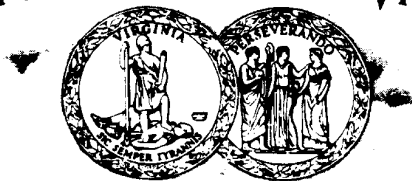


COMMONWEALTH OF VIRGINIA

STEVEN T. FOSTER
COMMISSIONER OF INSURANCE



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RICHMOND, VA 23209
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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

March 30, 1992

Administrative Letter 1992-7

TO: All Premium Finance Companies Licensed in Virginia

RE: Refund of Unearned Interest

This letter is to inform all premium finance companies licensed in the Commonwealth that, pursuant to §38.2-4705 of the Code of Virginia, interest may not be fully earned upon prepayment from any source (insurer or insured) for any reason, including default or cancellation. The Bureau of Insurance takes the position that in the event of prepayment, default, or cancellation, any unearned interest must be refunded to the insured either on a short-rate or a pro-rata basis.

The Bureau does not intend to propose any amendments to Regulation No. 6 (Rules Governing Insurance Premium Finance Companies) at the present time. However, the Bureau intends to enforce the provisions of §38.2-4705 and random audits may be conducted to determine compliance with this section of the Code. Any premium finance company that is using a contract which permits interest to be fully earned should submit a revised contract to the Property and Casualty Market Regulation Section of the Bureau of Insurance for approval by June 1, 1992.

With regard to filing rate charts as specified in Section 2.1 of Regulation 6, the Bureau of Insurance takes the position that rates or the methods of calculating rates for all sums financed must be filed. It appears that some premium finance companies have filed only representative samples of rates being used. Henceforth, rate charts for all financed premiums must be filed. As an alternative, a statement of the methodology for calculating monthly payments and the range of sums financed may be filed or rates may be filed on diskette.

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Questions regarding this letter may be directed to:

Jane J. Avery, Supervisor
State Corporation Commission
Bureau of Insurance
Box 1157
Richmond, Virginia 23209

Sincerely,

A handwritten signature in black ink, appearing to read 'Steven T. Foster', with a long horizontal line extending to the right.

Steven T. Foster
Commissioner of Insurance

STF:dw