



INFORMATIONAL MEMORANDUM

OIR – 04-001M

ISSUED

May 24, 2004

Office of Insurance Regulation

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Director

Premium Finance Companies

Service Charge and Additional Charge Limitations

The purpose of this memorandum is (1) to inform premium finance companies of statutory limitations on amounts they can charge consumers, and (2) to inform companies of administrative action that may result from failure to comply with such limitations.

Background:

Section 627.840(3)(b), Florida Statutes, and Section 690-196.038, Florida Administrative Code, place certain limitations on the amount of service charge and other charges premium finance companies are allowed to charge consumers.

Pursuant to this statute and rule, the service charge shall not exceed \$12 per \$100 (of premium) per year, plus an additional charge not exceeding \$20. Such additional charge may be charged only **once** in a 12-month period for any one customer. The only exception is if a customer's policy has been cancelled due to nonpayment within the immediately preceding 12-month period.

It has come to the attention of the Office of Insurance Regulation that some companies are exceeding the \$20 additional charge limitation by charging the same customer an additional charge more than once during a 12-month period. One example of overcharging is when a customer has two 6-month policies during a 12-month period, and a \$20 additional charge is assessed for each policy financed.

Please refer to Sections 627.840, Florida Statutes and 690-196, Florida Administrative Code in their entirety for additional provisions on charges to consumers.

Requirement:

Premium Finance Companies should ensure that the necessary controls are in place to safeguard against overcharging for financing of premiums. Please be advised that failure to comply with statutory limitations will result in appropriate administrative action being taken by the Office of Insurance Regulation. Such administration action may include but is not limited to fines, penalties, and restitution.

If you have any questions regarding this Informational Memorandum, please contact Sandra DuPont, Financial Administrator, Bureau of Specialty Insurers, Florida Office of Insurance Regulation at (850) 413-2404.