

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1290 (Delegates Eckardt and Mitchell)
Economic Matters

**Insurance - Premium Financing -
Cancellation and Reinstatement of Insurance Contracts**

This bill alters the time period, from 30 days to three business days, during which a premium finance company must provide notice of cancellation for an insurance contract issued by insurers other than the Maryland Automobile Insurance Fund (MAIF). A premium finance company may request reinstatement of an insurance contract at any time after it issues a notice of cancellation. After receiving a request for reinstatement, the insurer may reinstate the insurance contract and may request a signed statement from the insured that no losses have occurred since the original date of cancellation.

Fiscal Summary

State Effect: The bill would not directly affect governmental operations or finances.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: After the end of a ten-day notice period to an insured, a premium finance company may cancel an insurance contract by submitting a notice of cancellation that specifies the effective date of the cancellation. If the insurer receives the notice of cancellation within 30 days after the effective date of cancellation specified in the notice, the insurer must cancel the policy effective on the date in the notice. Except when the failure to meet the 30-day requirement is because the insured's payment is dishonored, if the insurer receives a notice of cancellation more than 30 days after the effective date of the cancellation

specified in the notice, the insurance contract must be canceled effective on the date the insurer received the notice.

Background: A premium finance company will pay an insurer in whole for an insured's premium. In turn, the premium finance company will accept monthly payments from the insured. An insured may use a premium finance company either because the finance company has better terms than the insurer or because the insurer does not accept installment payments, as is the case with MAIF.

Additional Information

Prior Introductions: None.

Cross File: SB 799 (Senator Bromwell) - Finance.

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

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nncsjr

Analysis by: Ryan Wilson

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510