

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1320 (Delegate Ali)
Economic Matters

Insurance Payment Fee Prevention Act

This bill prohibits an insurer that issues, sells, or delivers a motor vehicle liability insurance policy in the State from charging or collecting an installment fee.

Fiscal Summary

State Effect: Potential minimal special fund revenue increase in FY 2010 only from the \$125 filing fee to the extent that automobile insurers file rates or rules with the Maryland Insurance Administration (MIA) because of the bill.

Maryland Automobile Insurance Fund (MAIF) Effect: None. MAIF does not have the authority to collect premiums on an installment basis.

Local Effect: The bill does not directly affect local finances or operations.

Small Business Effect: None.

Analysis

Current Law/Background: Generally, a person may not collect an insurance premium or charge that exceeds the rates and classifications approved by the Insurance Commissioner. However, Chapter 652 of 2001 authorized insurers to charge reasonable late fees and installment fees up to \$10, if approved by the Maryland Insurance Commissioner. The Commissioner is required to review administrative expenses submitted by an authorized insurer that are associated with late payments or installment payments.

An authorized insurer may not impose a late fee on an insurance policy during any grace period required by law or regulation, or until two business days after a payment's due date if no grace period is required. An authorized insurer must credit each payment received from an insured to the premium owed prior to crediting the payment to a late fee or installment fee owned by the insured. An insurer is prohibited from canceling an insurance policy for the failure to pay a single late fee or a single installment fee.

MIA is an independent State agency that regulates Maryland's \$26 billion insurance industry by monitoring insurer solvency and compliance; investigating consumer complaints; reviewing insurance rates; educating consumers; and licensing approximately 1,500 insurance companies and 110,000 insurance producers.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mcp/ljm

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