

**Department of Legislative Services**  
Maryland General Assembly  
2001 Session

**FISCAL NOTE**  
**Revised**

House Bill 387  
Economic Matters

(Delegate Barve)

Finance

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**Insurance - Premium Financing**

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This bill requires an agent, broker, or premium finance company to send a copy or other notice of a premium finance agreement to a surplus lines broker if: (1) the policy is procured through a surplus lines broker licensed in the State; and (2) the payment is not made directly to the surplus lines broker or the insurer. The bill specifies the time frames within which a premium finance company may require an agent or broker who procures premium financing to: (1) send the required notice to the surplus lines broker; and (2) provide specified information to the premium finance company. The bill requires an agent or broker to return any gross unearned commissions to an insurer within a reasonable period of time as required by the insurer.

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**Fiscal Summary**

**State Effect:** The bill would not directly affect the operations or finances of the Maryland Insurance Administration (MIA).

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** A premium finance company must give a copy of each premium finance agreement or other notice that describes the policy or policies involved to the agency issuing the policy or policies or to the insurers involved. A premium finance company must give a copy of the premium finance agreement to the insured when the premium finance agreement is signed.

If insurance is purchased through a premium finance company, when an insurance contract is canceled, the insurer must return any gross unearned premiums that are due under the insurance contract to a premium finance company for the account of the insured within 45 days after: (1) receipt by the insurer of a notice of cancellation from the premium finance company or the insured; (2) the date the insurer cancels the contract; or (3) the completion of any payroll audit necessary to determine the amount of premium earned while the insurance contract was in force. The premium finance company must then refund to the insured the amount of unearned premium that exceeds any amount due to the premium finance company, unless the amount would be less than \$5. An insurer that fails to return any premium as required must pay 1% interest per month on the unearned premium that has not been returned until it is returned. An insurer may not deduct an amount owned by the insured under another insurance contract from any return premium.

**Background:** MIA advises that premium finance companies do not know whether a surplus lines broker is involved in an insurance transaction unless informed by the originating agent. Under the bill, premium finance companies would be required to contact the originating agent to determine whether a surplus lines broker processed the policy.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader – February 5, 2001  
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