

SENATE BILL 198

Unofficial Copy
C4

2001 Regular Session
1lr1579
CF 1lr1338

By: **Senators DeGrange, Astle, Blount, Bromwell, Dorman, Haines, Kelley,
and Teitelbaum**

Introduced and read first time: January 22, 2001

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

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

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; requiring the Insurance Commissioner to make a certain
7 determination in approving a proposed late fee; prohibiting the cancellation of
8 an insurance policy for failure to pay a single late fee; and generally relating to
9 late fees for late payment of premiums for insurance.

10 BY repealing and reenacting, with amendments,
11 Article - Insurance
12 Section 27-216(b)
13 Annotated Code of Maryland
14 (1997 Volume and 2000 Supplement)

15 Preamble

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

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

20 **Article - Insurance**

21 27-216.

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

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

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

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

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

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

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

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

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

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

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

23 (3) (I) SUBJECT TO SUBPARAGRAPHS (II), (III), AND (IV) OF THIS
24 PARAGRAPH, PARAGRAPH (1) OF THIS SUBSECTION DOES NOT PROHIBIT AN
25 AUTHORIZED INSURER FROM CHARGING AND COLLECTING, IF APPROVED BY THE
26 COMMISSIONER, REASONABLE INSTALLMENT FEES OR REASONABLE FEES FOR LATE
27 PAYMENT OF PREMIUMS BY POLICYHOLDERS OR BOTH.

28 (II) A LATE FEE IMPOSED UNDER THIS PARAGRAPH MAY NOT
29 EXCEED \$10.

30 (III) IN APPROVING A PROPOSED LATE FEE, THE COMMISSIONER
31 SHALL DETERMINE THAT IT IS SUFFICIENT TO OFFSET ADMINISTRATIVE EXPENSES
32 ASSOCIATED WITH LATE PAYMENTS.

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

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