

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 869 (Delegate Love. *et al.*)  
Economic Matters

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**Premium Financing - Cancellations and Prohibitions**

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This bill provides that if an insurer receives notice from an agent or premium finance company that the initial down payment for insurance coverage being financed has been dishonored by a financial institution, the policy shall be voided. Under current law, the initial down payment must be dishonored twice before the policy is voided. The bill reduces the gross unearned premiums that must be returned to the premium finance company for the account of the insured when an insurance contract is canceled by specifying that the amount that must be returned is computed pro rata, and by excluding certain expenses.

The Insurance Commission must report to the General Assembly by January 15, 1999 on the advisability of placing a cap on or otherwise limiting, upon cancellation of an insurance contract, the application of any expense constant, administrative fee, or other non-refundable charge imposed in connection with that contract.

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**Fiscal Summary**

**State Effect:** None. The bill's changes would not materially affect the finances of the Maryland Insurance Administration.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Information Source(s):** Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - March 8, 1998

lc Revised - House Third Reader - April 2, 1998

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