

July 26, 1999

To:
All Premium Finance Companies

From:
Les, Jenkins, Chief Examiner Producer Regulatory Unit
(217) 782-6368 (Les_Jenkins@ins.state.il.us)

Re:
CB 99-5 Financing Products Other Than Premiums Prohibited

Section 513a9 of the Illinois Insurance Code (215 ILCS 5/513a9) does not allow for a Premium Finance Company (PFC) to finance anything but policy premiums plus finance charges and for surplus lines business the surplus line tax and fire marshal tax. The PFC's primary collateral is the unearned premium on the policies financed. When "other fees" are also financed it reduces the percentage of the loan that will be paid off with the unearned return premium therefore causing the potential problem that the consumer will owe money to the PFC even after the insurer has refunded the unearned premium.

No loan other than for policy premiums, finance charges, surplus lines tax and fire marshal taxes are to be included in the premium finance contract; therefore, the installment payment amount shown on the contract must be exclusively for premium plus finance charges and referenced taxes.

It is clear throughout Article XXXIIA of the Illinois Insurance Code that only policy premiums are to be financed by a PFC. The Department will be monitoring this situation when conducting examinations of registered firms and premium finance companies.

LJ

LJ:kr