
By: **Delegate Minnick**

Introduced and read first time: February 5, 2003

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Premium Finance Companies - Financial Requirements**

3 FOR the purpose of establishing certain financial requirements for premium finance
4 companies that file an initial application for registration on or after a certain
5 date; making certain conforming and clarifying changes; and generally relating
6 to premium finance companies.

7 BY repealing and reenacting, with amendments,
8 Article - Insurance
9 Section 23-202
10 Annotated Code of Maryland
11 (2002 Replacement Volume and 2002 Supplement)

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

14 **Article - Insurance**

15 23-202.

16 (a) (1) [To engage in business as a premium finance company in the State,
17 each premium finance company] EACH PREMIUM FINANCE COMPANY THAT
18 REGISTERED UNDER THIS SUBTITLE BEFORE JUNE 1, 2003, shall elect to:

19 [(1)] (I) maintain a net worth of at least \$250,000 calculated under
20 generally accepted accounting principles;

21 [(2)] (II) file with the Commissioner an irrevocable letter of credit in the
22 amount of \$50,000 issued by a financial institution;

23 [(3)] (III) deposit with the State Treasurer cash in the amount of \$50,000;
24 or

25 [(4)] (IV) file with the Commissioner a bond that:

26 [(i)] 1. is in favor of the State;

- 1 [(ii)] 2. is in the penal sum of \$50,000;
- 2 [(iii)] 3. is executed by an authorized surety insurer; and
- 3 [(iv)] 4. is conditioned that the premium finance company will
4 account for and pay over to the person entitled to receive it all money belonging to the
5 person that comes into the possession of the premium finance company, including
6 unearned premiums due to an insured and unearned commissions due to an insurer.

7 (2) EACH PREMIUM FINANCE COMPANY THAT FILES AN INITIAL
8 APPLICATION FOR REGISTRATION UNDER THIS SUBTITLE ON OR AFTER JUNE 1, 2003,
9 SHALL MAINTAIN A NET WORTH OF AT LEAST \$250,000 CALCULATED UNDER
10 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

11 (b) A bond shall remain in force until the surety insurer is released from
12 liability by the Commissioner or until the bond is canceled by the surety insurer.

13 (c) The total liability of the surety insurer under a bond may not exceed the
14 penal sum of the bond.

15 (d) (1) (i) The surety insurer may cancel a bond after filing written notice
16 with the Commissioner at least 30 days before the effective date of the cancellation.

17 (ii) A cancellation under this paragraph does not affect any liability
18 that accrued before the cancellation.

19 (2) After notification of the cancellation of the bond, the premium
20 finance company shall act promptly to replace the bond.

21 (3) If the premium finance company fails to act promptly to replace the
22 bond, the Commissioner shall deny, suspend, revoke, or refuse to renew the
23 registration of the premium finance company until the required bond is filed.

24 (e) If, at any time, the premium finance company fails to comply with THE
25 APPLICABLE PROVISIONS OF subsection (a) of this section, the Commissioner shall
26 deny, suspend, revoke, or refuse to renew the registration of the premium finance
27 company until the premium finance company complies with THE APPLICABLE
28 PROVISIONS OF subsection (a) of this section.

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take June
30 1, 2003.