

*Market Conduct Final Examination Report*  
*CAPITAL PREMIUM FINANCE, INC.,*  
*Florida Company Code: 89649*  
*Date: August 22, 2023*

---



## Table of Contents

|   |          |
|---|----------|
| <b>Executive Summary .....</b>                    | <b>2</b> |
| <b>Company Operations.....</b>                    | <b>2</b> |
| <b>Purpose and Scope of the Examination .....</b> | <b>3</b> |
| <b>Complaint Statistics .....</b>                 | <b>3</b> |
| <b>Examination Procedures .....</b>               | <b>4</b> |
| <b>Findings.....</b>                              | <b>5</b> |
| <b>Recommendations .....</b>                      | <b>5</b> |
| <b>Conclusion .....</b>                           | <b>5</b> |
| <b>Examination Final Report Submission .....</b>  | <b>6</b> |

## Executive Summary

A market conduct examination of Capital Premium Finance, Inc., (“Capital Premium” 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(2), Florida Statutes (“F.S.”).

## Company Operations

Capital Premium is a domestic Premium Finance Company licensed to offer premium finance agreements in Florida on June 19, 2008. Capital Premium generally finances 12 month commercial and personal lines property and casualty insurance policies. Mr. James Sweat serves as Chief Executive Officer and holds 100% ownership of the Company. Refunds are generally made directly to the insured.

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

| Year | Total Premiums Receivable in Florida<br>(Per Schedule A of the Annual Report) |
|------|---|
| 2022 | \$8,297,980   |
| 2021 | \$7,320,625   |
| 2020 | \$7,364,830   |
| 2019 | \$7,455,994   |

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 (“OIR”). 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 <sup>st</sup><br>(Per the Balance Sheet of the Annual Report) |
|------|---|
| 2022 | \$2,510,044   |
| 2021 | \$2,115,678   |
| 2020 | \$1,723,120   |
| 2019 | \$1,326,122   |

Section 627.836(2), F.S. requires premium finance companies to file an annual report with OIR and remit the annual report filing fee to the Florida Department of Financial Services (“DFS”) by March 1<sup>st</sup> of each year. The company made the following filings during the examination scope period as follows:

| Year | Date Annual Report Filed with OIR | Date Annual Report Filing Fees Remitted to DFS |
|------|-----------------------------------|--|
| 2022 | 02/23/2023                        | 03/02/2023                                     |
| 2021 | 02/24/2022                        | 02/25/2022                                     |
| 2020 | 03/05/2021                        | 03/02/2021                                     |
| 2019 | 02/13/2020                        | 02/13/2020                                     |

**Finding 1:** The examiners determined that in three instances the Company did not file the Annual Report with OIR or remit the Annual Report filing fees to DFS by March 1<sup>st</sup>, as required by Section 627.836(2), F.S.

## Purpose and Scope of the Examination

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. OIR is required to examine each premium finance company not less frequently than every three years, pursuant to Section 627.834(2), F.S. Due to this responsibility, OIR conducted a market conduct examination of Capital Premium. The examination scope period was from January 1, 2019, to December 31, 2022. 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 3, 2023 and ended August 22, 2023. The last examination of Capital Premium was completed as of December 31, 2018. That examination concluded the records of the Company appeared in good standing.

## Complaint Statistics

As of December 31, 2022, DFS Division of Consumer Services reported receiving five complaints relating to Capital Premium during the examination scope period.

| Complaints Reported to DFS by Consumers |                      |
|---|----------------------|
| Year                                    | Number of Complaints |
| 2022                                    | 1                    |
| 2021                                    | 2                    |
| 2020                                    | 0                    |
| 2019                                    | 2                    |

A review of the Company's consumer complaints by reason category, as assigned by DFS, reflect that:

- Two complaints, or 40% of all complaints, were reported by consumers experiencing premium issues;
- One complaint, or 20% of all complaints was reported by a consumer experiencing a cancellation issue;
- One complaint, or 20% of all complaints, was reported by a consumer experiencing a coverage issue; and
- One complaint, or 20% of all complaints, was reported by a consumer experiencing an issue with their agent.

As of the date of this report, the complaints were closed after DFS obtained a refund for one consumer or after DFS explained the Company's position to the consumer. Three notices were issued to OIR of alleged violations of the Florida Insurance Code. The notices issued to OIR were reviewed based on the scope of this examination.

## 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 reported entering into a total of 16,196 premium finance agreements during the examination scope period.

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 116 randomly selected premium finance agreements. The number of randomly selected premium finance agreements in the sample is consistent with the recommended sample size for non-claims in the NAIC's *Market Regulation Handbook's* Acceptance Samples Table. Examination results with a 95% confidence level permit those results to be extrapolated to the population of non-claims in the premium finance agreement categories. Based on the total universe of Capital Premium's premium finance agreements subject to this examination, the total sample size required to achieve a 95% confidence level was determined to be 116.

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

## Findings

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 116 premium finance agreements reviewed, an error percentage of 0.86%, the Company accepted an agreement in which the service charges assessed exceeded statutory limits, as prohibited by Section 627.840(3)(b), 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 and annual report filing fees are remitted to OIR and DFS annually by March 1<sup>st</sup>; and
- Ensure service charges are assessed within statutory guidelines.

## Conclusion

This market conduct examination of Capital Premium Finance, 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. 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 OIR. Any such action taken as a result of this market conduct examination will be the subject of a separate Order issued by OIR.

## Examination Final Report Submission

OIR hereby issues this final report based upon information from the draft report, additional research conducted by OIR, and additional information provided by the Company.



[www.FLOIR.com](http://www.FLOIR.com)

J. Edwin Larson Building  
200 E. Gaines Street  
Tallahassee, Florida 32399  
Phone: (850) 413-3140

