance**

22 **TITLE 33. MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENTS.**

23 **SUBTITLE 1. GENERAL PROVISIONS.**

24 **33–101.**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (A) IN THIS TITLE THE FOLLOWING WORDS HAVE THE MEANINGS
2 INDICATED.

3 (B) "ADMINISTRATOR" MEANS:

4 (1) WITH RESPECT TO A DEBT WAIVER AGREEMENT, A PERSON,
5 OTHER THAN AN INSURER OR A CREDITOR, THAT PERFORMS ADMINISTRATIVE OR
6 OPERATIONAL FUNCTIONS UNDER THE DEBT WAIVER AGREEMENT; OR

7 (2) WITH RESPECT TO A VEHICLE VALUE PROTECTION AGREEMENT,
8 THE PERSON WHO IS RESPONSIBLE FOR THE ADMINISTRATIVE OR OPERATIONAL
9 FUNCTIONS OF THE VEHICLE VALUE PROTECTION AGREEMENT, INCLUDING THE
10 ADJUDICATION OF CLAIMS OR BENEFIT REQUESTS BY A CONTRACT HOLDER.

11 (C) "BORROWER" MEANS:

12 (1) A BUYER UNDER AN INSTALLMENT SALE AGREEMENT;

13 (2) A BORROWER UNDER AN AGREEMENT FOR A LOAN AS DEFINED IN
14 § 12-1001 OF THE COMMERCIAL LAW ARTICLE; OR

15 (3) A LESSEE UNDER A LEASE.

16 (D) "CONSUMER" MEANS:

17 (1) A BORROWER UNDER A DEBT WAIVER AGREEMENT; OR

18 (2) A CONTRACT HOLDER UNDER A VEHICLE VALUE PROTECTION
19 AGREEMENT.

20 (E) "CONTRACT HOLDER" MEANS A PERSON WHO IS THE PURCHASER OR
21 HOLDER OF A VEHICLE VALUE PROTECTION AGREEMENT.

22 (F) "CREDITOR" MEANS:

23 (1) A SELLER UNDER AN INSTALLMENT SALE AGREEMENT;

24 (2) A CREDIT GRANTOR UNDER A LOAN AS DEFINED IN § 12-1001 OF
25 THE COMMERCIAL LAW ARTICLE;

26 (3) A LESSOR UNDER A LEASE; OR

1 (4) AN ASSIGNEE OF AN INDIVIDUAL LISTED IN ITEM (1), (2), OR (3)
2 OF THIS SUBSECTION TO WHOM A CREDIT OBLIGATION IS PAYABLE.

3 (G) “DEBT CANCELLATION AGREEMENT” HAS THE MEANING STATED IN §
4 12-1001 OF THE COMMERCIAL LAW ARTICLE.

5 (H) “DEBT WAIVER AGREEMENT” MEANS:

6 (1) A DEBT CANCELLATION AGREEMENT; OR

7 (2) AN EXCESS WEAR AND USE AGREEMENT.

8 (I) “EXCESS WEAR AND USE AGREEMENT” MEANS AN AGREEMENT THAT IS
9 PART OF A LEASE OR AN ADDENDUM TO A LEASE UNDER WHICH A LESSOR, WITH OR
10 WITHOUT A SEPARATE CHARGE, AGREES TO CANCEL OR WAIVE ALL OR PART OF ANY
11 AMOUNT THAT MAY BECOME DUE UNDER THE LEASE AS A RESULT OF EXCESSIVE
12 WEAR AND USE OF THE MOTOR VEHICLE, INCLUDING AMOUNTS DUE FOR EXCESS
13 MILEAGE.

14 (J) (1) “FINANCE AGREEMENT” MEANS AN AGREEMENT INVOLVING THE
15 PURCHASE, REFINANCING, OR LEASE OF A MOTOR VEHICLE.

16 (2) “FINANCE AGREEMENT” INCLUDES:

17 (I) AN INSTALLMENT SALE AGREEMENT;

18 (II) AN AGREEMENT FOR A LOAN AS DEFINED IN § 12-1001 OF
19 THE COMMERCIAL LAW ARTICLE; AND

20 (III) A LEASE.

21 (K) “FREE LOOK PERIOD” MEANS THE PERIOD OF TIME WITHIN WHICH A
22 CONSUMER MAY CANCEL A MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT
23 AGREEMENT WITHOUT PENALTY, FEES, OR COSTS AND RECEIVE A FULL REFUND OF
24 THE PURCHASE PRICE PAID FOR THE MOTOR VEHICLE FINANCIAL PROTECTION
25 PRODUCT AGREEMENT.

26 (L) “INSTALLMENT SALE AGREEMENT” HAS THE MEANING STATED IN §
27 12-601 OF THE COMMERCIAL LAW ARTICLE.

28 (M) “LEASE” HAS THE MEANING STATED IN § 14-2001 OF THE COMMERCIAL
29 LAW ARTICLE.

1 (N) "LESSEE" HAS THE MEANING STATED IN § 14-2001 OF THE
2 COMMERCIAL LAW ARTICLE.

3 (O) "LESSOR" HAS THE MEANING STATED IN § 14-2001 OF THE
4 COMMERCIAL LAW ARTICLE.

5 (P) "MOTOR VEHICLE" HAS THE MEANING STATED IN TITLE 11, SUBTITLE
6 1 OF THE TRANSPORTATION ARTICLE.

7 (Q) "MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENT"
8 INCLUDES:

9 (1) A DEBT WAIVER AGREEMENT; AND

10 (2) A VEHICLE VALUE PROTECTION AGREEMENT.

11 (R) "PROVIDER" MEANS A PERSON THAT:

12 (1) IS OBLIGATED TO PROVIDE A BENEFIT UNDER A VEHICLE VALUE
13 PROTECTION AGREEMENT; AND

14 (2) MAY ACT AS AN ADMINISTRATOR OR RETAIN THE SERVICES OF A
15 THIRD-PARTY ADMINISTRATOR.

16 (S) "RETAIL SELLER" MEANS A SELLER AS DEFINED IN § 12-601 OF THIS
17 ARTICLE.

18 (T) (1) "VEHICLE VALUE PROTECTION AGREEMENT" MEANS AN
19 AGREEMENT TO REDUCE, ON THE OCCURRENCE OF A COVERED EVENT, ALL OR A
20 PORTION OF A CONTRACT HOLDER'S FINANCE AGREEMENT DEFICIENCY BALANCE
21 AT THE TIME OF THE COVERED EVENT, INCLUDING A CREDIT TOWARD THE
22 PURCHASE OR LEASE OF A REPLACEMENT MOTOR VEHICLE OR FOR MOTOR VEHICLE
23 SERVICES.

24 (2) "VEHICLE VALUE PROTECTION AGREEMENT" DOES NOT INCLUDE:

25 (I) A DEBT WAIVER AGREEMENT; OR

26 (II) A MECHANICAL REPAIR CONTRACT AS DEFINED IN §
27 15-311.2 OF THE TRANSPORTATION ARTICLE.

28 33-102.

1 **(A) THIS TITLE DOES NOT APPLY TO:**

2 **(1) A FEDERAL OR STATE BANK, TRUST COMPANY, CREDIT UNION, OR**
3 **SAVINGS AND LOAN ASSOCIATION; OR**

4 **(2) A SUBSIDIARY OR AFFILIATE OF AN INSTITUTION DESCRIBED IN**
5 **ITEM (1) OF THIS SUBSECTION.**

6 **(B) A MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENT MAY**
7 **ONLY BE OFFERED, SOLD, OR GIVEN TO A CONSUMER IN ACCORDANCE WITH THIS**
8 **TITLE.**

9 **(C) (1) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE**
10 **AMOUNT CHARGED OR FINANCED FOR A MOTOR VEHICLE FINANCIAL PROTECTION**
11 **PRODUCT AGREEMENT SOLD OR GIVEN IN COMPLIANCE WITH THIS TITLE:**

12 **(I) IS AN AUTHORIZED CHARGE THAT MUST BE FOR A**
13 **SEPARATELY STATED CONSIDERATION; AND**

14 **(II) IS NOT A FINANCE CHARGE OR INTEREST.**

15 **(2) FOR A DEBT WAIVER AGREEMENT, THE AMOUNT CHARGED OR**
16 **FINANCED FOR THE DEBT WAIVER AGREEMENT AND THE SEPARATELY STATED**
17 **CONSIDERATION SHALL BE DISCLOSED IN THE FINANCE AGREEMENT OR IN THE**
18 **LEASE.**

19 **(D) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,**
20 **THE PURCHASE, LEASE, OR EXTENSION OF CREDIT FOR THE PURCHASE OR LEASE**
21 **OF A MOTOR VEHICLE MAY NOT BE CONDITIONED ON THE PURCHASE OF A MOTOR**
22 **VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENT.**

23 **(2) A MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT**
24 **AGREEMENT MAY BE DISCOUNTED OR GIVEN AT NO CHARGE IN CONNECTION WITH**
25 **THE PURCHASE OF OTHER NONCREDIT RELATED GOODS AND SERVICES.**

26 **(E) A MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENT**
27 **OFFERED, SOLD, OR GIVEN IN ACCORDANCE WITH THIS TITLE IS NOT INSURANCE.**

28 **33-103.**

29 **(A) (1) A MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT**
30 **AGREEMENT SHALL INCLUDE A FREE LOOK PERIOD.**

1 **(2) A MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT**
2 **AGREEMENT IS NO LONGER VALID IF A CONSUMER RECEIVES A BENEFIT UNDER THE**
3 **MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENT DURING THE FREE**
4 **LOOK PERIOD.**

5 **(3) A FREE LOOK PERIOD MAY BE NOT LESS THAN 30 DAYS.**

6 **(B) (1) SUBJECT TO SUBSECTIONS (D) THROUGH (F) OF THIS SECTION, A**
7 **CONSUMER MAY CANCEL A MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT**
8 **AGREEMENT BY WRITTEN REQUEST UNLESS THE MOTOR VEHICLE FINANCIAL**
9 **PROTECTION PRODUCT AGREEMENT STATES THAT IT MAY NOT BE CANCELED AFTER**
10 **THE FREE LOOK PERIOD.**

11 **(2) A WRITTEN REQUEST TO CANCEL A MOTOR VEHICLE FINANCIAL**
12 **PROTECTION PRODUCT AGREEMENT UNDER PARAGRAPH (1) OF THIS SUBSECTION**
13 **SHALL BE MADE TO THE CREDITOR, PROVIDER, OR ADMINISTRATOR IN**
14 **ACCORDANCE WITH THE MOTOR VEHICLE FINANCIAL PROTECTION AGREEMENT.**

15 **(3) IF A CONSUMER SUBMITS A WRITTEN REQUEST IN ACCORDANCE**
16 **WITH PARAGRAPH (2) OF THIS SUBSECTION, THE CONSUMER SHALL RECEIVE A**
17 **REFUND OF THE UNEARNED PORTION OF THE PURCHASE PRICE OF THE MOTOR**
18 **VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENT PAID BY THE CONSUMER**
19 **MINUS A CANCELLATION FEE NOT EXCEEDING \$75.**

20 **(C) IF A MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENT**
21 **CANNOT BE CANCELED AFTER THE FREE LOOK PERIOD, THE MOTOR VEHICLE**
22 **FINANCIAL PROTECTION PRODUCT AGREEMENT SHALL STATE IN BOLD LETTERING**
23 **AND IN AT LEAST 12 POINT FONT THAT THE MOTOR VEHICLE FINANCIAL**
24 **PROTECTION PRODUCT AGREEMENT CANNOT BE CANCELED AFTER THE FREE LOOK**
25 **PERIOD.**

26 **(D) A DEBT WAIVER AGREEMENT MAY REQUIRE A CONSUMER TO MAKE A**
27 **WRITTEN REQUEST TO THE CREDITOR, PROVIDER, OR ADMINISTRATOR:**

28 **(1) IF THE CONSUMER WANTS TO CANCEL THE DEBT WAIVER**
29 **AGREEMENT DUE TO EARLY TERMINATION OF THE FINANCE AGREEMENT; AND**

30 **(2) WITHIN 90 DAYS AFTER THE EVENT THAT CAUSED THE**
31 **TERMINATION OF THE FINANCE AGREEMENT.**

32 **(E) IF A DEBT WAIVER AGREEMENT IS CANCELED DUE TO A DEFAULT UNDER**
33 **THE FINANCE AGREEMENT, THE REPOSSESSION OF THE MOTOR VEHICLE, OR ANY**
34 **OTHER TERMINATION OF THE FINANCE AGREEMENT, ANY REFUND DUE TO THE**

1 CONSUMER MAY BE APPLIED TO THE BALANCE DUE UNDER THE FINANCE
2 AGREEMENT.

3 (F) A MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENT MAY
4 NOT BE CANCELED AFTER A BENEFIT UNDER THE MOTOR VEHICLE FINANCIAL
5 PROTECTION PRODUCT AGREEMENT WAS PROVIDED TO A CONSUMER.

6 (G) (1) A PROVIDER MAY NOT CANCEL A VEHICLE VALUE PROTECTION
7 AGREEMENT UNLESS:

8 (I) THE CANCELLATION IS ALLOWED UNDER THE VEHICLE
9 VALUE PROTECTION AGREEMENT; AND

10 (II) THE PROVIDER MAILES PRIOR WRITTEN NOTICE OF
11 CANCELLATION TO THE CONTRACT HOLDER STATING THE EFFECTIVE DATE OF THE
12 CANCELLATION AND THE REASON FOR THE CANCELLATION.

13 (2) (I) THE NOTICE REQUIRED IN PARAGRAPH (1)(II) OF THIS
14 SUBSECTION SHALL BE MAILED TO THE LAST KNOWN ADDRESS OF THE CONTRACT
15 HOLDER ON RECORD WITH THE PROVIDER AT LEAST 10 DAYS BEFORE
16 CANCELLATION.

17 (II) A PROVIDER IS NOT REQUIRED TO PROVIDE PRIOR NOTICE
18 OF CANCELLATION IF THE CANCELLATION IS DUE TO:

19 1. THE NONPAYMENT OF THE PROVIDER FEE BY A
20 CONTRACT HOLDER;

21 2. A MATERIAL MISREPRESENTATION BY THE CONTRACT
22 HOLDER TO THE PROVIDER OR ADMINISTRATOR; OR

23 3. A MATERIAL BREACH OF THE VEHICLE VALUE
24 PROTECTION AGREEMENT RELATING TO THE MOTOR VEHICLE OR ITS USE.

25 (3) (I) IF A PROVIDER CANCELS A VEHICLE VALUE PROTECTION
26 AGREEMENT AND THE CANCELLATION IS FOR A REASON OTHER THAN NONPAYMENT
27 OF A PROVIDER FEE, A PROVIDER SHALL REFUND THE UNEARNED PRO RATA
28 PROVIDER FEE PAID BY THE CONTRACT HOLDER, IF ANY, MINUS A REASONABLE
29 ADMINISTRATIVE FEE NOT TO EXCEED \$75.

30 (II) IF COVERAGE UNDER THE VEHICLE VALUE PROTECTION
31 AGREEMENT CONTINUES AFTER A CLAIM, THE AMOUNT PAID MAY BE DEDUCTED
32 FROM THE REFUND.

1 **33-104.**

2 (A) THIS SECTION DOES NOT APPLY TO MOTOR VEHICLE FINANCIAL
3 PROTECTION PRODUCT AGREEMENTS FOR A MOTOR VEHICLE THAT WILL
4 PRIMARILY BE USED FOR BUSINESS PURPOSES.

5 (B) A MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENT
6 SHALL CONTAIN THE FOLLOWING WRITTEN DISCLOSURES IN PLAIN LANGUAGE:

7 (1) THE NAME AND ADDRESS OF:

8 (I) THE CONSUMER;

9 (II) IF THE MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT
10 AGREEMENT IS A DEBT WAIVER AGREEMENT, THE CREDITOR AT THE TIME OF THE
11 SALE OR LEASE;

12 (III) IF THE MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT
13 AGREEMENT IS A VEHICLE VALUE PROTECTION AGREEMENT, THE PROVIDER; AND

14 (IV) THE ADMINISTRATOR, IF APPLICABLE;

15 (2) THE PURCHASE PRICE OF THE MOTOR VEHICLE FINANCIAL
16 PROTECTION PRODUCT AGREEMENT;

17 (3) A STATEMENT PROVIDING THAT THE CONSUMER HAS THE RIGHT
18 TO CANCEL THE MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENT
19 WITHIN THE FREE LOOK PERIOD AND RECEIVE A FULL REFUND OF THE PURCHASE
20 PRICE OF THE AGREEMENT UNLESS A BENEFIT UNDER THE DEBT WAIVER
21 AGREEMENT WAS PROVIDED DURING THE FREE LOOK PERIOD;

22 (4) THE PROCEDURE THAT A CONSUMER MUST FOLLOW TO OBTAIN A
23 BENEFIT UNDER THE MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT
24 AGREEMENT, INCLUDING THE TELEPHONE NUMBER OR WEBSITE AND ADDRESS
25 WHERE THE CONSUMER CAN APPLY FOR THE BENEFIT;

26 (5) UNLESS THE MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT
27 AGREEMENT STATES THAT IT MAY NOT BE CANCELED AFTER THE FREE LOOK
28 PERIOD:

29 (I) A STATEMENT PROVIDING THAT THE MOTOR VEHICLE
30 FINANCIAL PROTECTION PRODUCT AGREEMENT MAY BE CANCELED AFTER THE

1 FREE LOOK PERIOD ANY TIME BEFORE A BENEFIT UNDER THE MOTOR VEHICLE
2 FINANCIAL PROTECTION PRODUCT AGREEMENT IS PROVIDED; AND

3 (II) FOR A DEBT WAIVER AGREEMENT, THE PROCEDURE FOR
4 REQUESTING THE CANCELLATION OF A DEBT WAIVER AGREEMENT AND A REFUND
5 OF THE PURCHASE PRICE, INCLUDING:

6 1. THE REQUIREMENT THAT THE REQUEST BE MADE IN
7 WRITING AND ANY REQUIREMENTS FOR THE FORM OF THE REQUEST;

8 2. THE NAME AND ADDRESS OF THE PERSON TO WHOM
9 THE REQUEST MUST BE SUBMITTED; AND

10 3. THE DEADLINE TO MAKE THE REQUEST FOR A
11 REFUND IF THE CANCELLATION IS DUE TO THE TERMINATION OF THE FINANCE
12 AGREEMENT IN ACCORDANCE WITH § 33-103(D) OF THIS SUBTITLE;

13 (6) FOR A DEBT WAIVER AGREEMENT, THE METHODOLOGY FOR
14 CALCULATING THE DEBT WAIVER AGREEMENT ON THE CANCELLATION OF THE
15 FINANCE AGREEMENT OR THE EARLY TERMINATION OF THE FINANCE AGREEMENT;

16 (7) FOR A DEBT WAIVER AGREEMENT, A STATEMENT PROVIDING THAT
17 IF THE DEBT WAIVER AGREEMENT IS CANCELED DUE TO A DEFAULT UNDER THE
18 FINANCE AGREEMENT, THE REPOSSESSION OF THE MOTOR VEHICLE, OR ANY OTHER
19 TERMINATION OF THE FINANCE AGREEMENT, ANY REFUND DUE TO THE CONSUMER
20 MAY BE APPLIED TO THE BALANCE DUE UNDER THE FINANCE AGREEMENT; AND

21 (8) A STATEMENT THAT THE PURCHASE OR LEASE, OR THE
22 EXTENSION OF CREDIT FOR THE PURCHASE OR LEASE, OF A MOTOR VEHICLE MAY
23 NOT BE CONDITIONED ON THE PURCHASE OF A MOTOR VEHICLE FINANCIAL
24 PROTECTION PRODUCT AGREEMENT.

25 SUBTITLE 2. DEBT WAIVER AGREEMENTS.

26 33-201.

27 (A) (1) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, A
28 CREDITOR MAY INSURE THE CREDITOR'S OBLIGATIONS UNDER A DEBT WAIVER
29 AGREEMENT.

30 (2) THE INSURANCE POLICY SHALL:

1 (I) BE ISSUED BY AN INSURER LICENSED, REGISTERED, OR
2 OTHERWISE AUTHORIZED TO ISSUE CONTRACTUAL LIABILITY INSURANCE UNDER
3 THIS ARTICLE;

4 (II) STATE THE OBLIGATIONS OF THE INSURER TO REIMBURSE
5 THE RETAIL SELLER FOR ANY SUMS THE RETAIL SELLER IS REQUIRED TO WAIVE
6 UNDER A DEBT WAIVER AGREEMENT;

7 (III) PROVIDE THE COVERAGE DESCRIBED IN ITEM (II) OF THIS
8 PARAGRAPH TO THE ASSIGNEE OR PURCHASER ON THE SALE OR TRANSFER OF THE
9 FINANCE AGREEMENT;

10 (IV) PROVIDE THAT COVERAGE REMAINS IN EFFECT UNLESS THE
11 COVERAGE IS CANCELED OR TERMINATED IN ACCORDANCE WITH THIS ARTICLE;
12 AND

13 (V) WITH RESPECT TO DEBT WAIVER AGREEMENTS ENTERED
14 INTO BEFORE THE EFFECTIVE DATE OF CANCELLATION OR TERMINATION FOR
15 WHICH PREMIUM HAS BEEN PAID, PROVIDE THAT THE INSURER'S OBLIGATION TO
16 REIMBURSE THE RETAIL SELLER FOR ANY AMOUNT THE RETAIL SELLER IS
17 OBLIGATED TO WAIVE UNDER A DEBT WAIVER AGREEMENT SUPERSEDES
18 CANCELLATION OR TERMINATION OF THE POLICY.

19 (B) (1) A RETAIL SELLER SHALL CONTINUOUSLY INSURE THE RETAIL
20 SELLER'S OBLIGATIONS UNDER A DEBT WAIVER AGREEMENT UNDER A
21 CONTRACTUAL LIABILITY OR OTHER INSURANCE POLICY ISSUED BY AN INSURER
22 PROVIDED THAT A LESSOR IS NOT REQUIRED TO INSURE THE LESSOR'S
23 OBLIGATIONS UNDER A DEBT WAIVER AGREEMENT WITH RESPECT TO A LEASE.

24 (2) AN INSURANCE POLICY PROCURED BY AN ADMINISTRATOR OF
25 THE RETAIL SELLER'S DEBT WAIVER AGREEMENT SATISFIES THE RETAIL SELLER'S
26 OBLIGATION UNDER THIS SUBSECTION IF IT INSURES THE RETAIL SELLER'S
27 OBLIGATIONS UNDER THE DEBT WAIVER AGREEMENT.

28 **33-202.**

29 (A) A DEBT WAIVER AGREEMENT SHALL REMAIN A PART OF THE FINANCE
30 AGREEMENT UPON ASSIGNMENT, SALE, OR TRANSFER OF THE FINANCE AGREEMENT
31 BY THE CREDITOR.

32 (B) A CREDITOR THAT OFFERS A DEBT WAIVER AGREEMENT FOR
33 ASSIGNMENT, SALE, OR TRANSFER SHALL:

1 **(1) REPORT THE ASSIGNMENT, SALE, OR TRANSFER OF THE DEBT**
2 **WAIVER AGREEMENT; AND**

3 **(2) FORWARD ANY FUNDS DUE TO THE DESIGNATED PARTY OR**
4 **PARTIES.**

5 **SUBTITLE 3. VEHICLE VALUE PROTECTION AGREEMENTS.**

6 **33-301.**

7 **TO ENSURE THE FAITHFUL PERFORMANCE OF ITS OBLIGATIONS TO ITS**
8 **CONTRACT HOLDERS, A PROVIDER OF VEHICLE VALUE PROTECTION AGREEMENTS**
9 **SHALL:**

10 **(1) INSURE ITS AGREEMENTS IN ACCORDANCE WITH § 33-302 OF THIS**
11 **SUBTITLE;**

12 **(2) MEET THE FUNDED RESERVE AND FINANCIAL SECURITY DEPOSIT**
13 **REQUIREMENTS UNDER § 33-303 OF THIS SUBTITLE; OR**

14 **(3) MEET THE NET WORTH OR STOCKHOLDER EQUITY AND FILING**
15 **REQUIREMENTS UNDER § 33-304 OF THIS SUBTITLE.**

16 **33-302.**

17 **A PROVIDER THAT ELECTS TO COMPLY WITH THIS SUBTITLE UNDER §**
18 **33-301(1) OF THIS SUBTITLE SHALL INSURE ALL OF THE PROVIDER'S VEHICLE**
19 **VALUE PROTECTION AGREEMENTS UNDER AN INSURANCE POLICY ISSUED BY AN**
20 **INSURER LICENSED, REGISTERED, OR OTHERWISE AUTHORIZED TO DO BUSINESS IN**
21 **THE STATE THAT, AT THE TIME THE POLICY IS FILED WITH THE COMMISSIONER AND**
22 **CONTINUOUSLY THEREAFTER:**

23 **(1) (I) MAINTAINS A SURPLUS AS TO POLICYHOLDERS AND PAID-IN**
24 **CAPITAL OF AT LEAST \$15,000,000; AND**

25 **(II) ANNUALLY FILES COPIES OF THE INSURER'S AUDITED**
26 **FINANCIAL STATEMENTS, NATIONAL ASSOCIATION OF INSURANCE**
27 **COMMISSIONERS ANNUAL STATEMENT, AND THE ACTUARIAL CERTIFICATION**
28 **REQUIRED BY AND FILED IN THE INSURER'S STATE OF DOMICILE; OR**

29 **(2) (I) MAINTAINS A SURPLUS AS TO POLICY HOLDERS**
30 **AND PAID-IN CAPITAL OF AT LEAST \$10,000,000 BUT LESS THAN \$15,000,000;**

1 (II) DEMONSTRATES TO THE SATISFACTION OF THE
2 COMMISSIONER THAT THE COMPANY MAINTAINS A RATIO OF NET WRITTEN
3 PREMIUMS, WHEREVER WRITTEN, TO SURPLUS AS TO POLICYHOLDERS AND PAID-IN
4 CAPITAL OF NOT GREATER THAN THREE TO ONE; AND

5 (III) ANNUALLY FILES COPIES OF THE INSURER'S AUDITED
6 FINANCIAL STATEMENTS, NATIONAL ASSOCIATION OF INSURANCE
7 COMMISSIONERS ANNUAL STATEMENT, AND THE ACTUARIAL CERTIFICATION
8 REQUIRED BY AND FILED IN THE INSURER'S STATE OF DOMICILE.

9 **33-303.**

10 (A) (1) A PROVIDER THAT ELECTS TO COMPLY WITH THIS SUBTITLE
11 UNDER § 33-301(2) OF THIS SUBTITLE SHALL MAINTAIN A FUNDED RESERVE
12 ACCOUNT FOR THE PROVIDER'S OBLIGATIONS UNDER VEHICLE VALUE PROTECTION
13 AGREEMENTS ISSUED AND OUTSTANDING IN THE STATE.

14 (2) THE RESERVE ACCOUNT REQUIRED UNDER PARAGRAPH (1) OF
15 THIS SUBSECTION:

16 (I) MAY NOT BE LESS THAN 40% OF GROSS CONSIDERATION
17 RECEIVED MINUS CLAIMS PAID, ON THE SALE OF THE VEHICLE VALUE PROTECTION
18 AGREEMENT FOR ALL IN-FORCE CONTRACTS; AND

19 (II) SHALL BE SUBJECT TO EXAMINATION AND REVIEW BY THE
20 COMMISSIONER.

21 (B) A PROVIDER THAT ELECTS TO COMPLY WITH THIS SUBTITLE UNDER §
22 33-301(2) OF THIS SUBTITLE SHALL PLACE IN TRUST WITH THE COMMISSIONER A
23 FINANCIAL SECURITY DEPOSIT, HAVING A VALUE OF NOT LESS THAN 5% OF THE
24 GROSS CONSIDERATION RECEIVED MINUS CLAIMS PAID, ON THE SALE OF THE
25 VEHICLE VALUE PROTECTION AGREEMENTS FOR ALL VEHICLE VALUE PROTECTION
26 AGREEMENTS ISSUED AND IN FORCE, BUT NOT LESS THAN \$25,000, CONSISTING OF:

27 (1) A SURETY BOND ISSUED BY AN AUTHORIZED SURETY;

28 (2) SECURITIES OF THE TYPE ELIGIBLE FOR DEPOSIT BY AUTHORIZED
29 INSURERS IN THE STATE;

30 (3) CASH;

31 (4) A LETTER OF CREDIT ISSUED BY A QUALIFIED FINANCIAL
32 INSTITUTION; OR

1 **(5) ANOTHER FORM OF SECURITY PRESCRIBED BY REGULATIONS**
2 **ISSUED BY THE COMMISSIONER.**

3 **33-304.**

4 **(A) A PROVIDER THAT ELECTS TO COMPLY WITH THIS SUBTITLE UNDER §**
5 **33-301(3) OF THIS SUBTITLE SHALL:**

6 **(1) MAINTAIN, ON THE PROVIDER'S OWN OR TOGETHER WITH THE**
7 **PROVIDER'S PARENT COMPANY, A NET WORTH OR STOCKHOLDER'S EQUITY OF**
8 **\$100,000,000; AND**

9 **(2) UPON REQUEST, PROVIDE THE COMMISSIONER WITH:**

10 **(I) A COPY OF THE PROVIDER'S OR THE PROVIDER'S PARENT**
11 **COMPANY'S MOST RECENT FORM 10-K OR FORM 20-F FILED WITH THE SECURITIES**
12 **AND EXCHANGE COMMISSION WITHIN THE LAST CALENDAR YEAR; OR**

13 **(II) IF THE PROVIDER OR THE PROVIDER'S PARENT COMPANY**
14 **DOES NOT FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, A COPY OF**
15 **THE COMPANY'S AUDITED FINANCIAL STATEMENTS THAT SHOWS A NET WORTH OF**
16 **THE PROVIDER OR THE PROVIDER'S PARENT COMPANY OF AT LEAST \$100,000,000.**

17 **(B) IF THE PROVIDER'S PARENT COMPANY'S FORM 10-K, FORM 20-F, OR**
18 **FINANCIAL STATEMENTS ARE FILED TO MEET THE PROVIDER'S FINANCIAL**
19 **SECURITY REQUIREMENT, THE PARENT COMPANY SHALL AGREE TO GUARANTEE**
20 **THE OBLIGATIONS OF THE PROVIDER RELATING TO VEHICLE VALUE PROTECTION**
21 **AGREEMENTS SOLD BY THE PROVIDER IN THE STATE.**

22 **SUBTITLE 4. PENALTIES.**

23 **33-401.**

24 **(A) IN THIS SECTION, "VIOLATION OF A SIMILAR NATURE" MEANS THE SAME**
25 **OR SIMILAR COURSE OF ACTION, CONDUCT, OR PRACTICE, REGARDLESS OF THE**
26 **NUMBER OF TIMES THE ACTION, CONDUCT, OR PRACTICE OCCURRED.**

27 **(B) SUBJECT TO THE NOTICE AND HEARING REQUIREMENTS OF TITLE 2 OF**
28 **THIS ARTICLE, THE COMMISSIONER MAY:**

1 **(1) ORDER A CREDITOR, PROVIDER, ADMINISTRATOR, OR ANY OTHER**
2 **PERSON NOT IN COMPLIANCE WITH THIS TITLE TO CEASE AND DESIST FROM**
3 **PRODUCT-RELATED OPERATIONS IN VIOLATION OF THIS TITLE; AND**

4 **(2) IMPOSE A CIVIL PENALTY OF NOT MORE THAN:**

5 **(I) \$500 PER VIOLATION; AND**

6 **(II) \$10,000 IN THE AGGREGATE FOR ALL VIOLATIONS OF A**
7 **SIMILAR NATURE.**

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to
9 apply only prospectively and may not be applied or interpreted to have any effect on or
10 application to any motor vehicle financial protection product agreements offered, sold, or
11 given in the State before January 1, 2023.

12 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
13 October 1, 2022.