



**2015 Report on  
Maryland Auto Insurance Fund  
Installment Payment Plans**

**January 19, 2016  
MSAR# 9573**

## I. INTRODUCTION

The 2013 General Assembly enacted SB 930, Property and Casualty Insurance – Premium Payments – Acceptance of Premiums on Installment Payment Basis and Premium Finance Agreements (2013 Laws of Maryland, Chapter 334, hereinafter, the Act)<sup>1</sup>. Section 3 (a) (3) of the Act requires the Maryland Automobile Insurance Fund (Fund or MAIF) to submit to the Maryland Insurance Commissioner a report on the Fund’s determination of the effectiveness and impact of the Fund’s installment payment plan for the prior year based on an evaluation of the following five criteria: (1) the cost of automobile insurance for Fund insureds; (2) the number of insured and uninsured motorists in the State; (3) the number of Fund policies in force by geographic area; (4)(iv) the duration of Fund policies in force; (5) the frequency of payment methods used by Fund insureds, including the Fund’s installment payment plan, premium finance agreements, and cash and credit card payments and the limitations of the terms of the installment payment plan under §20-507(g)(1)(ii)1 and 4 of the Insurance Article. The Commissioner received this report on September 29, 2015. A copy of the MAIF Report is included in Appendix as Attachment A.

On receipt of the MAIF Report, Section 3(b) of the Act requires that the Commissioner determine the effectiveness and impact of the Fund’s installment payment plan option. The Commissioner’s determination must include a review of complaints received by the Maryland Insurance Administration (MIA) relating to the Fund’s installment payment plan and premium finance agreements. The Commissioner must submit his report to the Senate Finance Committee and the House Economic Matters Committee by December 31, 2015. The Commissioner’s report should include the effectiveness of the Fund’s installment payment plan and its impact on:

- (i) the Fund;
- (ii) the private passenger automobile industry;
- (iii) the premium finance company industry; and
- (iv) Maryland consumers.

## II. BACKGROUND

MAIF was established in 1972 by the General Assembly to provide automobile insurance to residents of the State who are unable to obtain insurance in the private insurance marketplace. MAIF is an independent non-budgeted State agency and is unique. In other states, private insurance companies share in insuring those unable to obtain insurance (known as the residual market) through an assigned risk plan in their respective states. MAIF is authorized to insure a person who has made a good faith attempt to obtain a personal automobile insurance policy from at least two private insurers and has been rejected or refused for a reason other than nonpayment of premium.

Prior to the passage of the Act, MAIF was prohibited from accepting premiums on an installment payment basis. An annual premium owed to MAIF could, however, be financed by a premium finance company registered with the Insurance Commissioner. Thus, a policyholder who was unable to pay his total insurance premium in advance could finance the premium payment through the use of a premium finance company. The policyholder entered into a

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<sup>1</sup> See [http://mgaleg.maryland.gov/2013RS/chapters\\_noln/Ch\\_334\\_sb0930T.pdf](http://mgaleg.maryland.gov/2013RS/chapters_noln/Ch_334_sb0930T.pdf)

premium finance agreement with the premium finance company, the premium finance company paid the policyholder's total premium to MAIF, and, in return, the policyholder agreed to repay the loan in installments to the premium finance company along with finance charges and service fees.

Effective July 1, 2013, Senate Bill 930 authorized MAIF to accept premiums on an installment basis on a 12-month personal automobile policy, subject to certain requirements. Specifically, MAIF may collect a minimum 25% down-payment of the annual premium and thereafter up to six installment payments on a 12-month personal automobile policy having a total premium of less than \$3,000. *See*, §27-507. Further, MAIF may collect a down payment of no less than 20% of the total annual payment and eight installment payments on the 12-month policy with a premium of \$3,000 or more. MAIF may not discriminate among insureds by charging different premiums based on the insured's selection of a MAIF installment payment plan versus a premium finance agreement. The initial down payment percentage adjusts each year on October 1 using data from the U.S. Government Bureau of Labor Statistics motor vehicle insurance expenditure category of the Consumer Price Index for all urban consumers. Currently, § 20-507(g)(4) requires a disclosure regarding the MAIF installment payment option on a form approved by the Insurance Commissioner.<sup>2</sup> A copy of the most recent form approved by the Insurance Commissioner is included in the Appendix as Attachment B.

### III. COMPLAINTS ANALYSIS

From October 1, 2013 to October 31, 2015, the MIA received no complaints regarding the MAIF installment plan and two complaints regarding MAIF premiums financed by premium finance companies.

### IV. IMPACT ON THE FUND

Between October 1, 2013, and August 31, 2015,<sup>3</sup> MAIF issued 110,444 policies.<sup>4</sup> Of the 110,444 policies, premiums for 2,044 policies, 1.9% of the total policies in force, were paid for using a MAIF installment plan. The remaining 108,400 MAIF policies, 98.1% of the total policies in force, premiums were financed through a premium finance company or were paid-in-full by the policyholder.

A down payment of 25% followed by 6 installment payments, over the course of the yearlong policy, was the most popular MAIF installment payment plan among the 2,044 policies, accounting for premiums totaling \$3,454,939.<sup>5</sup>

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<sup>2</sup> 20-507(g)(4) provides as follows:

- (i) In accordance with this paragraph, written and electronic communications, including the Fund's Web site, 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.

<sup>3</sup> October 31, 2013 through August 31, 2015 represents the "experience period" in the MAIF Report.

<sup>4</sup> MAIF Report

<sup>5</sup> MAIF Report

Although only 1.9% of the total policies issued during the experience period took advantage of a MAIF installment plan option, those policies represented a positive impact on MAIF. The Fund had a lower cancel rate for policies paid for via its installment plan<sup>6</sup> and a higher average days-in-force.<sup>7</sup>

## **V. IMPACT ON PRIVATE PASSENGER AUTO**

Only a person who has made a good faith attempt to obtain a policy from at least two authorized private insurers and has been rejected or refused for any reason other than nonpayment of premium may apply for coverage with MAIF. Over the six-year period from 2009 to 2014, MAIF's market share has declined from approximately 2.7% to approximately 1.7%. During that same period, market share for the top insurer groups *excluding* MAIF has increased from approximately 87% in 2009 to approximately 89% in 2014.<sup>8</sup> There is no evidence that the option to use a MAIF installment payment plan since 2013 has driven business to MAIF and away from authorized private insurers who sell the same private passenger automobile insurance.

## **VI. IMPACT ON PREMIUM FINANCE INDUSTRY**

Prior to the passage of Senate Bill 930, ninety-seven percent (97%) of the policies in the Fund were financed through a premium finance company. Subsequent to the passage of the Senate Bill, the percentage dropped to 95.4%. A 1.6% decline is considered a minimal impact on the premium finance company industry.

## **VII. IMPACT ON MARYLAND CONSUMERS**

Policies for which premiums were paid using a MAIF installment plan were purchased in each county in Maryland. The purchased utilization rate ranged from a low of 0.7% in Baltimore City and Charles County to a high of 8.5% in Queen Anne's county. As a result of the low utilization rates, the MAIF installment plan options have had little impact on Maryland consumers as a group. Policyholders who are eligible for coverage through MAIF and who remit their premiums through a MAIF installment plan, however, save between \$210 and \$235 throughout the term of the policy.<sup>9</sup> Whether a prospective policyholder understands the potential for savings by using a MAIF installment plan is unclear.

## **VIII. EFFECTIVENESS OF THE FUND'S INSTALLMENT PAYMENT PLAN**

While functioning and successfully producing the desired result for a very small percentage of MAIF policyholders, the Fund's option to remit premiums through an installment payment plan cannot be deemed fully implemented and therefore effective as it has not produced the intended widespread outcome. It remains, however, an important and beneficial option for MAIF policyholders, the State, and other drivers. MAIF's data indicates that since its inception, the installment payment plan option has resulted in lowering the cost of a policy, reducing the

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<sup>6</sup> The total cancel rate during the experience period was 53.8%. Of the 53.8% policies canceled, 39.2% of the canceled policies were paid for using a MAIF installment plan while 54% of the policies canceled were not paid for using a MAIF installment plan. MAIF Report.

<sup>7</sup> The total average days-in-force during the experience period was 236. Policies paid for using an installment plan were in force an average of 45 more days than policies not paid for using an installment plan. MAIF Report.

<sup>8</sup> *Maryland Insurance Administration: 2015 Report on the Effect of Competitive Rating on the Insurance Markets in Maryland.*

<sup>9</sup> MAIF Report.

rate of cancellation, and increasing the rate of longevity. With additional research and, perhaps, the implementation of new installment plan parameters and strategies, the MAIF installment payment plan option could realize its maximum potential and become fully effective.

## **IX. CONCLUSION**

Few MAIF policyholders have chosen to remit their premiums using a MAIF installment payment plan option. Rather, most have chosen to finance their premiums through a premium finance company or to pay the annual premium in full. The Fund has identified several strategies for improving the installment payment plan's utilization rate. The first involves ensuring that MAIF producers understand and comply with their statutory obligation to disclose the installment plan payment option. The Fund also suggests lowering the 25% down payment for annual premiums of less than \$3,000 and increasing the number of installment payments to 8 or 10 within a policy year.

The underutilization of the MAIF installment payment plan option requires additional research and discussion. The MIA intends to research and discuss the advantages and disadvantages of implementing a disclosure form requiring a prospective policyholder's acknowledgment that the applicant understands the MAIF installment payment plan option and expressly declines the option. Further, the MIA will take into consideration the Fund's additional recommendations during the coming year.

**Attachment A – Report on the Effectiveness and Impact of the Maryland Automobile  
Insurance Fund’s Installment Payment Plan**



Report on the Effectiveness and Impact  
of the Maryland Automobile Insurance  
Fund's Installment Payment Plan

Submitted Pursuant to Senate Bill 930 / Chapter 334, 2013

September 29, 2015

## Maryland Automobile Insurance Fund Installment Payment Plan Impact Report

### Statutory History

During the 2013 legislative session, the General Assembly passed SB 930/Chapter 334 which allowed the Maryland Automobile Insurance Fund to offer an installment payment plan. The legislation lifted a 40 year ban on such payments, and was a legislative compromise resolving an issue that had been pressed since 2005. On October 1, 2013 Maryland Auto producers began to offer installment payment options. Insureds with a total premium of less than \$3,000 are eligible for an installment plan with 25% down and 3 or 6 payments, while insureds with a total premium of \$3,000 or more are eligible for an installment plan with 20% down and 4 or 8 payments.

In accordance with SB930/Chapter 334, this report was mandated to evaluate the effectiveness and impact of the Maryland Automobile Insurance Fund's installment payment plan. This report supplements Maryland Auto's September 3, 2015 letter, which included internal reports on the usage of the installment plan from October 1, 2013 to June 30, 2015. For your reference, attached are the July and August 2015 usage reports.

### Summary

To summarize, Maryland Auto has found that the installment payment plan has a measurable benefit for our insureds and the driving population of Maryland. These benefits include lower costs, longer policy life expectancy, increased accessibility of insurance, and a decreased number of uninsured drivers throughout the state. Its utility is seriously under cut, however, by an extraordinarily low utilized rate.

### Specific Criteria for Evaluation

As part of the legislation, and in uncodified language, the Fund was required to evaluate several specific items. The impacts of these items are discussed below:

- (i) The cost of automobile insurance for Fund insureds

The installment payment plan has reduced the real cost of automobile insurance for Fund insureds who choose to utilize it. The average private passenger insured with the Fund will save between \$210 and \$235 throughout the term of their policy. A total of 2,044 policies

have been paid for using the Fund's installment plan, saving Maryland drivers approximately \$455,000.

The 2,044 policies mentioned above account for just 1.9% of the policies that comprise the experience period being analyzed. An improved utilization rate of 25% would result in 27,611 installment policies and would save Maryland drivers a total of approximately \$6,150,000.

(ii) The number of insured and uninsured motorists in the state

The installment payment plan has a direct impact on the duration of policies issued by the Maryland Auto. On average, a driver that utilizes the installment payment plan is able to stay insured 45 days longer than the average driver insured by Maryland Auto. This figure combined with the total 2,044 installment policies sold is equivalent to one year of insurance for roughly 285 drivers who would have otherwise been uninsured.

An improved utilization rate of 25% would bring about a much larger decrease in the number of uninsured motorists. With the improved utilization rate an equivalent of 3,880 drivers who would otherwise be uninsured could be insured for one year. This is tantamount to insuring the entire city of Fruitland, Maryland for one year.

(iii) The number of Fund policies in force by geographic area;

As mentioned above, policies paid for through the installment plan tend to stay in force longer. This results in an increased in force count on a statewide level. While all counties saw an increased in force count, some counties saw a greater increase than others as is illustrated by the table below. Counterintuitively, the counties with the greatest percentage increases are among those with the smallest populations of our insureds. This is likely a result of differing levels of consumer awareness between counties.

County	Average Premium	Policy Count Increase
ALLEGANY	\$1,640	0.2%
ANNE ARUNDEL	\$1,838	0.4%
BALTIMORE	\$2,211	0.3%
BALTIMORE CITY	\$2,766	0.1%
CALVERT	\$1,803	0.9%
CAROLINE	\$1,220	0.4%
CARROLL	\$2,000	0.9%
CECIL	\$1,575	0.3%
CHARLES	\$1,996	0.1%
DORCHESTER	\$1,439	0.4%

County	Average Premium	Policy Count Increase
FREDERICK	\$2,018	0.6%
GARRETT	\$1,659	0.0%
HARFORD	\$2,154	0.5%
HOWARD	\$2,438	0.5%
KENT	\$1,151	0.8%
MONTGOMERY	\$1,643	0.5%
PRINCE GEORGES	\$1,974	0.2%
QUEEN ANNES	\$1,311	1.5%
SAINT MARYS	\$1,465	0.3%
SOMERSET	\$1,223	0.6%
TALBOT	\$1,030	0.9%
WASHINGTON	\$2,646	0.6%
WICOMICO	\$1,111	0.6%
WORCESTER	\$1,188	0.6%

(iv) The duration of Fund policies in force

As mentioned above, a driver that utilizes the installment payment plan is able to stay insured 45 days longer on average than the typical driver insured by the Fund. Furthermore, only 45% of Fund policies remain in force for their full policy term. In contrast, 58.3% of policies paid for through the installment payment plan remain in force for their full policy term.

(v) The frequency of payment methods used by Fund insureds, including the Fund's installment payment plan, premium finance agreements, and cash and credit card payments.

The table below compares two groups, or cohorts of policies, one which incepted before the installment payment plan was available and one which incepted after. The table shows proportion of policies paid by cash and credit card remained constant between cohorts, while the proportion of policies financed through premium finance companies decreased from pre-installment to post-installment cohorts. The magnitude of the decrease, however, was 1.9%.

Payment Method	Pre-installment	Post-installment
Cash or Credit Card	2.7%	2.7%
Installment	0.0%	1.9%
Premium Finance Company	97.3%	95.4%

Additional Comments

Because the installment payment plan suffers from an abysmally low utilization rate, the program's impact remains limited. Maryland Auto has identified two broad ways to improve

the utilization rate of this plan: 1) Increased consumer awareness of the Maryland Auto's interest-free installment payment option and 2) greater flexibility in terms of down payment options and number of installments.

First, increased consumer awareness should be driven largely by Maryland Auto producers. In an attempt to inform Maryland Auto producers of their statutory obligation to offer the installment payment option, Maryland Auto has administered producer training and outreach along with mailings and electronic producer bulletins. The October 2013 Producer Bulletin is attached. These programs by Maryland Auto appear to have had little influence on the plan's utilization rate, and MIA assistance may be helpful.

Second, greater flexibility in terms of the number of installments and down payment options, which would require a legislative change, may make the plan more desirable. It is customary for non-standard auto insurers to permit their customers to put down as little as 20%. These carriers also permit more installment payments over the remainder of the policy term than does the Maryland Auto's current installment plan. Maryland Auto's insureds would be better able to manage their cash flow and take advantage of the installment plan if they could put down 20% regardless of total premium and if they could have as many as 10 installments throughout the remainder of the policy term.

The larger down payment and the associated payment plan is detrimental to the accessibility of insurance. To illustrate this, consider the typical Maryland Auto insured. This insured has an annual premium of \$1,850 and has chosen the most common installment option of 25% down with 6 installments. Under the customary non-standard auto insurer's plan, this insured would have a 20% down payment of \$370 with 10 periodic payments of \$148. In contrast, Maryland Auto's payment plan requires a 25% down payment of \$463 with 6 periodic payments of \$231. To an economically vulnerable insured, the 5% larger down payment and the larger, less frequent installment payments can be a significant hurdle. Standard billing practice is to require monthly payments. The 6 payment installment plan contradicts this practice and can be disruptive to personal financial management practices, and therefore degrades the accessibility of insurance.

### Conclusion

The 2013 legislation marked an historic event allowing Maryland Auto insureds to utilize an installment plan. The limitations on the plans down payment and number of payments allowed, combined with uncertainty as to the degree of exposure the plan is receiving, suggests some changes may be in order to assist Maryland Auto insureds in their efforts to lower the real cost of the policy.

## Maryland Automobile Insurance Fund Installment Overview (as of 7/31/15)

Policies issued from October 1, 2013 through July 31, 2015		
PFC or Paid in Full	103,465	98.2%
Installment	1,922	1.8%
<b>Total</b>	<b>105,387</b>	<b>100.0%</b>

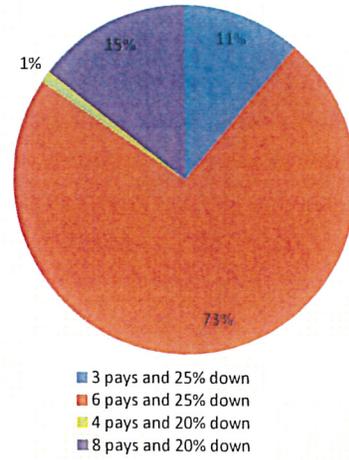
Cancellation rate by finance option		
Finance Option	Cancel Rate	Avg Days Inforce
Installment Billed	40.4%	277
Non-Installment Billed	54.2%	235
<b>Total</b>	<b>54.0%</b>	<b>236</b>

Cumulative Utilization Rate	Policies Issued	% IBS
Non-PFC owning producers	88,119	2.1%
PFC owning producers	17,268	0.5%
<b>All Producers</b>	<b>105,387</b>	<b>1.8%</b>

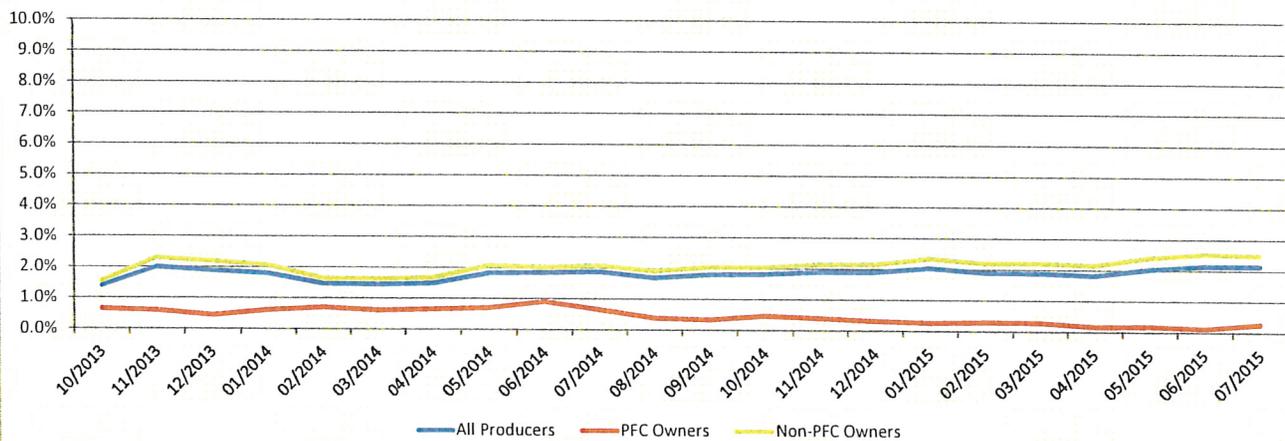
Issued Installment Policies by Plan			
Installment Plan	Count	Total Premium	Avg Premium
3 pays and 25% down	216	250,830	\$1,161
6 pays and 25% down	1,406	1,861,618	\$1,324
4 pays and 20% down	21	76,344	\$3,635
8 pays and 20% down	278	1,051,092	\$3,781
<b>Total</b>	<b>1,921</b>	<b>3,239,884</b>	<b>\$1,687</b>

### Issued Installment Policies

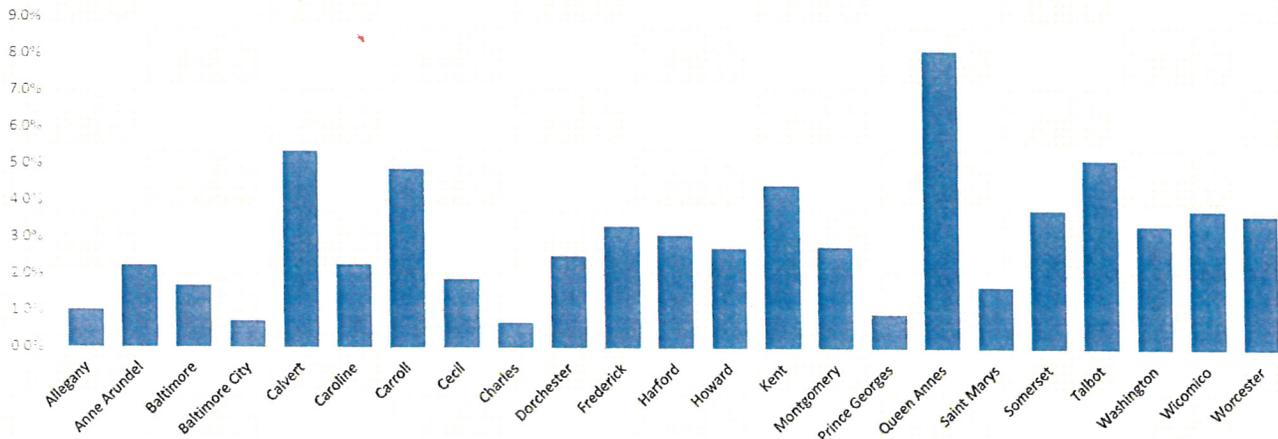
(Count by Installment Plan)



### Quarter-Ending Installment Plan Utilization Rate



### Installment Plan Utilization Rate by County



Issued Installment Policies by County		
County	Average Premium Amount	County Utilization Rate
Allegany	\$1,640	1.0%
Anne Arundel	\$1,854	2.2%
Baltimore	\$2,153	1.7%
Baltimore City	\$2,701	0.7%
Calvert	\$1,784	5.3%
Caroline	\$1,220	2.2%
Carroll	\$2,107	4.8%
Cecil	\$1,454	1.9%
Charles	\$1,902	0.7%
Dorchester	\$1,430	2.5%
Frederick	\$2,026	3.3%
Harford	\$2,154	3.1%
Howard	\$2,528	2.7%
Kent	\$1,225	4.4%
Montgomery	\$1,666	2.8%
Prince Georges	\$1,983	0.9%
Queen Annes	\$1,340	8.1%
Saint Marys	\$1,465	1.7%
Somerset	\$1,223	3.8%
Talbot	\$1,050	5.1%
Washington	\$2,743	3.4%
Wicomico	\$1,116	3.8%
Worcester	\$1,209	3.6%

Quarter-Ending Installment Plan Utilization Rate			
Date	PFC Owners IBS%	Non PFC Owners IBS %	General Pop. IBS %
10/2013	0.6%	1.6%	1.4%
11/2013	0.6%	2.3%	2.0%
12/2013	0.5%	2.2%	1.9%
01/2014	0.6%	2.1%	1.8%
02/2014	0.7%	1.7%	1.5%
03/2014	0.6%	1.6%	1.4%
04/2014	0.7%	1.7%	1.5%
05/2014	0.7%	2.1%	1.8%
06/2014	0.9%	2.0%	1.8%
07/2014	0.7%	2.1%	1.9%
08/2014	0.4%	1.9%	1.7%
09/2014	0.3%	2.0%	1.8%
10/2014	0.5%	2.0%	1.8%
11/2014	0.4%	2.2%	1.9%
12/2014	0.3%	2.2%	1.9%
01/2015	0.3%	2.4%	2.0%
02/2015	0.3%	2.2%	1.9%
03/2015	0.3%	2.2%	1.9%
04/2015	0.2%	2.2%	1.8%
05/2015	0.2%	2.4%	2.0%
06/2015	0.1%	2.5%	2.1%
07/2015	0.3%	2.5%	2.1%

## Maryland Automobile Insurance Fund Installment Overview (as of 8/31/15)

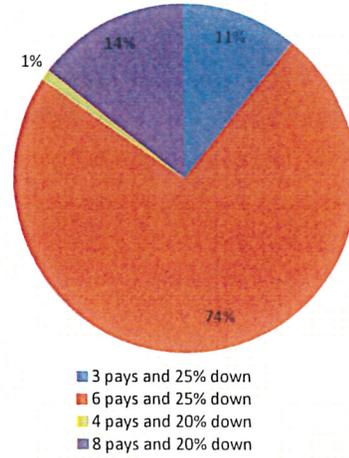
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Installment	2,044	1.9%
<b>Total</b>	<b>110,444</b>	<b>100.0%</b>

Cancellation rate by finance option		
Finance Option	Cancel Rate	Avg Days Inforce
Installment Billed	39.2%	280
Non-Installment Billed	54.0%	235
<b>Total</b>	<b>53.8%</b>	<b>236</b>

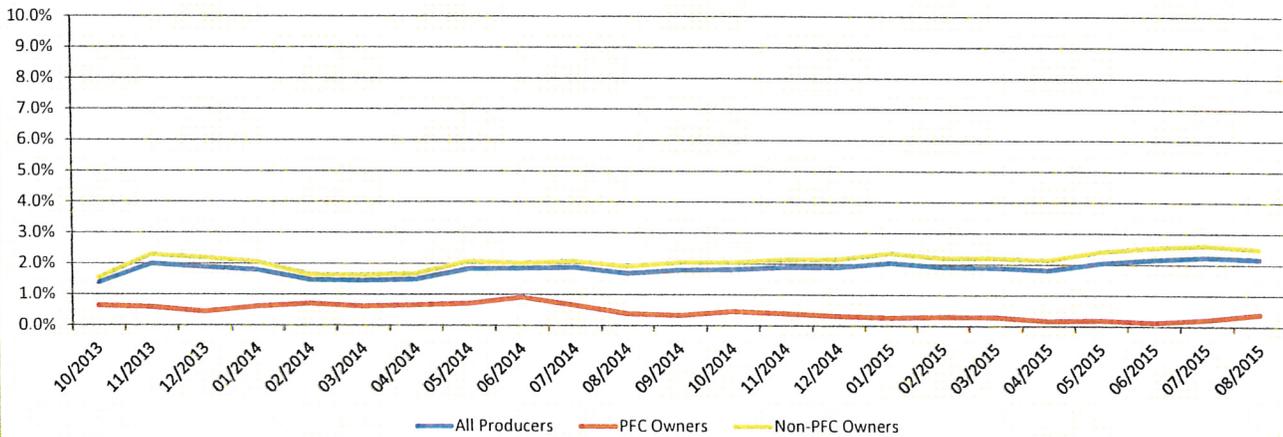
Cumulative Utilization Rate	Policies Issued	% IBS
Non-PFC owning producers	92,404	2.1%
PFC owning producers	18,040	0.5%
<b>All Producers</b>	<b>110,444</b>	<b>1.9%</b>

Issued Installment Policies by Plan			
Installment Plan	Count	Total Premium	Avg Premium
3 pays and 25% down	222	259,213	\$1,168
6 pays and 25% down	1,506	1,994,263	\$1,324
4 pays and 20% down	21	76,344	\$3,635
8 pays and 20% down	294	1,125,119	\$3,827
<b>Total</b>	<b>2,043</b>	<b>3,454,939</b>	<b>\$1,691</b>

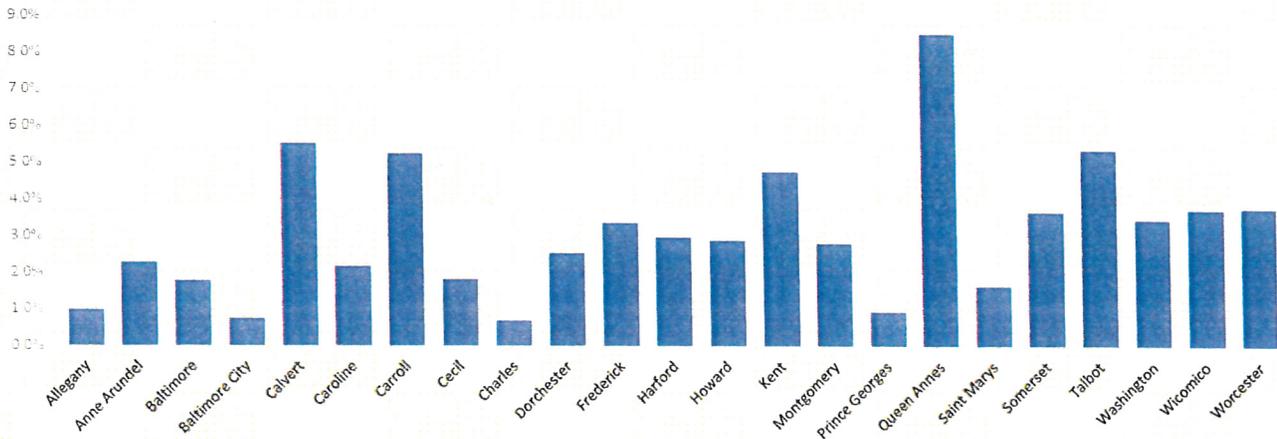
**Issued Installment Policies**  
(Count by Installment Plan)



**Quarter-Ending Installment Plan Utilization Rate**



**Installment Plan Utilization Rate by County**



Issued Installment Policies by County		
County	Average Premium Amount	County Utilization Rate
Allegany	\$1,640	1.0%
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Worcester	\$1,188	3.7%

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11/2013	0.6%	2.3%	2.0%
12/2013	0.5%	2.2%	1.9%
01/2014	0.6%	2.1%	1.8%
02/2014	0.7%	1.7%	1.5%
03/2014	0.6%	1.6%	1.4%
04/2014	0.7%	1.7%	1.5%
05/2014	0.7%	2.1%	1.8%
06/2014	0.9%	2.0%	1.8%
07/2014	0.7%	2.1%	1.9%
08/2014	0.4%	1.9%	1.7%
09/2014	0.3%	2.0%	1.8%
10/2014	0.5%	2.0%	1.8%
11/2014	0.4%	2.2%	1.9%
12/2014	0.3%	2.2%	1.9%
01/2015	0.3%	2.4%	2.0%
02/2015	0.3%	2.2%	1.9%
03/2015	0.3%	2.2%	1.9%
04/2015	0.2%	2.1%	1.8%
05/2015	0.2%	2.4%	2.0%
06/2015	0.1%	2.6%	2.2%
07/2015	0.2%	2.6%	2.2%
08/2015	0.4%	2.5%	2.2%



Maryland Automobile Insurance Fund  
1750 Forest Drive  
Annapolis, MD 21401-4294  
[www.maif.net](http://www.maif.net)

Producer Bulletin  
October 2013-08

## Important Notice

### MAIF's New Installment Billing Plan - Private Passenger

MAIF is pleased and excited to announce effective October 1, 2013, producers can offer a MAIF installment plan option to all Private Passenger Auto customers. This new installment plan was made possible by the passage of Senate Bill 930 by the Maryland General Assembly and signed into law by Governor O'Malley on May 2, 2013.

Customers will continue to have the additional payment options of financing the premium through a premium finance company or payment in full. The highlights of the MAIF Installment Billing Plan effective October 1, 2013 are as follows:

#### Installment Billing Options

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- For policies with a total premium of **less than \$3,000** the customer will have two choices:
  - Plan A – 25% down, then 6 payments due every 30 days **starting 60 days after the inception date**
  - Plan B – 25% down, then 3 payments due every 60 days **starting 60 days after the inception date**
- For policies with a total premium of **\$3,000 or more** the customer will have two choices:
  - Plan C – 20% down, then 8 payments due every 30 days **starting 45 days after the inception date**
  - Plan D – 20% down, then 4 payments due every 45 days **starting 45 days after the inception date**

#### Low Fees

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- A \$2.00 per installment fee will be added to each monthly installment payment.
- A \$5.00 late fee will be charged for any monthly installment payment that is received more than 3 days past the due date. The \$5.00 fee will be added to the balance on the Notice of Intent to Cancel. The Notice of Intent to Cancel will be mailed to the insured. An electronic copy will be available to the producer.
- A \$15 Non-Sufficient Fund (NSF) fee will be charged for bank returned checks and credit/debit card payments.

1-800-492-7120 (Toll Free)    410-269-1680 (Baltimore)    301-261-1913 (Washington)  
Member Company of the National Insurance Crime Bureau  
TTY: Baltimore/Annapolis Areas (410) 269-4355  
Toll Free Service From Other MD Areas 1-800-765-2340

## The Process

- Customers purchasing policies through Producer Link will have the installment option however producers will see no other changes to the process.
- When you process an ePolicy you will find the installment billing option available in the payment screen. If you are taking the down payment by credit/debit card you will need to call Installment Billing Line at 410-269-8799 to process the card. This feature will be automated in the near future.
- If you process a manual application you will find the installment billing option offered in the binding/receipt screen. If you are taking the down payment by credit/debit card you will need to call the Installment Billing Line at 410-269-8799 to process the card. This feature will be automated in the near future. Please print the Payment Option Form circling the option chosen and attach to the application.
- **Producers are required by the new statute to provide the customer with a MAIF Premium Payment Option form.** The form will automatically compute the down payment, installment payments and due date of first payment. If you increase the down payment click on "View Payment Options" again to have the payment amounts updated. This form is filed and approved by the Maryland Insurance Administration. This form explains the payment options available to the customer. This form will be generated in MIPS for ePolicies, in the manual application binding screen, and also from the quick quote screen.
- Customers will receive a monthly installment bill directly from MAIF and they may pay MAIF directly by check, money order, credit or debit card. However, they may also pay their MAIF Installment plan payments through your agency in the form of cash, money order, credit/debit card, certified check, cashier's check and personal check. **Yes! We will now accept the insured's personal check for the installment and monthly payments.**
- Currently, the receipt process for monthly installments is not automated. Therefore if you accept a monthly installment from your customer you must issue a paper receipt and contact Policy Services to advise of the payment so we can put a hold on the policy to prevent cancellation. You may order a receipt book via the "Order MAIF Supply button." The monthly installment receipt process will be automated in MIPS in the near future.

## Application and Payment Submittals

- Applications, supporting documents, any MAIF down payments or installment payments collected by your agency must be submitted to the following address: **MAIF, P.O. Box 62883, Baltimore, MD 21264-2883.** MAIF will send you several green envelopes with this mailing address preprinted for your convenience under separate cover. You may order additional green envelopes by calling Policy Services. If the funds are being transferred electronically, please send the application and supporting documents to **MAIF, P.O. Box 2394, Annapolis, MD 21404-2394.**

**Endorsements, Cancellations and Reinstatements**

Endorsements will be spread among any remaining monthly installments. A down payment for the endorsement is not required however we strongly encourage you to take one from the insured. If installments are exhausted, payment in full for the endorsement is required and it may not be financed. A receipt must be provided to the insured. Payments must be submitted to: MAIF, P.O. Box 62883, Baltimore, MD 21264-2883 or in the green lock box envelope.

If the insured is requesting reinstatement with a NLL, the Producer must contact MAIF to obtain the total amount due. The total amount must be collected at the time the NLL is signed.

The new installment plan options are available in MIPS. To select a payment plan, you will need to click on the drop down box and select "MAIF Installment Billing." Under the receipt information, you will need to click the "Payment Type" and select the appropriate payment plan. **Disregard** the full premium amount shown in the example below for customers choosing installment billing.

ePolicy receipt:

Pay to Maryland Automobile Insurance Fund	Gross Amount	@	1707.00
MAIF INSTALLMENT BILLING	▼	Check Number	Check Amount 1707.00

Do not enter a check number if the premium is being transferred electronically.

Full Premium due to MAIF:	1707.00
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**Premium Receipt Information:**

Payment Type:	MAIF Installment Billing & Pay Plan	▼	<a href="#">View Payment Options</a>
Cash:			
Check:		Premium Received:	0.00
Money Order:		\$10 Producer Fee:	No ▼ 0.00
Credit/Debit Card:		Total:	0.00
Transaction Type:	New Business		

Manual receipt:

Full Premium due to MAIF:	3100.00
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<a href="#">View Payment Options</a>
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**Premium Receipt Information:**

Payment Type:	MAIF Installment Billing Down Payment	▼	<---- Change Payment Type if Payment is Made in Full
Cash:	700.00		
Check:		Premium Received:	700.00
Money Order:		\$10 Producer Fee:	No ▼ 0.00
Credit/Debit Card:		Total:	700.00
Transaction Type:	New Business		

Please note: The installment plan option applies to Private Passenger Automobile policies only and does not apply to motorcycles, scooters, mopeds and low speed vehicles. It is not available for any commercial policies.

If you have any questions, please call the Installment Billing Line at 410-269-8799.

**Attachment B – Premium Payment Options Form**

(Insert Logo)

(Insert Address)

(Insert Phone number)

**MARYLAND AUTOMOBILE INSURANCE FUND**

(Insert Acronym) **PREMIUM PAYMENT OPTIONS**

You have three payment options for your (Insert Acronym) premium.

**1) PREMIUM PAYMENT IN FULL:**

You may pay your (Insert Acronym) premium in full and obtain a discount.

- Premium: \$\_\_\_\_\_.
- Full payment discount (5%): - \$\_\_\_\_\_.
- Total cost: \$\_\_\_\_\_.

**2) (Insert Acronym) INSTALLMENT PAYMENT PLAN:**

**6-Pay Plan:**

- 25% down payment of \$\_\_\_\_\_.
- 1st payment of \$\_\_\_\_\_ due \_\_\_\_\_.
- 5 additional payments of \$\_\_\_\_\_ due every 30 days thereafter.
- Total Installment Billing fees of \$12 (\$2/pay).

\*Total cost: \$\_\_\_\_\_

**3-Pay Plan:**

- 25% down payment of \$\_\_\_\_\_.
- 1st payment of \$\_\_\_\_\_ due \_\_\_\_\_.
- 2 additional payments of \$\_\_\_\_\_ due every 60 days thereafter.
- Total Installment Billing fees of \$6 (\$2/pay).

\*Total cost: \$\_\_\_\_\_

Under the (Insert Acronym) installment plan:

- You pay a \$2 installment fee with each payment, but no interest.
- Your first payment isn't due for 60 days.

**3) PREMIUM FINANCING:**

Under a premium finance agreement:

- You may be charged a non-refundable initial service fee of \$20.
- You will pay interest.
- Your first payment may be due in less than 30 days.

Please consult your agent to learn the exact costs and fees associated with your premium finance agreement option and for a full description of the terms of all the options available to you.

\* Total cost assumes a full one year policy with all payments made on time.

(Insert Logo)

(Insert Address)

(Insert Phone number)

**MARYLAND AUTOMOBILE INSURANCE FUND**

(Insert Acronym) **PREMIUM PAYMENT OPTIONS**

You have three payment options for your (Insert Acronym) premium.

**1) PREMIUM PAYMENT IN FULL:**

You may pay your (Insert Acronym) premium in full and obtain a discount.

- Premium: \$ \_\_\_\_\_.
- Full payment discount (5%): - \$ \_\_\_\_\_.
- Total cost: \$ \_\_\_\_\_.

**2) (Insert Acronym) INSTALLMENT PAYMENT PLAN:**

**8-Pay Plan:**

- 20% down payment of \$ \_\_\_\_\_.
- 1st payment of \$ \_\_\_\_\_ due \_\_\_\_\_.
- 7 additional payments of \$ \_\_\_\_\_ due every 30 days thereafter.
- Total Installment Billing fees of \$16 (\$2/pay).
- \*Total cost: \$ \_\_\_\_\_.

**4-Pay Plan:**

- 20% down payment of \$ \_\_\_\_\_.
- 1st payment of \$ \_\_\_\_\_ due \_\_\_\_\_.
- 3 additional payments of \$ \_\_\_\_\_ due every 45 days thereafter.
- Total Installment Billing fees of \$8 (\$2/pay).
- \*Total cost: \$ \_\_\_\_\_.

Under the (Insert Acronym) installment plan:

- You pay a \$2 installment fee with each payment, but no interest.
- Your first payment isn't due for 45 days.

**3) PREMIUM FINANCING:**

Under a premium finance agreement:

- You may be charged a non-refundable initial service fee of \$20.
- You will pay interest.
- Your first payment may be due in less than 30 days.

Please consult your agent to learn the exact costs and fees associated with your premium finance agreement option and for a full description of the terms of all the options available to you.

\* Total cost assumes a full one year policy with all payments made on time.