

---

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

---

Committee Report: Favorable with amendments  
House action: Adopted with floor amendments  
Read second time: March 27, 1998

---

CHAPTER \_\_\_\_\_

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; requiring the Insurance Commissioner to submit a certain report by a~~  
10 certain date; and generally relating to premium finance companies and  
11 premium finance agreements.

12 BY repealing and reenacting, with amendments,  
13 Article - Insurance  
14 Section 23-403.1, ~~23-405(a), and 23-505.2~~ and 23-405(a)  
15 Annotated Code of Maryland  
16 (1997 Volume)

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

19 **Article - Insurance**

20 23-403.1.

21 If an insurer receives notice from an agent or premium finance company, within  
22 15 business days after receipt of the initial down payment for the coverage being  
23 financed, that the initial down payment has been dishonored [a second time] by a

1 financial institution, there is no valid insurance contract or insurance contracts, and  
2 the policy shall be voided.

3 23-405.

4 (a) (1) Whenever an insurance contract is canceled ~~in accordance with this~~  
5 ~~sub~~title, the insurer shall return any gross unearned premiums that are due under  
6 the insurance contract, COMPUTED PRO RATA, AND EXCLUDING ANY EXPENSE  
7 CONSTANT, ADMINISTRATIVE FEE, OR ANY NONREFUNDABLE CHARGE FILED WITH  
8 AND APPROVED BY THE COMMISSIONER, to the premium finance company for the  
9 account of the insured within a reasonable time not exceeding 45 days after:

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

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

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

16 ~~23-505.2.~~

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

22 SECTION 2. AND BE IT FURTHER ENACTED, That, on or before January 15,  
23 1999, the Insurance Commissioner shall report, subject to § 2-1246 of the State  
24 Government Article, to the General Assembly on the advisability of placing a cap or  
25 otherwise limiting, upon cancellation of an insurance contract, the application of any  
26 expense constant, administrative fee, or other non-refundable charge imposed in  
27 connection with that contract.

28 ~~SECTION 2. 3.~~ AND BE IT FURTHER ENACTED, That this Act shall take  
29 effect October 1, 1998.