

**Maryland Insurance Administration Premium
Finance Company
Registration Instructions and Application**

Complete and return the registration application form with the required attachments. This form is to be used for initial registrations. For a registration to be complete, all of the required information must be included. An incomplete or incorrect registration may result in denial of your registration.

Refer to Title 23 of the Insurance Article, Annotated Code of Maryland for the statutes that apply to registration, premium finance agreements, charges and fees. You can access laws and regulations at the *Maryland State Law Library* web site's *Maryland Legal Links*, by going to <http://www.lawlib.state.md.us/researchtools/databases.html>.

If you have any questions, contact Taylor Ermer or Rena Lee at:

Premium Finance Company Registration

Property and Casualty Division

200 St. Paul Place, Suite 2700

Baltimore, MD 21202-2272

Phone: 410-468-2335 (Taylor) | 410-468-2161 (Rena)

Fax: 410-468-2306

E-mail: Taylor.Ermer@maryland.gov | Rena.Lee@maryland.gov

The numbers of the following instructions correspond with the numbers of the required information on the registration form:

1. **Non-Refundable Registration Fees: Initial registration: \$250**
Send a check or money order payable to the **Maryland Insurance Administration**.
2. **Company Name:** Enter the company's name.
3. **Trade Name:** If the premium finance company uses a trade name in Maryland, indicate it on the registration form.
4. **Corporate Certificate of Good Standing:** If the company is a corporation or a limited liability company, file a current-year, Maryland Certificate of Good Standing. To obtain the certificate contact:

State Department of Assessments and Taxation, Charter Division

301 West Preston Street

Baltimore, MD 21201

Telephone: (410) 767-1344

Fax: (410) 333-7097

Email: charterhelp@dat.state.md.us

You can also obtain a Certificate of Good Standing at this Web page:

<http://www.dat.state.md.us>

5. **Company Information:** Provide the company's physical location address, mailing address, phone number(s), fax number, e-mail address, FEIN or Tax ID number.
6. **Officers, Directors, Principals, & Partners:** List all names, titles and business addresses.
7. **Owners:** List all names, titles and business addresses.
8. **Managers:** List all names, titles and business addresses.
9. **Interest Rate(s), Method(s) of Interest Calculation, Initial Service Fee, and Any Other Fees and Charges Applied:** List the finance charges, the initial service fee, service charges, and any other fees and charges which will be applied by the premium finance company, as well as the method of interest rate calculation. Note- use of Rule of 78s is prohibited (§23-304(d)).
10. **Rate Charts, Schedules, and Manuals:** Attach a copy of all proposed rate charts, schedules, and/or manuals.
11. **Sample computations:** Complete the examples provided to demonstrate how the finance charges and installments are calculated. Also, complete the examples provided to demonstrate how the refunds on cancellation of the contracts are calculated.
12. **Premium Finance Agreement Forms:** Attach an **original blank** of each proposed premium finance agreement that will be used. The form(s) must indicate the physical location of the company in addition to any P.O. Box. All text must be at least 8-point type and easily readable, except for the statement regarding the calculation of interest required by Section 23-301(b)(5)(viii) of the Insurance Article which must be at least 12 point type. The agreement must comply fully with all requirements set forth in Section 23-301 of the Insurance Article.
13. **Financial Requirements:** Submit evidence of compliance with Section 23-202 of the Insurance Article:

Choose one of the following 4 options:

- a) Send documentation, e.g. independently audited financial statements, showing that the company maintains a net worth of at least **\$250,000** calculated under generally accepted accounting principles.
- or**
- b) Send an original irrevocable letter of credit in the amount of **\$50,000** issued by a financial institution, effective until June 30th of the next calendar year, or continuously effective. (Registrations must be renewed every July 1.) Also, include a copy of the credit agreement between the financial institution and the premium finance company;
- or**
- c) Make a cash deposit in the amount of **\$50,000** with the State Treasurer and send a copy of the completed forms. Contact the Department of the Treasurer at (410) 974-3533 for further instructions;

- or**
- d)** File a bond in favor of the State of Maryland in the penal sum of **\$50,000**, executed by an authorized surety company, effective until June 30th of the next calendar year or continuously effective. (Registrations must be renewed every July 1.) The bond must indicate the exact name of the registered premium finance company. A sample bond form is enclosed.

MAIL COMPLETED REGISTRATIONS TO:

**Premium Finance Company Registrations
Maryland Insurance Administration ATTN:
Taylor Ermer / Rena Lee
Property and Casualty Division
200 St. Paul Place, Suite 2700
Baltimore, MD 21202-2272**

Attachments:

1. Registration form
2. Sample computations
3. Sample bond form
4. Changes in Premium Finance Company information – Save form for future use.
5. General information regarding premium finance laws.

**MARYLAND INSURANCE ADMINISTRATION
PREMIUM FINANCE COMPANY REGISTRATION**

1. \$250 NON-REFUNDABLE INITIAL FEE

Attached

2. COMPANY NAME

3. TRADE NAME

4. CORPORATE CERTIFICATE OF GOOD STANDING
(Required for Corporations and Limited Liability Companies)

Attached

5. COMPANY INFORMATION

Physical Location Address	Mailing Address
Phone Number(s)	Fax Number
E-Mail Address	
FEIN or Tax ID Number:	

6. OFFICERS, DIRECTORS, PRINCIPALS, & PARTNERS (List names, titles and business addresses. If more space is needed, attach a separate sheet to this application.):

7. OWNERS (List names, titles and business addresses. If more space is needed, attach a separate sheet to this application.):

PREMIUM FINANCE COMPANY REGISTRATION (CONTINUED)

8. MANAGERS (List names, titles and business addresses. If more space is needed, attach a separate sheet to this application.):

9. For PFCs financing personal lines:

- a) Is there any party with an ownership interest in the PFC that is the subject of this application who is also an insurance producer licensed in this state? Y/N
- b) If yes, please provide a sample disclosure to be signed by the insured comparing the terms in the premium finance agreement with the terms under the insurer's alternative payment plans.

For all PFCs:

- c) Is there any party with an ownership interest in the PFC that is the subject of this application who also has an ownership interest in a motor club? Y/N
- d) If yes, please provide a sample disclosure to be signed by the insured informing the insured of the party's interest in the motor club.

10. INTEREST RATE(S): CHANGE? Y/N

A. Personal lines

B. Commercial lines

METHOD(S) OF INTEREST CALCULATION: CHANGE? Y/N

FINANCE CHARGE: CHANGE? Y/N

INITIAL SERVICE FEE: OTHER CHANGE? Y/N

FEES AND CHARGES: CHANGE? Y/N

Delinquency and Collection Charge –

A. Personal Lines

B. Commercial Lines

Cancellation Charge –

A. Personal Lines

B. Commercial Lines

Reinstatement Charge –

A. Personal Lines

B. Commercial Lines

Dishonored Check Fee –

Electronic Payment Fee-

PREMIUM FINANCE COMPANY REGISTRATION (CONTINUED)

- 10. RATE CHARTS, SCHEDULES, & MANUALS** Attached
- 11. SAMPLE COMPUTATIONS** Attached
- 12. PREMIUM FINANCE AGREEMENT FORM(S)** Attached
- 13. FINANCIAL REQUIREMENTS (choose one)**
 - a. Financial Statement Attached
 - b. Letter of Credit Attached
 - c. Cash Deposit Documentation Attached
 - d. Bond Attached

I, _____, certify that this registration is complete, that all required documents are attached, and that the information contained herein is true to the best of my knowledge and belief.

Signature of Officer, Director, Owner, Principal, or Partner **Date**

Printed Name of Officer, Director, Owner, Principal or Partner **Title**

PREMIUM FINANCE COMPANY REGISTRATION (CONTINUED)

Sample Computations to be Completed and Attached

The MIA requests that each PFC include an explanatory statement describing how the PFC will calculate the interest charged in the event a PFA is cancelled prior to maturity.

In order to ensure that the MIA has a clear understanding of these calculations, each registration must be accompanied by the sample computations that follow, demonstrating all calculations used in determining any refund due to the consumer. If a premium finance company finances personal and commercial lines policies, please provide the sample computations for both.

Sample Computations should consist of the following for Personal Lines Scenarios 1-6 and Commercial Lines Scenarios 1-4:

- i. Calculations for each payment plan offered (for example, 2, 3, 4, 5, 6, 7, 8, 9 and 10 installments, if available) at the highest interest rate charged
- ii. Show the total amount of interest and fees charged
- iii. Show the amount of premium returned
- iv. Show the amount of any other monies returned (such as motor club fees)
- v. Show the amount of unearned interest
- vi. Show all calculations.

Personal Lines: The annual premium for the automobile insurance policy is \$1,000. There is an add-on rental reimbursement policy at an annual premium of \$100, and an add-on motor club with a \$100 annual fee. The insured makes a down payment of \$200.

Scenario 1	The policies go the full term of the PFA.
Scenario 2	The policies are cancelled after being in effect for 28 days and the unearned auto premium is received on day 57, the unearned rental premium, on day 60 and the unearned motor club fees, on day 61. A late fee and the cancellation fee are charged.
Scenario 3	The auto policy is voided <i>ab initio</i> and the unearned auto premium is received on day 17.
Scenario 4	The policies are cancelled after being in effect for 65 days and the unearned auto premium is received on day 95, the unearned motor club fee on day 100 and the unearned rental premium, on day 120. Two late fees, one reinstatement fee and one cancellation fee are charged.
Scenario 5	33 days after policy inception, the insured adds another vehicle to the auto policy and an additional premium of \$600 is added to the finance agreement. Identify, describe and explain all charges associated with this change.
Scenario 6	Begin with scenario 5. On day 90, the insured deletes the first vehicle from the auto policy, resulting in a return of unearned premium of \$750 which is received by the insurer on day 120. The policy goes to term.

Provide the rate charts used in the above scenarios. In addition, provide a copy of the sample illustration that the premium finance company must provide upon request to explain how the finance charge is earned in accordance with Section 23-301(b)(5)(viii) of the Insurance Article. Finally, provide a copy of the language that will be used in the premium finance agreement form that shows the total amount owed and monthly payments due on any motor club service contract that is included on a premium finance agreement. See Section 23-301(e).

PREMIUM FINANCE COMPANY REGISTRATION (CONTINUED)

Sample Computations to be Completed and Attached

Commercial Lines: The annual premium for a workers compensation policy, subject to audit, is \$7,500. The insured makes a down payment of \$1,500.

- Scenario 1** The policy goes the full term of the PFA.
- Scenario 2** The policy is cancelled after being in effect for 28 days and the unearned premium is received on day 57. A late fee and the cancellation fee are charged. Insurer waives the audit.
- Scenario 3** The policy is cancelled after being in effect for 150 days and the insurer conducts an audit. The unearned premium is received on day 215. Three late fees, one reinstatement fee and one cancellation fee are charged.
- Scenario 4** 33 days after policy inception, the insured makes a change to the business operation which causes an increase in premium. An additional premium of \$4500 is added to the finance agreement. Identify, describe and explain all charges associated with this change.

Provide the rate charts used in the above scenarios. In addition, provide a copy of the sample illustration that the premium finance company must provide upon request to explain how the finance charge is earned in accordance with Section 23-301(b)(5)(viii) of the Insurance Article.

BOND NUMBER: BOND

KNOW ALL MEN BY THESE PRESENTS:

THAT _____

of _____

State of _____ as Principal and _____

_____ of _____

State of _____, as Surety, are held firmly bound unto the State of Maryland for the use and benefit of any person or persons pursuant to the provisions of Section 23-202(a)(4) of the Insurance Article, Annotated Code of Maryland, in the penal sum of **FIFTY THOUSAND Dollars (\$50,000)**, lawful money of the United States, for the payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly, severally, and firmly by these presents.

SIGNED, SEALED AND DATED _____, 20 _____

WHEREAS, the above burden Principal is subject to the provisions of Section 23-202(a)(4) of the Insurance Article, Annotated Code of Maryland, for the term beginning

_____, 20 _____, and ending _____ 20 _____, and this Bond is to cover the said term;

NOW, THEREFORE, the condition of this obligation is such that if said statute is applicable to said Principal, and if such Principal shall during said period faithfully observe all the statutes, rules and regulations and will save and keep harmless and indemnify said Obligee, from all actions, suits, costs, damages and expenses, including Attorneys' Fees, which shall or may at any time happen to come to it or for or on account of any injury or damage received or sustained by any person, then the above obligation shall be void; otherwise to be and remain in full force and effect.

It is understood and agreed that this bond may be continued by continuation certificate signed by the Surety.

It is further understood and agreed that if the Surety shall so elect, this bond may be canceled by giving thirty days notice in writing to said Obligee.

_____ (Seal)

_____ (Seal)

by _____ Attorney-in-Fact

Maryland Insurance Administration
CHANGES IN PREMIUM FINANCE COMPANY INFORMATION

A premium finance company is required, in accordance with § 23-206 of the Insurance Article, Annotated Code of Maryland, to report on forms provided by the Commissioner, any changes in officers, directors, owners, trade names, principals, partners, business addresses, and telephone numbers within 30 days after a change occurs.

Please Note: Any and all changes to the premium finance agreement form used by the premium finance company, as well as any changes to the amount of the finance charges, initial service fee, or any other fees and charges applied by the premium finance company are subject to prior approval and **must be filed with and approved by the Commissioner prior to use.**

Mail this form to: PREMIUM FINANCE COMPANY REGISTRATION
Maryland Insurance Administration Property
and Casualty Division
ATTN: Taylor Ermer | Rena Lee
200 St. Paul Place, Suite 2700
Baltimore, MD 21202-2272

Premium Finance Company Name & Address

CHANGES:

If additional space is needed attach a separate sheet.

Signature of Officer, Director, Owner, Principal, or Partner **Date**

Printed Name of Officer, Director, Owner, Principal or Partner **Title**

PREMIUM FINANCE COMPANY REGISTRATION (CONTINUED)
General Information Regarding the Premium Finance Laws

Disclaimer: This summary is provided for informational purposes only and does not represent all requirements of Title 23 of the Insurance Article. For additional information, please read the law in its entirety, which can be accessed through the following link:

<http://mgaleg.maryland.gov/webmga/frmStatutes.aspx?pid=statpage&tab=subject5>

- 1) Upon cancellation of the contract, the actuarial method of interest computation is authorized under premium finance agreements and the rule of 78s is prohibited;
- 2) If the actuarial method is used, the requirement for premium finance companies is to include this statement in at least 12 point type on the finance agreement: "If this agreement is cancelled or the loan is prepaid in full before the end of its term, the actuarial method will be used to calculate the earned finance charge. Under this method, most of the finance charge is earned in the early months of the loan term rather than equally in each month. You may request a sample illustration of how the finance charge is earned.";
- 3) Motor club service fees can be included on the premium finance agreements; however, no finance charges or other charges can be imposed on the fees, nor can a premium finance company cancel the insurance policy if the insured pays an amount sufficient to cover the installment related to the insurance policy, but insufficient to cover the motor club fee;
- 4) Finance charges are earned in 30 day increments and may be earned on the first day of each thirty day period. If a finance charge is earned on the first day of each thirty day period, the premium finance agreement shall contain a notification to that effect;
- 5) Premium finance agreements for commercial insureds may include separate provisions requiring representations, warranties or other obligations of the insurance producer that solicits, sells and negotiates the policy that is being premium financed;
- 6) Commercial insureds may be subject to finance charges on any unpaid principal balance of the loan after the cancellation of the policy and after the return of unearned premiums from the insurers in certain instances;
- 7) Cancellation charges for private passenger auto policies, personal fire or liability insurance are equal to the difference between the delinquency and collection charge and \$15 for calendar year 2014; however, the amount increases by \$1 every year until reaching \$20 in 2019;
- 8) Cancellation charges may be imposed on or after the cancellation date stated in the Notice of Intent to Cancel as long as the notice has been delivered to the insured in accordance with Section 23-402 of the Insurance Article, the notice states that the cancellation fee will be charged on the cancellation date stated in the notice and the Notice of Intent to Cancel contains the following language in 12 point or larger type:
"If you do not pay the delinquent amount before the cancellation effective date stated in this notice, at any time within 30 days of the cancellation effective date, your insurance policy is subject to cancellation on the cancellation effective date. This means that if you have a loss on or after the cancellation effective date stated in this notice, you may not have coverage for this loss.";

- 9) Electronic checks are defined as a form of payment for which a fund transfer is made electronically from a payer's bank account to a premium finance company's bank account. Electronic checks are subject to the same fees as other electronic payments;
- 10) Premium finance companies can send notices electronically if they comply with the requirements of Section 27-601.2 of the Insurance Article;
- 11) Premium finance agreements containing personal lines policies of insurance can be pledged as collateral for a loan and assigned. They can only be assigned to other MD registered premium finance companies and a notice must be sent to the insured by firstclass mail or electronically (if consented to) advising that the obligation to service the agreement has been assigned to another premium finance company; and
- 12) Premium finance agreements containing commercial lines policies of insurance can be pledged as collateral for a loan. They can also be assigned to any party, as long as the agreement states this and the obligation to service the loan remains with a MD registered premium finance company. If assigned, notice must be sent to the insured by first class mail or electronically (if consented to) advising that the obligation to service the agreement has been assigned to another premium finance company.