

STATE FARM INSURANCE COMPANIES
OPPOSITION TO HB1205 (COMMERCIAL LAW – CONSUMER PROTECTION – AUTOMATED BILL
PAYMENTS)

HB1205 would require a business that uses an automated bill payment system to give notice at least two days before the payment is scheduled to be deducted from the customer's account.. The notice would be required to be given electronically, and include an option to stop using the system and the number of payments/time remaining. Any violation of these requirements would be deemed an unfair, abusive or deceptive trade practice, subjecting the business to fines and other penalties under the Consumer Protection Act.

There are already established guidelines for automated billing transactions established by the National Automated Clearing House Association (NACHA). These transactions are also regulated by the Federal Reserve under Regulation E. HB1205 does not align with these national guidelines, and is unnecessary since consumers are protected under these national/federal requirements.

Additionally, a business cannot dictate the actual date of the transaction, so it cannot comply with the requirement to notify the consumer at least two days before the transaction. State Farm policyholders who elect to have their premium payments automatically deducted from their accounts are allowed to specify the date of the recurring payment, but the actual date that the payment is taken from the policyholder's account may vary based on the customer's financial institution and the NACHA guidelines. Further, the notice required by the bill is onerous and costly for businesses to implement, particularly for national companies by requiring programming for a special process in Maryland that is not required anywhere else.

For these reasons, State Farm requests that this bill be given an unfavorable report.

For more information, please contact Marta Harting (mdharting@venable.com).