
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1025 Session of
1973

INTRODUCED BY ZEARFOSS, LEHR, CHECCHIO AND PERRI, MAY 29, 1973

REFERRED TO COMMITTEE ON CONSUMER PROTECTION, MAY 29, 1973

AN ACT

1 Providing for the licensing of insurance premium finance
2 companies; imposing powers and duties on the Secretary of
3 Banking; establishing charges and providing penalties.

4 The General Assembly of the Commonwealth of Pennsylvania
5 hereby enacts as follows:

6 Section 1. Application.--The provisions of this act shall
7 not apply with respect to:

8 (1) Any insurance company licensed to do business in this
9 Commonwealth.

10 (2) Any bank, bank and trust company, savings bank, building
11 or savings and loan association, or credit union authorized to
12 do business in this Commonwealth, or any national banking
13 institution or Federal savings and loan association incorporated
14 under the laws of the United States and located within this
15 Commonwealth.

16 (3) The inclusion of a charge for insurance in connection
17 with an installment sale of a motor vehicle made in accordance
18 with the act of June 28, 1947 (P.L.1110, No.476), known as the
19 "Motor Vehicle Sales Finance Act."

(4) The financing of insurance premiums in this Commonwealth.

Section 2. Definitions.--As used in this act:

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

(2) "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 or broker in payment of premiums on an insurance contract together with a service charge as authorized and limited by this act.

(3) "Licensee" means a premium finance company holding a license issued under this act.

(4) "Person" includes an individual, partnership, association, business corporation, nonprofit corporation, common law trust, joint-stock company or any other group of individuals however organized.

(5) "Secretary" means the Secretary of Banking of this Commonwealth.

Section 3. Licenses.--(a) No person shall engage in the business of financing insurance premiums in this Commonwealth without first having obtained a license as a premium finance company from the secretary. Any person who shall engage in the business of financing insurance premiums in this Commonwealth without obtaining a license as provided hereunder shall be guilty of a misdemeanor and upon conviction shall be punished by a fine of not more than one thousand dollars (\$1,000), or by imprisonment for not more than one year, or both.

(b) The annual license fee is two hundred dollars (\$200).

1 Licenses may be renewed from year to year as of the first day of
2 July of each year upon payment of the fee of two hundred dollars
3 (\$200). The fee for the license shall be paid to the secretary.

4 (c) The person to whom the license or the renewal thereof
5 may be issued shall file sworn answers subject to the penalties
6 of perjury to such interrogatories as the secretary may require.
7 The secretary shall have authority at any time to require the
8 applicant fully to disclose the identity of all stockholders,
9 partners, officers and employees and he may in his discretion
10 refuse to issue or renew a license in the name of any firm,
11 partnership or corporation if he is not satisfied that any
12 officer, employee, stockholder, or partner thereof who may
13 materially influence the applicant's conduct meets the standards
14 of this act.

15 Section 4. Action by Secretary on Application.--(a) Upon the
16 filing of an application and the payment of the license fee, the
17 secretary shall make an investigation of each applicant and
18 shall issue a license if the applicant is qualified in
19 accordance with this act. If the secretary does not so find, he
20 shall, within thirty days after he has received such
21 application, at the request of the applicant, give the applicant
22 a full hearing.

23 (b) The secretary shall issue or renew a license as may be
24 applied for when he is satisfied that the person to be licensed
25 (i) is competent and trustworthy and intends to act in good
26 faith in the capacity involved by the license applied for; (ii)
27 has a good business reputation and has had experience training
28 or education so as to be qualified in the business for which the
29 license is applied for; and (iii) if a corporation is a
30 corporation incorporated under the laws of this Commonwealth or

1 a foreign corporation authorized to transact business in this
2 Commonwealth.

3 Section 5. Revocation and Suspension of Licenses.--(a) The
4 secretary may revoke or suspend the license of any premium
5 finance company when and if after investigation it appears to
6 the secretary that (i) any license issued to such company was
7 obtained by fraud; (ii) there was any misrepresentation in the
8 application for the license; (iii) the holder of such license
9 has otherwise shown himself untrustworthy or incompetent to act
10 as a premium finance company; or (iv) such company has violated
11 any of the provisions of this act.

12 (b) Before the secretary shall revoke, suspend, or refuse to
13 renew the license of any premium finance company, the aggrieved
14 person shall be entitled to a hearing in accordance with
15 sections 31 through 36 of the act of June 4, 1945 (P.L.1388,
16 No.442), known as the "Administrative Agency Law." In lieu of
17 revoking or suspending the license for any of the causes
18 enumerated in this section, after hearing as herein provided,
19 the secretary may subject such company to a penalty of not more
20 than two hundred dollars (\$200) for each offense when in his
21 judgment he finds that the public interest would not be harmed
22 by the continued operation of such company. The amount of any
23 such penalty shall be paid by such company to the secretary.

24 (c) If the secretary refuses to issue to any person, a
25 license as a premium finance company, or he revokes, suspends or
26 refuses to renew the license of any premium finance company or
27 he imposes a penalty on such company, after a hearing as
28 provided under subsection (b), the applicant or licensee may
29 appeal from such refusal to issue a license or from such
30 adjudication in accordance with sections 41 through 46 of the

1 "Administrative Agency Law."

2 Section 6. Books and Records.--(a) Every licensee shall
3 maintain records of its premium finance transactions and the
4 said records shall be open to examination and investigation by
5 the secretary. The secretary may at any time require any
6 licensee to bring such records as he may direct to the
7 secretary's office for examination.

8 (b) Every licensee shall preserve its records of such
9 premium finance transactions including cards used in a card
10 system, if any, for at least two years after making the final
11 entry in respect to any premium finance agreement. The
12 preservation of records in photographic form shall constitute
13 compliance with this requirement.

14 Section 7. Power to Make Rules.--The secretary shall have
15 authority to make and enforce such reasonable rules and
16 regulations as may be necessary in making effective the
17 provisions of this act but such rules and regulations shall not
18 be contrary to nor inconsistent with the provisions of this act.

19 Section 8. Form of Premium Finance Agreement.--(a) A premium
20 finance agreement shall:

21 (1) Be dated, signed by or on behalf of the insured, and the
22 printed portion thereof shall be in at least eight-point type;

23 (2) Contain the name and place of business of the insurance
24 agent negotiating the related insurance contract, the name and
25 residence or the place of business of the insured as specified
26 by him, the name and place of business of the premium finance
27 company to which payments are to be made, a description of the
28 insurance contracts involved and the amount of the premium
29 therefor; and

30 (3) Set forth the following items where applicable:

1 (i) the total amount of the premiums,
2 (ii) the amount of the downpayment,
3 (iii) the principal balance (the difference between items
4 (i) and (ii),
5 (iv) the amount of the service charge,
6 (v) the balance payable by the insured (sum of items (iii)
7 and (iv)), and
8 (vi) the number of installments required, the amount of each
9 installment expressed in dollars, and the due date or period
10 thereof.

11 (b) The items set out in clause (3) of subsection (a) need
12 not be stated in the sequence or order in which they appear in
13 such clause, and additional items may be included to explain the
14 computations made in determining the amount to be paid by the
15 insured.

16 Section 9. Maximum Service Charge.--(a) A premium finance
17 company shall not charge, contract for, receive, or collect a
18 service charge other than as permitted by this act.

19 (b) The service charge is to be computed on the balance of
20 the premiums due, after subtracting the downpayment made by the
21 insured in accordance with the premium finance agreement, from
22 the effective date of the insurance coverage, for which the
23 premiums are being advanced, to and including the date when the
24 final installment of the premium finance agreement is payable.

25 (c) The service charge shall be a maximum of nine dollars
26 (\$9) per one hundred dollars (\$100) per year plus an additional
27 charge of ten dollars (\$10) per premium finance contract which
28 need not be refunded.

29 (d) Notwithstanding the provisions of any premium finance
30 agreement, any insured may prepay the obligation in full at any

1 time. In such event he shall receive a refund credit. The amount
2 of such refund credit shall represent at least as great a
3 proportion of the service charge as the sum of the periodic
4 balances after the month in which prepayment is made bears to
5 the sum of all periodic balances under the schedule of
6 installments in the agreement. Where the amount of the refund
7 credit is less than one dollar (\$1), no refund need be made. If
8 in addition to the service charge an additional charge was
9 imposed, such additional charge need not be refunded, nor taken
10 into consideration in computing the refund credit.

11 Section 10. Delinquency and Cancellation Charges.--A premium
12 finance agreement may provide for the payment by the insured of
13 the delinquency charge of one dollar (\$1) to a maximum of five
14 per cent of the delinquent installment but not to exceed five
15 dollars (\$5) on any installment which is in default for a period
16 of five days or more. If the default results in the cancellation
17 of any insurance contract listed in the agreement, the agreement
18 may provide for the payment by the insured of a cancellation
19 charge equal to the difference between any delinquency charge
20 imposed in respect to the installment in default and five
21 dollars (\$5).

22 Section 11. Cancellation of Insurance Contract Upon
23 Default.--(a) When a premium finance agreement contains a power
24 of attorney enabling the premium finance company to cancel any
25 insurance contract or contracts listed in the agreement, the
26 insurance contract or contracts shall not be cancelled by the
27 premium finance company unless such cancellation is effectuated
28 in accordance with this section.

29 (b) Not less than ten days' written notice shall be mailed
30 to the insured, at his last known address as shown on the

1 records of the premium finance company, of the intent of the
2 premium finance company to cancel the insurance contract unless
3 the default is cured within such ten-day period.

4 (c) After expiration of such ten-day period, the premium
5 finance company may thereafter cancel such insurance contract or
6 contracts by mailing to the insurer a notice of cancellation.
7 The insurance contract shall be cancelled as if such notice of
8 cancellation had been submitted by the insured himself but
9 without requiring the return of the insurance contract or
10 contracts. The premium finance company shall also mail a notice
11 of cancellation to the insured at his last known address as
12 shown on the records of the premium finance company.

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

25 Section 12. Return Premiums.--Whenever a financed insurance
26 contract is cancelled the insurer shall return whatever gross
27 unearned premiums are due under the insurance contract to the
28 premium finance company for the account of the insured or
29 insureds as soon as reasonably possible but in no event shall
30 the period for payment exceed ninety days after the effective

1 date of cancellation.

2 Section 13. Exemption from Filing Requirement.--No filing of
3 the premium finance agreement shall be necessary to perfect the
4 validity of such agreement as a secured transaction as against
5 creditors, subsequent purchasers, pledgees, encumbrancers,
6 successors, or assigns.