

40-2610. Service charges; computation; maximum; refund on prepayment. A premium finance company shall not charge, contract for, receive, or collect a service charge other than as permitted by this act.

The service charge shall be computed on the balance of the premiums due (after subtracting the down payment made by the insured in accordance with the premium finance agreement) from the effective date of the insurance coverage, for which the premiums are being advanced, to and including the date when the final installment of the premium finance agreement is payable.

The total service charges shall be a maximum of \$12 per \$100 per year, plus an additional charge of \$10 per premium finance agreement, which need not be refunded on prepayment. No insurance premium finance company shall induce an insured to become obligated under more than one premium finance agreement for the purpose of obtaining more than one additional charge of \$10. The insured may prepay the premium finance agreement at any time and if the premium finance agreement is prepaid in full (by cash, renewal or refinancing) one month or more before the final payment is due, any unearned service charge shall be refunded on the basis of the rule commonly known as the rule of seventy-eighths (78ths), which is computed as follows:

The amount refunded shall be the proportion of the service charge which the sum of the monthly balances scheduled to follow the date of prepayment in full bears to the sum of the scheduled monthly balances of the premium finance agreement.

History: L. 1968, ch. 287, § 10; L. 1975, ch. 246, § 1; L. 1980, ch. 139, § 1; L. 1991, ch. 136, § 3; July 1.