

VIRGINIA ACTS OF ASSEMBLY -- 1994 SESSION

CHAPTER 8

An Act to amend and reenact § 38.2-4705 of the Code of Virginia, relating to insurance; premium finance companies; maximum interest rates and service charges.

[H 190]

Approved March 3, 1994

Be it enacted by the General Assembly of Virginia:

1. That § 38.2-4705 of the Code of Virginia is amended and reenacted as follows:

§ 38.2-4705. Maximum interest rate and maximum service charge on premium finance agreement.

A. The Commission shall periodically investigate the economic conditions and other factors relating to and affecting the business of insurance premium finance companies. The Commission shall ascertain all pertinent facts necessary to determine what maximum interest rate and what maximum service charge shall be permitted. Upon the basis of those facts and subject to this chapter, the Commission shall determine and fix by regulation or order the maximum interest rate and maximum service charge that may be charged in advance upon the amount financed by any insurance premium finance company.

B. The Commission shall initially fix the maximum interest rate at one percent per month charged in advance upon the entire amount financed payable in installments, and shall initially fix the maximum service charge at fifteen dollars. Thereafter, the maximum interest rate and maximum service charge shall be determined by the Commission after giving due consideration to such factors as (i) prevailing market interest rates, (ii) other relevant cost indices, and (iii) the industry-wide experience of premium finance companies operating in this Commonwealth. Before redetermining the maximum interest rate or maximum service charge, the Commission shall give all licensees notice and opportunity to be heard and to introduce evidence with respect to the maximum interest rate or service charge.

C. Interest at the authorized rate may be charged from the effective date of the premium finance agreement or the inception date of the insurance contract for which the premiums are being financed, whichever is earlier, through the date when the final installment of the premium finance agreement is payable. *Interest charged under a premium finance agreement shall not be fully earned at the inception of the agreement. The insurance premium finance company may earn interest through the date the principal amount financed under a premium finance agreement has been paid in full for any reason. Upon such payment in full, a refund credit of any unearned interest shall be due the insured and shall be computed on a short rate or prorata basis as set forth in the agreement, provided that the interest charged does not exceed the maximum interest rate established by the Commission pursuant to subsection A.* The service charge received by an insurance premium finance company shall be fully earned upon its receipt and no portion of the service charge need be refunded upon ~~cancellation or~~ prepayment of the loan *for any reason.* Only one service charge shall be made for each premium finance agreement, and no insurance agent or insurance premium finance company shall induce any person to enter into more than one premium finance agreement for the purpose of obtaining more than one service charge. No part of any charges shall be paid to any insurance agent by an insurance premium finance company, *nor shall any insurance premium finance company pay, allow or give, or offer to pay, allow or give, directly or indirectly, to any insurance agent, any valuable consideration as an inducement to finance the premium of any insurance policy. No insurance agent shall accept any valuable consideration as an inducement to finance the premium of any insurance policy. No person shall be in violation of this section solely by reason of ownership in an insurance premium finance company.*

D. Notwithstanding the foregoing, the Commission by rule or order may exempt any premium finance agreement, any class of premium finance agreements or any market segment from any of the provisions of this section, if it finds their application unnecessary to achieve the purposes of this chapter.