

955 CMR 2.00: THE FINANCING OF INSURANCE PREMIUMS

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2.01: Authority and Repeal

Pursuant to the provisions of M.G.L. c. 175, § 162B, after notice and public hearings in accordance with the provisions of M.G.L. c. 30A, the Board established by M.G.L. c. 175, § 162B hereby orders that 955 CMR 2.02 and 2.10 of its rate order filed with the Secretary of the Commonwealth on June 30, 1982 be repealed and the following substituted.

2.02: Finance Charges

The charge for interest on an insurance premium finance agreement shall not be in excess of 18% per annum of the unpaid balances of the amount financed calculated according to the actuarial method plus an administrative fee of \$16.00 upon the granting of the credit. The administrative fee may not be charged when the proceeds of an agreement are used to prepay an outstanding agreement, and such fee may be excluded from any refund or credit due upon prepayment in full of the agreement.

2.03: Precomputation

When an agreement requires repayment in substantially equal and consecutive monthly installments of principal and interest, the interest charge may be precomputed on scheduled monthly principal balances at a rate not in excess of that established by this Board. Such precomputed interest shall be applied to the unpaid balance of the agreement until it is fully paid. For the purpose of computation, whether at the maximum rate or less, a month shall be that period of time from any date in a month to the corresponding date in the next month or, if there is no such corresponding date, to the last day of the next month. A day shall be considered one-thirtieth of a month when computation is made for a fraction of a month.

2.04: Extension Charges

If the first installment date is more than one month after the date of an agreement, an extension charge may be made and collected not exceeding one-thirtieth of the portion of the precomputed interest charge applicable to the first installment period of one month for each day that the first installment date is deferred beyond one month. Such extension charge may be collected at the time of payment of the first installment or at any time thereafter. If the first installment date is less than one month after the date of the agreement, an amount not less than one-thirtieth of the portion of the precomputed interest charge applicable to the first installment period of one month shall be credited against the precomputed interest charge on the date of the agreement for each day the first installment is less than one month.

2.05: Default Charges

In the event of a default of more than ten days in the payment in full of any scheduled installment, a default charge may be made and collected in an amount not in excess of five percent of each installment in default. Such charge may not be collected more than once for the same default and may be collected at the time of default or at any time thereafter. It may

2.05: continued

be deducted from any payment received after a default occurs, but if this results in the default of a subsequent installment, no charge shall be made for such subsequent default. When an agreement is primarily for personal, family or household purposes, the maximum allowable default charge is \$5.00.

2.06: Cancellation Charge

When the agreement so provides, a cancellation charge which is permitted pursuant to M.G.L. c. 255C, § 15 may be made and collected in an amount not to exceed the greater of two percent of the unpaid balance due on the agreement or Five dollars. No cancellation charge may be assessed except in connection with a cancellation notice pursuant to M.G.L. c. 255C, § 21, which has been issued to the policyholder more than ten days after the effective date of a charge permitted herein under 955 CMR 2.05 and further provided that, when an agreement is primarily for personal, family or household purposes, the maximum allowable cancellation charge shall be Five dollars. It is further provided that the amount, if any, by which any cancellation charge allowed exceeds Five dollars may be collected if and only if the cancellation issued has become effective. No cancellation charge may be assessed or collected for more than one cancellation notice issued during the term of the agreement. Any cancellation charge due may be deducted from the gross unearned premiums received from the insurer.

2.07: Prepayment of Agreements

If an agreement is prepaid in full by cash, by a new agreement or by refinancing of such agreement, the debtor shall receive a refund or credit of a portion of the precomputed interest charge. The amount of any such refund or credit shall represent at least as great a proportion of the total amount of the precomputed interest charge as the sum of the scheduled periodic total of payments after the date of prepayment, as the date of prepayment is fixed below bears to the sum of the scheduled periodic total of payment under the schedule of installments in the original agreement. Such computation of refund or credit shall be made under the so-called sum-of-the-digits method. If the prepayment is made other than on an installment due date, it shall be deemed to have been made on the first installment due date if the prepayment occurs before that date, and in any other case it shall be deemed to have been made on the next preceding or next succeeding installment due date, whichever is nearer to the date of prepayment.

2.08: Merit Rating Surcharges and Credits

The term "cash price" as used in M.G.L. c. 255C, § 13, in the case of motor vehicle insurance may include any merit rating surcharges or credits.

2.09: Account Books

After the execution of a premium finance agreement and prior to the due date of the first payment to be made thereunder, a premium finance agency shall deliver to the insured a statement of account book or a coupon book. If the premium finance agreement contains any separate charge for credit insurance, a copy of the credit insurance policy or policies or a certificate or certificates of credit insurance, as appropriate, shall be attached to the statement of account book or coupon book.

2.10: Effective Date

This order shall be effective upon publication by the Office of the Secretary of State and shall apply to all agreements covering insurance contracts whose effective dates occur on or after July 2, 1984.

REGULATORY AUTHORITY

955 CMR 2.00: M.G.L. c. 175, § 162B