
By: **Senator Exum**

Introduced and read first time: January 25, 2006

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Premium Finance Companies - Cancellation of Insurance Contract - Return**
3 **of Unearned Interest**

4 FOR the purpose of requiring a premium finance company, after an insurer returns to
5 the premium finance company certain gross unearned premiums, to refund to
6 the insured the amount of gross unearned interest, computed pro rata, and
7 excluding certain fees or charges; and generally relating to the return of
8 unearned interest after the cancellation of an insurance contract.

9 BY repealing and reenacting, without amendments,
10 Article - Insurance
11 Section 23-405(a)
12 Annotated Code of Maryland
13 (2002 Replacement Volume and 2005 Supplement)

14 BY repealing and reenacting, with amendments,
15 Article - Insurance
16 Section 23-405(b)
17 Annotated Code of Maryland
18 (2002 Replacement Volume and 2005 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 23-405.

23 (a) (1) Notwithstanding any other provision of this article, when an
24 insurance contract is canceled, whether by a premium finance company, an insurer, or
25 an insured, the insurer shall return any gross unearned premiums that are due under
26 the insurance contract, computed pro rata, and excluding any expense constant,
27 administrative fee, or any nonrefundable charge filed with and approved by the

1 Commissioner, to the premium finance company for the account of the insured within
2 a reasonable time not exceeding 45 days after:

3 (i) receipt by the insurer of a notice of cancellation from the
4 premium finance company or the insured;

5 (ii) the date the insurer cancels the insurance contract; or

6 (iii) completion of any payroll audit necessary to determine the
7 amount of premium earned while the insurance contract was in force.

8 (2) An audit under paragraph (1)(iii) of this subsection shall be
9 performed within 45 days after the insurer receives the notice of cancellation.

10 (b) (1) After the insurer returns to the premium finance company any gross
11 unearned premiums that are due under the insurance contract, the premium finance
12 company shall refund to the insured the [amount of unearned premium that exceeds]
13 FOLLOWING AMOUNTS THAT EXCEED any amount due under the premium finance
14 agreement:

15 (I) THE AMOUNT OF UNEARNED PREMIUM; AND

16 (II) THE AMOUNT OF GROSS UNEARNED INTEREST, COMPUTED PRO
17 RATA, AND EXCLUDING ANY FEES OR CHARGES UNDER §§ 23-305, 23-306, 23-307, AND
18 23-308 OF THIS SUBTITLE.

19 (2) A premium finance company need not make a refund to the insured if
20 the amount of the refund would be less than \$5.

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
22 October 1, 2006.