

**Department of Legislative Services**  
Maryland General Assembly  
2002 Session

**FISCAL NOTE**  
**Revised**

Senate Bill 335      (Senators DeGrange and Astle)  
Finance

Economic Matters

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

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This bill increases, from \$5 to \$8, the allowable delinquency and collection charge (late fee) that a premium finance company may charge an insured under a premium finance agreement for private passenger automobile or personal fire or liability insurance. The bill increases the maximum allowable cancellation charge that a premium finance company may charge an insured for private passenger automobile or personal fire or liability insurance to the difference between \$15 and the amount of the late fee for the installment in default.

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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 may charge an insured a delinquency and collection charge on each installment that is in default for at least five days, up to 5% of the installment in default. The charge must be at least \$1. However, the installment may not exceed: (1) \$5 for private passenger automobile or personal fire or liability

insurance; and (2) \$100 for commercial automobile, fire, or liability insurance. Only one charge may be collected per installment.

A premium finance company may charge an insured a cancellation charge if a default in paying an installment results in the cancellation of an insurance contract listed in the premium finance agreement. For private passenger automobile or personal fire or liability insurance, the cancellation charge is the difference between the amount of the delinquency and collection charge for the installment in default and \$10. For commercial automobile, fire, or liability insurance, the allowable cancellation charge is 5% of the installment, up to the difference between the amount of the delinquency and collection charge for the installment in default and \$100. If a notice of cancellation is withdrawn before its effective date and the insurance is reinstated, the premium finance agreement may require an insured to pay a reinstatement charge in the same amount of the allowable cancellation charge.

**Background:** The Maryland Automobile Insurance Fund (MAIF) advises that there were approximately 37,000 requests for cancellation by premium finance companies of MAIF policies because of insureds' nonpayment in calendar 2001. If the premium finance companies charged the current maximum, the companies would have received approximately \$370,000 in cancellation charge revenues from MAIF insureds.

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### **Additional Information**

**Prior Introductions:** Similar bills, HB 543 and SB 340, were introduced in the 2001 session. HB 543 received an unfavorable report from the House Economic Matters Committee, and SB 340 received an unfavorable report from the Senate Finance Committee.

**Cross File:** HB 229 (Delegate Kirk, *et al.*) – Economic Matters.

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

**Fiscal Note History:** First Reader - February 6, 2002  
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