

# SENATE BILL No. 24

January 19, 2011, Introduced by Senator SCHUITMAKER and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending section 1505 (MCL 500.1505).

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 1505. (1) The commissioner may revoke or suspend the  
2       license of ~~any~~**A** premium finance company ~~when and~~ if after  
3       investigation it appears to the commissioner that **ANY OF THE**  
4       **FOLLOWING HAS OCCURRED:**

5       (a) Any license issued to ~~such~~**THE** company was obtained by  
6       fraud.

7       (b) There was any misrepresentation in the application for the  
8       license.

9       (c) The holder of the license has otherwise shown himself **OR**

1 **HERSELF** untrustworthy or incompetent to act as a premium finance  
2 company.

3 (d) The company has violated any of the provisions of this  
4 chapter ~~or the rules and regulations promulgated hereunder~~ **UNDER**  
5 **THIS CHAPTER.**

6 (e) ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4), THE**  
7 company has remunerated any insurance agent **PRODUCER** or any  
8 employee of an insurance agent **PRODUCER** or ~~to~~ any other person as  
9 an inducement to the financing of any insurance policy with the  
10 premium finance company. Except, that if the insurance agent  
11 **PRODUCER** prepares the premium finance agreement, the premium  
12 finance company may pay him **OR HER** a service fee not to exceed  
13 \$2.00.

14 (2) Before the commissioner revokes, suspends, or refuses to  
15 renew the license of ~~any~~ **A** premium finance company, he **OR SHE** shall  
16 give to the person an opportunity to be fully heard and to  
17 introduce evidence ~~in his~~ **ON ITS** behalf. ~~In lieu~~ **INSTEAD** of  
18 revoking or suspending the license for any of the ~~causes enumerated~~  
19 ~~in this section~~ **REASONS LISTED IN SUBSECTION (1)**, after a hearing,  
20 the commissioner may subject the company to a penalty of not more  
21 than \$200.00 for each offense ~~but the~~ **WITH A** total not to exceed  
22 \$1,000.00 when in his **OR HER** judgment ~~he~~ **THE COMMISSIONER** finds  
23 that the public interest would not be harmed by the continued  
24 operation of the company. The amount of any penalty shall be paid  
25 by the company through the office of ~~the commissioner~~ **FINANCIAL AND**  
26 **INSURANCE REGULATION** to the state treasury. At any hearing provided  
27 by this section, the commissioner shall have authority to

1 administer oaths to witnesses. Anyone testifying falsely, after  
2 having been administered ~~such AN~~ oath, ~~shall be~~ **IS** subject to the  
3 penalty of perjury.

4 (3) If the commissioner refuses to issue or renew ~~any A~~  
5 license or if ~~any AN~~ applicant or licensee is aggrieved by any  
6 action of the commissioner, the applicant or licensee shall have  
7 the right to a hearing and court proceeding as provided for in  
8 section 244.

9 (4) SUBSECTION (1)(E) DOES NOT PROHIBIT A PREMIUM FINANCE  
10 COMPANY THAT IS MAJORITY OWNED BY INSURANCE PRODUCERS FROM  
11 REMUNERATING ANY OF ITS INSURANCE PRODUCER OWNERS. THIS SUBSECTION  
12 DOES NOT APPLY TO A PREMIUM FINANCE COMPANY THAT IS INVOLVED IN ANY  
13 MANNER IN FINANCING LIFE INSURANCE OR ANNUITY POLICIES OR  
14 CONTRACTS.

15 (5) A PREMIUM FINANCE COMPANY THAT IS MAJORITY OWNED BY  
16 INSURANCE PRODUCERS SHALL REQUIRE COMPLIANCE BY AN INSURANCE  
17 PRODUCER THAT IS AN OWNER OF THE PREMIUM FINANCE COMPANY WITH ALL  
18 OF THE FOLLOWING:

19 (A) THE INSURANCE PRODUCER SHALL DISCLOSE TO AN APPLICANT FOR  
20 A PREMIUM FINANCE AGREEMENT ALL OF THE FOLLOWING:

21 (i) THAT THE APPLICANT IS NOT REQUIRED TO ENTER INTO A PREMIUM  
22 FINANCE AGREEMENT WITH A PARTICULAR FINANCE COMPANY.

23 (ii) EXCEPT AS OTHERWISE PROVIDED BY LAW, THAT THE APPLICANT IS  
24 NOT REQUIRED TO ENTER INTO A PREMIUM FINANCE AGREEMENT WITH THE  
25 INSURANCE PRODUCER OR AN AFFILIATE AS A CONDITION OF THE CONTRACT  
26 OF INSURANCE.

27 (iii) THAT ENTERING INTO A PREMIUM FINANCE AGREEMENT WITH THE

1 INSURANCE PRODUCER IS OPTIONAL AND WILL NOT IN ANY WAY AFFECT  
2 CURRENT OR FUTURE POLICY DECISIONS.

3 (iv) THAT THE INSURANCE PRODUCER HAS AN OWNERSHIP INTEREST IN  
4 THE PREMIUM FINANCE COMPANY AND ENTERING INTO A PREMIUM FINANCE  
5 AGREEMENT MAY PROVIDE THE INSURANCE PRODUCER WITH A FINANCIAL  
6 BENEFIT.

7 (B) THE INSURANCE PRODUCER SHALL OBTAIN FROM THE APPLICANT A  
8 DATED AND SIGNED ACKNOWLEDGMENT OF RECEIPT OF THE DISCLOSURE  
9 DESCRIBED IN SUBDIVISION (A) PRIOR TO THE EXECUTION OF THE PREMIUM  
10 FINANCE AGREEMENT. THE DISCLOSURE DOCUMENT DESCRIBED IN SUBDIVISION  
11 (A) MAY BE A SEPARATE, CLEARLY WRITTEN DOCUMENT THAT INCLUDES A  
12 DATED AND SIGNED ACKNOWLEDGMENT OF RECEIPT OR MAY BE PART OF THE  
13 PREMIUM FINANCE AGREEMENT IF IT IS CONSPICUOUSLY DISPLAYED IN THE  
14 AGREEMENT, CLEARLY WRITTEN, AND IF IT CONTAINS A DEDICATED DATE AND  
15 SIGNATURE LINE ACKNOWLEDGING RECEIPT.

16 (C) THE INSURANCE PRODUCER SHALL NOT REQUIRE A CONSUMER TO  
17 ENTER INTO A PREMIUM FINANCE AGREEMENT THROUGH A PARTICULAR  
18 PRODUCER OR AGENCY OR WITH A PARTICULAR PREMIUM FINANCE COMPANY OR  
19 FIX OR VARY THE TERMS OR CONDITIONS OF A CONTRACT OF INSURANCE AS  
20 AN INDUCEMENT TO EXECUTE A PREMIUM FINANCE AGREEMENT.

21 (D) THE INSURANCE PRODUCER SHALL NOT, EXCEPT AS OTHERWISE  
22 PROVIDED BY LAW, REQUIRE A CONSUMER TO ENTER INTO A PREMIUM FINANCE  
23 AGREEMENT WITH THE INSURANCE PRODUCER OR AN AFFILIATE AS A  
24 CONDITION OF A CONTRACT OF INSURANCE.

25 (E) AN OFFICER OR EMPLOYEE OF AN INSURANCE PRODUCER SHALL NOT  
26 DIRECTLY OR INDIRECTLY DELAY OR IMPEDE THE COMPLETION OF A  
27 TRANSACTION FOR THE PURPOSE OF INFLUENCING A CONSUMER'S SELECTION

1 OR PURCHASE OF A PREMIUM FINANCE AGREEMENT FROM A PRODUCER,  
2 SOLICITOR, AGENCY, OR INSURER THAT IS NOT AFFILIATED WITH THE  
3 INSURANCE PRODUCER.