

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 551

(Senator Exum)

Finance

Economic Matters

Insurance - Premium Financing - Electronic Payment Fee

This bill authorizes a premium finance company to charge an electronic payment fee if the insured elects to pay the premium finance company with an electronic payment, including payment by credit card or debit card. The bill limits the electronic payment fee that may be charged to \$8 for actual expenses incurred by the premium finance company for the electronic payment. The bill requires the fee to be included in the premium finance agreement.

The bill applies only to premium finance agreements and contracts issued, delivered, or renewed on or after October 1, 2004.

Fiscal Summary

State Effect: Assuming few complaints would be received because of the bill, any increase in workload could be handled with the existing resources of the Maryland Insurance Administration. Revenues would not be affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A premium finance agreement must contain: (1) the producer's name and place of business; (2) the insured's name and residence or place of business; (3) the premium finance company's name and place of business; (4) a brief description of the

insurance contracts involved and the amount of the premium; and (5) if applicable, specified information about the agreement and insurance contract.

Unless otherwise authorized, a person may not charge, take, receive from, reserve, or impose charges on an insured or prospective insured greater than those allowed by the laws governing premium finance agreements. The finance charge and initial service fee that a premium finance company may assess include all interest, fees, and charges incident to the premium finance agreement and the resulting extension of credit. In addition, a premium finance company may charge an insured for delinquency, collection, cancellation, and reinstatement under a premium finance agreement. A premium finance company may also charge a dishonored check fee of up to \$25 for actual expenses incurred to process the dishonored check.

Background: The allowable finance charge under a premium finance agreement is 1.15% for each 30 days, charged in advance. The finance charge is computed on the amount of the entire premium loan advanced, including taxes and fees, after the insured's down payment, if any, from the insurance contract's date of inception or the premium's due date. The maximum initial service fee permitted is \$20 for actual expenses. The fee is not refundable on cancellation or repayment.

An installment must be delinquent for at least five days before a premium finance company may charge the permissible delinquency and collection charge (late fee). The charge must be at least \$1, up to a maximum of 5% of the installment in default. However, the charge may not exceed: (1) \$8 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 the permissible cancellation charge if an insured's default 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 \$15. 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.

Additional Information

Prior Introductions: None.

Cross File: HB 941 (Delegate Harrison, *et al.*) – Economic Matters.

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

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