STATE OF MISSISSIPPI
DEPARTMENT OF BANKING AND CONSUMER FINANCE
CONSUMER FINANCE DIVISION

MISSISSIPPI INSURANCE PREMIUM FINANCE LAW

REGULATIONS

Compiled and Adopted by
Department of Banking and Consumer Finance
For Licensees governed by
Mississippi Insurance Premium Finance Law

John S. Allison, Commissioner

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Department of Banking and Consumer Finance
Consumer Finance Division

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REGULATIONS

SECTION 1. Purpose

These Regulations are promulgated pursuant to Miss. Code Ann. §81-21-3(5), the Mississippi Insurance Premium Finance Law, and other applicable statutes to establish administrative procedures required by the Department of Banking and Consumer Finance. These Regulations shall be applicable to licensees under the Mississippi Insurance Premium Finance Law and to transactions covered by the Mississippi Insurance Premium Finance Law. These Regulations are not intended to create any private right, remedy, or cause of action in favor of any borrower or against any licensee, nor are these Regulations intended to apply to any business transaction of a licensee not covered by Mississippi Law. While these Regulations are intended to and do supersede all prior Regulations issued by the Department of Banking and Consumer Finance regarding the insurance premium finance industry, these Regulations are intended only to clarify the existing law governing the insurance premium finance business. In order to ensure compliance with the provisions set forth in the Mississippi Insurance Premium Finance Law, the following regulations have been implemented.

SECTION 2. Definitions

(a) "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 to an insurer or to an insurance agent or broker in payment of premiums of an insurance contract together with interest or discount and a service charge, as authorized and limited by Sections 81-21-13 through 81-21-23. Premium Finance Agreement shall also mean an agreement by which an insured or purchaser of insurance or an insurance policy promises to pay to a premium finance company, insurance agent, insurance broker, insurance company, or other seller of insurance or insurer the payment of premiums of an insurance contract together with interest or discount and a service charge, as authorized and limited by Sections 81-21-13 through 81-21-23.

(b) In addition to the definition in Section 81-21-1(d), a "Premium Finance Company" shall also mean a person as defined in Section 81-21-1(b). In either event, the activity of a Premium Finance Company shall also mean the business of entering into premium finance agreements or otherwise obtaining, maintaining, or servicing premium finance agreements.

SECTION 3. Records

(a) Licensee shall maintain all files or records at its licensed office. In addition to the information required by Miss. Code Ann. §81-21-11, each Licensee shall maintain a consecutively numbered record or log of each premium finance agreement under the Mississippi Insurance Premium Finance Law. This number shall be placed on the corresponding Premium Finance Agreement and all related documents.

(b) The following information shall be maintained on a ledger card or on a screen print hard copy:

- Name and address of the insured
- Date and number of the premium finance agreement
- Effective date of the insurance coverage
- Amount financed under the premium finance agreement
- APR
- Total amount of payments
- Dollar amount of interest charge
- Terms of repayment
- Description of collateral
- Maturity date
- Date, amount, and type of any charge accessed including late charges, cancellation fees, reinstatement fees, legal fees, etc.
- Date, amount, and distribution of all payments to principal and interest
- Unpaid balance after each transaction
- Date and amount of any unearned finance charges if the financed contract is paid prior to maturity
- All accounts paid in full shall indicate the method of payment; whether by insured's payment, cancellation of the insurance policy, or otherwise
- The amount, date, and check number of any refund to the insured

(c) A record indicating the total number of accounts and the dollar value of all premium finance receivables made under the Mississippi Insurance Premium Finance Law shall be maintained.

(d) Any errors in records shall be corrected by a correcting entry rather than by erasure or obliteration with appropriate entries evidencing why, when, and by whom such correcting entry was recorded. All files and records shall be maintained separately under each license so as to readily identify business transacted under the Mississippi Insurance Premium Finance Law.

SECTION 4. Premium finance agreement; contents

(a) In addition to the information required by Miss. Code Ann. §81-21-13, each Premium Finance Agreement shall contain the following statement in at least (14) fourteen-point bold type above the signature of the insured or the person that signs on behalf of the insured:

"NOTICE: This Premium Finance Agreement is secured by a financed insurance policy as authorized under the Mississippi Insurance Premium Finance Law. In the event that the financed insurance policy is cancelled, the insurance cancellation is subject to the provisions of Section 81-21-19 and 81-21-21 of the Mississippi Premium Finance Law which may result in a refund due to you. Should you have any questions regarding the financing or cancellation of any insurance premiums financed under this agreement you may contact the Mississippi Department of Banking and Consumer Finance at 1-800-844-2499."

(b) Each Premium Finance Agreement shall contain and identify the dollar amount of the gross insurance premium that is subject to refund along with the name and address of the insurer/insurance company responsible for the refund in the event of cancellation.

(c) In the event the Premium Finance Agreement is signed on behalf of the insured, the Licensee shall send a copy of the Premium Finance Agreement to the insured.

SECTION 5. <u>Premium Finance Company Insurance Cancellations</u>

(a) Each Licensee shall send to the Insurer/Insurance Company at the time an insurance policy is financed, a notice advising the insurer that the insurance policy has been financed in accordance with the Mississippi Insurance Premium Finance Law and if cancelled, is subject to the provisions of Miss. Code Ann. §81-21-19 and §81-21-21. A copy of such notice shall be maintained in the insured's file.

(b) A cancellation notice sent by or on behalf of any Licensee to an Insurance Company for the purpose of canceling a financed insurance policy shall contain the following statement in at least twelve (12) point bold type:

> **This insurance policy, which is a financed insurance policy, is being cancelled. Please be advised this contract is subject to the provisions of Miss. Code Ann. §81-21-19 and §81-21-21 which states that "Whenever a financed insurance contract is cancelled, the insurer shall return to the premium finance company as soon as reasonably possible whatever gross unearned premiums are due under the insurance contract." In the event no method of calculation of refund is described in the insurance policy, the pro rata method shall be used. Such refund shall be sent directly to the premium finance company within 30 days.**
>
> **The insurer shall return any unearned premiums <u>directly to the Premium Finance Company</u> along with a Summary of Cancellation. The Summary of Cancellation is a reconciliation of the original policy premium that includes a detailed mathematical**

summary of the computation of the refund premium including but not limited to the type of insurance, the policy number, the effective date of the policy, the date the policy was cancelled, any earned or non-refundable premiums due under the insurance contract, the date and method, including the refund factor used to calculate the refund, the premium or amount on which the refund was calculated and the amount refunded.

(c) Licensee shall maintain a copy of all documents relating to an insurance cancellation. These documents shall include the Notice of Cancellation, the Notice of Intent to Cancel, the Summary of Cancellation, any reinstatement notice, a copy of any check from the insurer, and any other documents or written correspondence involved in the cancellation process.

(d) Upon cancellation of the policy, Licensee shall verify the refund calculation for accuracy. Licensee shall maintain a copy of the computation used to determine the refund amount.

(e) For all insurance policies cancelled, a Licensee shall maintain for 24 months from the date of last transaction, a file, log, or record in chronological order containing the following information:

- Premium finance agreement number
- Date of cancellation
- Name of the insured
- Name of the insurer
- Amount of the gross policy premium subject to cancellation
- Date and amount of the gross returned premium received from the insurer

(f) The licensee shall obtain the following information for all cancellations:

- Name and address of the insured
- Name and address of the insurer/insurance company making the refund
- Effective date of insurance coverage
- Type of insurance
- Date the Notice of Cancellation was sent
- Effective date of cancellation
- Amount of the premium subject to refund
- Amount of the unearned premium refunded
- The Summary of Cancellation as described in Section 4(b) of these Regulations
- Date of refund

(g) The licensee shall notify the Mississippi Department of Insurance, with a copy of the notification sent to the Mississippi Department of Banking and Consumer Finance, regarding any insurance company, agent, or broker that is not in compliance with the provisions regulating financed insurance premiums of this State.

SECTION 6. Violations

The Commissioner shall enforce these Regulations. A violation of and/or failure to comply with these Regulations may result in the assessment of a Civil Money Penalty not to exceed Five Hundred Dollars ($500.00) for each violation thereof, the revocation of the Licensee's license, or both in accordance with Mississippi law.