

Insurance Premium Financing FAQs

Q. What is a Premium Finance Company?

- A. An insurance premium finance company is defined to be:
1. Any person engaged, in whole or in part, in the business of entering into insurance premium finance agreements with insureds; or
 2. Any person engaged, in whole or in part, in the business of acquiring insurance premium finance agreements from other insurance premium finance companies.

Q. What is an insurance premium finance agreement?

- A. "Insurance premium finance agreement" means a promissory note or other written agreement by which an insured promises or agrees to pay to, or to the order of, an insurance 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 Article.

Q. What are the two types of licenses issued to a Premium Finance Company? What is the fee amount for the license types?

- A. Following are the license types and fees:
1. An "A" type license shall be issued to insurance premium finance companies whose business of insurance premium financing is limited to the financing of insurance premiums of one insurance agent or agency and whose primary function is to finance only the insurance premium of such agent or agency. The license fee for an "A" type license shall be six hundred dollars (\$600.00) for each license year or part thereof.
 2. A "B" type license shall be issued to an insurance premium finance company whose business of insurance premium financing is not limited to the financing of insurance premiums of one insurance agent or agency and whose primary function is to finance the insurance premiums of more than one insurance agent or agency. The license fee for a "B" type license shall be two thousand, four hundred dollars (\$2,400) for each license year or part thereof.

Q. Are there extra fees for branch offices?

- A. Yes. For either (A) type or (B) type licenses, there is a fee of \$100 per branch per year.

Q. When are fees due?

- A. At the time of the application for a license. Upon original Application, or Revocation, Suspension, or Surrender of a license, a \$250.00 exam fee may be required.

Q. Are there any exemptions available for licensure of certain business types?

A. The only statutory exemptions for licensure available are as follows:

1. "Any person, firm or corporation doing business under the authority of any law of this State or of the United States relating to banks, trust companies, installment paper dealers, auto finance companies, savings and loan associations, cooperative credit unions, agricultural credit corporations or associations, organized under the laws of North Carolina or any person, firm or corporation subject to the provisions of the North Carolina Consumer Finance Act and the North Carolina Motor Vehicle Dealers and Manufacturers Licensing Law, Article 12, Chapter 20, of the General Statutes of North Carolina are exempt from the provisions of this Article.

2. An insurance company duly licensed in this State may make an installment payment charge as set forth in the rate filings and approved by the Commissioner and is thereby exempt from the provisions of this Article.

3. A fire and casualty insurance agent or an insurance broker duly licensed in this State who extends credit to and only to his own policyholders may charge and collect finance charges or other fees at a periodic (monthly) rate as provided in G.S. 24-11(a), after said amount has been outstanding for 30 days, and is hereby exempt from the provisions of this Article. Notwithstanding the exceptions set forth in subsections (a), (b) and (c) of this section, when any person, firm, or corporation shall exercise a power of attorney taken in connection with the financing of an insurance premium, such person, firm or corporation shall comply with the requirements of G.S. 58-35-85, as if it were an insurance premium financing company."

Q. What are some common requirements of maintaining a Premium Finance Company license?

A. The Commissioner has 60 days to issue or refuse an application (application must be complete including required documentation and fees) for a Premium Finance Company license. The prospective licensee must provide any information the Commissioner deems important. The applicant shall submit with such application any and all information which the Commissioner may require to assist him in determining the financial condition, business integrity, method of operation and protection to the public offered by the person filing such application. The Commissioner may require a bond not to exceed twenty-five thousand dollars (\$25,000) on applications and any renewal thereof.

If a license is denied, the applicant has 30 days to request, in writing, a Hearing (appeal).

Only one office may be covered by one license, but more than one license may be maintained by the same licensee. Each license shall state the name and address of the licensee and be prominently displayed.

Q. If my license is cancelled or suspended, what happens to Insureds I have financed?

A. Their agreements continue until the expiration of their policy finance agreements.

Q. What is the maximum interest percent age that may be charged the insured? How about service charges?

A. At the present writing (10/08) the maximum rate is 12% on the declining balance. The service charge cannot exceed \$15 per finance agreement. One agreement may cover multiple policies, but an agent cannot write multiple agreements in order to get multiple service charges.

Q. What maximum delinquency charges may be imposed on the Insured?

A. For each installment in default, a charge beginning after a five-day grace period in the amount of \$1.00 or 5% of such installment, whichever is greater, provided that only one such delinquency and collection charge may be collected on any such installment regardless of the period in which it remains in default.

Q. What prohibited provisions apply to all premium finance agreements?

A. No insurance premium finance agreement shall contain any provisions by which:

1. In the absence of default of the insured, the insurance premium finance company holding the agreement may, arbitrarily and without reasonable cause, accelerate the maturity of any part or all of the amount owing thereunder;
2. A power of attorney is given to confess judgment in this State; or
3. The insured relieves the insurance agent or the insurance premium finance company holding the agreement from liability for any legal rights or remedies which the insured may otherwise have against him.

Q. When is my renewal payment due? Are there any special application requirements for a renewal license?

A. Payment is due June 30 of each year. The Department requires that you send a copy of a "Continuation Certificate" or paid receipt for renewal premiums for the surety bond for the year in which the renewal is applied.

Q. Does the Department have any special reporting requirements?

A. Before any licensee changes any office of his to another location, he shall give written notice to the Commissioner. Licensees must maintain books, accounts, records etc. for five years for review at the Commissioner's request. The Commissioner may require of licensees under oath and in the form prescribed by him regular or special reports as he may deem necessary to the proper supervision of licensees.

Q. What are the procedures to get licensed as a Premium Finance Company?

A. Click [here](#) for application and instructions.

Q. Where Can I find other Premium Finance Company information in the Administrative Code?

A. By clicking [here](#).

Q. Where can I find the NC Statutes (law) on Premium Finance Companies?

A. By clicking [here](#), and scrolling to Article 35. (Hint: to get to Article 35 quicker, grab the scroll bar with your mouse and drag it down the column).

Q. Are insurance premium finance companies allowed to charge an additional fee for Additional services not specifically stated in the contract?

A. In addition to the interest charge mentioned above, the premium finance company may charge a non-refundable origination fee which shall not exceed \$15. per premium finance agreement. A premium service agreement may provide for the payment by the Insured of a delinquency and collection charge on each installment in default for a period of not less than five days in an amount of \$1.00 or 5% of the installment, whichever is greater, provided that only one such may be collected on any such installment regardless of the period which it remains in default (e.g. A late charge due April 1 may incur a charge after April 5, but not then again in May for the April default even if the April installment is not yet paid. The May installment may generate another penalty charge if it is late also.)

Q. Are insurance premium finance companies required to report criminal convictions?

A. Pursuant to North Carolina General Statute 58-35-22(a) if an individual proprietor, officer, or partner of the insurance premium finance company has been convicted in any court of competent jurisdiction for any crime involving dishonesty or breach of trust, the insurance premium finance company shall notify the Commissioner in writing of the conviction within 10 days after the date of the conviction. As used in this subsection, "conviction" includes an adjudication of guilt, a plea of guilty, or a plea of nolo contendere. The conviction by a court of competent jurisdiction of any permittee for a violation of this Article shall automatically have the effect of suspending the permit of that permittee until such time that the permit is reinstated by the Commissioner. As used in this subsection, "conviction" includes an adjudication of guilt, a plea of guilty, and a plea of nolo contendere.

Q. Are insurance premium finance companies required to report administrative actions taken against the insurance premium finance company?

A. Pursuant to North Carolina General Statute 58-35-22(b) an insurance premium finance company shall report to the Commissioner any administrative action taken against the insurance premium finance company by another state or by another governmental agency in this State within 30 days after the final disposition of the matter. This report shall include a copy of the order or consent order and other information or documents filed in the proceeding necessary to describe the action.

Q. *Can an insurance agent or agency accept insurance premium payments from insureds whose insurance company will not accept such payments by credit card?*

A. If an insured's insurance company will not accept premium payments by credit card in accordance with N.C.G.S. Section 58-33-145, an insurance agent or agency can still accept premium payments by credit card from those insureds. However, since N.C.G.S. Section 58-33-80 prohibits agents from making any discrimination in favor of any person, the insurance agency must offer this payment option to all existing and prospective insureds. In addition, the insurance agent or agency must either absorb the cost of providing this service to all insureds or charge all insureds a fee for this service. If the insurance agent or agency decides to charge a fee for the service, it must comply with the requirements of N.C.G.S. Section 58-33-85(b) by obtaining the insured's written consent to the fee and with the following requirements outlined in 11 NCAC 4.0120:

Q *Can an insurance agency accept premium payments by credit card from insureds whose insurance company will not accept payment by credit card and charge a fee for providing this service?*

A. An insurance agency can accept premium payment by credit card from insureds, if meeting the conditions imposed by North Carolina G.S. 58-3-145, and can charge a fee for this service as long as the agency obtains the insureds written consent for this fee per the requirements of North Carolina G.S. 58-33-85(b) and the agency complies with all of the following fee requirements outlined in 11 NCAC 4.0120:

(1) A sign that informs the applicant in large bold print that a policy or service fee of [amount] will be charged, shall be displayed in a prominent place so as to be seen and read from any part of the office lobby

(2) The applicant's consent in writing is obtained on a separate form each time a policy or service fee is charged. The form shall be entitled, "Policy or Service Fee Consent" and shall include the date and amount of each fee charged.

(3) A dated receipt for the payment of a policy or service fee shall be issued either separately from the policy premium receipt or stated separately on the receipt issued for the policy premium.

Q. *Can an insurance premium finance company accept premium payments by credit card?*

A. An insurance premium finance company can accept insurance premium payments by credit card. However, Article 35, Chapter 58 of the North Carolina General Statutes does not contain any provision which permits insurance premium finance companies to charge a fee for accepting premium payments by credit card. Thus, an insurance premium finance company can not charge a fee for this service. See NC.G.S. Section 58-35-55(a) (prohibiting premium finance companies from charging any fee which is not provided for in Article 35).