

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.1509 Premium finance company; authorized charges; service charge; amending original contract where balance of premium due changed.

Sec. 1509.

(1) A premium finance company shall not charge, contract for, receive, or collect any charge other than as permitted by this chapter.

(2) 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.

(3) Except as provided in subsection (4), the service charge shall be a maximum of \$12.00 per \$100.00 per year plus an additional charge of \$18.00 per premium finance agreement. The \$18.00 need not be refunded upon cancellation or prepayment. Notwithstanding the provisions of any premium finance agreement to the contrary, any insured may pay the agreement in full at any time before the maturity of the final installment of the balance thereof and shall receive a refund of the unearned service charge which shall represent at least as great a proportion of the service charge after first deducting therefrom an acquisition cost of not more than \$18.00 as:

(a) The sum of the monthly balances under the schedule of payments in the finance agreement beginning as of the date after the prepayment which is the next succeeding monthly anniversary date of the due date of the first installment under the agreement, or, if the prepayment is prior to the due date of the first installment under the agreement, then as of the date after the prepayment which is the next succeeding monthly anniversary date of the date of the agreement, bears to;

(b) The sum of all the monthly balances under the schedule of installment payments in the agreement. Where the amount of refund is less than \$3.00, a refund need not be made.

(4) When the balance of premiums due is less than \$100.00 and is:

(a) To be paid in 3 monthly installments or less, the maximum service charge shall be \$15.00.

(b) To be paid in 4 or 5 monthly installments, the maximum service charge shall be \$17.00.

(5) The service charge shall be computed at the time of making the contract of insurance.

(6) If the balance of premium due is changed, an amendment shall be added to the original contract setting forth the items required in section 1508(1)(c).

History: Add. 1968, Act 352, Eff. Nov. 15, 1968 ;-- Am. 1982, Act 143, Imd. Eff. Apr. 28, 1982

Compiler's Notes: In subsection (2) of this section, the word "subtracting" evidently should read "subtracting".

Popular Name: Act 218