
By: **Delegates Love, Barve, and Harrison**
Introduced and read first time: February 12, 1998
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Premium Financing - Cancellations and Prohibitions**

3 FOR the purpose of altering a certain provision of law relating to the cancellation of
4 an insurance contract for which payment of the premium was financed through
5 a premium finance company; altering a certain provision of law related to the
6 calculation of the amount of gross unearned premium that must be returned
7 when an insurance contract has been canceled; altering the application of
8 certain acts that are prohibited by certain persons under a certain provision of
9 law; and generally relating to premium finance companies and premium finance
10 agreements.

11 BY repealing and reenacting, with amendments,
12 Article - Insurance
13 Section 23-403.1, 23-405(a), and 23-505.2
14 Annotated Code of Maryland
15 (1997 Volume)

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

18 **Article - Insurance**

19 23-403.1.

20 If an insurer receives notice from an agent or premium finance company, within
21 15 business days after receipt of the initial down payment for the coverage being
22 financed, that the initial down payment has been dishonored [a second time] by a
23 financial institution, there is no valid insurance contract or insurance contracts, and
24 the policy shall be voided.

25 23-405.

26 (a) (1) Whenever an insurance contract is canceled in accordance with this
27 subtitle, the insurer shall return any gross unearned premiums that are due under
28 the insurance contract, COMPUTED PRO RATA, AND EXCLUDING ANY EXPENSE

1 CONSTANT, ADMINISTRATIVE FEE, OR ANY NONREFUNDABLE CHARGE FILED WITH
2 AND APPROVED BY THE COMMISSIONER, to the premium finance company for the
3 account of the insured within a reasonable time not exceeding 45 days after:

4 (i) receipt by the insurer of a notice of cancellation from the
5 premium finance company; or

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

8 (2) An audit under paragraph (1)(ii) of this subsection shall be performed
9 within 45 days after the insurer receives the notice of cancellation.

10 23-505.2.

11 An insurer that markets through independent agents as defined in this article
12 may not[, with respect to commercial automobile, fire, or liability insurance,]
13 discriminate, intimidate, or retaliate against an agent, broker, or insured that uses
14 premium financing by denying the agent, broker, or insured the same rights accorded
15 to agents, brokers, or insureds who pay premiums in a different manner.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
17 October 1, 1998.