HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 781 w/CS Premium Finance Company Application Exemptions
SPONSOR(S): Clarke
TIED BILLS: **IDEN./SIM. BILLS:** SB 2466

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Insurance Regulation (Sub)	8Y, 0N	Cheek	Schulte
2) Insurance	17 Y, 0 N w/CS	Cheek	Schulte
3) Commerce & Local Affairs Apps. (Sub)			
4) Appropriations			
5)			

SUMMARY ANALYSIS

Currently, only credit unions, banks, savings and loan associations, other lending institutions, and their federally chartered counterparts are exempt from the provisions of chapter 627, part XV, F.S., which regulates premium finance companies and agreements.

The bill provides an additional exemption for certain entities that purchase or acquire premium finance agreements from licensed premium finance companies.

The bill does not appear to have a fiscal impact on state or local government.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

1. Reduce government? Yes[] No[] N/A[x]
2. Lower taxes? Yes[] No[] N/A[x]
3. Expand individual freedom? Yes[] No[] N/A[x]
4. Increase personal responsibility? Yes[] No[] N/A[x]
5. Empower families? Yes[] No[] N/A[x]

For any principle that received a "no" above, please explain:

B. EFFECT OF PROPOSED CHANGES:

Background

<u>Premium Finance Companies</u>

Insurance premiums may be paid in installments through a premium finance company or an installment plan set up by an insurance company, agent, or agency. The charges allowed under premium financing arrangements are illustrated in the following table.

	Premium Finance Company	**Agent or Agency**	**Insurance Company**
Licensure as premium finance company	Required.	Not required, unless total service charge or interest exceeds allowed charge or rate, see below.	Not required, unless charging "substantially" more than fees or interest allowed to agents and agencies.
Interest charges	No provision; service charge and other fees, only.	18 percent simple interest per year on unpaid balance, in lieu of allowed service charge.	Not "substantially" more than that allowed agents or agencies.
Service charges	$12 per $100 of premium financed, per year.	Not more than $1 per installment, or: $6 per year on premiums of $120 or less; $9 per year on premiums between $120 and $220; $12 per year on premiums over $220.	Not "substantially" more than that allowed agents or agencies.

	Premium Finance Company	Agent or Agency	Insurance Company
Other fees	"Set up" charge – $20, once annually. Delinquency or collection charge – $10 or 5 percent, whichever is greater. Attorney's fees – not to exceed 20 percent. Insufficient funds – $15.	Not authorized.	Not authorized.

National entities that finance premiums for business customers seek to raise money to later loan through premium finance companies throughout the country through numerous mechanisms, including private placement and securitizations.

Florida law requires that they must obtain licensure as a premium finance company, even though all loans to customers are being solicited, made, and serviced though an entity that already maintains a Florida premium finance company license.

Changes from Current Law

The bill exempts entities that purchase or acquire premium finance agreements for the purpose of servicing these agreements from licensure requirements if the premium finance licensee retains the possession and the legal obligation to service, collect payments, and administer the agreements.

C. SECTION DIRECTORY:

Section 1: Amends section 627.826, F.S. – *Premium finance companies*, to provide an exemption for certain entities that purchase or acquire premium finance agreements from being subject to the provisions of chapter 627, part XV, F.S.

Section 2: Provides that the act takes effect upon becoming a law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

A company acquiring premium finance agreements under the conditions described will no longer be required to be licensed as a premium finance company. The result is reduced costs of compliance.

D. FISCAL COMMENTS:

There does not appear to be a fiscal impact on state or local government.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   None.

2. Other:

   None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

The Committee on Insurance adopted one technical amendment, which is incorporated in the committee substitute. It clarifies that the licensed premium finance company must retain the duty and obligation to continue servicing the premium finance loans after the loans have been acquired in the secondary market.