
By: **Delegate Gordon**

Introduced and read first time: February 5, 2001

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Premium Finance Agreements - Delinquency and Collection Charge -**
3 **Cancellation Charge**

4 FOR the purpose of altering the maximum amount of a certain delinquency and
5 collection charge with respect to private passenger automobile or personal fire
6 or liability insurance that may be imposed under a premium finance agreement;
7 altering the amount of a certain cancellation charge with respect to private
8 passenger automobile or personal fire or liability insurance that may be imposed
9 under a premium finance agreement; and generally relating to charges under
10 premium finance agreements.

11 BY repealing and reenacting, with amendments,
12 Article - Insurance
13 Section 23-306 and 23-307
14 Annotated Code of Maryland
15 (1997 Volume and 2000 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 23-306.

20 (a) A premium finance agreement may require the insured to pay a
21 delinquency and collection charge on each installment that is in default for a period of
22 not less than 5 days.

23 (b) A delinquency and collection charge shall be at least \$1, up to a maximum
24 of 5% of the installment in default, but may not exceed:

25 (1) [\$5] \$10, with respect to private passenger automobile or personal
26 fire or liability insurance; and

27 (2) \$100, with respect to commercial automobile, fire, or liability
28 insurance.

1 (c) Only one delinquency and collection charge may be collected on an
2 installment, regardless of the period during which the installment remains in default.
3 23-307.

4 (a) A premium finance agreement may require the insured to pay a
5 cancellation charge if a default in paying an installment results in the cancellation of
6 an insurance contract listed in the premium finance agreement.

7 (b) A cancellation charge shall be:

8 (1) with respect to private passenger automobile or personal fire or
9 liability insurance, equal to the difference between a delinquency and collection
10 charge imposed under § 23-306 of this subtitle with respect to the installment in
11 default and [~~\$10~~] \$20; and

12 (2) with respect to commercial automobile, fire, or liability insurance, 5%
13 of the installment, not to exceed an amount equal to the difference between a
14 delinquency and collection charge imposed under § 23-306 of this subtitle with
15 respect to the installment in default and \$100.

16 (c) If a notice of cancellation is withdrawn before its effective date and the
17 insurance coverage is reinstated, the premium finance agreement may require the
18 insured to pay a reinstatement charge in the same amount as the cancellation charge
19 that would have been paid if the cancellation had actually taken effect.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
21 October 1, 2001.