

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

CHAPTER 15
INSURANCE PREMIUM FINANCE COMPANIES

500.1501 Inapplicability of chapter.

Sec. 1501. This chapter shall not apply with respect to:

(a) An insurance company authorized to do business in the state or a subsidiary of an authorized insurer admitted in this state or a corporation under substantially the same management or control as an admitted authorized insurer or group of insurers, which subsidiary, managed or controlled company is engaged in the business of financing insurance premiums on policies issued only by its parent insurer or affiliated group of insurers, subject to section 1508(3).

(b) A bank, industrial bank, trust company, safe and collateral deposit company, small loan company, credit union, building and loan association, finance company, or cooperative savings association authorized to do business in the state.

(c) The inclusion of a charge for insurance in connection with an installment sale of a motor vehicle made in accordance with Act No. 27 of the Public Acts of the Extra Session of 1950, as amended, being sections 492.101 to 492.138 of the Michigan Compiled Laws.

(d) The financing of insurance premiums in accordance with Act No. 326 of the Public Acts of 1966, as amended, being sections 438.31 to 438.33 of the Michigan Compiled Laws, relating to legal interest rate.

(e) Any insurance agent or agency, or any wholly owned premium finance company of an insurance agent or agency, financing only insurance premiums on business produced by the agent or agency.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968;—Am. 1976, Act 273, Eff. Apr. 1, 1977.

Popular name: Act 218

500.1501a Financial institutions; application of chapter.

Sec. 1501a. Nothing in this chapter shall limit or interfere with any bank, company or association described in subsection (b) of section 1501 as to any business which it is otherwise authorized to conduct, including the financing of insurance premiums. Nothing in this chapter shall prevent any such bank, company or association, if otherwise permitted by law and regulation, from qualifying under this chapter as an insurance premium finance company.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968.

Popular name: Act 218

500.1502 Insurance premium finance companies; definitions.

Sec. 1502. As used in this chapter:

(a) "Insurance premium finance agreement" means an agreement by which an insured or prospective insured promises to pay to a premium finance company the amount advanced or to be advanced under the agreement to an insurer or to an insurance agent in payment of premiums on an insurance contract together with a service charge as authorized and limited by this chapter.

(b) "Insurance premium finance company" means a person engaged in the business of entering into insurance premium finance agreements.

(c) "Licensee" means a premium finance company holding a license issued by the commissioner under this chapter.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968.

Popular name: Act 218

500.1503 License requirements; violation, penalty; fees, renewal, application.

Sec. 1503. (1) No person, except those excluded by section 1501, shall engage in the business of financing insurance premiums in this state without first having obtained a license as a premium finance company from the commissioner. Any person who shall engage in the business of financing insurance premiums in this state without obtaining a license, upon conviction as provided in section 230, shall be subject to a fine of not more than \$200.00.

(2) The annual license fee shall be \$200.00. Licenses may be renewed from year to year as of April 1 of each year upon payment of the fee of \$200.00. The fee for the license shall be paid through the commissioner to the state treasury.

(3) Each applicant shall file sworn answers, subject to the penalties of perjury, to such interrogatories as

the commissioner may require. The commissioner at any time may require the applicant fully to disclose the identity of all stockholders, partners, officers and employees and he may refuse to issue or renew a license in the name of any firm, partnership or corporation if he is not satisfied that any officer, employee, stockholder or partner thereof who may materially influence the applicant's conduct meets the standards of this chapter.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968.

Popular name: Act 218

500.1504 License investigation of applicant; issuance, grounds, hearing, bond.

Sec. 1504. (1) Upon the filing of an application and the payment of the license fee the commissioner shall make an investigation of each applicant and shall issue a license if the applicant is qualified in accordance with this chapter. If the commissioner does not so find, he shall, within 30 days after he has received the application, at the request of the applicant, give the applicant a full hearing.

(2) The commissioner shall issue or renew a license as may be applied for when he is satisfied that the applicant is competent and trustworthy, has a good business reputation and has had experience, training or education in the business for which the license is applied, if a corporation, is a corporation incorporated under the laws of this state or admitted to do business in this state, and has proven in form satisfactory to the commissioner, that he has paid-up capital and surplus of \$50,000.00, if a corporation, or net worth if an individual or copartnership of \$50,000.00 which shall be maintained, and that allowing the applicant to engage in the business will promote the convenience and advantage of the community in which the business of the applicant is to be conducted. A \$10,000.00 cash or corporate surety bond shall be deposited with the state treasurer for the benefit of any or all borrowers, who may become creditors of the premium finance company.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968.

Popular name: Act 218

500.1505 Premium finance company; license; revocation or suspension; grounds; hearing; penalty; appeal; remuneration; applicability of subsection (4).

Sec. 1505. (1) The commissioner may revoke or suspend the license of a premium finance company if after investigation it appears to the commissioner that any of the following has occurred:

(a) Any license issued to the company was obtained by fraud.

(b) There was any misrepresentation in the application for the license.

(c) The holder of the license has otherwise shown himself or herself untrustworthy or incompetent to act as a premium finance company.

(d) The company has violated any of the provisions of this chapter or the rules and regulations promulgated under this chapter.

(e) Except as otherwise provided in subsection (4), the company has remunerated any insurance producer or any employee of an insurance producer or any other person as an inducement to the financing of any insurance policy with the premium finance company. Except, that if the insurance producer prepares the premium finance agreement, the premium finance company may pay him or her a service fee not to exceed \$2.00.

(2) Before the commissioner revokes, suspends, or refuses to renew the license of a premium finance company, he or she shall give to the person an opportunity to be fully heard and to introduce evidence on its behalf. Instead of revoking or suspending the license for any of the reasons listed in subsection (1), after a hearing, the commissioner may subject the company to a penalty of not more than \$200.00 for each offense with a total not to exceed \$1,000.00 when in his or her judgment the commissioner finds that the public interest would not be harmed by the continued operation of the company. The amount of any penalty shall be paid by the company through the office of financial and insurance regulation to the state treasury. At any hearing provided by this section, the commissioner shall have authority to administer oaths to witnesses. Anyone testifying falsely, after having been administered an oath, is subject to the penalty of perjury.

(3) If the commissioner refuses to issue or renew a license or if an applicant or licensee is aggrieved by any action of the commissioner, the applicant or licensee shall have the right to a hearing and court proceeding as provided for in section 244.

(4) Subsection (1)(e) does not prohibit a premium finance company that is majority owned by insurance producers from remunerating any of its insurance producer owners. This subsection does not apply to a premium finance company that is involved in any manner in financing life insurance or annuity policies or contracts.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968;—Am. 2011, Act 75, Imd. Eff. July 12, 2011.

Popular name: Act 218

500.1506 Premium finance transaction records; examination; preservation.

Sec. 1506. (1) A licensee shall maintain records of its premium finance transactions and the records shall be open to examination and investigation by the commissioner. The commissioner may at any time require a licensee to bring records as the commissioner may direct to the commissioner's office for examination.

(2) A licensee shall preserve its records of premium finance transactions, including cards used in a card system, for at least 3 years after making the final entry in respect to a premium finance agreement. The preservation of records in the form of reproductions pursuant to the records media act constitutes compliance with this requirement, except that a record shall not be reduced to such form until at least 2 years after the final entry is made in the record.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968;—Am. 1992, Act 200, Imd. Eff. Oct. 5, 1992.

Popular name: Act 218

500.1507 Insurance commissioner; regulatory powers.

Sec. 1507. The commissioner may make and enforce such reasonable rules and regulations as may be necessary in making effective the provisions of this chapter, but such rules and regulations shall not be contrary to nor inconsistent with the provisions of this chapter. The rules shall be promulgated in accordance with the provisions of Act No. 88 of the Public Acts of 1943, as amended, being sections 24.71 to 24.80 of the Compiled Laws of 1948, and subject to Act No. 197 of the Public Acts of 1952, as amended, being sections 24.101 to 24.110 of the Compiled Laws of 1948.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968.

Popular name: Act 218

500.1508 Premium finance agreement; requirements; specifications; items; subsidiary companies.

Sec. 1508. (1) A premium finance agreement shall:

(a) Be dated, signed by or on behalf of the insured, and the printed portion thereof shall be in at least 8-point type.

(b) Contain the name and place of business of the insurance agent negotiating the related insurance contract, the name and residence or the place of business of the insured as specified by him, the name and place of business of the premium finance company to which payments are to be made, a description of the insurance contracts involved and the amount of the premium therefor.

(c) Set forth the following items where applicable:

(i) The total amount of the premiums,

(ii) The amount of the down payment,

(iii) The balance of premiums due, the difference between items (i) and (ii),

(iv) The amount of the service charge, or other charges for each installment to be paid pursuant to the terms of the contract and the total charges to be paid for the duration of the contract,

(v) The balance payable by the insured, sum of items (iii) and (iv),

(vi) The number of installments required, the amount of each installment expressed in dollars, and the due date or period thereof.

(2) The items set out in subdivision (c) of subsection (1) need not be stated in the sequence or order in which they appear in the clause, and additional items may be included to explain the computations made in determining the amount to be paid by the insured.

(3) A subsidiary of an authorized insurer or a corporation under substantially the same management or control as an authorized insurer or group of authorized insurers may finance insurance premiums on insurance policies issued on business produced by such authorized insurer or group of insurers under an open-end, revolving credit plan wherein credit is advanced for the payment of insurance premiums from time to time, without being required to comply with the provisions of paragraphs (1) and (2) of this section if the service charge made under such premium finance agreement shall not exceed the service charge permitted under section 1509.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968.

Popular name: Act 218

500.1509 Premium finance company; authorized charges; service charge; amending original contract where balance of premium due changed.

Sec. 1509. (1) A premium finance company shall not charge, contract for, receive, or collect any charge

other than as permitted by this chapter.

(2) The service charge shall be computed on the balance of the premiums due, after subtracting the down payment made by the insured in accordance with the premium finance agreement, from the effective date of the insurance coverage, for which the premiums are being advanced, to and including the date when the final installment of the premium finance agreement is payable.

(3) Except as provided in subsection (4), the service charge shall be a maximum of \$12.00 per \$100.00 per year plus an additional charge of \$18.00 per premium finance agreement. The \$18.00 need not be refunded upon cancellation or prepayment. Notwithstanding the provisions of any premium finance agreement to the contrary, any insured may pay the agreement in full at any time before the maturity of the final installment of the balance thereof and shall receive a refund of the unearned service charge which shall represent at least as great a proportion of the service charge after first deducting therefrom an acquisition cost of not more than \$18.00 as:

(a) The sum of the monthly balances under the schedule of payments in the finance agreement beginning as of the date after the prepayment which is the next succeeding monthly anniversary date of the due date of the first installment under the agreement, or, if the prepayment is prior to the due date of the first installment under the agreement, then as of the date after the prepayment which is the next succeeding monthly anniversary date of the date of the agreement, bears to;

(b) The sum of all the monthly balances under the schedule of installment payments in the agreement. Where the amount of refund is less than \$3.00, a refund need not be made.

(4) When the balance of premiums due is less than \$100.00 and is:

(a) To be paid in 3 monthly installments or less, the maximum service charge shall be \$15.00.

(b) To be paid in 4 or 5 monthly installments, the maximum service charge shall be \$17.00.

(5) The service charge shall be computed at the time of making the contract of insurance.

(6) If the balance of premium due is changed, an amendment shall be added to the original contract setting forth the items required in section 1508(1)(c).

History: Add. 1968, Act 352, Eff. Nov. 15, 1968;—Am. 1982, Act 143, Imd. Eff. Apr. 28, 1982.

Compiler's note: In subsection (2) of this section, the word "subtracting" evidently should read "subtracting".

Popular name: Act 218

500.1510 Insurance premium finance agreement; delinquency charge; cancellation charge.

Sec. 1510. (1) An insurance premium finance agreement may provide for the payment by the insured of a delinquency charge of \$1.00 to a maximum of 5% of the amount of the delinquent installment payment on any installment payment that is in default for a period of 10 days or more. However, an insurance premium finance agreement shall not provide for the payment by the insured of a delinquency charge that exceeds \$5.00 on any installment that is in default for a period of 10 days or more for either of the following:

(a) An insurance premium finance agreement that finances an insurance contract primarily for a personal, family, or household purpose.

(b) An insurance premium finance agreement, the annual premium of which does not exceed \$10,000.00, that is issued to a nonprofit organization exempt from taxation under section 501 of the internal revenue code of 1986, 26 U.S.C. 501.

(2) If a default under subsection (1) results in the cancellation of any insurance contract listed in the agreement, the agreement may provide for the payment by the insured of a cancellation charge equal to the difference between any delinquency charge imposed in respect to the installment in default and \$5.00.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968;—Am. 1994, Act 6, Imd. Eff. Feb. 24, 1994.

Popular name: Act 218

500.1511 Premium finance agreement; cancellation of insurance, procedure, notice, refund.

Sec. 1511. (1) When a premium finance agreement empowers the premium finance company to cancel any insurance contract or contracts listed in the agreement, the insurance contract or contracts shall not be canceled by the premium finance company unless such cancellation is effectuated in accordance with this section.

(2) Not less than 10 days' written notice shall be mailed to the insured of the intent of the premium finance company to cancel the insurance contract unless the default is cured within the 10-day period.

(3) After expiration of the 10-day period, the premium finance company may request cancellation of the insurance contract by mailing to the insurer a notice of cancellation, and the insurance contract shall be cancelled by the insurer without requiring the return of the insurance contract. The premium finance company shall also mail a notice of cancellation to the insured at his last known address at the same time the premium

finance company requests cancellation of the insurance contract.

(4) All statutory, regulatory and contractual restrictions providing that the insurance contract may not be canceled unless notice is given to a governmental agency, mortgagee or other third party shall apply where cancellation is effected under the provisions of this section. The insurer shall give the prescribed notice in behalf of itself or the insured to any governmental agency, mortgagee or other third party on or before the second business day after the day it receives the notice of cancellation from the premium finance company and shall determine the effective date of cancellation taking into consideration the number of days' notice required to complete the cancellation.

(5) Whenever a financed contract is canceled, the insurer shall return whatever gross unearned premiums are due under the insurance contract to the premium finance company for the account of the insured.

(6) If the crediting of return premiums to the account of the insured results in a surplus over the amount due from the insured, the premium finance company shall refund the excess to the insured, but no refund shall be required if it amounts to less than \$1.00.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968.

Popular name: Act 218

500.1512 Premium finance agreement; filing not required.

Sec. 1512. No filing of the premium finance agreement shall be necessary to perfect the validity of such agreement as a secured transaction as against creditors, subsequent purchasers, pledgees, encumbrances, successors or assigns.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968.

Popular name: Act 218

500.1513 Existing companies; license, fee.

Sec. 1513. Any person who has been engaged in the business as a premium finance company in this state which premium finance company has paid-up capital and surplus of at least \$20,000.00 and whose fiscal solvency, general operation and financial condition has been investigated or audited and approved by the commissioner on written request and payment of the annual license fee made within 60 days of the effective date of this chapter shall be entitled to a license notwithstanding any other provisions of this chapter. Any premium finance company licensed pursuant to this section, the capital and surplus of which is less than \$50,000.00 shall increase its capital and surplus to at least \$50,000.00 within 2 years of the date of issuance of its first license hereunder and upon failure to do so such license shall not be further renewed. Nothing in this section shall prevent such company thereafter from being licensed under this act.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968.

Popular name: Act 218

500.1514 Insurance commissioner and employees; statement of expenses and charges, payment; employment of expert personnel.

Sec. 1514. (1) All actual and necessary expenses incurred by the commissioner, his deputies, assistants, and employees, or the commissioner himself, in connection with the regulation, examination, or investigation of any licensed premium finance company pursuant to this code shall be certified by the commissioner, together with an appropriate statement of the time spent by such persons, upon such regulation, examination, or investigation, to the accounting division of the department of administration, who, if correct, shall approve it and the expenses shall be paid to the persons by whom they were incurred, upon the warrant of the state treasurer.

(2) The insurance commissioner shall prepare and present to the premium finance company so regulated, examined, or investigated, the statement of such expenses and charges sufficient to defray all of the costs to the state of each person engaged in such regulation, examination, or investigation and that of any administrative or supervisory personnel utilized in connection therewith, and the applicant or licensed premium finance company, upon receiving such statement shall pay to the commissioner the amount stated therein. The commissioner shall deposit the funds so received with the state treasurer to be credited by him to the general fund.

(3) The commissioner may employ such expert personnel as may be necessary for other than routine regulation; examination, or investigation of any applicant for license or licensed premium finance company, and the compensation and expenses of such expert personnel shall be that charged by the expert personnel. Charges hereunder shall be accounted, charged, and paid in the same manner as provided in subsections (1) and (2) above.

History: Add. 1968, Act 352, Eff. Nov. 15, 1968.

Popular name: Act 218