

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 597

(Delegate Haddaway, *et al.*)

Economic Matters

Finance

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**Insurance - Prohibited Acts - Inducements to Financing an Insurance Contract**

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This bill prohibits an insurance producer, an employee of an insurance producer, or any other person from accepting, directly or indirectly, any valuable consideration as an inducement to facilitating an agreement to finance an insurance premium under specified conditions. The prohibition applies when such an agreement contains an assignment of or is otherwise secured by the unearned premium or refund obtainable from an insurer on cancellation of an insurance contract.

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**Fiscal Summary**

**State Effect:** None. The bill codifies the existing enforcement practice of the Maryland Insurance Administration.

**Maryland Automobile Insurance Fund (MAIF):** The bill would not directly affect the finances or operations of MAIF.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Accepting consideration as an inducement to financing an insurance contract with a premium finance company is not specifically regulated. However, a person may not pay any part of an initial service fee or charge to an insurance producer,

an employee of an insurance producer, or any other person as an inducement to financing an insurance contract with a premium financing company.

In addition to any other applicable administrative or other civil penalty, a premium finance company, insurer, or insurance producer that willfully and knowingly accepts a fee or charge is guilty of a misdemeanor and on conviction is subject to a fine of up to \$1,000 and/or imprisonment for up to one year.

In addition, to enforce the provisions of Maryland's insurance laws, the Maryland Insurance Commissioner may also, after a hearing, issue a cease and desist order, suspend or revoke a license, or impose a penalty for violating these provisions. For an insurer, the penalty ranges from \$100 to \$125,000. For an insurance producer, the penalty ranges from \$100 to \$500.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 20, 2006  
mll/ljm Revised - House Third Reader - March 31, 2006

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