

CHAPTER 328

(House Bill 718)

AN ACT concerning

Premium Finance Companies – Refunds of Unearned Premium

FOR the purpose of requiring a premium finance company to refund to the insured certain amounts of unearned premium under certain circumstances; providing for a certain exception to the refund requirement; prohibiting a premium finance company from collecting from the insured amounts due under a premium finance agreement if it is less than a certain amount; and generally relating to the refund by a premium finance company to the consumer of certain amounts of unearned premium.

BY repealing and reenacting, with amendments,

Article 48A – Insurance Code

Section 486G

Annotated Code of Maryland

(1991 Replacement Volume and 1992 Supplement)

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

Article 48A – Insurance Code

486G.

(a) When in connection with a premium finance agreement, a power of attorney or other authority to cancel any insurance contract or contracts on behalf of the insured is given to a premium finance company, the insurance contract or contracts may not be cancelled by the premium finance company unless such cancellation is effectuated in accordance with the following provisions:

(b) Not less than ten (10) days' written notice shall be mailed to the insured of the intent of the premium finance company to cancel the insurance contract or contracts unless the defaulted installment payment is received within said ten (10) day period.

(c) After expiration of such ten (10) day period, the premium finance company may thereafter cancel by mailing to the insurer a notice of cancellation, specifying the effective date of such cancellation, and the premium finance company shall mail a copy of the cancellation notice to the insured at his last known address. No policy may be cancelled by the holder of a power of attorney because the delinquency and collection charge as provided in § 486F has not been paid.

(d) (1) If the insurer receives a copy of a cancellation notice issued under subsection (c) of this section within 30 days after the effective date of cancellation specified in the notice, the insurance contract shall be cancelled effective as of the date specified in the notice.