

*Market Conduct Final Examination Report*

*INSURANCE PREMIUM FINANCING, INC.*

*Florida Company Code: 34270*

*March 16, 2023*

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## Executive Summary

A market conduct examination of Insurance Premium Financing, Inc., (“IPFI” 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

IPFI is a foreign Premium Finance Company licensed to offer premium finance agreements in Florida on July 17, 2018. The Company is 100% owned by John T. Yurconic. IPFI finances 12-month commercial liability medical malpractice insurance policies written through an unaffiliated agent, The Yurconic Agency. IPFI issues refunds directly to the policyholder.

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) |
|------|---|
| 2021 | \$171,393   |
| 2020 | \$127,073   |
| 2019 | \$119,494   |

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) |
|------|---|
| 2021 | \$75,036  |
| 2020 | \$52,038  |
| 2019 | \$84,598  |

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’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 | 05/23/2022                        | 05/12/2022                                     |
| 2020 | 11/03/2022                        | 05/12/2022                                     |
| 2019 | 05/23/2022                        | 05/12/2022                                     |

**Finding 1:** The examiners determined that in six instances out of six filings reviewed, an error percentage of 100%, the Company did not timely file the annual reports or the annual report filing fees prior to March 1<sup>st</sup> of each year, 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. Due to this responsibility, OIR conducted a market conduct examination of IPFI 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 February 21, 2023. The last examination of IPFI 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 IPFI 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 200 premium finance agreements during the examination scope period. Of the 200 premium finance agreements, 33 premium finance agreements were either cancelled or received a refund 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:

- 167 Premium Finance Agreements; and
- 33 Cancellations and 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. In this instance, the total universe of premium finance agreements is 200. As a result, all 200 premium finance agreements were reviewed and tested for compliance with the Florida Insurance Code.

The 200 premium finance agreements consisted of:

- 167 premium finance agreements; and
- 33 cancellations and refunds.

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.

No exceptions were noted.

### 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 2:** The examiners determined that in seven instances out of 33 premium finance agreements reviewed, an error percentage of 21.21%, 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), Florida Administrative Code).

**Company Response:** The Company agreed with the finding.

**Finding 3:** The examiners determined that in six instances out of 33 premium finance agreements reviewed, an error percentage of 18.18%, the Company did not issue refunds within 15 days after the accounts had been overpaid, as required by Section 627.848(1)e, 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 all annual reports are filed with OIR and annual report filing fees are remitted to DFS by March 1<sup>st</sup> each year;
- Ensure that certificates of mailing reflecting that a 10-Day Intent to Cancel Notice was mailed to the last known address of the insured are maintained in each file; and
- Ensure that all refunds for overpaid accounts are issued within 15 days.

## **Conclusion**

This market conduct examination of Insurance Premium Financing, 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 this Final Report based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company



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