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By: **Chairman, Finance Committee (By Request - Departmental - Insurance  
Administration, Maryland)**

Introduced and read first time: January 21, 2005

Rules suspended

Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Regulation of Premium Finance Companies**

3 FOR the purpose of requiring certain information at the initial registration of a  
4 premium finance company; requiring certain information at the renewal of  
5 registration of a premium finance company; requiring updated information to be  
6 reported within a certain time frame; altering the amount of certain fees to be  
7 paid to the Maryland Insurance Commissioner; increasing the minimum and  
8 maximum monetary penalties that the Insurance Commissioner may impose on  
9 a premium finance company for certain violations by the premium finance  
10 company; clarifying the responsibility of a premium finance company over  
11 certain third parties; requiring disclosure of certain information by certain  
12 independent insurance producers; and generally relating to premium finance  
13 companies.

14 BY repealing and reenacting, with amendments,  
15 Article - Insurance  
16 Section 23-203, 23-205, 23-206, 23-208, and 23-505.2  
17 Annotated Code of Maryland  
18 (2002 Replacement Volume and 2004 Supplement)

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

21 **Article - Insurance**

22 23-203.

23 (a) An applicant for INITIAL registration shall:

24 (1) file with the Commissioner an application on the form that the  
25 Commissioner requires; and

26 (2) pay to the Commissioner an application fee of [\$50] \$250.

1 (b) The registration form shall include the following information:

2 (1) the name, business address, and telephone number of the premium  
3 finance company;

4 (2) the name and business address of each officer, director, principal, and  
5 partner of the premium finance company; [and]

6 (3) in the case of a corporation OR LIMITED LIABILITY COMPANY, a  
7 certificate of good standing issued by the State Department of Assessments and  
8 Taxation; AND

9 (4) EVIDENCE OF COMPLIANCE WITH § 23-202 OF THIS SUBTITLE.

10 (c) A registration form may require the applicant to:

11 (1) file the form of the premium finance agreement to be used;

12 (2) file the [service charges] FINANCE CHARGES, INITIAL SERVICE FEE,  
13 AND ALL OTHER FEES AND CHARGES to be applied FOR PRIOR APPROVAL; [and]

14 (3) FILE THE ACCOUNTING METHOD OF FORMULA USED TO CALCULATE  
15 FINANCE CHARGES; AND

16 [(3)] (4) disclose the identity, trade names, and names of managers and  
17 owners of the applicant.

18 23-205.

19 (a) A registration expires on the first July 1 after its effective date unless it is  
20 renewed as provided in this section.

21 (b) Before a registration expires, the registrant may renew it for an additional  
22 1-year term if the registrant:

23 (1) [otherwise is entitled to be registered; and] FILES WITH THE  
24 COMMISSIONER A RENEWAL APPLICATION IN THE FORM REQUIRED BY THE  
25 COMMISSIONER; AND

26 (2) pays to the Commissioner a renewal fee of \$50.

27 (C) THE RENEWAL REGISTRATION FORM SHALL INCLUDE:

28 (1) IN THE CASE OF A CORPORATION OR LIMITED LIABILITY COMPANY, A  
29 CERTIFICATE OF GOOD STANDING ISSUED BY THE DEPARTMENT OF ASSESSMENTS  
30 AND TAXATION; AND

31 (2) EVIDENCE OF COMPLIANCE WITH § 23-202 OF THIS SUBTITLE.

32 [(c)] (D) The Commissioner shall renew the registration of each registrant  
33 that meets the requirements of this section.

1 23-206.

2 (A) The Commissioner shall require a premium finance company to report, on  
3 forms provided by the Commissioner, changes in officers, directors, owners, trade  
4 names, principals, partners, business addresses, and telephone numbers WITHIN 30  
5 DAYS AFTER THE CHANGES OCCUR.

6 (B) A PREMIUM FINANCE COMPANY SHALL FILE ALL CHANGES TO THE FORM  
7 OF THE PREMIUM FINANCE AGREEMENT FOR APPROVAL PRIOR TO THEIR USE.

8 (C) A PREMIUM FINANCE COMPANY SHALL FILE ALL CHANGES TO FINANCE  
9 CHARGES AND FEES UNDER A PREMIUM FINANCE AGREEMENT FOR APPROVAL  
10 PRIOR TO THEIR USE.

11 (D) A PREMIUM FINANCE COMPANY SHALL FILE ALL CHANGES TO THE  
12 ACCOUNTING METHOD OR FORMULA USED TO CALCULATE FINANCE CHARGES.

13 23-208.

14 (a) Subject to the hearing provisions of Title 2 of this article, the  
15 Commissioner may deny a registration to an applicant or suspend, revoke, or refuse  
16 to renew the registration of a registrant if the Commissioner finds that the applicant  
17 or registrant has:

18 (1) failed to comply with a lawful requirement of the Commissioner  
19 under this title;

20 (2) violated a provision of this title;

21 (3) made a material misstatement in the application for registration;

22 (4) engaged in fraudulent or dishonest practices; or

23 (5) demonstrated incompetency or untrustworthiness to engage in the  
24 business of a premium finance company.

25 (b) (1) Instead of or in addition to suspending, revoking, or refusing to renew  
26 a registration, the Commissioner may:

27 (i) impose on the registrant[, for a first or second offense,] a  
28 penalty of not less than [\$25] \$100 but not exceeding [\$500] \$125,000; or

29 (ii) require that restitution be made by a registrant that violates  
30 this title to a person that has suffered financial injury as a result of a violation of this  
31 title.

32 (2) For purposes of this subsection, restitution means the sum of money  
33 that, if paid to a person that suffers financial injury as a result of violation of this  
34 title, will restore the person to the same financial position the person would have  
35 been in had the violation not occurred.

1 (C) A PREMIUM FINANCE COMPANY THAT DELEGATES ADMINISTRATION OF A  
2 PREMIUM FINANCE AGREEMENT TO A THIRD PARTY IS RESPONSIBLE FOR A  
3 VIOLATION OF ANY PROVISION OF THIS TITLE BY THAT THIRD PARTY IN THE  
4 ADMINISTRATION OF THE PREMIUM FINANCE AGREEMENT REGARDLESS OF THE  
5 DELEGATION.

6 23-505.2.

7 (a) An insurer that markets through independent insurance producers as  
8 defined in this article may not discriminate, intimidate, or retaliate against an  
9 insurance producer or insured that uses premium financing by denying the insurance  
10 producer or insured the same rights accorded to insurance producers or insureds who  
11 pay premiums in a different manner.

12 (b) With respect to personal lines automobile insurance, an independent  
13 insurance producer, who directly or indirectly has an ownership interest in a  
14 premium finance company, shall provide a disclosure to be signed by the insured  
15 comparing the costs and terms of premium financing with the insurer's alternative  
16 payment plan.

17 (C) THE COMPARISON REQUIRED BY SUBSECTION (B) OF THIS SECTION SHALL  
18 STATE:

19 (1) THE TOTAL AMOUNT TO BE PAID BY THE INSURED UNDER THE  
20 PREMIUM FINANCE AGREEMENT DURING THE POLICY TERM, INCLUDING PREMIUM,  
21 ANY DOWN PAYMENT, AND ALL INTEREST, FEES, AND CHARGES INCIDENT TO THE  
22 PREMIUM FINANCE AGREEMENT AND RESULTING EXTENSION OF CREDIT; AND

23 (2) THE TOTAL AMOUNT TO BE PAID BY THE INSURED UNDER THE  
24 INSURER'S ALTERNATE PAYMENT PLAN DURING THE POLICY TERM.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
26 October 1, 2005.