

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 984

Finance

(Senator A. Washington)

Economic Matters

Private Passenger Motor Vehicle Insurance - Use of Programs That Measure the Operation of an Insured Vehicle

This bill establishes various prohibitions that apply to private passenger motor vehicle insurers that use programs to measure the operation of an insured's motor vehicle. The bill establishes related responsibilities for the Maryland Insurance Administration (MIA), including that MIA must adopt specified regulations related to the use of any such program by July 1, 2026.

Fiscal Summary

State Effect: It is anticipated that MIA can adopt regulations using existing budgeted resources; while any other impact depends on the regulations adopted by MIA, the bill is not anticipated to materially affect MIA operations or finances, as discussed below. General fund revenues from the insurance premium tax are not anticipated to be materially affected.

Maryland Automobile Insurance Fund (MAIF) Effect: The bill is not anticipated to affect MAIF operations or finances because MAIF does not use programs to measure the operation of an insured's motor vehicle.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Prohibitions for Insurers

An insurer that issues or delivers private passenger motor vehicle insurance policies in the State must disclose to an applicant (at the time of application) or a policyholder (at the time of policy renewal) any use of a program that measures the operation of an insured vehicle. The disclosure must be provided in the manner specified by MIA. If an insurer implements any such program, the insurer must create an appeals process for policyholders to correct or appeal data believed to be erroneous. Additionally, with respect to private passenger motor vehicle insurance in the State, an insurer may not:

- require an applicant or a policyholder to participate in a program that measures the operation of an insured vehicle as a condition for underwriting private passenger motor vehicle risk; or
- use data obtained from a program that measures the operation of an insured vehicle to cancel, refuse to renew, or refuse to underwrite a private passenger automobile insurance policy risk.

With respect to private passenger motor vehicle insurance policies that measure the operation of an insured vehicle, an insurer may not initiate a premium increase in increments of less than six months from the date the policy goes into effect, except for binders or contracts for temporary insurance.

Maryland Insurance Administration Responsibilities

MIA must adopt regulations to limit the types and amount of data collected by programs that measures the operation of an insured vehicle for use by applicable insurers in the State by July 1, 2026. In addition, MIA is authorized to require an insurer that uses a program that measures the operation of an insured vehicle to establish and implement a governance plan that includes:

- monitoring the program to ensure that it does not collect or process data in a manner that is unfairly discriminatory, impacts premium rates in a manner that lacks actuarial justification, or otherwise violates the law;
- correcting or mitigating a finding that the program collects or processes data in a manner that is unfairly discriminatory, impacts premium rates in a manner that lacks actuarial justification, or otherwise violates the law; and

- periodically reporting to MIA on the scope, methodologies, and findings of the program monitoring in accordance with the governance plan and any corrective action or mitigation measures taken in accordance with the governance plan.

Current Law: MIA and the Insurance Commissioner's statutory and regulatory duties include, among other things, certifying insurers to operate in the State, reviewing and approving the rates and forms used by insurers, and licensing and certifying insurance professionals. MIA and the Commissioner have broad authority to enforce the requirements and prohibitions that apply to insurers and insurance professionals. For example, depending on the type of violation and following the administrative processes required by Insurance Law and regulations, the Commissioner is authorized to issue orders directing insurers or insurance professionals to take certain actions, impose administrative penalties, and suspend or revoke certifications and/or licenses.

The Insurance Article expressly prohibits certain insurer practices and activities as unfair trade practices. One such practice is that, with respect to private passenger motor vehicle insurance, an insurer *may not* require an applicant or a policyholder to participate in a program that measures the operation of an insured vehicle as a condition for underwriting a private passenger motor vehicle insurance risk, with certain exceptions.

Furthermore, current law specifies certain requirements and procedures that must be followed by a private passenger motor vehicle insurer when it proposes to cancel, refuse to renew, reduce coverage for, or increase the premium of a policy. For example, an insurer may not terminate a policy mid-term, except in limited circumstances (*e.g.*, nonpayment of a premium), and an insurer must send notice to an insured in a specified manner when it proposes to reduce the coverage provided by the policy. Additionally, when proposing to increase the premium of a policy, an insurer must notify the policyholder of certain information directly related to the premium increase, including the policyholder's rate classification and the factors that may cause or contribute to an increase in the policy's premiums. Different requirements and procedures apply to binders or contracts for temporary insurance.

State Fiscal Effect: MIA can adopt the regulations required by the bill using existing budgeted resources. Any other fiscal or operational impact experienced by MIA depends on the regulatory framework established; however, any such impact is not anticipated to materially affect MIA.

As noted above, MIA already directly regulates insurers in the State and enforces State laws that require or prohibit certain insurer actions. As such, the regulatory framework established by MIA to implement the bill can likely be structured to work cohesively with its existing processes and enforcement actions without the need for significant additional changes or resources. Additionally, any new revenue MIA may realize due to the bill (for

example, if MIA were to require a filing fee to submit information related to a governance plan for systems used in programs that measure the operation of an insured's motor vehicle) is likely to be negligible relative to MIA's other finances.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

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