

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 100

(Chair, Finance Committee)(By Request - Departmental -  
Insurance Administration, Maryland)

Finance

Economic Matters

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Insurance - Premiums and Charges - Review of Administrative Expenses

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This departmental bill requires the Insurance Commissioner to review the cost of accepting payments by credit card, debit card, electronic funds transfer, or electronic check payment when reviewing the administrative expenses submitted by an insurer associated with late or installment payments.

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Fiscal Summary

**State Effect:** Minimal increase in Maryland Insurance Administration (MIA) special fund revenues in FY 2015 due to additional rate/rule and form filings required of insurers to include electronic payment fee information. The bill's requirements can be handled with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** MIA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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Analysis

**Current Law:** Each insurer in the State must file with the Commissioner all rates, supplementary rate information, policy forms, and endorsements as well as and all modifications of rates, supplementary rate information, policy forms, and endorsements that the insurer proposes to use. A filing may not take effect until 30 working days after

it is filed. Any filing is considered approved unless disapproved by the Commissioner in the 30-day waiting period. MIA charges a fee of \$125 per filing.

Generally, a person may not willfully collect a premium or charge for insurance that is different than the applicable premium or charge of that kind of insurance under the classifications and rates filed with and approved by the Commissioner or set by the insurer. However, an insurer in the State may charge and collect reasonable installment fees and reasonable fees for late payment of premiums. An insurer must file the fee with the Commissioner, submitting appropriate administrative expense information. The Commissioner must review the provided information and approve the fee before it can be used. Any fee of this type cannot exceed \$10.

A late fee may not be imposed during any grace period required by law or regulation, or if there is no grace period, until two business days after the date the payment is due. An insurer must credit each payment received from an insured to the premium owed before crediting the payment to any late or installment fees. An insurance policy may not be canceled due to a failure to pay a single late fee or a single installment fee.

**Background:** The administrative expenses submitted by an insurer to the Commissioner related to payment fees generally include the costs of accepting payments electronically. MIA reports that some insurers enter into agreements with electronic payment vendors, wherein all late payments have to be made through that vendor. These vendors sometimes charge a fee for their services, which is in addition to the administrative fees already approved by the Commissioner and charged to the consumer. By reviewing the additional vendor costs as well, MIA can ensure that consumers are not charged twice for the same electronic payment service.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 10, 2014  
ncs/ljm

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Insurance – Premiums and Charges – Review of Administrative Expenses

BILL NUMBER: SB 100

PREPARED BY: Maryland Insurance Administration

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS