

Chapter 395

(House Bill 1098)

AN ACT concerning

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

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

BY adding to

Article – Insurance

Section 20–306

Annotated Code of Maryland

(2017 Replacement Volume and 2024 Supplement)

BY repealing and reenacting, with amendments,

Article – Insurance

Section 20–507

Annotated Code of Maryland

(2017 Replacement Volume and 2024 Supplement)

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

Article – Insurance

20–306.

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

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

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

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

~~(I) IS LESS THAN THE FUND'S COMPANY ACTION LEVEL RBC;~~
~~OR~~

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

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

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

20-507.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. consider as factors:

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

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

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

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

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

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

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

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

1. the Fund's installment payment plan;

2. a premium finance agreement; or

3. payment of the policy in full.

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

1. is issued a new policy; or

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

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

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

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

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

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

SECTION 2. AND BE IT FURTHER ENACTED, That:

(a) (1) The Maryland Insurance Administration shall establish a workgroup to study:

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

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

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

~~(4)~~ (iv) methodologies by which affordability can be considered in establishing private passenger automobile insurance rates consistent with rate making principles codified in the Insurance Article; and

(v) the current financial status of private passenger automobile insurers in the State and potential options to address excess profits.

(2) In conducting the study under paragraph (1) of this subsection, the workgroup shall seek and consider input from relevant stakeholders, including the reinsurance industry.

(b) The workgroup consists of the following members:

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

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

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

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

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

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

(ii) one representative of a consumer advocacy group that is active in the area of automobile insurance; and

(iii) one representative of private passenger automobile insurance producers in the State.

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

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

~~SECTION 3. AND BE IT FURTHER ENACTED, That, on or before March 15, 2026, for calendar year 2025 operating results only, the Board of Trustees of the Maryland Automobile Insurance Fund may certify the greater of:~~

~~(1) the calculation yielded under § 20-404(b) and (c) of the Insurance Article; and~~

~~(2) an amount not to exceed \$20,000,000.~~

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

Approved by the Governor, May 6, 2025.