

Market Conduct Final Examination Report

ASSOCIATED ACCEPTANCE OF FLORIDA

Florida Company Code: 04470

January 4, 2023



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Executive Summary

A market conduct examination of Associated Acceptance of Florida, Inc., (“Associated Acceptance” or “Company”) was performed to ascertain the Company’s compliance with the applicable provisions of the Florida Insurance Code as required by Section 627.834, Florida Statutes (“F.S.”).

Company Operations

Associated Acceptance is a foreign Premium Finance Company licensed to offer premium finance agreements in Florida on May 13, 2011. Associated Acceptance finances 12-month commercial trucking and motor cargo carrier insurance policies written through its affiliated agent, Associated Acceptance, d/b/a Rush Truck Insurance Services, Inc., which are usually placed by a broker with a surplus lines insurer. When notified by the agent of an executed premium finance agreement, the finance company issues funding to the agent. The agent submits premiums and coverage applications through brokers and insurers. Return premiums are channeled from the insurer back to the broker or agent. The agent is responsible for returning premiums to Associated Acceptance who, upon receipt of returned premium, issues refunds directly to the policyholder unless otherwise directed by the insured.

Total Premiums Receivable in Florida during the examination scope period was as follows:

Year	Total Premiums Receivable in Florida (Per Schedule A of the Annual Report)
2021	\$3,000,721
2020	\$3,036,421
2019	\$2,260,344

Section 627.828(1), F.S. requires premium finance companies to maintain a net worth of \$35,000 or a net worth of \$10,000 if a surety bond or other acceptable collateral is approved by the Florida Office of Insurance Regulation. The Company met the requirements of Section 627.828(1), F.S. by reporting the following statutory net worth:

Year	Statutory Net Worth as of December 31 st (Per the Balance Sheet of the Annual Report)
2021	\$2,574,918
2020	\$2,206,812
2019	\$1,785,408

Section 627.836(2), F.S. requires premium finance companies to file an annual report with the Florida Office of Insurance Regulation and remit the annual report filing fee to the Florida Department of Financial Services (“DFS”) by March 1st of each year. The Company’s filing and remittance history during the examination scope period was as follows:

Year	Date Annual Report Filed with OIR	Date Annual Report Filing Fees Remitted to DFS
2021	02/28/2022	02/28/2022
2020	03/10/2021	03/08/2021
2019	01/27/2020	01/23/2020

Finding 1: The examiners determined that in two instances out of the six filings reviewed, an error of 33.3%, the Company did not timely file the annual report and did not timely remit the annual report filing fee by March 1st of 2021, as required by Section 627.836(2), F.S.

Purpose and Scope of the Examination

The Florida Office of Insurance Regulation (“OIR”) has primary responsibility for the regulation, compliance and enforcement of statutes related to the business of insurance premium financing and the monitoring of industry markets. Due to this responsibility, OIR conducted a market conduct examination of Associated Acceptance pursuant to Section 627.834, F.S. The examination scope period was from January 1, 2019, to December 31, 2021. The examination was performed by members of OIR’s Property and Casualty Market Regulation business unit.

The purpose of a market conduct examination is to review the premium finance company’s operating practices to determine if they comply with the applicable provisions of the Florida Insurance Code, rules related to the business of insurance premium financing, the provisions contained within a premium finance contract issued by the Company, or orders issued by OIR. A common element of all market conduct examinations is to evaluate a premium finance company’s business practices to promote the protection of insurance-buying consumers and to hold entities regulated by OIR accountable when issues or violations are found.

The examination began April 1, 2022, and ended October 14, 2022. The last examination of Associated Acceptance was completed as of December 31, 2018. That examination concluded the Company’s records were in good standing.

Complaint Statistics

As of December 31, 2021, DFS Division of Consumer Services reported receiving zero complaints related to premium finance agreements issued by Associated Acceptance to consumers during the examination scope period.

Complaints Reported to DFS by Consumers	
Year	Number of Complaints
2021	0
2020	0
2019	0

Examination Procedures

The conduct of this examination and the procedures, statistical sampling and examination processes used were consistent with and in accordance with those standards and procedures contained in the *Market Regulation Handbook* promulgated by the National Association of Insurance Commissioners (“NAIC”).

In preparation for the examination, the Company was requested to provide the total number, or universe, of premium finance agreements entered into during the examination’s scope period. The Company was also requested to identify premium finance agreements that were cancelled or received a refund from an insurer prior to the end of the premium finance agreement’s contract term. The Company reported entering into a total of 445 premium finance agreements during the examination scope period. Of the 445 premium finance agreements, 170 premium finance agreements were either cancelled and received refunds or received a refund or credit for other reasons from the insurer or premium finance company prior to the end of the agreement’s term.

To facilitate a thorough review of the Company’s premium finance agreements and corresponding documentation, the total universe of premium finance agreements was divided into two categories: Premium Finance Agreements and Cancellations and Refunds. Each of the two categories were evaluated for compliance with the Florida Insurance Code.

The Company reported the universe of premium finance agreements for each category as follows:

- 275 Premium Finance Agreements; and
- 170 Cancellations and Non-Cancellation Return Refunds.

For purposes of this examination, the two categories were defined as follows:

- Premium Finance Agreements: The initial premium finance agreement entered into during the examination scope period that completed the full term of the agreement (the premium finance agreement was not cancelled midterm, or the consumer was not eligible for a refund); and
- Cancellation and Refunds: The initial premium finance agreements entered into during the examination scope period that were either cancelled prior to the end of the agreement’s term or were eligible for a refund from an insurer or the premium finance company.

The NAIC’s *Market Regulation Handbook* provides guidance regarding sampling methods utilized during market conduct examinations. A minimum confidence level of 95% is used to make inferences when a universe population is greater than 200 and permits those results to be extrapolated to the population of all premium finance agreements. The examiners reviewed a total of 254 randomly selected premium finance agreements. The number of randomly selected premium finance agreements in each sample is consistent with the recommended sample size for non-claims in the NAIC’s *Market Regulation Handbook’s* Acceptance Samples Table. Based on the total universe of Associated Acceptance’s premium finance agreements subject to this examination, the total sample size required to achieve a 95% confidence level in both categories was determined to be 254.

The 254 randomly selected premium finance agreements consisted of:

- 84 premium finance agreements; and
- 170 cancellation and refund agreements.

In reviewing materials for this report, the examiners relied on records and information provided by the Company.

Findings

Premium Finance Agreements

This portion of the examination focused on the Company's use of approved forms and rates and evaluated specific statutory components required by the Company in the execution of premium finance agreements, including but not limited to finance charges, service fees, late and non-sufficient fund fees, and products financed. To determine the Company's adherence to these statutory requirements, the examiners reviewed and analyzed each sampled premium finance agreement to determine if the agreement was executed in compliance with the Florida Insurance Code.

Finding 2: The examiners determined that in one instance out of 84 premium finance agreements reviewed, an error percentage of 1.2%, the Company assessed finance charges greater than the maximum amount allowed by Section 627.840(3)(b), F.S.

Company Response: The Company agreed with the finding.

Finding 3: The examiners determined that in 29 instances out of the 84 premium finance agreements reviewed, an error percentage of 34.5%, the premium finance agreement was not signed by or on behalf of the insured, as required by Section 627.839(1), F.S.

Company Response: The Company agreed with the findings.

Cancellations and Refunds

This portion of the examination focused on the Company's premium finance agreements entered into during the examination scope period that were either cancelled prior to the end of the agreement's term or were eligible for a refund from an insurer to determine compliance with the Florida Insurance Code. The review evaluated specific statutory components pertaining to cancellations and refunds.

Finding 4: The examiners determined that in 66 instances out of the 170 premium finance agreements reviewed, an error percentage of 38.8%, the Company did not maintain in its files a certificate of mailing reflecting that a 10-Day Intent to Cancel Notice was mailed to the last known address of the insured, as required by Rule 69O-196.002(2), F.A.C.

Company Response: The Company agreed with the finding.

Finding 5: The examiners determined that in seven instances out of the 170 premium finance agreements reviewed, an error percentage of 4.1%, the Company assessed nonsufficient funds (“NSF”) fees in excess of the statutory limits allowed by Section 627.841(4), F.S.

Company Response: The Company agreed with the findings.

Finding 6: The examiners determined that in 48 instances out of the 170 premium finance agreements reviewed, an error percentage of 28.2%, the premium finance agreement was not signed by or on behalf of the insured, as required by Section 627.839(1), F.S.

Company Response: The Company agreed with the finding.

Recommendations

The following recommendations were compiled from the Findings contained within this report and observations noted during the examination. The Company is to provide a written report to OIR of actions taken on each Recommendation within 60 days of the Company’s receipt of the Final Examination Report.

It is recommended that the Company:

- Ensure that annual reports are filed with OIR and annual report filing fees are remitted to DFS by March 1st of each year;
- Ensure that finance charges are not assessed in excess of statutory limits;
- Ensure that all premium finance agreements are signed by or on behalf of the insured;
- Ensure that records for the certificate of mailing of the 10 days’ written notice of intent to cancel the insurance contract are properly maintained; and
- Ensure that NSF charges are not assessed in excess of statutory limits.

Conclusion

This market conduct examination of Associated Acceptance of Florida, Inc., was designed to review and evaluate whether the Company’s handling of premium finance agreements was in compliance with the provisions of the Florida Insurance Code. During the examination, OIR identified findings and made recommendations for remediation to be implemented by the Company.

This examination report and the observations contained therein are the result of a factual, data-driven analysis of the Company’s premium finance agreements and practices related to the cancellation and refund of premiums to consumers. This report contains a number of recommendations for improvement that should be implemented by the Company. It does not document what regulatory or administrative action may be taken by the Office. Any such action taken as a result of this market conduct examination will be the subject of a separate Order issued by the Office.

Examination Final Report Submission

The Office hereby issues the Final Report based upon information from the draft report, additional research conducted by the Office, and additional information provided by the Company.



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