

SENATE BILL 198

Unofficial Copy
C4

2001 Regular Session
(11r1579)

ENROLLED BILL
-- Finance/Economic Matters --

Introduced by **Senators DeGrange, Astle, Blount, Bromwell, Dorman, Haines, Kelley, and Teitelbaum**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 **Insurance - Late Fees for Late Payment of Premiums and Installment Fees**

3 FOR the purpose of authorizing authorized insurers to charge and collect, instead of
4 or in addition to a certain installment fee, a certain late fee for late payment of
5 insurance premiums under certain circumstances; establishing the maximum
6 amount of the late fee and the installment fee; requiring the Insurance
7 Commissioner to ~~make a certain determination in approving a proposed late fee~~
8 review certain expenses associated with late payments or installment payments;
9 prohibiting the imposition of a late fee during certain grace periods or, if no
10 grace period is required by law or regulation, until a certain number of days
11 after the date the payment amount becomes due; requiring an authorized
12 insurer to credit certain payments to certain premiums under certain
13 circumstances; prohibiting the cancellation of an insurance policy for failure to
14 pay a single late fee or single installment fee; and generally relating to late fees
15 for late payment of premiums for insurance and installment fees imposed by an
16 authorized insurer.

1 BY repealing and reenacting, with amendments,
2 Article - Insurance
3 Section 27-216(b)
4 Annotated Code of Maryland
5 (1997 Volume and 2000 Supplement)

6 **Preamble**

7 ~~WHEREAS, It shall be the public policy of this State to reduce the cost of~~
8 ~~insurance by encouraging the timely payment of premiums; now, therefore,~~

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

11 **Article - Insurance**

12 27-216.

13 (b) (1) A person may not willfully collect a premium or charge for insurance
14 that:

15 (i) exceeds or is less than the premium or charge applicable to that
16 insurance under the applicable classifications and rates as filed with and approved by
17 the Commissioner; or

18 (ii) if classifications, premiums, or rates are not required by this
19 article to be filed with and approved by the Commissioner, exceeds or is less than the
20 premium or charge specified in the policy and set by the insurer.

21 (2) Paragraph (1) of this subsection does not prohibit:

22 (i) a surplus lines broker that holds a certificate of qualification
23 under Title 3, Subtitle 3 of this article from charging and collecting applicable State
24 and federal taxes in addition to the required premium;

25 (ii) a life insurer from charging and collecting the amount actually
26 expended for a medical examination of an applicant for life insurance or
27 reinstatement of a policy of life insurance;

28 (iii) a broker from charging a fee, not exceeding 15% of the
29 premium, for services rendered in replacing insurance in an insurer if commissions
30 are not payable by the insurer; OR

31 (iv) an agent or broker from charging and collecting, as actual
32 expenses incurred in placing automobile insurance with the Maryland Automobile
33 Insurance Fund:

1 1. a maximum charge of \$10 plus \$1 more than the actual
 2 charge by the Motor Vehicle Administration for a driving record required to be
 3 presented with the application, unless otherwise provided by the Fund; or

4 2. the amount provided in subsection (e) of this section[; or

5 (v) an authorized insurer from charging and collecting reasonable
 6 installment fees as approved by the Commissioner].

7 (3) (I) SUBJECT TO SUBPARAGRAPHS (II), (III), AND (IV) (IV, (IV), AND (V)
 8 OF THIS PARAGRAPH, PARAGRAPH (1) OF THIS SUBSECTION DOES NOT PROHIBIT AN
 9 AUTHORIZED INSURER FROM CHARGING AND COLLECTING, IF APPROVED BY THE
 10 COMMISSIONER, REASONABLE INSTALLMENT FEES OR REASONABLE FEES FOR LATE
 11 PAYMENT OF PREMIUMS BY POLICYHOLDERS OR BOTH.

12 ~~(II) A LATE FEE IMPOSED UNDER THIS PARAGRAPH MAY NOT~~
 13 ~~EXCEED \$10.~~

14 ~~(III) IN APPROVING A PROPOSED LATE FEE, THE COMMISSIONER~~
 15 ~~SHALL DETERMINE THAT IT IS SUFFICIENT TO OFFSET ADMINISTRATIVE EXPENSES~~
 16 ~~ASSOCIATED WITH LATE PAYMENTS.~~

17 ~~(IV) A POLICY OF INSURANCE MAY NOT BE CANCELED FOR THE~~
 18 ~~FAILURE TO PAY A SINGLE LATE FEE.~~

19 (II) THE COMMISSIONER:

20 1. SHALL REVIEW ADMINISTRATIVE EXPENSES SUBMITTED
 21 BY AN AUTHORIZED INSURER THAT ARE ASSOCIATED WITH LATE PAYMENTS OR
 22 INSTALLMENT PAYMENTS; AND

23 2. MAY APPROVE A LATE FEE OR INSTALLMENT FEE NOT TO
 24 EXCEED \$10.

25 (III) A LATE FEE MAY NOT BE IMPOSED:

26 1. DURING ANY GRACE PERIOD REQUIRED BY LAW OR
 27 REGULATION ON A POLICY OF INSURANCE; OR

28 2. IF NO GRACE PERIOD IS REQUIRED BY LAW OR
 29 REGULATION ON A POLICY OF INSURANCE, UNTIL 40 2 BUSINESS DAYS AFTER THE
 30 DATE THE PAYMENT AMOUNT BECOMES DUE.

31 (IV) AN AUTHORIZED INSURER SHALL CREDIT EACH PAYMENT
 32 RECEIVED FROM AN INSURED TO THE PREMIUM OWED BY THE INSURED BEFORE
 33 CREDITING THE PAYMENT TO A LATE FEE OR INSTALLMENT FEE OWED BY THE
 34 INSURED.

35 (V) A POLICY OF INSURANCE MAY NOT BE CANCELED FOR THE
 36 FAILURE TO PAY A SINGLE LATE FEE OR SINGLE INSTALLMENT FEE.

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