

MARTIN O'MALLEY
Governor

ANTHONY G. BROWN
Lt. Governor



THERESE M. GOLDSMITH
Commissioner

KAREN STAKEM HORNIG
Deputy Commissioner

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202
Direct Dial: 410-468-2010 Fax: 410-468-2020
Email: khornig@mdinsurance.state.md.us
1-800-492-6116 TTY: 1-800-735-2258
www.mdinsurance.state.md.us

BULLETIN 11-33

To: All Premium Finance Companies and All Interested Parties

Re: Premium Finance Agreements

Date: December 22, 2011

The Maryland Court of Appeals issued a decision on December 21, 2011 in the case of *Maryland Insurance Commissioner v. Central Acceptance Corporation et al.*, which upheld the Maryland Insurance Commissioner's October 6, 2008 Cease and Desist Order that found that nine (9) Premium Finance Companies ("PFCs") were calculating and collecting interest on premium finance agreements ("PFAs") in excess of the statutory maximum. A copy of the Order can be found at <http://www.mdinsurance.state.md.us/sa/documents/MIA-2008-10-003-011-PFCinterest.pdf>

The purpose of this Bulletin is to reiterate that § 23-304 of the Insurance Article states that finance charges of PFAs are to be computed "at a rate not exceeding 1.15% for each 30 days, charged in advance." In those cases where the PFA is terminated before the end of its term, PFCs must ensure that the interest charged on a cancelled PFA does not exceed the statutory maximum of 1.15% for each 30 days that the PFA was in effect.

To assist the Commissioner in enforcing compliance with this statutory requirement, all PFAs filed with the Maryland Insurance Administration for prior approval must include an explanatory statement describing the exact method the PFC will employ to calculate the interest at a rate that does not exceed 1.15% for each 30 day period. Each PFC will be held accountable for the answers it provides and these answers will be examined and reviewed by the Compliance and Enforcement Division of the Maryland Insurance Administration for verification that PFCs are not charging interest in excess of the statutory maximum.

As set forth in the Court of Appeals opinion, a PFC may assess an interest charge where a policy is declared void *ab initio* only for the period during which the money was advanced so long as the finance charges do not exceed 1.15% for each 30 days.

Should you have any questions concerning this Bulletin, please contact Emarie Payne, Associate Commissioner of Property & Casualty by email at epayne@mdinsurance.state.md.us or by telephone at 410-468-2008.

By: Signature on Original
Therese M. Goldsmith
Insurance Commissioner