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By: **Delegates Eckardt and Mitchell**  
Introduced and read first time: February 18, 2000  
Assigned to: Rules and Executive Nominations

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A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Premium Financing - Cancellation and Reinstatement of**  
3 **Insurance Contracts**

4 FOR the purpose of altering the period of time in which insurers other than the  
5 Maryland Automobile Insurance Fund must cancel an insurance contract on  
6 request from a premium finance company under certain circumstances;  
7 providing for reinstatement of insurance contracts after cancellation under  
8 certain circumstances; and generally relating to insurance premium financing.

9 BY repealing and reenacting, with amendments,  
10 Article - Insurance  
11 Section 23-403  
12 Annotated Code of Maryland  
13 (1997 Volume and 1999 Supplement)

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

16 **Article - Insurance**

17 23-403.

18 (a) (1) After the end of the notice period under § 23-402(a) of this subtitle,  
19 the premium finance company may cancel the insurance contract by submitting to the  
20 insurer a notice of cancellation that specifies the effective date of the cancellation.

21 (2) (i) The premium finance company shall deliver or mail a copy of  
22 the notice of cancellation to the insured at the last known address of the insured.

23 (ii) With respect to commercial automobile, fire, or liability  
24 insurance, the premium finance company shall deliver the notice in accordance with  
25 the insured's request under § 23-401.1(b) of this subtitle.

26 (b) (1) If the [insurer] MARYLAND AUTOMOBILE INSURANCE FUND receives  
27 a notice of cancellation issued under subsection (a) of this section within 30 days after  
28 the effective date of cancellation specified in the notice, the [insurer] MARYLAND

1 AUTOMOBILE INSURANCE FUND shall cancel the insurance contract effective on the  
2 date specified in the notice.

3           (2) Subject to paragraph (3) of this subsection, if the [insurer]  
4 MARYLAND AUTOMOBILE INSURANCE FUND receives a notice of cancellation issued  
5 under subsection (a) of this section more than 30 days after the effective date of  
6 cancellation specified in the notice, the insurance contract shall be canceled effective  
7 on the date the [insurer] MARYLAND AUTOMOBILE INSURANCE FUND receives the  
8 notice.

9           (3) If a premium finance company fails to meet the 30-day notice  
10 requirement under paragraph (1) of this subsection because the installment payment  
11 of the insured is dishonored after the effective date specified in the notice of  
12 cancellation, the dishonored payment is ineffective and the [insurer] MARYLAND  
13 AUTOMOBILE INSURANCE FUND may waive the 30-day notice requirement.

14 (C) (1) THIS SUBSECTION APPLIES TO INSURERS OTHER THAN THE  
15 MARYLAND AUTOMOBILE INSURANCE FUND.

16           (2) IF THE PREMIUM FINANCE COMPANY SENDS A NOTICE OF  
17 CANCELLATION ISSUED UNDER SUBSECTION (A) OF THIS SECTION WITHIN 3  
18 BUSINESS DAYS AFTER THE EFFECTIVE DATE OF CANCELLATION SPECIFIED IN THE  
19 NOTICE, THE INSURER SHALL CANCEL THE INSURANCE CONTRACT EFFECTIVE ON  
20 THE DATE SPECIFIED IN THE NOTICE.

21           (3) SUBJECT TO PARAGRAPH (6) OF THIS SUBSECTION, IF THE PREMIUM  
22 FINANCE COMPANY SENDS A NOTICE OF CANCELLATION ISSUED UNDER  
23 SUBSECTION (A) OF THIS SECTION MORE THAN 3 BUSINESS DAYS AFTER THE  
24 EFFECTIVE DATE OF CANCELLATION SPECIFIED IN THE NOTICE, THE INSURANCE  
25 CONTRACT SHALL BE CANCELED EFFECTIVE ON THE DATE THE INSURER RECEIVES  
26 THE NOTICE.

27           (4) AT ANY TIME FOLLOWING ITS ISSUANCE OF A NOTICE OF  
28 CANCELLATION, A PREMIUM FINANCE COMPANY MAY REQUEST REINSTATEMENT OF  
29 AN INSURANCE CONTRACT.

30           (5) ON RECEIPT OF A REQUEST FOR REINSTATEMENT, THE INSURER, AT  
31 ITS OPTION, MAY REINSTATE THE INSURANCE CONTRACT AND MAY REQUEST A  
32 WRITTEN, SIGNED STATEMENT FROM THE INSURED THAT NO LOSSES HAVE  
33 OCCURRED SINCE THE ORIGINAL DATE OF CANCELLATION, OR IMPOSE SIMILAR  
34 CONDITIONS ON REINSTATEMENT OF THE INSURANCE CONTRACT.

35           (6) IF A PREMIUM FINANCE COMPANY FAILS TO MEET THE 3-BUSINESS  
36 DAY NOTICE REQUIREMENT UNDER PARAGRAPH (2) OF THIS SUBSECTION BECAUSE  
37 THE INSTALLMENT PAYMENT OF THE INSURED IS DISHONORED AFTER THE  
38 EFFECTIVE DATE SPECIFIED IN THE NOTICE OF CANCELLATION, THE DISHONORED  
39 PAYMENT IS INEFFECTIVE AND THE INSURER MAY WAIVE THE 3-BUSINESS DAY  
40 NOTICE REQUIREMENT.

1     [(c)]     (D)     A cancellation under this section shall be made as if the notice of  
2 cancellation had been submitted by the insured, but without requiring the return of  
3 the policy.

4     SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
5 October 1, 2000.