

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 1099 (Delegate Love, *et al.*)  
Economic Matters

Referred to Finance

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**Premium Financing - Administration, Cancellation, and Prohibitions**

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This enrolled bill alters several provisions of the Insurance Article regarding premium financing, including provisions concerning additional premiums, notification of a financed insurance premium, and initial down payments. The bill also alters several requirements regarding the return of premiums after cancellation, including the time allowed for the return; responsibility of the insurer for returns of unearned premiums to a person other than the premium finance company; interest applicable to returns by an insurer; and deductions by an insurer.

The bill prohibits an insurer that markets through independent agents, with respect to commercial auto, fire, or liability insurance, from (1) refusing to issue a policy because the premiums have been advanced by a registered premium company not affiliated with the insurer; (2) requiring an insured to use a particular premium finance company or installment plan; and (3) discriminating against an agent, broker, or insured that uses premium financing.

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**Fiscal Summary**

**State Effect:** None. To the extent the bill requires procedural changes, the Maryland Insurance Administration could handle them with existing resources.

**Local Effect:** None.

**Maryland Automobile Insurance Fund (MAIF):** None, as discussed below.

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

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## Fiscal Analysis

**Maryland Automobile Insurance Fund (MAIF):** The bill makes insurers liable to premium finance companies for interest on unearned premiums that are returned late and requires insurers to repay premium finance companies if unearned premiums are sent to the insured instead of the premium finance company. While these requirements could result in increased costs for MAIF, it is assumed that MAIF would only be subject to additional costs in the rare instances when mistakes are made.

**Small Business Effect:** There are 129 premium finance companies licensed in the State. It is assumed that over 90% of premium finance companies are small businesses. Small premium finance companies could benefit from more prompt payment of unearned premiums by insurance companies and from fewer instances when unearned premiums are sent to insureds, rather than directly to the premium finance company. In addition, small premium finance companies may benefit from the bill's prohibitions, with respect to commercial auto, fire, or liability insurance, against discrimination by an insurance company that markets through independent agents against premium finance companies.

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

**Fiscal Note History:** First Reader - February 20, 1997  
brd Revised - House Third Reader - March 27, 1997  
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