

SUBJECT: Refund credit amount for insurance premium finance companies

COMMITTEE: Insurance — favorable, without amendment

VOTE: 8 ayes — Smithee, T. Smith, Taylor, Hancock, Martinez, Thompson, Vo, Woolley
0 nays
1 absent — Eiland

SENATE VOTE: On final passage, April 19 — 31-0, on Local and Uncontested Calendar

WITNESSES: No public hearing

BACKGROUND: In 2005, the 79th Legislature enacted HB 2965 by Seaman, which amended Insurance Code, sec. 651.158 to establish that an insured is not entitled to a refund if the amount of the credit for prepayment under a premium finance agreement is less than \$5, instead of less than \$1 under previous law.

DIGEST: SB 1402 would amend Insurance Code, sec. 651.162 to raise the amount of excess for which an insurance premium finance company would not be required to refund a credit to less than \$5, rather than less than \$1.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

SUPPORTERS SAY: SB 1402 would change sec. 651.162 to raise the minimum amount to \$5 for which a premium finance company would extend a credit refund. The bill would make a technical correction to conform with HB 2965 of last session. An analysis of one premium finance company's cost for issuing refund checks for amounts less than \$5 verified that the cost significantly exceeded the total amount of refunds paid in this category. Premium finance companies' costs of making refunds in such small amounts are passed onto the consumer in higher costs for premium finance agreements — and possibly more restrictions on availability.

In 2005, the Legislature increased the minimum amount the premium finance company is responsible for refunding on unearned premiums from \$1 to \$5 to offset current costs. However, as a result of an oversight, that bill did not make a conforming change in a separate section of the Insurance Code. SB 1402 would correct that unintentional error by making a parallel change in sec. 651.162 to no longer require refunds of less than \$5 as a result of default or cancellation of a contract.

OPPONENTS
SAY:

No apparent opposition