

**Department of Fiscal Services**  
 Maryland General Assembly

**FISCAL NOTE**  
**Revised**

House Bill 1021 (Delegate Love, *et al.*)

Economic Matters

Referred to Finance

**Premium Finance Companies and Agreements**

This enrolled bill alters several provisions in the Insurance Article concerning premium financing, including provisions regarding registration requirements, fees, opportunity for a hearing, and premium finance agreement requirements.

**Fiscal Summary**

**State Effect:** General fund revenues would increase \$3,200 in FY 1998 due to the increase in registration fees collected by the Maryland Insurance Administration (MIA). Future year revenues reflect annual growth. Expenditures would not be affected.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$3,200	\$3,300	\$3,400	\$3,500	\$3,600
GF Expenditures	-	-	-	-	-
Net Effect	\$3,200	\$3,300	\$3,400	\$3,500	\$3,600

*Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds*

**Local Effect:** None.

**Small Business Effect:** Potential meaningful impact on small businesses as discussed below.

**Fiscal Analysis**

**Bill Summary:** The bill requires premium finance companies to maintain a net worth of at least \$250,000, to file with the Insurance Commissioner a \$50,000 letter of credit, to deposit with the State Treasurer cash in the amount of \$50,000, or to file with the Insurance Commissioner a \$50,000 bond. Under current law, only a \$25,000 bond is required. The bill increases the application for registration fee and the annual renewal fee from \$25 to \$50 and specifies certain information required for registration.

The bill specifies that premium finance agreements may provide for additional insurance premiums to be added to the initial agreement. The bill increases the maximum delinquency and collection charge from \$50 to \$100 and alters the cancellation charge so that the total for both charges may not exceed \$100. The bill increases the maximum fee for a dishonored check from \$20 to \$25.

**State Revenues:** Registration fees, which are collected by MIA, for 129 licensed premium finance companies would increase from \$25 to \$50, resulting in an increase in general fund revenues from additional fees collected of \$3,225 in fiscal 1998. Future year revenues reflect 3% annual growth in the number of companies.

**State Expenditures:** To the extent that the bill requires procedural changes, MIA could handle them with existing resources.

**Small Business Effect:** Of the 129 premium finance companies licensed in the State, it is assumed that over 90% are small businesses. Under the bill, premium finance companies would be required to maintain a minimum net worth of \$250,000, to obtain a \$50,000 letter of credit, to deposit with the State Treasurer cash in the amount of \$50,000, or to obtain a \$50,000 bond (twice the amount that is currently required). A \$25,000 bond costs about \$200, thus, the additional cost to obtain a \$50,000 bond would be about \$200 per year. It is noted that companies with a net worth of at least \$250,000 would no longer be required to file a bond with the Insurance Commissioner, thus decreasing their expenditures. Premium finance companies would also experience a \$25 increase in the annual registration fee.

Premium finance companies could realize increased income from the authority to (1) add additional insurance premiums to an initial agreement; (2) increase the maximum delinquency and collection charge; and (3) increase the fee on a dishonored check.

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**Information Source(s):** Maryland Association of Premium Finance Companies, Maryland Automobile Insurance Fund, Maryland Insurance Administration, Maryland Insurance Council, Office of Administrative Hearings, Department of Fiscal Services

**Fiscal Note History:** First Reader - February 21, 1997  
ncs Revised - House Third Reader - March 27, 1997  
Revised - Enrolled Bill - April 24, 1997

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