

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

Senate Bill 198 (Senator DeGrange, *et al.*)

Finance

Economic Matters

Insurance - Late Fees and Installment Fees

This bill authorizes insurers to charge reasonable late fees and installment fees of up to \$10, if approved by the Maryland Insurance Commissioner. The late fee may be in lieu of or in addition to an installment fee. The bill requires the Commissioner to review administrative expenses submitted by an authorized insurer that are associated with late payments or installment payments. The bill prohibits an insurer from: (1) imposing a late fee: (a) during any required grace period; or (b) until two business days after a payment's due date if no grace period is required; and (2) canceling a policy for the failure to pay a single late fee or installment fee.

Fiscal Summary

State Effect: Minimal increase in special fund revenues for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee charged by MIA in FY 2002. The number of filings cannot be accurately estimated at this time. MIA could handle any increase in filings with existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: With limited exceptions, no person may collect a premium or charge for insurance that: (1) exceeds or is less than the premium or charge applicable to a class of insurance under the applicable classifications and rates as filed with, and approved by, the Insurance Commissioner; or (2) exceeds or is less than the premium or charge specified in the policy and set by the insurer if classifications, rates, or premiums are not

filed with the Commissioner. Authorized insurers may charge installment fees as approved by the Commissioner. However, insurers may not charge late fees.

A premium finance company may charge a delinquency and collection charge on each installment that is at least five days late. For private passenger automobile or personal fire or liability insurance, the maximum fee is \$5 or 5% of the installment in default. For commercial automobile, fire, or liability insurance, the maximum fee is \$100 or 5% of the installment in default.

Background: Chapter 59 of 2000 authorized late fees in consumer contracts. A consumer contract is a contract involving the sale, lease, or provision of goods or services for personal, family, or household purposes. Chapter 59 authorized late fees of up to \$10 per month or up to 10% per month of the amount that is past due retroactively and through October 1, 2000. Since October 1, 2000, the late fee in a consumer contract may be either: (1) up to \$5 per month or 10% per month, up to three times for a given late payment; or (2) up to 1.5% per month.

State Revenues: Special fund revenues for MIA would increase to the extent insurers pay the \$125 rate and form filing fee. While the number of filings cannot be readily estimated, MIA advises that many insurers will file late fees, rules, and amended policy forms. Each would be subject to the filing fee. Current staff could handle any additional filings resulting from the bill.

Additional Information

Prior Introductions: A substantially similar bill (SB 334) was introduced in the 2000 session and received an unfavorable report from the House Economic Matters Committee.

Cross File: HB 283 (Delegate Gordon, *et al.*) – Economic Matters.

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

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