

Department of Legislative Services  
 Maryland General Assembly  
 2000 Session

FISCAL NOTE

Senate Bill 334 (Senator DeGrange. *et al.*)

Finance

Insurance Practices - Fees Imposed for Late Payment

This bill authorizes an insurer, on approval of the Insurance Commissioner, to charge and collect reasonable fees for late payment of a premium by a policy holder.

Fiscal Summary

**State Effect:** Special fund expenditures could increase by \$133,000 in FY 2001, reflecting the bill’s October 1, 2000, effective date. Out-year projections reflect annualization and inflation. Special fund revenues could increase by a similar amount from filing fees and Maryland Insurance Administration’s (MIA) assessment on insurers.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
SF Revenues	\$133,000	\$168,000	\$176,000	\$184,300	\$193,000
SF Expenditures	133,000	168,000	176,000	184,300	193,000
Net Effect	\$0	\$0	\$0	\$0	\$0

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** Minimal.

Analysis

**Current Law:** No provision of law authorizes an insurer to charge a fee for late payment of a premium. An insurer’s recourse for failure to make timely premium payments is cancellation of the policy.

**State Fiscal Effect:** Insurers wishing to charge late fees would be required to submit their

proposed late fees to MIA for approval, to amend their policy forms, to file an amended form with MIA, and to pay the \$125 form filing fee. Approximately 1,400 insurers file rates and forms with MIA, with different forms for each type of insurance offered. For illustrative purposes, if each insurer sold five different types of insurance policies and added a late fee to each, an additional 7,000 forms would be filed.

Special fund expenditures could increase by an estimated \$133,000 in fiscal 2001, which accounts for the bill's October 1, 2000, effective date. This estimate reflects the cost of hiring one actuary, one insurance analyst, and one investigator to review the fees, review and process the forms, and process consumer complaints. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$123,500
Operating Expenses	<u>9,500</u>
<b>Total FY 2001 State Expenditures</b>	<b>\$133,000</b>

Future year expenditures reflect: (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

MIA is a special fund agency. It receives its revenues from filing fees and an annual assessment on insurers. Any costs associated with this bill not accounted for by filing fees would be passed on to insurers through an increase in MIA's annual assessment. Conversely, if filing fee revenues exceed costs, MIA's assessment on insurers would be adjusted downward accordingly.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 18, 2000  
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