HOUSE BILL 1421

C4 2lr3115
HB 660/20 – ECM

By: **Delegate Bridges**
Introduced and read first time: February 17, 2022
Assigned to: Rules and Executive Nominations

A BILL ENTITLED

AN ACT concerning

Baltimore City – Lifeline Low–Cost Automobile Insurance Program

FOR the purpose of establishing the Lifeline Low–Cost Automobile Insurance Program to offer low–cost automobile insurance policies to residents of Baltimore City; establishing that the Program is part of the Maryland Automobile Insurance Fund; establishing eligibility, coverage, security, and premium requirements; establishing the authority of the Program regarding rejection of applicants and cancellations and nonrenewals of policies; requiring insurers licensed to write motor vehicle liability insurance or motor vehicle physical damage insurance to pay a certain annual fee to support Program public awareness efforts; and generally relating to the Lifeline Low–Cost Automobile Insurance Program for residents of Baltimore City.

BY repealing and reenacting, with amendments,
Article – Insurance
Section 20–301
Annotated Code of Maryland
(2017 Replacement Volume and 2021 Supplement)

BY adding to
Article – Insurance
Section 20–6A–01 through 20–6A–10 to be under the new subtitle "Subtitle 6A. Lifeline Low–Cost Automobile Insurance Program"
Annotated Code of Maryland
(2017 Replacement Volume and 2021 Supplement)

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

Article – Insurance

20–301.

EXPLANATION: **CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**
[Brackets**]** indicate matter deleted from existing law.

(a) The purpose of the Fund is to provide the financial security required under § 17–103 of the Transportation Article to**:**

(1) those eligible persons that are unable to obtain it from an Association member**; AND**

(2) ELIGIBLE INDIVIDUALS UNDER THE LIFELINE LOW–COST AUTOMOBILE INSURANCE PROGRAM ESTABLISHED UNDER SUBTITLE 6A OF THIS TITLE.

(b) Money of the Fund consists of revenues, premiums, and other receipts provided by law.

(c) (1) All operating expenses of the Fund shall be paid from the money collected by or for the Fund.

(2) (i) Subject to subparagraphs (ii) through (iv) of this paragraph, money and property available to the Fund may be used for the general purposes of the Fund.

(ii) Premiums collected and income accruing from those premiums may be used only for the payment of claims arising under policies issued by the Fund and for the administrative expenses of the Fund.

(iii) The Fund shall keep separate records of any income and expenses directly attributable to the Uninsured Division, including the processing and payment of unsatisfied claims under Subtitle 6 of this title.

(iv) The Fund shall keep separate records of any income and expenses directly attributable to its commercial policy and claims operations.

SUBTITLE 6A. LIFELINE LOW–COST AUTOMOBILE INSURANCE PROGRAM.

20–6A–01.

(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(B) "POLICY" MEANS A LOW–COST AUTOMOBILE INSURANCE POLICY ISSUED UNDER THIS SUBTITLE BY THE PROGRAM.

(C) "PROGRAM" MEANS THE LIFELINE LOW–COST AUTOMOBILE INSURANCE PROGRAM.

20–6A–02.

(A) THERE IS A LIFELINE LOW–COST AUTOMOBILE INSURANCE PROGRAM.

(B) THE PURPOSE OF THE PROGRAM IS TO OFFER LOW–COST AUTOMOBILE INSURANCE POLICIES TO RESIDENTS OF BALTIMORE CITY IN ACCORDANCE WITH THIS SUBTITLE.

(C) (1) THE PROGRAM IS PART OF THE FUND.

(2) THE PROGRAM SHALL BE ADMINISTERED IN THE SAME MANNER AS THE FUND.

(D) THE PROGRAM SHALL BE DEVELOPED IN CONSULTATION WITH THE ADMINISTRATION.

20–6A–03.

(A) ON RECEIPT OF THE PREMIUM SET BY THE FUND, THE PROGRAM SHALL SELL, ISSUE, AND DELIVER A POLICY THAT PROVIDES THE SECURITY REQUIRED UNDER § 17–103 OF THE TRANSPORTATION ARTICLE TO AN INDIVIDUAL WHO MEETS THE REQUIREMENTS OF THIS SECTION.

(B) TO BE ELIGIBLE FOR A POLICY ISSUED UNDER THIS SUBTITLE, AN INDIVIDUAL:

(1) MUST OWN, LEASE, OR RENT A PRIMARY PLACE OF RESIDENCE IN BALTIMORE CITY, OR OTHERWISE DEMONSTRATE THAT THE INDIVIDUAL'S PRIMARY PLACE OF RESIDENCE IS IN BALTIMORE CITY;

(2) MUST HAVE FILED AS A STATE RESIDENT FOR INCOME TAX PURPOSES, IF REQUIRED BY LAW;

(3) MUST BE IN A HOUSEHOLD WITH A GROSS ANNUAL HOUSEHOLD INCOME THAT DOES NOT EXCEED 300% OF THE FEDERAL POVERTY LEVEL;

(4) MUST BE AT LEAST 19 YEARS OLD AND HAVE BEEN CONTINUOUSLY LICENSED TO DRIVE AN AUTOMOBILE FOR THE IMMEDIATELY PRECEDING 3 YEARS;

(5) MAY NOT HAVE MORE THAN ONE OF EITHER, BUT NOT BOTH, OF THE FOLLOWING WITHIN THE IMMEDIATELY PRECEDING 3 YEARS:

(I) A PROPERTY–DAMAGE–ONLY ACCIDENT IN WHICH THE

DRIVER WAS PRINCIPALLY AT FAULT; OR

(II) A POINT FOR A MOVING VIOLATION;

(6) MAY NOT HAVE ON RECORD WITHIN THE IMMEDIATELY PRECEDING 3 YEARS AN AT–FAULT ACCIDENT INVOLVING BODILY INJURY OR DEATH; AND

(7) MAY NOT HAVE A FELONY OR MISDEMEANOR CONVICTION FOR A VIOLATION OF THE MOTOR VEHICLE LAWS OTHER THAN FOR A VIOLATION OF § 17–107 OF THE TRANSPORTATION ARTICLE.

(C) (1) THE ELIGIBILITY OF AN APPLICANT FOR INSURANCE FROM THE PROGRAM SHALL BE CERTIFIED AT A TIME AND IN A MANNER APPROVED BY THE PROGRAM.

(2) (I) IN ESTABLISHING ACCEPTABLE METHODS THAT DEMONSTRATE THE ELIGIBILITY OF INDIVIDUALS UNDER SUBSECTION (B)(3) OF THIS SECTION, THE PROGRAM SHALL DETERMINE METHODS THAT ARE THE LEAST CUMBERSOME METHODS AVAILABLE.

(II) TO BE ELIGIBLE TO RENEW A POLICY ISSUED UNDER THIS SUBTITLE, AN INDIVIDUAL SHALL DEMONSTRATE ELIGIBILITY UNDER SUBSECTION (B)(3) OF THIS SECTION AT LEAST ONCE EVERY 3 YEARS.

(D) AS SOON AS PRACTICABLE, THE PROGRAM SHALL ALLOW AN APPLICANT TO DEMONSTRATE ELIGIBILITY FOR THE PROGRAM AND PURCHASE A POLICY ISSUED BY THE PROGRAM ONLINE.

20–6A–04.

(A) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, EACH POLICY ISSUED BY THE PROGRAM SHALL CONTAIN THE MINIMUM COVERAGES REQUIRED UNDER TITLE 19, SUBTITLE 5 OF THIS ARTICLE.

(B) EACH POLICY ISSUED BY THE PROGRAM MAY PROVIDE COVERAGE ONLY FOR AN AUTOMOBILE WITH A VALUE OF $25,000 OR LESS AT THE TIME OF APPLICATION, AS EVIDENCED BY THE VALUE GIVEN TO THE AUTOMOBILE BY THE MOTOR VEHICLE ADMINISTRATION IN ASSESSING VEHICLE LICENSE FEES.

(C) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, EACH POLICY ISSUED BY THE PROGRAM MAY PROVIDE ONLY FOR:

(I) THE PAYMENT OF CLAIMS FOR BODILY INJURY OR DEATH

ARISING FROM AN ACCIDENT OF UP TO $15,000 FOR ANY ONE PERSON AND UP TO $30,000 FOR ANY TWO OR MORE PERSONS, IN ADDITION TO INTEREST AND COSTS; AND

(II) THE PAYMENT OF CLAIMS FOR PROPERTY OF OTHERS DAMAGED OR DESTROYED IN AN ACCIDENT OF UP TO $7,500, IN ADDITION TO INTEREST AND COSTS.

(2) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE, A POLICY ISSUED BY THE PROGRAM SHALL SATISFY THE MINIMUM SECURITY REQUIRED BY § 17–103 OF THE TRANSPORTATION ARTICLE.

(D) THE PROGRAM SHALL OFFER AN APPLICANT WHO PURCHASES A POLICY ISSUED BY THE PROGRAM THE OPTION TO PURCHASE THE FOLLOWING ADDITIONAL COVERAGES:

(1) UNINSURED MOTORIST COVERAGE OR UNDERINSURED MOTORIST COVERAGE;

(2) PERSONAL INJURY PROTECTION COVERAGE; OR

(3) ANY OTHER COVERAGE APPROVED BY THE COMMISSIONER.

20–6A–05.

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

(2) "LOSSES INCURRED" MEANS CLAIMS PAID, CLAIMS INCURRED AND REPORTED, AND CLAIMS INCURRED BUT NOT YET REPORTED.

(3) "PREMIUM" MEANS THE ACTUAL AMOUNT CHARGED FOR A POLICY ISSUED BY THE PROGRAM.

(4) "RATE" MEANS THE AVERAGE PREMIUM REQUIRED FOR EACH INSURANCE COVERAGE UNDER A POLICY ISSUED BY THE PROGRAM.

(B) SUBJECT TO THE APPROVAL OF THE COMMISSIONER, THE EXECUTIVE DIRECTOR SHALL DETERMINE THE PREMIUMS TO BE CHARGED ON POLICIES ISSUED BY THE PROGRAM.

(C) (1) RATES CHARGED FOR POLICIES ISSUED BY THE PROGRAM SHALL BE ADEQUATE TO COVER:

(I) LOSSES INCURRED FOR CLAIMS FILED UNDER THE POLICY; AND

(II) PROGRAM EXPENSES INCURRED BY THE PROGRAM TO PROVIDE THE POLICY, INCLUDING ALL REASONABLE AND NECESSARY EXPENSES FOR THE COSTS OF ADMINISTRATION, UNDERWRITING, TAXES, COMMISSION, AND CLAIMS ADJUSTING.

(2) IN ASSESSING LOSS RESERVES, THE COMMISSIONER SHALL ALLOW ONLY LOSS RESERVES THAT ARE ESTIMATED FROM ACTUAL CLAIM LOSSES UNDER POLICIES ISSUED BY THE PROGRAM OR COMPARABLE DATA BY A LICENSED STATISTICAL AGENT, AS ADJUSTED TO REFLECT COVERAGE PROVIDED UNDER POLICIES ISSUED BY THE PROGRAM AND ELIGIBILITY FACTORS REQUIRED TO PURCHASE POLICIES ISSUED BY THE PROGRAM.

(D) (1) IN DETERMINING THE PREMIUMS FOR POLICIES ISSUED BY THE PROGRAM, THE PROGRAM MAY CHARGE A DIFFERENT PREMIUM TO POLICYHOLDERS FOR DRIVERS UNDER THE AGE OF 25 YEARS THAN IS CHARGED TO POLICYHOLDERS FOR DRIVERS AT LEAST 25 YEARS OLD, EXCEPT THAT THE PREMIUM CHARGED FOR DRIVERS UNDER THE AGE OF 25 YEARS MAY NOT BE MORE THAN 25% HIGHER THAN THE PREMIUM CHARGED FOR DRIVERS AT LEAST 25 YEARS OLD.

(2) NO OTHER RATING FACTORS MAY BE USED TO DETERMINE THE PREMIUMS OF POLICIES ISSUED BY THE PROGRAM.

(E) (1) THE PROGRAM SHALL FILE PROPOSED RATES ANNUALLY WITH THE COMMISSIONER.

(2) THE PROGRAM MAY NOT USE THE PROPOSED RATES UNTIL THE COMMISSIONER APPROVES THE RATES.

(3) BEFORE TAKING ACTION ON THE PROPOSED RATES FILED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE COMMISSIONER SHALL HOLD A PUBLIC HEARING TO REVIEW THE PROPOSED RATES.

20–6A–06.

(A) A POLICY ISSUED BY THE PROGRAM SHALL BE A 12–MONTH POLICY.

(B) THE PROGRAM MAY ACCEPT PREMIUMS:

(1) AS PAID IN FULL; OR

(2) SUBJECT TO SUBSECTION (C) OF THIS SECTION, ON AN INSTALLMENT BASIS.

(C) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, THE PROGRAM SHALL OFFER AN INSTALLMENT PAYMENT PLAN THAT REQUIRES:

(I) AN INITIAL PREMIUM PAYMENT TO BE NOT LESS THAN 16% OF THE TOTAL ANNUAL PREMIUM; AND

(II) OF THE REMAINING PREMIUM DUE, EQUAL AMOUNTS OF INSTALLMENT PAYMENTS DUE EACH MONTH BEGINNING IN THE THIRD MONTH OF THE POLICY PERIOD AND ENDING IN THE TENTH MONTH OF THE POLICY PERIOD.

(2) THE PROGRAM MAY OFFER AN ALTERNATIVE PAYMENT PLAN TO THE PAYMENT PLAN SPECIFIED UNDER PARAGRAPH (1) OF THIS SUBSECTION AS THE PROGRAM DETERMINES APPROPRIATE.

(D) (1) (I) THE PROGRAM MAY IMPOSE AN ADMINISTRATIVE PROCESSING FEE ON POLICYHOLDERS PARTICIPATING IN AN INSTALLMENT PLAN OF NOT MORE THAN $3 PER INSTALLMENT PAYMENT.

(II) AN ADMINISTRATIVE PROCESSING FEE MAY NOT BE CHARGED ON AN INITIAL PREMIUM PAYMENT.

(2) SUBJECT TO THE APPROVAL OF THE COMMISSIONER, THE ADMINISTRATIVE PROCESSING FEE SHALL BE JUSTIFIED BASED ON ACTUAL COSTS RELATED TO COLLECTING INSTALLMENT PAYMENTS.

(E) (1) IN ACCORDANCE WITH PARAGRAPH (2) OF THIS SUBSECTION, THE PROGRAM SHALL ACCEPT PAYMENTS FOR PREMIUMS USING THE FOLLOWING METHODS:

(I) CASH;

(II) CHECK;

(III) MONEY ORDER;

(IV) DEBIT CARD;

(V) CREDIT CARD;

(VI) PRODUCER SWEEP ACCOUNT; AND

(VII) ANY OTHER METHOD THE PROGRAM DETERMINES APPROPRIATE.

(2) ANY FEE ASSOCIATED WITH A PAYMENT METHOD SHALL BE INCLUDED IN THE MAXIMUM ADMINISTRATIVE PROCESSING FEE ALLOWABLE UNDER SUBSECTION (D) OF THIS SECTION.

(F) POLICIES ISSUED BY THE PROGRAM MAY NOT BE FINANCED UNDER A PREMIUM FINANCE AGREEMENT.

20–6A–07.

(A) A FUND PRODUCER MAY BIND COVERAGE IN THE FUND FOR AN APPLICANT TO THE PROGRAM IF THE APPLICANT SUBMITS AN APPLICATION TO THE FUND PRODUCER AND PAYS THE REQUIRED PREMIUM.

(B) A FUND PRODUCER SHALL PROVIDE NOTICE TO AN APPLICANT FOR A POLICY UNDER THIS SUBTITLE ABOUT THE LIMITATIONS UNDER THE POLICY.

20–6A–08.

(A) THE PROGRAM MAY:

(1) SUBJECT TO SUBSECTION (B) OF THIS SECTION, REJECT AN APPLICATION FOR INSURANCE IF THE APPLICANT OWES TO THE PROGRAM AN UNPAID PREMIUM ON AN EXPIRED OR CANCELED POLICY;

(2) CANCEL A POLICY FOR NONPAYMENT OF PREMIUM AT ANY TIME AFTER A MINIMUM OF 10 CALENDAR DAYS' NOTICE OF NONPAYMENT;

(3) REJECT AN APPLICATION FOR INSURANCE OR AT ANY TIME CANCEL A POLICY IF THE DRIVER'S LICENSE OF THE APPLICANT OR POLICYHOLDER IS SUSPENDED OR REVOKED; AND

(4) NONRENEW A POLICY IF THE INSURED FAILS TO MEET THE ELIGIBILITY REQUIREMENTS UNDER § 20–6A–03 OF THIS SUBTITLE.

(B) (1) IF THE PROGRAM REJECTS AN APPLICATION UNDER SUBSECTION (A)(1) OF THIS SECTION, THE PROGRAM SHALL:

(I) NOTIFY THE APPLICANT OF THE AMOUNT OF THE UNPAID PREMIUM; AND

(II) ALLOW THE APPLICANT TO CURE THE DEFICIENCY.

(2) IF THE APPLICANT CURES THE DEFICIENCY, THE PROGRAM MAY NOT REJECT THE APPLICANT IF THE APPLICANT IS OTHERWISE ELIGIBLE.

20–6A–09.

(A) ALL INSURERS LICENSED TO WRITE MOTOR VEHICLE LIABILITY INSURANCE OR MOTOR VEHICLE PHYSICAL DAMAGE INSURANCE IN THE STATE SHALL PAY AN ANNUAL FEE OF $0.10 PER VEHICLE INSURED BY THE INSURER TO SUPPORT THE PROGRAM'S MARKETING, OUTREACH, AND OTHER PUBLIC EDUCATION EFFORTS REQUIRED TO RAISE PUBLIC AWARENESS OF THE PROGRAM.

(B) THE HOUSE ECONOMIC MATTERS COMMITTEE AND THE SENATE FINANCE COMMITTEE SHALL REVIEW ANNUALLY THE PUBLIC AWARENESS EXPENDITURES INCURRED BY THE PROGRAM UNDER SUBSECTION (A) OF THIS SECTION.

20–6A–10.

THE BOARD OF TRUSTEES, IN CONSULTATION WITH THE ADMINISTRATION, SHALL ADOPT REGULATIONS TO CARRY OUT THIS SUBTITLE, INCLUDING REGULATIONS THAT RELATE TO PROCEDURES FOR THE CANCELLATION AND NONRENEWAL OF POLICIES ISSUED UNDER THIS SUBTITLE.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2022.