

HOUSE BILL 1098

C4

5lr1544

By: **Delegates Fraser–Hidalgo and Wilson**

Introduced and read first time: February 5, 2025

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Automobile Insurance – Maryland Automobile Insurance Fund and**
3 **Affordability Study**

4 FOR the purpose of requiring the Maryland Automobile Insurance Fund to calculate and
5 report its risk based capital level in accordance with certain provisions of insurance
6 law and maintain total adjusted capital in a certain amount; requiring the Maryland
7 Insurance Commissioner to review and determine the adequacy of an RBC plan filed
8 by the Fund; establishing that certain provisions of insurance law regarding prior
9 approval rate making apply to the Fund during a certain time period and under
10 certain circumstances; requiring Maryland Insurance Administration to establish a
11 workgroup to study automobile insurance affordability and submit a report to the
12 Governor and the General Assembly on or before a certain date; and generally
13 relating to automobile insurance.

14 BY adding to

15 Article – Insurance
16 Section 20–306
17 Annotated Code of Maryland
18 (2017 Replacement Volume and 2024 Supplement)

19 BY repealing and reenacting, with amendments,

20 Article – Insurance
21 Section 20–507
22 Annotated Code of Maryland
23 (2017 Replacement Volume and 2024 Supplement)

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

26 **Article – Insurance**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 **20-306.**

2 (A) IN THIS SECTION, “COMPANY ACTION LEVEL RBC” HAS THE MEANING
3 STATED IN § 4-301(N)(1) OF THIS ARTICLE.

4 (B) THE FUND SHALL CALCULATE AND REPORT ITS RBC LEVEL IN
5 ACCORDANCE WITH TITLE 4, SUBTITLE 3 OF THIS ARTICLE.

6 (C) (1) BEGINNING DECEMBER 31, 2026, THE FUND SHALL MAINTAIN
7 TOTAL ADJUSTED CAPITAL, AS DEFINED IN § 4-301(R) OF THIS ARTICLE, IN AN
8 AMOUNT THAT IS GREATER THAN OR EQUAL TO ITS COMPANY ACTION LEVEL RBC.

9 (2) THE FUND SHALL PREPARE AND SUBMIT AN RBC PLAN IN
10 ACCORDANCE WITH § 4-305(B) OF THIS ARTICLE IF AN RBC REPORT FILED BY THE
11 FUND UNDER SUBSECTION (B) OF THIS SECTION SHOWS THAT THE FUND’S TOTAL
12 ADJUSTED CAPITAL:

13 (I) IS LESS THAN THE FUND’S COMPANY ACTION LEVEL RBC;
14 OR

15 (II) 1. IS LESS THAN THE PRODUCT OF 3.0 AND THE FUND’S
16 AUTHORIZED CONTROL LEVEL RBC, AS DEFINED IN § 4-301(N)(3) OF THIS ARTICLE;
17 AND

18 2. TRIGGERS THE TREND TEST CALCULATION INCLUDED
19 IN THE PROPERTY AND CASUALTY RBC INSTRUCTIONS.

20 (D) IN ACCORDANCE WITH § 4-305(D) OF THIS ARTICLE, THE
21 COMMISSIONER SHALL REVIEW AND DETERMINE THE ADEQUACY OF AN RBC PLAN
22 FILED BY THE FUND AS REQUIRED UNDER THIS SECTION.

23 **20-507.**

24 (a) Subject to the authority of the Commissioner to determine whether rates are
25 excessive, inadequate, or unfairly discriminatory, as provided in Title 11, Subtitle 2 OR
26 SUBTITLE 3 of this article, the Executive Director shall determine the premiums to be
27 charged on policies issued by the Fund.

28 (b) (1) Except as provided in [subsection] SUBSECTIONS (c) AND (D) of this
29 section, the provisions of Title 11, Subtitle 3 of this article apply to the determination of
30 premiums by the Executive Director and the filing of rates with the Commissioner.

1 (2) Notwithstanding Title 11, Subtitle **2 OR SUBTITLE 3** of this article or
2 any other provision of this title, the Executive Director may base premiums on one or both
3 of the following items:

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

7 (ii) the prior claims experience of an insured or applicant for
8 insurance.

9 **(C) THE PROVISIONS OF TITLE 11, SUBTITLE 2 OF THIS ARTICLE APPLY TO**
10 **THE DETERMINATION OF PREMIUMS BY THE EXECUTIVE DIRECTOR AND THE FILING**
11 **OF RATES WITH THE COMMISSIONER:**

12 **(1) BETWEEN JULY 1, 2025, AND DECEMBER 31, 2025, BOTH**
13 **INCLUSIVE; AND**

14 **(2) BEGINNING JANUARY 1, 2026, IF THE RBC REPORT MOST**
15 **RECENTLY FILED BY THE FUND SHOWS THAT THE FUND'S TOTAL ADJUSTED**
16 **CAPITAL IS LESS THAN THE AMOUNT REQUIRED UNDER § 20-306(C)(1) OF THIS**
17 **TITLE.**

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

20 (2) Notwithstanding paragraph (1) of this subsection, the rating principles
21 under subsection **[(d)] (E)** of this section may not be used to determine the premium for
22 commercial coverage.

23 **[(d)] (E)** In reviewing rates filed by the Fund, the Commissioner shall consider
24 not only the rating principles under Title 11, Subtitle **2 OR SUBTITLE 3** of this article but
25 also the statutory purpose of the Fund under § 20-301 of this title.

26 **[(e)] (F)** (1) The Motor Vehicle Administration and Executive Director may
27 arrange for the Motor Vehicle Administration to collect premiums on policies issued by the
28 Fund when the Motor Vehicle Administration issues a driver's license or certificate of
29 registration.

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

32 **[(f)] (G)** (1) The Fund may not provide directly or indirectly for the financing
33 of premiums.

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

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

6 ~~[(g)]~~ **(H)** (1) (i) Subject to the approval of the Commissioner and in
7 accordance with this subsection, the Fund may accept premiums on an installment
8 payment basis.

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

11 1. consider as factors:

12 A. the percentage of the initial premium payment in
13 comparison to the total premium under the policy;

14 B. the number of installment premium payments accepted on
15 a policy under the installment payment plan; and

16 C. the overall affordability of the installment payment plan
17 in comparison to other payment options available to the policyholder; and

18 2. ensure that the Fund's installment payment plan
19 meets the requirements of § 27–216 of this article.

20 (2) The Fund may not discriminate among insureds by charging different
21 premiums to insureds who select, as a payment option, the Fund's installment payment
22 plan instead of a premium finance agreement.

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

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

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

32 1. the Fund's installment payment plan;

33 2. a premium finance agreement; or

1 3. payment of the policy in full.

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

4 1. is issued a new policy; or

5 2. is issued a reissuance, rewrite, or renewal of an existing
6 policy.

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

9 **[(h)] (I)** (1) If the Fund makes a change to its plan for accepting premiums
10 on an installment payment basis, within 90 days after the change, the Commissioner shall
11 submit a report to the General Assembly providing the reason for the change.

12 (2) The report required under paragraph (1) of this subsection shall:

13 (i) include the effect the change will have on the required factors for
14 consideration under **[(g)(1)(ii)1] SUBSECTION (H)(1)(II)1** of this section; and

15 (ii) be submitted in accordance with § 2-1257 of the State
16 Government Article.

17 SECTION 2. AND BE IT FURTHER ENACTED, That:

18 (a) The Maryland Insurance Administration shall establish a workgroup to study:

19 (1) the affordability of private passenger automobile insurance in the
20 State, including factors that contribute to premium rate increases and trends in rate
21 increases;

22 (2) policy options to provide greater transparency regarding automobile
23 insurance premiums and to increase the affordability of automobile insurance in the State;

24 (3) ways in which the term “affordability” has been or may be defined in
25 the context of the establishment of private passenger automobile insurance premium rates;
26 and

27 (4) methodologies by which affordability can be considered in establishing
28 private passenger automobile insurance rates consistent with rate making principles
29 codified in the Insurance Article.

30 (b) The workgroup consists of the following members:

1 (1) one member of the Senate of Maryland who is a member of the Finance
2 Committee, appointed by the President of the Senate;

3 (2) one member of the House of Delegates who is a member of the Economic
4 Matters Committee, appointed by the Speaker of the House;

5 (3) the Maryland Insurance Commissioner or the Commissioner's
6 designee;

7 (4) the Executive Director of the Maryland Automobile Insurance Fund, or
8 the Executive Director's designee; and

9 (5) the following members, appointed by the chair of the workgroup:

10 (i) one representative of an automobile insurer or automobile
11 insurer trade association; and

12 (ii) one representative of a consumer advocacy group that is active
13 in the area of automobile insurance.

14 (c) The Maryland Insurance Commissioner or the Commissioner's designee shall
15 chair the workgroup.

16 (d) On or before January 1, 2026, the workgroup shall report its findings and
17 recommendations to the Governor and, in accordance with § 2-1257 of the State
18 Government Article, the General Assembly.

19 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July
20 1, 2025. Section 2 of this Act shall remain effective for a period of 1 year and, at the end of
21 June 30, 2026, Section 2 of this Act, with no further action required by the General
22 Assembly, shall be abrogated and of no further force and effect.