
By: **Delegate Kach**
Introduced and read first time: February 12, 1999
Assigned to: Economic Matters

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 23, 1999

CHAPTER _____

1 AN ACT concerning

2 **Insurance - Premium Finance Companies - Return of Premiums after**
3 **Cancellation of Insurance Contract**

4 FOR the purpose of altering the applicability of a certain requirement that an insurer
5 return certain gross unearned premiums to a premium finance company when
6 an insurance contract is canceled; altering the computation of time within which
7 an insurer is required to return certain gross unearned premiums to a premium
8 finance company when an insurance contract is canceled under certain
9 circumstances; and generally relating to the return of premiums to premium
10 finance companies.

11 BY repealing and reenacting, with amendments,
12 Article - Insurance
13 Section 23-405(a)
14 Annotated Code of Maryland
15 (1997 Volume and 1998 Supplement)

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 23-405.

20 (a) (1) [Whenever] NOTWITHSTANDING ANY OTHER PROVISION OF THIS
21 ~~TITLE ARTICLE~~, WHEN an insurance contract is canceled, WHETHER BY A PREMIUM
22 FINANCE COMPANY, AN INSURER, OR AN INSURED, the insurer shall return any gross
23 unearned premiums that are due under the insurance contract, computed pro rata,

1 and excluding any expense constant, administrative fee, or any nonrefundable charge
2 filed with and approved by the Commissioner, to the premium finance company for
3 the 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 THE INSURED; [or]

6 (II) THE DATE THE INSURER CANCELS THE INSURANCE CONTRACT;
7 OR

8 [(ii)] (III) completion of any payroll audit necessary to determine the
9 amount of premium earned while the insurance contract was in force.

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

12 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
13 October 1, 1999.