

SENATE BILL 930

C4

3lr3003

By: **Senators Pugh, Conway, Ferguson, Middleton, Montgomery, Muse, Ramirez, and Young Young, Garagiola, Kelley, Klausmeier, and Mathias**

Introduced and read first time: February 13, 2013

Assigned to: Rules

Re-referred to: Finance, February 21, 2013

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 23, 2013

CHAPTER _____

1 AN ACT concerning

2 ~~Maryland Automobile Insurance Fund~~ **Property and Casualty Insurance -**
3 **Premium Payments - Acceptance of Premiums on Installment Payment Basis**
4 **and Premium Finance Agreements**

5 FOR the purpose of authorizing the Maryland Automobile Insurance Fund to accept
6 premiums on an installment payment basis under certain circumstances;
7 requiring the Maryland Insurance Commissioner to ensure certain provisions of
8 an installment payment plan; prohibiting the Fund from discriminating among
9 insureds in a certain manner; prohibiting the Fund from ~~paying a higher~~
10 ~~commission to certain fund producers~~ considering, in determining certain
11 commissions, whether a fund producer placed an insured in an installment
12 payment plan; requiring certain written and electronic communications to
13 include a certain statement under certain circumstances; requiring the
14 ~~Executive Director of the Fund, in consultation with the Commissioner and~~
15 ~~certain State agencies, to develop certain criteria for evaluating the impact and~~
16 ~~effectiveness of the Fund's installment payment plan; requiring the Fund to~~
17 ~~submit a certain report each year to the Commissioner; requiring the~~
18 ~~Commissioner to make a certain determination; requiring the Commissioner to~~
19 ~~submit a certain report each year to certain committees of the General~~
20 ~~Assembly; requiring a premium finance agreement to contain a certain~~
21 statement; authorizing a premium finance agreement to include certain
22 provisions with respect to certain commercial insurance; authorizing a premium
23 finance agreement to include monthly payments for the purchase price of a

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 motor club service contract; altering the computation of a certain finance
 2 charge; requiring an insured to receive a certain refund calculated in a certain
 3 manner under certain circumstances; specifying when a finance charge is
 4 earned; prohibiting a premium finance company from retaining more of a
 5 finance charge than is earned; authorizing, with respect to certain commercial
 6 insurance, the imposition of a finance charge on any unpaid principal balance of
 7 a certain loan; prohibiting a premium finance company from using a certain
 8 rule in computing a certain finance charge; altering the calculation of a certain
 9 cancellation fee; authorizing a premium finance company to require the
 10 payment of a certain reinstatement charge under certain circumstances;
 11 specifying when a premium finance company may impose a certain cancellation
 12 charge; altering the delivery method for certain notices; authorizing a premium
 13 finance company to send certain notices by electronic means under certain
 14 circumstances; altering the period of time within which certain gross unearned
 15 premiums must be returned; prohibiting a premium finance company from
 16 imposing certain charges on certain payments for the purchase price of a motor
 17 club service contract; prohibiting a premium finance company from canceling an
 18 insurance contract under certain circumstances; requiring an ~~independent~~
 19 insurance producer to provide a certain disclosure; authorizing, with respect to
 20 certain personal insurance, a premium finance company to assign certain rights
 21 and obligations under certain circumstances; authorizing, with respect to
 22 certain commercial insurance, a premium finance company to assign certain
 23 rights and obligations under certain circumstances; requiring certain notices to
 24 be given to certain insureds under certain circumstances; requiring the
 25 Executive Director of the Fund, in consultation with the Commissioner and
 26 certain State agencies, to develop certain criteria for evaluating the
 27 effectiveness and impact of the Fund's installment payment plan; requiring the
 28 Fund to submit a certain report to the Commissioner on or before a certain date;
 29 requiring the Commissioner to make a certain determination and submit a
 30 certain report to certain committees of the General Assembly on or before a
 31 certain date; defining certain terms; altering certain definitions; providing for
 32 the termination of certain provisions of this Act; providing for the application of
 33 this Act; and generally relating to accepting premiums on an installment
 34 payment basis on policies issued by the Maryland Automobile Insurance Fund
 35 and premium finance agreements.

36 BY repealing and reenacting, without amendments,
 37 Article – Insurance
 38 Section 20–101(a) and (g)
 39 Annotated Code of Maryland
 40 (2011 Replacement Volume and 2012 Supplement)

41 BY repealing and reenacting, with amendments,
 42 Article – Insurance
 43 Section 20–504, 20–507, 23–101, 23–301, 23–304, 23–307, 23–307.1, 23–401.1,
 44 23–405, and 23–505.2
 45 Annotated Code of Maryland

1 (2011 Replacement Volume and 2012 Supplement)

2 BY adding to

3 Article – Insurance

4 Section 23–301.2 and 23–501.1

5 Annotated Code of Maryland

6 (2011 Replacement Volume and 2012 Supplement)

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
8 MARYLAND, That the Laws of Maryland read as follows:

9 **Article – Insurance**

10 20–101.

11 (a) In this title the following words have the meanings indicated.

12 (g) “Fund” means the Maryland Automobile Insurance Fund.

13 20–504.

14 (a) (1) In this section, “add–on coverage” means coverages or services sold
15 in connection with a policy issued by the Fund, other than coverages authorized to be
16 offered by the Fund under this subtitle.

17 (2) “Add–on coverage” includes:

18 (i) rental reimbursement coverage;

19 (ii) personal effects theft coverage;

20 (iii) collision and comprehensive deductible waiver coverage,
21 other than collision and comprehensive coverages provided by the Fund or other
22 authorized insurers;

23 (iv) supplemental hospital benefit coverage;

24 (v) emergency living expense coverage;

25 (vi) vehicle towing coverage; [and]

26 (vii) emergency vehicle repair service coverage; AND

27 **(VIII) MOTOR CLUB SERVICES.**

1 (3) “Add-on coverage” does not include fire, life, and health insurance
2 coverages that are not directly related to the underlying motor vehicle insurance
3 coverage and are written by an authorized insurer.

4 (b) (1) At the time coverage provided by the Fund is bound and before any
5 add-on coverage is sold, a fund producer shall provide a clear and conspicuous written
6 disclosure, in the form approved by the Commissioner, that:

7 (i) states that the cost of add-on coverage is not part of the
8 premium for the related policy issued by the Fund;

9 (ii) includes an itemized list of any add-on coverages to be sold
10 to the insured;

11 (iii) states the nature and cost of each add-on coverage to be
12 sold; and

13 (iv) states that add-on coverage is optional and is not required
14 under § 17-103 of the Transportation Article.

15 (2) Before an insured may purchase add-on coverage, the insured
16 shall expressly consent to the purchase by signing the disclosure form.

17 (c) On continuation of a policy that includes add-on coverage, an insured
18 need not sign a disclosure form if:

19 (1) the number and type of add-on coverages under the continuation
20 do not change from the preceding policy; and

21 (2) the insured has signed the original disclosure form.

22 (d) (1) A fund producer may not:

23 (i) require an insured or prospective insured to purchase an
24 add-on coverage as a condition to purchasing the related policy issued by the Fund; or

25 (ii) sell add-on coverage or any combination of add-on
26 coverages in an amount that exceeds \$200 per covered vehicle in connection with a
27 private passenger auto insurance policy.

28 (2) A pattern or practice of violations of this section by a fund producer
29 is subject to the same penalties as a violation of § 20-513 of this subtitle.

30 20-507.

31 (a) Subject to the approval of the Commissioner, the Executive Director shall
32 determine the premiums to be charged on policies issued by the Fund.

1 (b) (1) Except as provided in subsection (c) of this section, the provisions
2 of Title 11, Subtitle 2 of this article apply to the determination of premiums by the
3 Executive Director.

4 (2) Notwithstanding Title 11, Subtitle 2 of this article or any other
5 provision of this title, the Executive Director may base premiums on one or both of the
6 following items:

7 (i) the number of points accumulated by an insured or
8 applicant for insurance under the point system provided for in Title 16, Subtitle 4 of
9 the Transportation Article; or

10 (ii) the prior claims experience of an insured or applicant for
11 insurance.

12 (c) (1) Premiums for all commercial coverage shall be determined in
13 accordance with this section and § 20–508 of this subtitle.

14 (2) Notwithstanding paragraph (1) of this subsection, the rating
15 principles under subsection (d) of this section may not be used to determine the
16 premium for commercial coverage.

17 (d) In reviewing rates filed by the Fund, the Commissioner shall consider not
18 only the rating principles under Title 11, Subtitle 2 of this article but also the
19 statutory purpose of the Fund under § 20–301 of this title.

20 (e) (1) The Motor Vehicle Administration and Executive Director may
21 arrange for the Motor Vehicle Administration to collect premiums on policies issued by
22 the Fund when the Motor Vehicle Administration issues a driver's license or certificate
23 of registration.

24 (2) A premium collected under this subsection shall be paid to the
25 State Treasurer for the account of the Fund.

26 (f) (1) The Fund may not:

27 (i) provide directly or indirectly for the financing of premiums;
28 or

29 (ii) **EXCEPT AS PROVIDED IN SUBSECTION (G) OF THIS**
30 **SECTION**, accept premiums on an installment basis.

31 (2) A premium may be financed only by a premium finance company
32 registered with the Commissioner in accordance with § 23–201 of this article.

1 (3) If a prospective insured's initial payment to the Fund, a fund
 2 producer, or premium finance company is not honored, a policy or endorsement issued
 3 in reliance on that payment is void.

4 (G) (1) (I) SUBJECT TO THE APPROVAL OF THE COMMISSIONER
 5 AND IN ACCORDANCE WITH THIS SUBSECTION, THE FUND MAY ACCEPT
 6 PREMIUMS ON AN INSTALLMENT PAYMENT BASIS ONLY ON 12-MONTH
 7 PERSONAL LINES POLICIES.

8 (II) IN APPROVING THE FUND'S PLAN FOR ACCEPTING
 9 PREMIUMS ON AN INSTALLMENT PAYMENT BASIS, THE COMMISSIONER SHALL
 10 ENSURE THAT THE FUND'S INSTALLMENT PAYMENT PLAN:

11 1. REQUIRES AN INSURED'S INITIAL PREMIUM
 12 PAYMENT TO BE NO LESS THAN:

13 A. FOR A TOTAL ANNUAL PREMIUM OF LESS THAN
 14 \$3,000, 25% OF THE TOTAL ANNUAL PREMIUM; AND

15 B. FOR A TOTAL ANNUAL PREMIUM OF \$3,000 OR
 16 MORE, 20% OF THE TOTAL ANNUAL PREMIUM;

17 2. ADJUSTS THE AMOUNT OF THE TOTAL ANNUAL
 18 PREMIUM USED TO DETERMINE THE INITIAL PREMIUM PAYMENT UNDER ITEM 1
 19 OF THIS SUBPARAGRAPH ON OCTOBER 1 OF EACH YEAR USING DATA FROM THE
 20 U.S. GOVERNMENT BUREAU OF LABOR STATISTICS MOTOR VEHICLE
 21 INSURANCE EXPENDITURE CATEGORY OF THE CONSUMER PRICE INDEX FOR
 22 ALL URBAN CONSUMERS;

23 ~~2.~~ 3. IS STRUCTURED AND ADMINISTERED TO ENSURE
 24 THAT THE FUND AT NO TIME PROVIDES INSURANCE COVERAGE TO AN INSURED
 25 FOR A PERIOD DURING WHICH THE FUND HAS NOT RECEIVED THE
 26 ACTUARIALLY JUSTIFIED PREMIUM PAYMENT;

27 ~~3.~~ 4. OFFERS NO MORE THAN:

28 A. FOR A POLICY UNDER ITEM 1A OF THIS
 29 SUBPARAGRAPH, SIX INSTALLMENT PAYMENTS ON THE 12-MONTH POLICY; AND

30 B. FOR A POLICY UNDER ITEM 1B OF THIS
 31 SUBPARAGRAPH, EIGHT INSTALLMENT PAYMENTS ON THE 12-MONTH POLICY;

32 ~~4.~~ 5. ALLOWS INSUREDS TO MAKE AN INITIAL PREMIUM
 33 PAYMENT AND INSTALLMENT PAYMENTS IN ANY COMMERCIALY ACCEPTABLE

1 ~~FORM, WHICH SHALL INCLUDE PAYMENT BY CHECK, CREDIT CARD, OR~~
2 ~~ELECTRONIC TRANSFER; AND~~

3 ~~5. 6.~~ **6.** **ALLOWS THE FUND TO IMPOSE AN**
4 **ADMINISTRATIVE PROCESSING FEE ON INSUREDS PARTICIPATING IN THE**
5 **INSTALLMENT PLAN OF NO MORE THAN \$8 PER INSTALLMENT PAYMENT.**

6 **(2) THE FUND MAY NOT DISCRIMINATE AMONG INSUREDS BY**
7 **CHARGING DIFFERENT ~~WRITTEN OR EARNED~~ PREMIUM BASED ON THE**
8 **PAYMENT OPTION SELECTED BY AN INSURED ~~OR ON WHETHER THE FUND~~**
9 **~~PRODUCER IS EMPLOYED BY A PUBLIC ENTITY OR PRIVATE ENTITY.~~**

10 **(3) ~~THE FUND MAY NOT PAY A HIGHER COMMISSION TO A FUND~~**
11 **~~PRODUCER WHO PLACES AN INSURED IN AN INSTALLMENT PAYMENT PLAN~~**
12 **~~OVER ANY OTHER PAYMENT OPTION, INCLUDING A PREMIUM FINANCE~~**
13 **~~AGREEMENT~~ IN DETERMINING COMMISSIONS PAID TO A FUND PRODUCER, THE**
14 **FUND MAY NOT CONSIDER WHETHER THE FUND PRODUCER PLACED AN**
15 **INSURED IN AN INSTALLMENT PAYMENT PLAN.**

16 **(4) (I) IN ACCORDANCE WITH THIS PARAGRAPH, WRITTEN AND**
17 **ELECTRONIC COMMUNICATIONS, INCLUDING THE FUND'S WEB SITE,**
18 **AFFECTING THE PLACEMENT OF COVERAGE BY THE FUND OR A FUND**
19 **PRODUCER SHALL INCLUDE A STATEMENT, ON A FORM APPROVED BY THE**
20 **COMMISSIONER, ADVISING AN APPLICANT OR AN INSURED OF THE PAYMENT**
21 **OPTIONS AVAILABLE TO THE APPLICANT OR INSURED.**

22 **(II) THE STATEMENT SHALL STATE THAT THE APPLICANT**
23 **OR INSURED HAS THE FOLLOWING PAYMENT OPTIONS:**

24 **1. THE FUND'S INSTALLMENT PAYMENT PLAN;**

25 **2. A PREMIUM FINANCE AGREEMENT; OR**

26 **3. PAYMENT OF THE POLICY IN FULL.**

27 **(III) THE STATEMENT SHALL BE INCLUDED ON WRITTEN OR**
28 **ELECTRONIC COMMUNICATIONS AT THE TIME THE APPLICANT OR INSURED:**

29 **1. IS ISSUED A NEW POLICY; OR**

30 **2. IS ISSUED A REISSUANCE, REWRITE, OR RENEWAL**
31 **OF AN EXISTING POLICY; ~~OR~~**

1 ~~3. INCURS ADDITIONAL PREMIUMS UNDER AN~~
 2 ~~EXISTING POLICY.~~

3 (IV) THE STATEMENT SHALL STATE THAT THE APPLICANT
 4 OR INSURED SHOULD CONSULT A FUND PRODUCER WHO WILL FULLY DESCRIBE
 5 THE TERMS OF EACH PAYMENT OPTION.

6 ~~(5) (i) THE EXECUTIVE DIRECTOR, IN CONSULTATION WITH~~
 7 ~~THE COMMISSIONER AND STATE AGENCIES AS APPROPRIATE, SHALL DEVELOP~~
 8 ~~CRITERIA FOR EVALUATING THE IMPACT AND EFFECTIVENESS OF THE FUND'S~~
 9 ~~INSTALLMENT PAYMENT PLAN.~~

10 ~~(H) THE EVALUATION SHALL INCLUDE THE IMPACT OF THE~~
 11 ~~FUND'S INSTALLMENT PAYMENT PLAN ON:~~

12 ~~1. THE COST OF AUTOMOBILE INSURANCE FOR FUND~~
 13 ~~INSUREDS;~~

14 ~~2. THE NUMBER OF INSURED AND UNINSURED~~
 15 ~~MOTORISTS IN THE STATE;~~

16 ~~3. THE NUMBER OF FUND POLICIES IN FORCE BY~~
 17 ~~GEOGRAPHIC AREA;~~

18 ~~4. THE DURATION OF FUND POLICIES IN FORCE; AND~~

19 ~~5. THE FREQUENCY OF PAYMENT METHODS USED BY~~
 20 ~~FUND INSUREDS, INCLUDING THE FUND'S INSTALLMENT PAYMENT PLAN,~~
 21 ~~PREMIUM FINANCE AGREEMENTS, AND CASH AND CREDIT CARD PAYMENTS.~~

22 ~~(HH) ON OR BEFORE MARCH 31 OF EACH YEAR, THE FUND~~
 23 ~~SHALL SUBMIT A REPORT TO THE COMMISSIONER BASED ON THE FUND'S~~
 24 ~~DETERMINATION OF THE IMPACT AND EFFECTIVENESS OF THE FUND'S~~
 25 ~~INSTALLMENT PAYMENT PLAN FOR THE PRIOR YEAR BASED ON:~~

26 ~~1. THE EVALUATION CRITERIA DEVELOPED UNDER~~
 27 ~~SUBPARAGRAPH (I) OF THIS PARAGRAPH; AND~~

28 ~~2. THE LIMITATIONS OF THE TERMS OF THE~~
 29 ~~INSTALLMENT PAYMENT PLAN UNDER PARAGRAPH (1)(H)1 AND 3 OF THIS~~
 30 ~~SUBSECTION.~~

31 ~~(6) (i) ON RECEIPT OF THE REPORT UNDER PARAGRAPH~~
 32 ~~(5)(HH) OF THIS SUBSECTION, THE COMMISSIONER SHALL MAKE A~~

~~1 DETERMINATION OF THE IMPACT AND EFFECTIVENESS OF THE FUND'S
2 INSTALLMENT PAYMENT PLAN, INCLUDING A REVIEW OF COMPLAINTS
3 RECEIVED BY THE COMMISSIONER RELATING TO THE FUND'S INSTALLMENT
4 PAYMENT PLAN AND PREMIUM FINANCE AGREEMENTS.~~

~~5 (H) ON OR BEFORE DECEMBER 1 OF EACH YEAR, THE
6 COMMISSIONER SHALL SUBMIT A REPORT, IN ACCORDANCE WITH § 2-1246 OF
7 THE STATE GOVERNMENT ARTICLE, TO THE SENATE FINANCE COMMITTEE
8 AND THE HOUSE ECONOMIC MATTERS COMMITTEE ON THE COMMISSIONER'S
9 DETERMINATION OF THE IMPACT AND EFFECTIVENESS OF THE FUND'S
10 INSTALLMENT PAYMENT PLAN.~~

11 23-101.

12 (a) In this title the following words have the meanings indicated.

13 (b) “ACTUARIAL METHOD” HAS THE MEANING STATED IN § 12-1009 OF
14 THE COMMERCIAL LAW ARTICLE.

15 (c) (1) “Premium finance agreement” means an agreement:

16 (i) by which an insured or prospective insured promises to pay
17 a premium finance company the amount advanced or to be advanced under the
18 agreement, together with interest and a service fee, to an insurer or an insurance
19 producer in payment of premiums; and

20 (ii) that contains an assignment of or is otherwise secured by
21 the unearned premium or refund obtainable from the insurer on cancellation of the
22 insurance contract.

23 (2) “Premium finance agreement” does not include a premium
24 financed in connection with a time sale of goods or services or an extension of credit
25 without charge by an insurance producer.

26 [(c)] (D) “Premium finance company” means a person that engages in the
27 business of entering into or accepting premium finance agreements.

28 23-301.

29 (a) (1) A premium finance agreement shall be dated and signed by or on
30 behalf of the insured.

31 (2) [The] EXCEPT AS PROVIDED UNDER SUBSECTION (B)(5)(VIII)
32 OF THIS SECTION, THE printed part of the premium finance agreement shall be in
33 approximately 8-point type and be easily readable by an average individual.

1 **(b)** A premium finance agreement shall contain:

2 (1) the name and place of business of the insurance producer
3 negotiating the related insurance contract;

4 (2) the name and residence or place of business of the insured as
5 specified by the insured;

6 (3) the name and place of business of the premium finance company to
7 which payments may be made;

8 (4) an itemized list for each insurance contract or coverage financed
9 under the premium finance agreement that includes:

10 (i) the applicable application number, binder number, or policy
11 number;

12 (ii) the effective date of the insurance contract or coverage;

13 (iii) the name of the company issuing the insurance contract or
14 coverage; and

15 (iv) the premium for the insurance contract or coverage; and

16 (5) if applicable, the following items:

17 (i) the total amount of the premiums;

18 (ii) the amount of the down payment;

19 (iii) the principal balance (the difference between items (i) and
20 (ii) of this item);

21 (iv) the amount of the finance charge;

22 (v) the balance payable by the insured (the sum of items (iii)
23 and (iv) of this item);

24 (vi) the number of installments required, the amount of each
25 installment expressed in dollars, and the due date or period of each installment; [and]

26 (vii) the electronic payment fee[.]; AND

27 **(VIII) IN AT LEAST 12-POINT TYPE, THE FOLLOWING**
28 **STATEMENT: "IF THIS AGREEMENT IS CANCELED OR THE LOAN IS PREPAID IN**
29 **FULL BEFORE THE END OF ITS TERM, THE ACTUARIAL METHOD WILL BE USED**

1 TO CALCULATE THE EARNED FINANCE CHARGE. UNDER THIS METHOD, MOST OF
2 THE FINANCE CHARGE IS EARNED IN THE EARLY MONTHS OF THE LOAN TERM
3 RATHER THAN EQUALLY IN EACH MONTH. YOU MAY REQUEST A SAMPLE
4 ILLUSTRATION OF HOW THE FINANCE CHARGE IS EARNED.”.

5 (c) (1) The items set out in subsection (b)(5) of this section need not be
6 stated in the sequence in which they appear.

7 (2) Additional items may be included to explain the computations
8 made in determining the amount to be paid by the insured.

9 (3) WITH RESPECT TO COMMERCIAL AUTOMOBILE, FIRE, OR
10 LIABILITY INSURANCE, A PREMIUM FINANCE AGREEMENT MAY INCLUDE
11 SEPARATE PROVISIONS REQUIRING REPRESENTATIONS, WARRANTIES, OR
12 OTHER OBLIGATIONS OF THE INSURANCE PRODUCER WHO SELLS, SOLICITS, OR
13 NEGOTIATES THE INSURANCE POLICY, THE PREMIUMS FOR WHICH ARE
14 FINANCED UNDER THE PREMIUM FINANCE AGREEMENT.

15 (d) A premium finance agreement may provide for additional insurance
16 premiums to be financed and added to the initial premium finance agreement.

17 (E) SUBJECT TO §§ 23-501.1 AND 23-505.2 OF THIS TITLE, A PREMIUM
18 FINANCE AGREEMENT MAY INCLUDE MONTHLY PAYMENTS FOR THE PURCHASE
19 PRICE OF A MOTOR CLUB SERVICE CONTRACT.

20 23-304.

21 (A) The finance charge shall be computed:

22 (1) on the amount of the entire premium loan advanced,
23 including any taxes or fees that are financed under § 23-301.1 of this subtitle, after
24 subtracting any down payment on the premium loan made by the insured;

25 (2) from the inception date of the insurance contract or from the
26 due date of the premium, disregarding any grace period or credit allowed for payment
27 of the premium, through the date when the final installment under the premium
28 finance agreement is payable; and

29 (3) [at a rate] IN AN AMOUNT not exceeding THE SUM OF
30 1.15% for each 30 days[, charged] OF THE LOAN, COMPUTED in advance.

31 (B) (1) AN INSURED SHALL RECEIVE A REFUND OF A FINANCE
32 CHARGE THAT EXCEEDS ANY AMOUNT DUE UNDER THE PREMIUM FINANCE
33 AGREEMENT IF:

1 **(I) THE INSURANCE CONTRACT IS CANCELED; OR**

2 **(II) THE INSURED PREPAYS THE LOAN IN FULL AT ANY TIME.**

3 **(2) THE AMOUNT OF THE REFUND UNDER PARAGRAPH (1) OF**
4 **THIS SUBSECTION MAY BE CALCULATED BY THE ACTUARIAL METHOD.**

5 **(3) (I) A FINANCE CHARGE:**

6 **1. IS EARNED IN 30-DAY INCREMENTS; AND**

7 **2. IN ACCORDANCE WITH SUBPARAGRAPH (II) OF**
8 **THIS PARAGRAPH, MAY BE EARNED ON THE FIRST DAY OF EACH 30-DAY PERIOD.**

9 **(II) IF A FINANCE CHARGE IS EARNED ON THE FIRST DAY OF**
10 **EACH 30-DAY PERIOD, THE PREMIUM FINANCE AGREEMENT SHALL CONTAIN A**
11 **NOTIFICATION THAT THE FINANCE CHARGE IS EARNED ON THE FIRST DAY OF**
12 **EACH 30-DAY PERIOD.**

13 **(4) A PREMIUM FINANCE COMPANY MAY NOT RETAIN MORE OF**
14 **THE FINANCE CHARGE THAN IS EARNED UNDER THIS SECTION.**

15 **(C) WITH RESPECT TO COMMERCIAL AUTOMOBILE, FIRE, OR LIABILITY**
16 **INSURANCE ONLY, A FINANCE CHARGE MAY BE IMPOSED ON ANY UNPAID**
17 **PRINCIPAL BALANCE OF THE LOAN REMAINING AFTER ALL UNEARNED**
18 **PREMIUMS HAVE BEEN RETURNED IF THE UNEARNED PREMIUMS ARE LESS**
19 **THAN THE UNPAID PRINCIPAL BALANCE DUE TO:**

20 **(1) AN AUDIT BY THE INSURER RESULTING IN ADDITIONAL**
21 **PREMIUM;**

22 **(2) THE APPLICATION OF A MINIMUM PREMIUM ON A POLICY;**

23 **(3) AN ENDORSEMENT THAT IS MADE AFTER A POLICY IS ISSUED**
24 **AND RESULTS IN ADDITIONAL PREMIUM; OR**

25 **(4) A LAWFUL DELAY IN CANCELING AN INSURANCE POLICY THAT**
26 **IS BEYOND THE CONTROL OF THE PREMIUM FINANCE COMPANY.**

27 **(D) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, A PREMIUM**
28 **FINANCE COMPANY MAY NOT USE THE RULE OF 78S IN COMPUTING A FINANCE**
29 **CHARGE UNDER THIS SECTION.**

30 23-307.

1 (a) [A] EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, A
2 premium finance agreement may require the insured to pay a cancellation charge if a
3 default in paying an installment results in the cancellation of an insurance contract
4 listed in the premium finance agreement.

5 (b) A cancellation charge shall be:

6 (1) with respect to private passenger automobile or personal fire or
7 liability insurance, equal to the difference between a delinquency and collection charge
8 imposed under § 23–306 of this subtitle with respect to the installment in default and:

9 (I) \$15 FOR A DEFAULT BEFORE OR DURING CALENDAR
10 YEAR 2014;

11 (II) \$16 FOR A DEFAULT DURING CALENDAR YEAR 2015;

12 (III) \$17 FOR A DEFAULT DURING CALENDAR YEAR 2016;

13 (IV) \$18 FOR A DEFAULT DURING CALENDAR YEAR 2017;

14 (V) \$19 FOR A DEFAULT DURING CALENDAR YEAR 2018;

15 AND

16 (VI) \$20 FOR A DEFAULT DURING OR AFTER CALENDAR
17 YEAR 2019; and

18 (2) with respect to commercial automobile, fire, or liability insurance,
19 5% of the installment, not to exceed an amount equal to the difference between a
20 delinquency and collection charge imposed under § 23–306 of this subtitle with respect
21 to the installment in default and \$100.

22 (c) [If a notice of cancellation is withdrawn and the insurance coverage is
23 reinstated, the premium finance agreement may require the insured to pay a
24 reinstatement charge in the same amount as the cancellation charge that would have
25 been paid if the cancellation had actually taken effect.] A PREMIUM FINANCE
26 COMPANY MAY REQUIRE THE PAYMENT OF A REINSTATEMENT CHARGE THAT IS
27 IN PLACE OF AND IN THE SAME AMOUNT AS THE CANCELLATION CHARGE IF,
28 AFTER A CANCELLATION CHARGE IS IMPOSED IN ACCORDANCE WITH THE
29 REQUIREMENTS OF SUBSECTION (D) OF THIS SECTION, THE INSURED PAYS THE
30 DEFAULTED INSTALLMENT.

31 (D) A PREMIUM FINANCE AGREEMENT MAY IMPOSE A CANCELLATION
32 CHARGE:

1 **(1) ON OR AFTER THE EFFECTIVE DATE STATED IN THE NOTICE**
2 **OF CANCELLATION ISSUED TO THE INSURER UNDER § 23-403 OF THIS TITLE; OR**

3 **(2) ON OR AFTER THE CANCELLATION EFFECTIVE DATE STATED**
4 **IN THE NOTICE OF INTENT TO CANCEL DELIVERED OR MAILED TO THE INSURED**
5 **UNDER § 23-402 OF THIS TITLE, IF:**

6 **(I) THE PREMIUM FINANCE COMPANY HAS NOTIFIED THE**
7 **INSURED IN THE NOTICE OF INTENT TO CANCEL THAT A CANCELLATION FEE**
8 **WILL BE IMPOSED ON THE CANCELLATION EFFECTIVE DATE STATED IN THE**
9 **NOTICE OF INTENT TO CANCEL; AND**

10 **(II) THE NOTICE OF INTENT TO CANCEL INCLUDES THE**
11 **FOLLOWING STATEMENT IN 12-POINT OR LARGER TYPE: “IF YOU DO NOT PAY**
12 **THE DELINQUENT AMOUNT BEFORE THE CANCELLATION EFFECTIVE DATE**
13 **STATED IN THIS NOTICE, AT ANY TIME WITHIN 30 DAYS OF THE CANCELLATION**
14 **EFFECTIVE DATE, YOUR INSURANCE POLICY IS SUBJECT TO CANCELLATION ON**
15 **THE CANCELLATION EFFECTIVE DATE. THIS MEANS THAT IF YOU HAVE A LOSS**
16 **ON OR AFTER THE CANCELLATION EFFECTIVE DATE STATED IN THIS NOTICE,**
17 **YOU MAY NOT HAVE COVERAGE FOR THE LOSS.”.**

18 23-307.1.

19 **(a) (1) In this section[,] THE FOLLOWING WORDS HAVE THE MEANINGS**
20 **INDICATED.**

21 **(2) (I) “ELECTRONIC CHECK” MEANS A FORM OF PAYMENT IN**
22 **WHICH A FUND TRANSFER IS MADE ELECTRONICALLY FROM A PAYER’S BANK**
23 **ACCOUNT TO A PREMIUM FINANCE COMPANY’S BANK ACCOUNT.**

24 **(II) “ELECTRONIC CHECK” DOES NOT INCLUDE A WRITTEN**
25 **CHECK THAT IS DELIVERED TO A PREMIUM FINANCE COMPANY OR AN AGENT BY**
26 **HAND DELIVERY, REGULAR MAIL, OR OTHER FORM OF PERSONAL DELIVERY.**

27 **(3) [“electronic] “ELECTRONIC payment” includes payment by credit**
28 **card [or], debit card, OR ELECTRONIC CHECK.**

29 **(b) A premium finance agreement may require the insured to pay an**
30 **electronic payment fee if the insured elects to pay a premium finance company by**
31 **means of an electronic payment.**

32 **(c) A premium finance company may charge an electronic payment fee,**
33 **which may not exceed \$8, for actual expenses incurred by the premium finance**
34 **company for the electronic payment.**

1 23-401.1.

2 (a) Subject to subsection (b) of this section, at the option of the insured a
3 premium finance company may send any notice required under this subtitle by
4 personal delivery, first-class mail, commercial delivery service, electronic mail, or
5 facsimile transmission.

6 (b) [A notice delivery method other than personal delivery, first-class mail,
7 or commercial delivery service may be used only with the written consent of the
8 insured] **A PREMIUM FINANCE COMPANY MAY SEND ANY NOTICE REQUIRED**
9 **UNDER THIS SUBTITLE BY ELECTRONIC MEANS ONLY IF THE PREMIUM FINANCE**
10 **COMPANY MEETS THE REQUIREMENTS FOR DELIVERING A NOTICE UNDER §**
11 **27-601.2 OF THIS ARTICLE.**

12 23-405.

13 (a) (1) Notwithstanding any other provision of this article, when an
14 insurance contract is canceled, whether by a premium finance company, an insurer, or
15 an insured, the insurer shall return any gross unearned premiums that are due under
16 the insurance contract, computed pro rata, and excluding any expense constant,
17 administrative fee, or any nonrefundable charge filed with and approved by the
18 Commissioner, to the premium finance company for the account of the insured within
19 a reasonable time not exceeding 45 days after:

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

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

23 (iii) **WITH RESPECT TO COMMERCIAL AUTOMOBILE, FIRE, OR**
24 **LIABILITY INSURANCE,** completion of any [payroll] audit necessary to determine the
25 amount of premium earned while the insurance contract was in force.

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

28 (b) (1) After the insurer returns to the premium finance company any
29 gross unearned premiums that are due under the insurance contract, the premium
30 finance company shall refund to the insured the amount of unearned premium that
31 exceeds any amount due under the premium finance agreement.

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

34 (c) Whenever an insurer, after receiving notice of the existence of a premium
35 finance agreement, returns any unearned premiums to a person other than the

1 premium finance company named in the premium finance agreement, the insurer
 2 shall be directly responsible to the premium finance company for all unearned
 3 premiums arising from the cancellation of the premium finance agreement.

4 (d) (1) An insurer that fails to return any premium required under this
 5 section shall pay interest of 1% per month on the unearned premium that has not been
 6 returned until the unearned premium is returned.

7 (2) Any payment under this subsection to the premium finance
 8 company shall be credited to the account of the insured.

9 (e) An insurer may not deduct from any return premium any amount owed
 10 to the insurer by the insured under any other insurance contract.

11 (f) An insurance producer shall return any gross unearned commissions,
 12 calculated as provided in subsection (a)(1) of this section, to an insurer within a
 13 reasonable period of time as required by the insurer.

14 **23-501.1.**

15 (A) **A PREMIUM FINANCE COMPANY MAY NOT IMPOSE ANY FINANCE**
 16 **CHARGE OR OTHER CHARGE ON ANY PAYMENT FOR THE PURCHASE PRICE OF A**
 17 **MOTOR CLUB SERVICE CONTRACT.**

18 (B) **A PREMIUM FINANCE COMPANY MAY NOT CANCEL AN INSURANCE**
 19 **CONTRACT IF ANY PAYMENT UNDER THE PREMIUM FINANCE AGREEMENT:**

20 (1) **IS SUFFICIENT TO PAY THE INSTALLMENT DUE UNDER THE**
 21 **PREMIUM FINANCE AGREEMENT THAT IS RELATED TO THE INSURANCE**
 22 **CONTRACT OBLIGATION; BUT**

23 (2) **IS NOT SUFFICIENT TO COVER THE AMOUNT OF THE MONTHLY**
 24 **PAYMENT FOR THE MOTOR CLUB SERVICE CONTRACT.**

25 **23-505.2.**

26 (a) An insurer that markets through independent insurance producers as
 27 defined in this article may not discriminate, intimidate, or retaliate against an
 28 insurance producer or insured that uses premium financing by denying the insurance
 29 producer or insured the same rights accorded to insurance producers or insureds who
 30 pay premiums in a different manner.

31 (b) ~~(1)~~ With respect to personal lines automobile insurance ~~OTHER THAN~~
 32 ~~INSURANCE WRITTEN THROUGH THE MARYLAND AUTOMOBILE INSURANCE~~
 33 ~~FUND~~, an independent insurance producer, who directly or indirectly has an
 34 ownership interest in a premium finance company, shall provide a disclosure to be

1 signed by the insured comparing the costs and terms of premium financing with the
2 insurer's alternative payment plan.

3 ~~(2) WITH RESPECT TO PERSONAL LINES AUTOMOBILE~~
4 ~~INSURANCE WRITTEN THROUGH THE MARYLAND AUTOMOBILE INSURANCE~~
5 ~~FUND, AN INDEPENDENT INSURANCE PRODUCER SHALL PROVIDE A~~
6 ~~DISCLOSURE TO BE SIGNED BY THE INSURED COMPARING THE COSTS AND~~
7 ~~TERMS OF PREMIUM FINANCING WITH THE FUND'S ALTERNATIVE PAYMENT~~
8 ~~PLAN.~~

9 (c) The disclosure required by subsection (b) of this section shall:

10 (1) state the total amount to be paid by the insured under the
11 premium finance agreement during the policy term, including premium, any down
12 payment, and all interest, fees, and charges incident to the premium finance
13 agreement and resulting extension of credit; and

14 (2) state the total amount to be paid by the insured under the
15 insurer's alternative payment plan during the policy term, including premium, any
16 down payment, and all fees and charges incident to the alternative payment plan.

17 (D) AN INSURANCE PRODUCER, OR AN EMPLOYEE OR AGENT OF THE
18 INSURANCE PRODUCER, WHO DIRECTLY OR INDIRECTLY HAS AN OWNERSHIP
19 INTEREST IN A MOTOR CLUB SHALL PROVIDE A DISCLOSURE TO BE SIGNED BY
20 THE INSURED INFORMING THE INSURED OF THE INSURANCE PRODUCER'S OR
21 THE INSURANCE PRODUCER'S EMPLOYEE'S OR AGENT'S INTEREST IN THE
22 MOTOR CLUB.

23 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
24 read as follows:

25 Article – Insurance

26 23-301.2.

27 (A) (1) WITH RESPECT TO PRIVATE PASSENGER MOTOR VEHICLE
28 INSURANCE AND PERSONAL INSURANCE, A PREMIUM FINANCE COMPANY MAY:

29 (I) ASSIGN ALL RIGHTS AND OBLIGATIONS UNDER A
30 PREMIUM FINANCE AGREEMENT TO ANOTHER PREMIUM FINANCE COMPANY
31 THAT IS REGISTERED IN THE STATE UNDER THIS TITLE; OR

32 (II) PLEDGE A PREMIUM FINANCE AGREEMENT AS
33 COLLATERAL FOR A LOAN.

1 **(2) IF A PREMIUM FINANCE COMPANY ASSIGNS THE OBLIGATION**
2 **TO SERVICE A PREMIUM FINANCE AGREEMENT TO ANOTHER PREMIUM FINANCE**
3 **COMPANY UNDER PARAGRAPH (1)(I) OF THIS SUBSECTION, THE ASSIGNING**
4 **PREMIUM FINANCE COMPANY SHALL NOTIFY THE INSURED IN ACCORDANCE**
5 **WITH SUBSECTION (C) OF THIS SECTION:**

6 **(I) THAT THE OBLIGATION TO SERVICE THE PREMIUM**
7 **FINANCE AGREEMENT HAS BEEN ASSIGNED TO ANOTHER PREMIUM FINANCE**
8 **COMPANY THAT IS REGISTERED IN THE STATE UNDER THIS TITLE; AND**

9 **(II) OF THE NAME, ADDRESS, AND TELEPHONE NUMBER OF**
10 **THE PREMIUM FINANCE COMPANY TO WHICH THE OBLIGATION HAS BEEN**
11 **ASSIGNED.**

12 **(B) (1) WITH RESPECT TO COMMERCIAL AUTOMOBILE, FIRE, OR**
13 **LIABILITY INSURANCE, A PREMIUM FINANCE COMPANY:**

14 **(I) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
15 **SUBSECTION, MAY ASSIGN ALL RIGHTS AND OBLIGATIONS UNDER A PREMIUM**
16 **FINANCE AGREEMENT TO ANOTHER PERSON IF THE PREMIUM FINANCE**
17 **AGREEMENT EXPRESSLY CONFERS THE RIGHT TO ASSIGN ALL RIGHTS AND**
18 **OBLIGATIONS UNDER THE PREMIUM FINANCE AGREEMENT; OR**

19 **(II) MAY PLEDGE A PREMIUM FINANCE AGREEMENT AS**
20 **COLLATERAL FOR A LOAN.**

21 **(2) A PREMIUM FINANCE COMPANY THAT ASSIGNS RIGHTS AND**
22 **OBLIGATIONS UNDER PARAGRAPH (1)(I) OF THIS SUBSECTION SHALL:**

23 **(I) RETAIN THE OBLIGATION TO SERVICE THE PREMIUM**
24 **FINANCE AGREEMENT; OR**

25 **(II) ASSIGN THE OBLIGATION TO SERVICE THE PREMIUM**
26 **FINANCE AGREEMENT TO ANOTHER PREMIUM FINANCE COMPANY THAT IS**
27 **REGISTERED IN THE STATE UNDER THIS TITLE.**

28 **(3) IF A PREMIUM FINANCE COMPANY ASSIGNS THE OBLIGATION**
29 **TO SERVICE A PREMIUM FINANCE AGREEMENT TO ANOTHER PREMIUM FINANCE**
30 **COMPANY UNDER PARAGRAPH (2)(II) OF THIS SUBSECTION, THE ASSIGNING**
31 **PREMIUM FINANCE COMPANY SHALL NOTIFY THE INSURED IN ACCORDANCE**
32 **WITH SUBSECTION (C) OF THIS SECTION:**

1 (I) THAT THE OBLIGATION TO SERVICE THE PREMIUM
2 FINANCE AGREEMENT HAS BEEN ASSIGNED TO ANOTHER PREMIUM FINANCE
3 COMPANY THAT IS REGISTERED IN THE STATE UNDER THIS TITLE; AND

4 (II) OF THE NAME, ADDRESS, AND TELEPHONE NUMBER OF
5 THE PREMIUM FINANCE COMPANY TO WHICH THE OBLIGATION HAS BEEN
6 ASSIGNED.

7 (C) A NOTICE REQUIRED UNDER SUBSECTION (A)(2) OR (B)(3) OF THIS
8 SUBSECTION SHALL BE BY:

9 (1) FIRST-CLASS MAIL; OR

10 (2) IF THE PREMIUM FINANCE COMPANY MEETS THE
11 REQUIREMENTS FOR DELIVERING A NOTICE UNDER § 27-601.2 OF THIS
12 ARTICLE, ELECTRONIC MEANS.

13 SECTION 3. AND BE IT FURTHER ENACTED, That:

14 (a) (1) The Executive Director of the Maryland Automobile Insurance
15 Fund, in consultation with the Maryland Insurance Commissioner and State agencies
16 as appropriate, shall develop criteria for evaluating the effectiveness and impact of the
17 Fund's installment payment plan.

18 (2) The evaluation shall include the impact of the Fund's installment
19 payment plan on:

20 (i) the cost of automobile insurance for Fund insureds;

21 (ii) the number of insured and uninsured motorists in the State;

22 (iii) the number of Fund policies in force by geographic area;

23 (iv) the duration of Fund policies in force; and

24 (v) the frequency of payment methods used by Fund insureds,
25 including the Fund's installment payment plan, premium finance agreements, and
26 cash and credit card payments.

27 (3) On or before October 1, 2015, the Fund shall submit a report to the
28 Commissioner based on the Fund's determination of the effectiveness and impact of
29 the Fund's installment payment plan for the prior year based on:

30 (i) the evaluation criteria developed under paragraph (2) of this
31 subsection; and

1 (ii) the limitations of the terms of the installment payment plan
2 under § 20-507(g)(1)(ii)1 and 4 of the Insurance Article, as enacted under Section 1 of
3 this Act.

4 (b) (1) On receipt of the report under subsection (a)(3) of this section, the
5 Commissioner shall make a determination of the effectiveness and impact of the
6 Fund's installment payment plan, including a review of complaints received by the
7 Commissioner relating to the Fund's installment payment plan and premium finance
8 agreements.

9 (2) On or before December 31, 2015, the Commissioner shall submit a
10 report, in accordance with § 2-1246 of the State Government Article, to the Senate
11 Finance Committee and the House Economic Matters Committee on the
12 Commissioner's determination of the effectiveness of the Fund's installment payment
13 plan and its impact on:

14 (i) the Fund;

15 (ii) the private passenger automobile industry;

16 (iii) the premium finance company industry; and

17 (iv) Maryland consumers.

18 SECTION 4. AND BE IT FURTHER ENACTED, That the Maryland Insurance
19 Administration shall:

20 (1) keep track of complaints received from consumers who have had all
21 rights and obligations under premium finance agreements for commercial automobile,
22 fire, or liability insurance assigned under § 23-301.2(b) of the Insurance Article, as
23 enacted by Section 2 of this Act; and

24 (2) on or before December 31, 2014, report any findings and
25 recommendations, in accordance with § 2-1246 of the State Government Article, to the
26 Senate Finance Committee and the House Economic Matters Committee.

27 SECTION ~~2~~ 5. AND BE IT FURTHER ENACTED, That this Act shall apply to
28 all policies issued and ~~contracts issued by the Maryland Automobile Insurance Fund~~
29 premium finance agreements entered into on or after the effective date of this Act.

30 SECTION ~~3~~ 6. AND BE IT FURTHER ENACTED, That this Act shall take
31 effect ~~October~~ July 1, 2013. Section 2 of this Act shall remain effective for a period of 2
32 years and, at the end of June 30, 2015, with no further action required by the General
33 Assembly, Section 2 of this Act shall be abrogated and of no further force and effect.