

SENATE BILL 642

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By: **Senators Pugh, Jones, and Rosapepe**
Introduced and read first time: February 5, 2010
Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Premium Finance Companies – Premium Finance Agreement**
3 **Terms – Disclosure and Publication**

4 FOR the purpose of requiring a premium finance company that offers premium
5 financing to individuals who are insured under a policy of personal lines
6 automobile insurance written through the Maryland Automobile Insurance
7 Fund to disclose to the Maryland Insurance Commissioner certain rates, fees,
8 and other terms and conditions applicable to the premium financing; requiring
9 the Commissioner to establish the manner and form in which the information
10 must be disclosed, require the information to be disclosed in a certain manner,
11 and publish the information on the Maryland Insurance Administration's
12 website; prohibiting a premium finance company from entering into a premium
13 finance agreement that contains any rates, fees, or other terms and conditions
14 that are inconsistent with those disclosed to the Commissioner; requiring a fund
15 producer to take certain actions before binding coverage for a certain applicant
16 for personal lines coverage written through the Maryland Automobile Insurance
17 Fund; authorizing the fund producer to charge a certain fee; defining certain
18 terms; and generally relating to premium finance companies and premium
19 financing for individuals insured through the Maryland Automobile Insurance
20 Fund.

21 BY repealing and reenacting, without amendments,
22 Article – Insurance
23 Section 20–101(a) and (g)
24 Annotated Code of Maryland
25 (2006 Replacement Volume and 2009 Supplement)

26 BY repealing and reenacting, with amendments,
27 Article – Insurance
28 Section 20–507(f)
29 Annotated Code of Maryland

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.



1 (2006 Replacement Volume and 2009 Supplement)

2 BY adding to

3 Article – Insurance

4 Section 23–311

5 Annotated Code of Maryland

6 (2006 Replacement Volume and 2009 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 20–507.

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

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

16 or

17 (ii) accept premiums on an installment basis.

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

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

23 **(4) (I) BEFORE A FUND PRODUCER BINDS COVERAGE FOR AN**
24 **APPLICANT FOR PERSONAL LINES COVERAGE WHO INTENDS TO FINANCE**
25 **PREMIUMS THROUGH A PREMIUM FINANCE COMPANY, THE FUND PRODUCER**
26 **SHALL:**

27 **1. OBTAIN, FROM THE INFORMATION PUBLISHED ON**
28 **THE ADMINISTRATION’S WEBSITE IN ACCORDANCE WITH § 23–311(B) OF THIS**
29 **ARTICLE, THE THREE PREMIUM FINANCING OFFERS WITH THE LOWEST COST**
30 **AND WITH THE LOWEST DOWN PAYMENT;**

31 **2. PROVIDE A WRITTEN DISCLOSURE OF THE**
32 **INFORMATION TO THE APPLICANT; AND**

1 **3. REQUIRE THE APPLICANT TO SIGN A COPY OF THE**
2 **DISCLOSURE.**

3 **(II) A FUND PRODUCER MAY CHARGE A FEE NOT**
4 **EXCEEDING \$10 FOR PROVIDING THE INFORMATION REQUIRED UNDER**
5 **SUBPARAGRAPH (I) OF THIS PARAGRAPH.**

6 **23-311.**

7 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE**
8 **MEANINGS INDICATED.**

9 **(2) “FUND” MEANS THE MARYLAND AUTOMOBILE INSURANCE**
10 **FUND.**

11 **(3) “FUND INSURED” MEANS AN INDIVIDUAL WHO IS AN INSURED**
12 **UNDER A POLICY OF PERSONAL LINES AUTOMOBILE INSURANCE WRITTEN**
13 **THROUGH THE FUND.**

14 **(B) (1) A PREMIUM FINANCE COMPANY THAT OFFERS PREMIUM**
15 **FINANCING TO FUND INSUREDS SHALL DISCLOSE TO THE COMMISSIONER THE**
16 **RATES, FEES, AND OTHER TERMS AND CONDITIONS APPLICABLE TO THE**
17 **PREMIUM FINANCING, INCLUDING:**

18 **(I) THE PERCENTAGE OF DOWN PAYMENT REQUIRED;**

19 **(II) THE FINANCE CHARGE PAYABLE ON THE BALANCE;**

20 **(III) THE NUMBER OF INSTALLMENTS REQUIRED TO PAY OFF**
21 **THE BALANCE;**

22 **(IV) ANY FEES CHARGED BY THE PREMIUM FINANCE**
23 **COMPANY, INCLUDING ANY SERVICE FEE, LATE FEE, OR CANCELLATION FEE;**
24 **AND**

25 **(V) ANY OTHER TERMS AND CONDITIONS THE**
26 **COMMISSIONER REQUIRES.**

27 **(2) THE COMMISSIONER SHALL:**

28 **(I) ESTABLISH THE MANNER AND FORM IN WHICH THE**
29 **INFORMATION MUST BE DISCLOSED;**

1 **(II) REQUIRE THE INFORMATION TO BE DISCLOSED IN A**
2 **MANNER THAT WILL ALLOW A FUND INSURED AND AN INSURANCE PRODUCER**
3 **TO DETERMINE THE LOWEST COST PREMIUM FINANCING AVAILABLE TO THE**
4 **FUND INSURED; AND**

5 **(III) PUBLISH THE INFORMATION ON THE**
6 **ADMINISTRATION'S WEBSITE.**

7 **(C) A PREMIUM FINANCE COMPANY MAY NOT ENTER INTO A PREMIUM**
8 **FINANCE AGREEMENT WITH A FUND INSURED THAT CONTAINS ANY RATES,**
9 **FEES, OR OTHER TERMS AND CONDITIONS THAT ARE INCONSISTENT WITH**
10 **THOSE DISCLOSED TO THE COMMISSIONER UNDER SUBSECTION (B) OF THIS**
11 **SECTION.**

12 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
13 October 1, 2010.