

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 431 (Delegate Minnick)
Economic Matters

Insurance - Premium Finance Companies - Financial Requirements

This bill requires a premium finance company that files an initial application for registration with the Maryland Insurance Commissioner on or after June 1, 2003 to maintain a net worth of at least \$250,000. The bill restricts the current surety options to premium finance companies registered before June 1, 2003.

The bill is effective June 1, 2003.

Fiscal Summary

State Effect: The bill would not materially affect the finances or operations of the Maryland Insurance Administration.

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law: To engage as a premium finance company in Maryland, the premium finance company must: (1) maintain a net worth of at least \$250,000; (2) file an irrevocable letter of credit in the amount of \$50,000 issued by a financial institution with the Commissioner; (3) deposit with the State Treasurer \$50,000 in cash; or (4) file a bond executed by an authorized surety insurer with the Commissioner in favor of the State in the penal sum of \$50,000 and conditioned that the premium finance company will pay any amount due in its position.

If a premium finance company fails to comply with the above surety requirements, the Commissioner must deny, suspend, revoke, or refuse to renew the premium finance company's registration until the company complies with the requirements.

A bond remains in force until the surety insurer is released from liability by the Commissioner or until the bond is canceled by the surety insurer. The total liability of the surety insurer under a bond may not exceed the penal sum of the bond. The surety insurer may cancel a bond after filing written notice with the Commissioner at least 30 days before the cancellation's effective date. After notification of the bond's cancellation, the premium finance company must act promptly to replace the bond. If the premium finance company fails to act promptly, the Commissioner must deny, suspend, revoke, or refuse to renew the premium finance company's registration until the required bond is filed.

Small Business Effect: New small premium finance companies with a net worth of less than \$250,000 would no longer be able to qualify for registration by filing a bond or letter of credit with the Commissioner or depositing cash with the Treasurer.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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