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**By: Senators Della and Astle**

Introduced and read first time: January 31, 1997

Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Premium Finance Companies and Agreements**

3 FOR the purpose of making technical changes to certain provisions of law relating to  
4 premium finance companies and premium finance agreements; establishing a  
5 requirement for a minimum net worth or letter of credit for premium finance  
6 companies under certain circumstances; specifying certain information required of  
7 certain applicants; altering certain fees; requiring certain hearings for certain  
8 persons under certain circumstances; altering certain provisions relating to record  
9 keeping and registration; altering certain requirements and contents of premium  
10 finance agreements, their terms, administration, charges, interest, assignment, and  
11 cancellation; authorizing the financing of certain additional or renewal premiums;  
12 providing for the calculation and disposition of certain return premiums under  
13 certain circumstances; providing for the sufficiency of certain forms of notice;  
14 altering certain time limits for certain notices and payments; altering and adding  
15 certain definitions; and generally relating to premium finance companies and  
16 premium finance agreements.

17 BY repealing and reenacting, with amendments,

18 Article - Insurance

19 Section 23-101, 23-201 through 23-205, 23-207, 23-208, 23-301, 23-304 through  
20 23-308, 23-403, and 23-405

21 Annotated Code of Maryland

22 (1996 Volume)

23 (As enacted by Chapter 11 of the Acts of the General Assembly of 1996)

24 BY repealing and reenacting, without amendments,

25 Article - Insurance

26 Section 23-102, 23-103, 23-206, 23-209, 23-210, 23-302, 23-303, 23-309, 23-401,  
27 23-402, 23-404, 23-406, and 23-501 through 23-506

28 Annotated Code of Maryland

29 (1996 Volume)

30 (As enacted by Chapter 11 of the Acts of the General Assembly of 1996)

31 BY adding to

32 Article - Insurance

2

1 Section 23-310 and 23-401.1  
2 Annotated Code of Maryland  
3 (1996 Volume)  
4 (As enacted by Chapter 11 of the Acts of the General Assembly of 1996)

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

7 **Article - Insurance**

8 23-101.

9 (a) In this title the following words have the meanings indicated.

10 (b) (1) "Premium finance agreement" means an agreement:

11 (i) by which an insured or prospective insured promises to pay to [or  
12 to the order of another an] A PREMIUM FINANCE COMPANY OR ITS ASSIGNEE THE  
13 amount advanced or to be advanced under the agreement to an insurer, THE INSURER'S  
14 agent, or A PRODUCER OR broker in payment of premiums; and

15 (ii) that contains an assignment of or is otherwise secured by the  
16 unearned premium or refund obtainable from the insurer on cancellation of the insurance  
17 contract, TOGETHER WITH INTEREST AND A SERVICE CHARGE.

18 (2) "Premium finance agreement" does not include a premium financed in  
19 connection with a time sale of goods or services or an extension of credit without charge  
20 by an agent or broker.

21 (C) "PRODUCER" MEANS AN AGENT OR BROKER AS DEFINED IN THIS  
22 ARTICLE.

23 [(c)] (D) "Premium finance company" means a person that engages in the  
24 business of entering into or accepting premium finance agreements.

25 23-102.

26 No bank, savings bank, trust company, savings and loan association, credit union,  
27 industrial finance company, small loan company, or other similar organization that is  
28 regulated under the laws of the State or the United States nor any bank, savings bank,  
29 trust company, savings and loan association, or credit union that is organized in another  
30 state and has a branch in this State nor any authorized insurer that does not engage in the  
31 insurance financing business is subject to this title.

32 23-103.

33 (a) The Commissioner may conduct investigations and examine the books,  
34 records, and accounts of a person under this title to the same extent as is authorized with  
35 respect to insurers under this article.

36 (b) The expense of an examination shall be paid by the person examined as  
37 provided in § 2-208 of this article.

3

1 (c) The Commissioner or an examiner shall make a complete report of each  
2 investigation or examination as provided in § 2-209 of this article.

3 23-201.

4 (a) A premium finance company must register with the Commissioner before  
5 engaging in business as a premium finance company in the State.

6 (b) An insurer, agent, or broker must register with the Commissioner before  
7 engaging in the business of financing premiums in the State.

8 (C) THE REGISTRATION REQUIREMENTS OF THIS TITLE DO NOT APPLY TO A  
9 PERSON WHO PURCHASES OR OTHERWISE ACQUIRES A PREMIUM FINANCE  
10 AGREEMENT FROM A REGISTERED PREMIUM FINANCE COMPANY IF A REGISTERED  
11 PREMIUM FINANCE COMPANY OR A PERSON LISTED IN § 23-102 OF THIS TITLE  
12 REMAINS FULLY RESPONSIBLE FOR THE PREMIUM FINANCE AGREEMENT AND ITS  
13 ADMINISTRATION.

14 23-202.

15 (a) To engage in business as a premium finance company in the State, each  
16 premium finance company shall:

17 (1) MAINTAIN A NET WORTH OF AT LEAST \$250,000;

18 (2) FILE WITH THE COMMISSIONER A LETTER OF CREDIT IN THE  
19 AMOUNT OF \$50,000; OR

20 (3) file with the Commissioner a bond that:

21 [(1)] (I) is in favor of the State;

22 [(2)] (II) is in the penal sum of [~~\$25,000~~] \$50,000;

23 [(3)] (III) is executed by an authorized surety insurer; and

24 [(4)] (IV) is conditioned that the premium finance company will account  
25 for and pay over to the person entitled to receive it all money belonging to the person that  
26 comes into the possession of the premium finance company, including unearned  
27 premiums due to an insured and unearned commissions due to an insurer.

28 (b) [The] A bond shall remain in force until the surety insurer is released from  
29 liability by the Commissioner or until the bond is canceled by the surety insurer.

30 (c) The total liability of the surety insurer under [the] A bond may not exceed  
31 the penal sum of the bond.

32 (d) (1) (i) The surety insurer may cancel [the] A bond after filing written  
33 notice with the Commissioner at least 30 days before the effective date of the  
34 cancellation.

35 (ii) A cancellation under this paragraph does not affect any liability  
36 that accrued before the cancellation.

4

1 (2) After notification of the cancellation of the bond, the premium finance  
2 company shall act promptly to replace the bond.

3 (3) If the premium finance company fails to act promptly to replace the  
4 bond, the Commissioner shall deny, suspend, revoke, or refuse to renew the registration  
5 of the premium finance company until the required bond is filed.

6 23-203.

7 (a) An applicant for registration shall:

8 (1) file with the Commissioner an application on the form that the  
9 Commissioner requires; and

10 (2) pay to the Commissioner an application fee of [\$25] \$100.

11 (B) THE REGISTRATION FORM SHALL INCLUDE THE FOLLOWING  
12 INFORMATION:

13 (1) THE NAME, BUSINESS ADDRESS, AND TELEPHONE NUMBER OF THE  
14 PREMIUM FINANCE COMPANY;

15 (2) THE NAME AND BUSINESS ADDRESS OF EACH OFFICER, DIRECTOR,  
16 PRINCIPAL, AND PARTNER OF THE PREMIUM FINANCE COMPANY; AND

17 (3) IN THE CASE OF A CORPORATION, A STATEMENT, PREPARED UNDER  
18 PENALTY OF PERJURY BY AN APPROPRIATE OFFICER, PRINCIPAL, OR PARTNER OF  
19 THE PREMIUM FINANCE COMPANY, STATING THAT THE PREMIUM FINANCE  
20 COMPANY IS AUTHORIZED TO CONDUCT BUSINESS IN THE STATE.

21 [(b)] (C) A registration form may require the applicant to:

22 (1) file the form of the premium finance agreement to be used;

23 (2) file the service charges to be applied; and

24 (3) disclose the identity, trade names, and names of [officers,]  
25 managers[,] AND owners[, and directors] of the applicant.

26 23-204.

27 (A) WHEN AN APPLICANT FILES A REGISTRATION FORM AND PAYS THE  
28 REGISTRATION FEE TO THE COMMISSIONER, THE COMMISSIONER SHALL  
29 DETERMINE WHETHER THE APPLICANT MEETS THE REQUIREMENTS OF THIS TITLE.

30 (B) IF THE COMMISSIONER FINDS THAT AN APPLICANT DOES NOT MEET THE  
31 REQUIREMENTS OF THIS TITLE, THE COMMISSIONER, AT THE REQUEST OF THE  
32 APPLICANT, SHALL PROVIDE TO THE APPLICANT A CONTESTED CASE HEARING IN  
33 ACCORDANCE WITH TITLE 10, SUBTITLE 2 OF THE STATE GOVERNMENT ARTICLE.

34 (C) The Commissioner shall register each applicant that meets the requirements  
35 of this title.

5

1 23-205.

2 (a) A registration expires on the first July 1 after its effective date unless it is  
3 renewed as provided in this section.

4 (b) Before a registration expires, the registrant may renew it for an additional  
5 1-year term if the registrant:

6 (1) otherwise is entitled to be registered; and

7 (2) pays to the Commissioner a renewal fee of [~~\$25~~] \$100.

8 (c) The Commissioner shall renew the registration of each registrant that meets  
9 the requirements of this section.

10 23-206.

11 The Commissioner shall require a premium finance company to report, on forms  
12 provided by the Commissioner, changes in officers, directors, owners, trade names, and  
13 business addresses.

14 23-207.

15 Each premium finance company:

16 (1) shall maintain records of its premium finance transactions for at least 3  
17 years AFTER MAKING THE FINAL ENTRY WITH RESPECT TO A PREMIUM FINANCE  
18 AGREEMENT;

19 (2) shall allow the Commissioner to examine the records; and

20 (3) may keep the records in photographic, IMAGING, MICROFILM,  
21 MICROFICHE, ELECTRONIC DATA PROCESSING, COMPUTER, or facsimile form.

22 23-208.

23 (a) The Commissioner may deny a registration to an applicant or suspend, revoke,  
24 or refuse to renew the registration of a registrant if the Commissioner finds that the  
25 applicant or registrant has:

26 (1) failed to comply with a lawful requirement of the Commissioner under  
27 this title;

28 (2) violated a provision of this title;

29 (3) made a material misstatement OR ENGAGED IN FRAUD in the  
30 application for registration;

31 (4) engaged in fraudulent or dishonest practices; or

32 (5) demonstrated incompetency or untrustworthiness to engage in the  
33 business of a premium finance company.

34 (b) (1) Instead of or in addition to suspending, revoking, or refusing to renew a  
35 registration, the Commissioner may:

6

1 (i) impose on the registrant, for a first or second offense, a penalty of  
2 not less than \$25 but not exceeding \$500; or

3 (ii) require that restitution be made by a registrant that violates this  
4 title to a person that has suffered financial injury as a result of a violation of this title.

5 (2) For purposes of this subsection, restitution means the sum of money  
6 that, if paid to a person that suffers financial injury as a result of violation of this title, will  
7 restore the person to the same financial position the person would have been in had the  
8 violation not occurred.

9 (C) BEFORE THE COMMISSIONER MAY REVOKE, SUSPEND, OR REFUSE TO  
10 RENEW THE REGISTRATION OF A PREMIUM FINANCE COMPANY UNDER THIS  
11 SECTION, THE COMMISSIONER SHALL PROVIDE TO THE PREMIUM FINANCE  
12 COMPANY, WITHIN 15 BUSINESS DAYS AFTER ITS REQUEST, A CONTESTED CASE  
13 HEARING UNDER TITLE 10, SUBTITLE 2 OF THE STATE GOVERNMENT ARTICLE.

14 23-209.

15 (a) A registrant may surrender a registration by delivering to the Commissioner  
16 written notice of the surrender.

17 (b) Surrender of a registration does not affect the registrant's civil or criminal  
18 liability for acts committed before the surrender.

19 23-210.

20 Suspension, revocation, or surrender of a registration does not affect the obligation  
21 of an insured under a lawful premium finance agreement previously acquired or held by  
22 the registrant.

23 23-301.

24 (a) (1) A premium finance agreement shall be dated and signed by or on behalf  
25 of the insured.

26 (2) The printed part of the premium finance agreement shall be in [at least  
27 8-point] type EASILY READABLE BY AN AVERAGE INDIVIDUAL.

28 (b) A premium finance agreement shall contain:

29 (1) the name and place of business of the agent, BROKER, OR PRODUCER  
30 negotiating the related insurance contract;

31 (2) the name and residence or place of business of the insured as specified  
32 by the insured;

33 (3) the name and place of business of the premium finance company [to  
34 which payments are to be made];

35 (4) a brief description of the insurance contracts involved and the amount of  
36 the premium; and

37 (5) if applicable, the following items:

7

- 1 (i) the total amount of the premiums;
- 2 (ii) the amount of the down payment;
- 3 (iii) the principal balance (the difference between subitems (i) and (ii)
- 4 of this item);
- 5 (iv) the amount of the finance charge;
- 6 (v) the balance payable by the insured (the sum of subitems (iii) and
- 7 (iv) of this item);
- 8 (vi) the number of installments required, the amount of each
- 9 installment expressed in dollars, and the due date or period of each installment; and
- 10 (vii) an itemized list for each insurance contract or coverage financed
- 11 under the premium finance agreement that includes:

- 12 1. the applicable prefix and number;
- 13 2. the effective date of the insurance contract or coverage;
- 14 3. the name of the company issuing the insurance contract or
- 15 coverage; and
- 16 4. the premium for the insurance contract or coverage.

17 (c) (1) The items set out in subsection (b)(5) of this section need not be stated  
18 in the sequence in which they appear.

19 (2) Additional items may be included to explain the computations made in  
20 determining the amount to be paid by the insured.

21 (D) A PREMIUM FINANCE AGREEMENT MAY PROVIDE FOR ADDITIONAL OR  
22 RENEWAL INSURANCE PREMIUMS TO BE FINANCED AND ADDED TO THE INITIAL  
23 PREMIUM FINANCE AGREEMENT FROM TIME TO TIME.

24 23-302.

25 (a) A copy of each premium finance agreement or other notice of a premium  
26 finance agreement that describes the policy or policies involved shall be given to the  
27 agency issuing the policy or policies or to the insurers involved.

28 (b) When a premium finance agreement is signed, the premium finance company,  
29 or the agent or producer, if applicable, shall provide the insured with, or cause the  
30 insured to be provided with, a legible copy of the fully completed and executed premium  
31 finance agreement.

32 23-303.

33 (a) The maximum charges stated in §§ 23-304 and 23-305 of this subtitle shall  
34 include all interest, fees, and charges incident to the premium finance agreement and the  
35 resulting extension of credit.

8

1 (b) Notwithstanding subsection (a) of this section, delinquency, collection,  
2 cancellation, and reinstatement charges may be made in accordance with the limitations  
3 of §§ 23-306 and 23-307 of this subtitle.

4 23-304.

5 (A) The finance charge shall be computed:

6 (1) on the amount of the entire premium loan advanced, after subtracting  
7 any down payment on the premium loan made by the insured;

8 (2) SUBJECT TO SUBSECTION (B) OF THIS SECTION, from the EARLIER OF  
9 THE inception date of the insurance contract or from the due date of the premium,  
10 disregarding any grace period or credit allowed for payment of the premium, through the  
11 date when the final installment under the premium finance agreement is payable; and

12 (3) at a rate not exceeding 1.15% for each 30 days, charged in advance.

13 (B) IF PREMIUMS UNDER MORE THAN ONE INSURANCE CONTRACT ARE  
14 INCLUDED IN THE SAME PREMIUM FINANCE AGREEMENT, INTEREST MAY BE  
15 COMPUTED FROM THE EFFECTIVE DATE OF THE EARLIEST INSURANCE CONTRACT  
16 TO THE DATE WHEN THE FINAL INSTALLMENT IS DUE.

17 23-305.

18 (a) A premium finance company may charge an initial service fee FOR EACH  
19 LOAN MADE, which may not exceed \$20, for actual expenses.

20 (b) The initial service fee may not be refunded on cancellation or repayment.

21 23-306.

22 (a) A premium finance agreement may require the insured to pay a delinquency  
23 and collection charge on each installment that is in default for a period of not less than 5  
24 days.

25 (b) A delinquency and collection charge shall be at least \$1, up to a maximum of  
26 5% of the installment in default, but may not exceed:

27 (1) \$5, with respect to private passenger automobile or personal fire or  
28 liability insurance; and

29 (2) [50] \$100, with respect to commercial automobile, fire, or liability  
30 insurance.

31 (c) Only one delinquency and collection charge may be collected on an  
32 installment, regardless of the period during which the installment remains in default.

33 23-307.

34 (a) A premium finance agreement may require the insured to pay a cancellation  
35 charge if a default in paying an installment results in the cancellation of an insurance  
36 contract listed in the premium finance agreement.

37 (b) A cancellation charge shall be:



9

1 (1) with respect to private passenger automobile or personal fire or liability  
2 insurance, equal to the difference between a delinquency and collection charge imposed  
3 under § 23-306 of this subtitle with respect to the installment in default and \$10; and

4 (2) with respect to commercial automobile, fire, or liability insurance, 5% of  
5 the installment, not to exceed [\$50] AN AMOUNT EQUAL TO THE DIFFERENCE  
6 BETWEEN A DELINQUENCY AND COLLECTION CHARGE IMPOSED UNDER § 23-306 OF  
7 THIS SUBTITLE WITH RESPECT TO THE INSTALLMENT IN DEFAULT AND \$100 .

8 (c) If a notice of cancellation is withdrawn before its effective date and the  
9 insurance coverage is reinstated, the premium finance agreement may require the insured  
10 to pay a reinstatement charge in the same amount as the cancellation charge that would  
11 have been paid if the cancellation had actually taken effect.

12 (D) A PREMIUM FINANCE AGREEMENT MAY PROVIDE FOR THE PAYMENT OF  
13 COLLECTION COSTS AND ATTORNEY'S FEES ON CANCELLATION EQUAL TO 20% OF  
14 THE OUTSTANDING DEBT IF THE PREMIUM FINANCE AGREEMENT IS REFERRED  
15 FOR COLLECTION TO A COLLECTION AGENCY OR ATTORNEY.

16 23-308.

17 A premium finance company may charge a dishonored check fee, which may not  
18 exceed [\$20] \$25, for actual expenses incurred in the processing of a dishonored check.

19 23-309.

20 A premium finance company may not charge an insured or a prospective insured  
21 any fee for the expense that the premium finance company incurs in obtaining a  
22 comprehensive loss underwriting exchange automobile report (CLUE report) regarding  
23 the insured or prospective insured if a producer already has charged the insured or  
24 prospective insured for obtaining the report.

25 23-310.

26 FILING OF A PREMIUM FINANCE AGREEMENT IS NOT NEEDED TO PERFECT THE  
27 VALIDITY OF THE PREMIUM FINANCE AGREEMENT AS A SECURED TRANSACTION AS  
28 AGAINST CREDITORS, SUBSEQUENT PURCHASERS, PLEDGEEES, ENCUMBRANCERS,  
29 TRUSTEES IN BANKRUPTCY OR ANY OTHER INSOLVENCY PROCEEDING UNDER ANY  
30 LAW, OR ANYONE HAVING THE STATUS OR POWER OF ANY OF THOSE PERSONS,  
31 THEIR SUCCESSORS, OR ASSIGNS.

32 23-401.

33 When in connection with a premium finance agreement a power of attorney or  
34 other authority to cancel an insurance contract on behalf of an insured is given to a  
35 premium finance company, the premium finance company may not cancel the insurance  
36 contract except in accordance with this subtitle.

37 23-401.1.

38 (A) AT THE OPTION OF THE INSURED, A PREMIUM FINANCE COMPANY MAY  
39 SEND ANY NOTICE REQUIRED UNDER THIS SUBTITLE BY PERSONAL DELIVERY,  
40 FIRST CLASS MAIL, ELECTRONIC MAIL, OR FACSIMILE TRANSMISSION.

10

1 (B) A NOTICE DELIVERY METHOD OTHER THAN PERSONAL DELIVERY OR  
2 FIRST CLASS MAIL MAY BE USED ONLY WITH THE CONSENT OF THE INSURED.

3 23-402.

4 (a) At least 10 days before canceling an insurance contract, a premium finance  
5 company shall mail to the insured written notice of intent to cancel the insurance contract  
6 unless the defaulted installment payment is received within the 10-day notice period.

7 (b) For an automobile liability insurance contract, the notice of intent to cancel  
8 shall include a statement in clear and specific terms that if the insured fails to replace the  
9 automobile liability insurance within the 10-day notice period, § 17-106 of the  
10 Transportation Article provides that uninsured motorist penalties be assessed and that all  
11 evidences of registration be surrendered to the Motor Vehicle Administration and that  
12 failure to surrender the evidences of registration may result in suspension of current and  
13 future registration privileges.

14 23-403.

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

18 (2) The premium finance company shall DELIVER OR mail a copy of the  
19 notice of cancellation to the insured at the last known address of the insured.

20 (b) (1) If the insurer receives a notice of cancellation issued under subsection  
21 (a) of this section within 30 days after the effective date of cancellation specified in the  
22 notice, the INSURER SHALL CANCEL THE insurance contract [shall be canceled]  
23 effective on the date specified in the notice, AS IF THE INSURED HAD REQUESTED THE  
24 CANCELLATION, AND WITHOUT REQUIRING THE RETURN OF THE INSURANCE  
25 CONTRACT OR FURTHER NOTICE TO THE INSURED.

26 (2) Subject to paragraph (3) of this subsection, if the insurer receives a  
27 notice of cancellation issued under subsection (a) of this section more than 30 days after  
28 the effective date of cancellation specified in the notice, the insurance contract shall be  
29 canceled effective on the date the insurer receives the notice.

30 (3) If a premium finance company fails to meet the 30-day notice  
31 requirement under paragraph (1) of this subsection because the installment payment of  
32 the insured is dishonored after the effective date specified in the notice of cancellation,  
33 the dishonored payment is ineffective and the insurer may waive the 30-day notice  
34 requirement.

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

37 23-404.

38 (a) All statutory, regulatory, and contractual restrictions that provide that the  
39 insured may not cancel an insurance contract unless notice is given to a governmental  
40 agency, mortgagee, or other third party shall apply to a cancellation made under this  
41 subtitle.

11

1 (b) If an insurer is required under subsection (a) of this section to give notice on  
2 behalf of itself or the insured, the insurer shall:

3 (1) give notice to the governmental agency, mortgagee, or other third party;  
4 and

5 (2) compute the effective date of cancellation from the day the insurer  
6 receives the notice of cancellation from the premium finance company.

7 23-405.

8 (a) (1) Whenever an insurance contract is canceled in accordance with this  
9 subtitle, the insurer shall return any gross unearned premiums that are due under the  
10 insurance contract, less agents' earned commissions, to the premium finance company for  
11 the account of the insured within a reasonable time not exceeding [60] 45 days after:

12 (i) receipt by the insurer of [the] A WRITTEN notice of cancellation  
13 FROM THE PREMIUM FINANCE COMPANY; or

14 (ii) completion of any payroll audit necessary to determine the amount  
15 of premium earned while the insurance contract was in force.

16 (2) A RETURN PREMIUM SHALL BE SUBJECT TO ANY MINIMUM EARNED  
17 PREMIUM STATED IN THE INSURANCE CONTRACT.

18 (3) An audit under paragraph (1)(ii) of this subsection shall be performed  
19 within [60] 45 days after the insurer receives the notice of cancellation.

20 (b) (1) [After the insurer returns to the premium finance company any gross  
21 unearned premiums that are due under the insurance contract, the premium finance  
22 company shall refund to the insured the amount of unearned premium that exceeds any  
23 amount due under the premium finance agreement.] IF CREDITING OF RETURN  
24 PREMIUMS TO THE ACCOUNT OF THE INSURED CAUSES A SURPLUS OVER THE  
25 AMOUNT DUE FROM THE INSURED, THE PREMIUM FINANCE COMPANY SHALL  
26 REFUND THE SURPLUS TO THE INSURED AS SOON AS REASONABLY POSSIBLE NOT  
27 EXCEEDING 15 BUSINESS DAYS AFTER THE PREMIUM FINANCE COMPANY RECEIVES  
28 ALL RETURN PREMIUMS.

29 (2) A premium finance company need not make a refund to the insured if  
30 the amount of the refund would be less than \$5.

31 23-406.

32 Whenever an insurance contract is canceled in accordance with this subtitle, the  
33 premium finance company may not collect from an insured an amount due under the  
34 premium finance agreement that is less than \$5.

35 23-501.

36 A premium finance company, or an agent or producer, if applicable, may not  
37 require an insured or prospective insured to purchase or finance add-on coverage, as  
38 defined in § 20-504 of this article, as a condition of financing the premium for an  
39 insurance contract issued by the Maryland Automobile Insurance Fund.

12

1 23-502.

2 A person may not pay any part of an initial service fee or any other fee or charge to  
3 an agent, broker, employee of an agent or broker, or to any other person as an  
4 inducement to financing an insurance contract with a premium finance company.

5 23-503.

6 A premium finance company may not induce an insured to enter into more than one  
7 premium finance agreement in order to obtain more than one initial service fee.

8 23-504.

9 Unless otherwise authorized by law, a person may not charge, take, receive from,  
10 reserve, or impose on an insured or prospective insured greater charges than those  
11 allowed by this title.

12 23-505.

13 The holder of a power of attorney may not cancel an insurance contract because a  
14 delinquency and collection charge under § 23-306 of this title has not been paid.

15 23-506.

16 In addition to any other applicable administrative or civil penalty, a premium  
17 finance company, insurer, agent, or broker that willfully and knowingly violates any  
18 provision of this title is guilty of a misdemeanor and on conviction is subject to a fine not  
19 exceeding \$1,000 or imprisonment not exceeding 1 year or both.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
21 October 1, 1997.