

LEGISLATIVE HISTORY OF R.S. 17:16D-1 et seq.  
(Insurance premium financing)

Previous bills were:

1966 - A840

May 25 - Introduced by Wagner, A. Smith & Tanzman  
May 25 - Rev. & Amend. of Laws Committee.  
May 31 - Reported, 2d reading.  
June 13 - Passed in Assembly.  
June 13 - Received in Senate.  
June 13 - Business Affairs Committee.  
June 15 - Reported, 2nd reading.  
June 22 - Recommitted.  
No statement.  
No amendments.

1967 - A67

Jan. 16 - Introduced by Wegner, Tanzman & A. Smith.  
Jan. 16 - Business Affairs Committee.  
Statement on the bill: copy of bill with statement attached.

The bill which became law was:

L. 1968, Chapter 221 - S500-3d OCR

March 11 - Introduced by Tanzman & 4 others.  
March 11 - Banking & Insurance Committee.  
May 13 - Passed Senate under emergency resolution, amended.  
June 24 - Passed in Assembly, amended.  
June 24 - Assembly amendment passed in Senate.  
July 30 - Approved, Chapter 221.  
No statement.  
Amended during passage: original bill and amendments attached.

JH/PC

*No hearings or reports were located.*

*No clippings located at:*

*V.F. -- N.J. -- Insurance (1966, 1967, 1968)*

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CHAPTER 221 LAWS OF N. J. 1967  
APPROVED 7-30-67  
[THIRD OFFICIAL COPY REPRINT]

SENATE, No. 500

STATE OF NEW JERSEY

INTRODUCED MARCH 11, 1968

By Senators TANZMAN and STOUT

Referred to Committee on Banking and Insurance

AN ACT to provide for the licensing and regulation of insurance premium finance companies, and supplementing Title 17 of the Revised Statutes.

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. Short title. This act shall be known and may be cited as the  
2 "Insurance Premium Finance Company Act."

1 2. Definitions. For the purposes of this act—

2 (a) "Insurance premium finance company" means a person en-  
3 gaged in the business of entering into insurance premium finance  
4 agreements *\*\*or acquiring premium finance agreements from in-*  
5 *surance agents or insurance brokers\*\*.*

6 (b) "Insurance premium finance agreement" means an agree-  
7 ment by which an insured or prospective insured promises to pay  
8 to a premium finance company *\*\*either directly or indirectly\*\**  
9 the amount advanced or to be advanced under the agreement *\*\*by*  
10 *said premium finance company\*\** to an insurer or to an insurance  
11 agent or insurance broker in payment of premiums on an insurance  
12 contract together with a finance charge as authorized and limited  
13 by this act.

14 (c) "Licensee" means an insurance premium finance company  
15 holding a license issued by the commissioner under this act.

1 3. Application. The provisions of this act shall not apply with  
2 respect to:

3 (a) Any insurance company authorized to do business in the  
4 State of New Jersey,

4A *\*\*\* (b) State associations and Federal associations, as defined in*  
4B *P. L. 1963, chapter 144, section 5 (C. 17:12B-5).\*\*\**

5 *\*\*[(b) Any safe deposit company, provident loan association,*  
6 *\*[savings and loan association]\* \*State associations and Federal*

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.**

7 associations, as defined in P. L. 1963, chapter 144, section 5 (C.  
8 17:12B-5)\*, sales finance company, motor vehicle installment seller,  
9 bank, savings bank, national banking association, small loan busi-  
10 ness, loan company or credit union authorized to do business in the  
11 State of New Jersey,]\*\*

12 \*\*\*[(c)]\*\* \*\*[(b)]\*\*\* (c)\*\*\* The inclusion of a  
13 charge for insurance in connection with an installment sale of a  
14 motor vehicle or other goods made in accordance with the New  
15 Jersey Retail Installment Sales Act of 1960,]\*\*

16 (c) *The inclusion or deduction of a charge for insurance in*  
17 *accordance with the provisions of chapter 10 of Title 17 of the*  
18 *Revised Statutes relating to small loans or the inclusion of a charge*  
19 *for insurance in connection with an installment sale of a motor*  
20 *vehicle or other goods made in accordance with the New Jersey*  
21 *Retail Installment Sales Act of 1960,\*\*\**

22 [(d)]\*\* \*\*[(c)]\*\*\* (d)\*\*\* The financing of insurance  
23 premiums in New Jersey in accordance with the provisions of  
24 Revised Statutes 31:1-1 relating to legal interest rate.

1 4. Licenses. No person shall engage in the business of financing  
2 insurance premiums in this State without first having obtained a  
3 license as a premium finance company from the Commissioner of  
4 Banking and Insurance\*\*, *except that any State or national bank*  
5 *authorized to do business in this State shall be authorized to trans-*  
6 *act business as a premium finance company, subject to all of the*  
7 *provisions of this act, except that it shall not be required to obtain*  
8 *a license or pay a license fee hereunder\*\**. Any person who shall  
9 engage in the business of financing insurance premiums in this State  
10 without obtaining a license as provided hereunder shall, upon con-  
11 viction as provided in Revised Statutes \*\*[17:32-2]\*\*  
12 \*\*[17:32-2]\*\*\*\*\* \*\*17:33-2\*\*\*, be subject to a fine of not more  
12A than \$200.00.

13 The annual license fee shall be \*\*[\$100.00]\*\* \*\*\$200.00 for each  
14 office\*\*. Licenses may be renewed from year to year as of January  
15 1 of each year upon payment of the fee of \*\*[\$100.00]\*\*  
16 \*\*\$200.00\*\*. The fee for said license shall be paid to the commis-  
17 sioner for the use of the State. No portion of the license fee shall be  
18 refunded if the license is surrendered by the licensee or suspended  
19 or revoked by the commissioner.

20 Before any licensee changes his address he shall return his license  
21 to the commissioner who shall indorse the license indicating the  
22 change.

23 The person to whom the license or the renewal thereof may be  
24 issued shall file sworn answers, subject to the penalties of perjury,

25 to such interrogatories as the commissioner may require. The com-  
 26 missioner shall have authority, at any time, to require the applicant  
 27 fully to disclose the identity of all stockholders, partners, officers  
 28 and employees, and he may, in his discretion, refuse to issue or  
 29 renew a license in the name of any firm, partnership, or corporation  
 30 if he is not satisfied that any officer, employee, stockholder, or  
 31 partner thereof who may materially influence the applicant's con-  
 32 duct meets the standards of this act.

1 5. Action by commissioner on application. Upon the filing of  
 2 an application and the payment of the license fee the commis-  
 3 sioner shall make an investigation of each applicant and shall issue  
 4 a license if he finds the applicant is qualified in accordance with this  
 5 act. If the commissioner does not so find, he shall, within 30 days  
 6 after he has received such application, so notify the applicant and  
 7 at the request of the applicant, give the applicant a full hearing.

8 The commissioner shall issue or renew a license as may be applied  
 9 for when he is satisfied that the person to be licensed—

10 (a) Is competent and trustworthy and intends to act in good  
 11 faith in the capacity involved by the license applied for,

12 (b) Has a good business reputation and has had experience,  
 13 training, or education so as to be qualified in the business for which  
 14 the license is applied for, and

15 (c) If a corporation, is a corporation incorporated under the  
 16 laws of this State or a foreign corporation authorized to trans-  
 17 act business in this State.

1 6. Revocation and suspension of licenses. The commissioner may  
 2 revoke or suspend the license of any premium finance company  
 3 when and if after investigation the commissioner finds that

4 (a) Any license issued to such company was obtained by fraud,

5 (b) There was any misrepresentation in the application for the  
 6 license,

7 (c) The holder of such license has otherwise shown himself un-  
 8 trustworthy or incompetent to act as premium finance company,

8A \*or\*

9 (d) such company has violated any of the provisions of this  
 10 act\***[**, or

11 (e) Such company has been rebating part of the finance charge  
 12 as allowed and permitted herein to any insurance agent or insur-  
 13 ance broker or any employee of an insurance agent or insurance  
 14 broker or to any other persons as an inducement to the financing  
 15 of any insurance policy with the premium finance company]\*.

16 Before the commissioner shall revoke, suspend or refuse to re-  
 17 new the license of any premium finance company, he shall give

18 to such person an opportunity to be fully heard and to introduce  
 19 evidence in his behalf. In lieu of revoking or suspending the  
 20 license for any of the causes enumerated in this section, after  
 21 hearing as herein provided, the commissioner may subject such  
 22 company to a penalty of not more than \$200.00 for each offense  
 23 when in his judgment he finds that the public interest would not  
 24 be harmed by the continued operation of such company. The  
 25 amount of any such penalty shall be paid by such company to the  
 26 commissioner for the use of the State. At any hearing provided  
 27 by this section, the commissioner shall have authority to administer  
 28 oaths to witnesses. Anyone testifying falsely, after having been  
 29 administered such oath, shall be subject to the penalty of perjury.

30 Any action of the commissioner in refusing to issue or renew a  
 31 license shall be subject to review in the Superior Court by a pro-  
 32 ceeding in lieu of prerogative writ.

1 7. Books and records. Every licensee shall maintain records of  
 2 its premium finance transactions which will enable the commis-  
 3 sioner to enforce full compliance with this act and the said records  
 4 shall be open to examination and investigation by the commis-  
 5 sioner. *\*\*The commissioner shall have the power to make such*  
 6 *examination of the books, records and accounts of any licensee as*  
 7 *he shall deem necessary. The expenses incurred in making any such*  
 7A *examination shall be \*\*\*[accessed]\*\*\* \*\*\*assessed\*\*\* against and*  
 7B *paid by the licensee so examined.\*\** The commissioner may, at any  
 7C time, require any licensee to bring such records as he may direct to  
 7D the commissioner's office for examination.

8 Every licensee shall preserve its records of such premium finance  
 9 transactions, including cards used in a card system for at least 3  
 10 years after making the final entry in respect to any premium finance  
 11 agreement. The preservation of records in photographic form shall  
 12 constitute compliance with this requirement.

13 Each licensee shall on or before **\*\*[March]\*\*** *\*\*February\*\** 1 of  
 14 each year file a report with the commissioner giving such informa-  
 15 tion as the commissioner may require concerning the licensee's  
 16 business and operation during the preceding calendar year.

1 8. Power to make rules. The commissioner may make and en-  
 2 force such reasonable rules and regulations as may be necessary  
 3 in making effective the provisions of this act, but such rules and  
 4 regulations shall not be contrary to nor inconsistent with the pro-  
 5 visions of this act.

1 9. Form of premium finance agreement. A premium finance  
 2 agreement shall—

3 (a) Be dated, signed by or on behalf of the insured, and the  
4 printed portion thereof shall be in at least 8-point type,

5 (b) Contain the name and place of business of the insurance  
6 agent or insurance broker negotiating the related insurance con-  
7 tract, the name and residence or place of business of the insured  
8 as specified by him, the name and place of business of the premium  
9 finance company to which payments are to be made, a description  
10 of the insurance contracts involved and the amount of the premium  
11 therefor; and

12 (c) Set forth the following items where applicable:

13 (1) the total amount of the premiums,

14 (2) the amount of the down payment,

15 (3) the principal balance (the difference between items (1)  
16 and (2)),

17 (4) the amount of the finance charge, including the addi-  
18 tional charge of \$10.00,

19 (5) the balance payable by the insured (sum of items (3)  
20 and (4)), and

21 (6) the number of installments required, the amount of each  
22 installment expressed in dollars, and the due date or period  
23 thereof.

24 (d) Contain a notice reading as follows: Notice to Insured: (1)  
25 Read this agreement before you sign, (2) Do not sign this agree-  
26 ment if it contains blank spaces, (3) You are entitled to a copy of  
27 this agreement at the time you sign, (4) Keep your copy of this  
28 agreement to protect your legal rights.

29 The items set out in subsection (c) of this section need not be  
30 stated in the sequence or order in which they appear in such clause,  
31 and additional items may be included to explain the computations  
32 made in determining the amount to be paid by the insured.

33 The licensee or the insurance agent or insurance broker shall  
34 deliver to the insured, or mail to him at his address shown in the  
35 agreement, a complete copy of the agreement.

36 No premium finance agreement shall be signed by an insured  
37 when it contains any blank spaces to be filled in after it has been  
38 signed except that if the insurance contract involved has not yet  
39 been issued, the name of the insurer and the policy number may  
40 be left blank and later inserted in the original agreement.

41 No premium finance agreement shall contain a power of attorney  
42 to confess judgment in this State.

1 10. Maximum finance charge. A premium finance company shall  
2 not charge, contract for, receive, or collect a finance charge other  
3 than as permitted by this act.

4 The finance charge shall be computed\*\*, *using the actuarial*  
5 *method\*\** on the balance of the premiums due (after subtracting  
6 the down payment made by the insured in accordance with the  
7 premium finance agreement) from the effective date of the in-  
8 surance coverage, for which the premiums are being advanced, to  
9 and including the date when the final installment of the premium  
9A finance agreement is payable.

10 The finance charge shall be computed at a maximum rate of 12%  
11 per annum plus an additional charge of \$10.00 per premium finance  
12 agreement which additional charge need not be refunded upon  
13 prepayment. However, any insured may prepay his premium  
14 finance agreement in full at any time before due date of the final  
15 installment and in such event the unearned finance charge shall be  
16 refunded. The amount of any such refund shall be calculated in  
17 accordance with the rule commonly known as the "Rule of 78"  
18 and shall represent at least as great a proportion of the finance  
19 charge, if any, as the sum of the periodic balances after the month  
20 in which prepayment is made bears to the sum of all periodic  
21 balances under the schedule of installments in the agreement.

1 11. Statement of accounts; receipts. Upon the request of an in-  
2 sured a premium finance company shall give to the insured a writ-  
3 ten statement of his account. No more than 2 such statements shall  
4 be required in any 12-month period. An insured shall be given  
5 a written receipt for any payment made in cash. When the premium  
6 finance agreement has been paid in full, the licensee shall, upon re-  
7 quest of the insured, return to the insured the premium finance  
8 agreement marked paid or canceled.

1 12. Delinquency charges. A premium finance agreement may  
2 provide for the payment by the insured of a delinquency charge  
3 of \$1.00 to a maximum of 5% of the delinquent installment but  
4 not to exceed \$5.00 on any installment which is in default for a  
5 period of \*\***[5]**\*\* \*\*10\*\* days or more. If the default results in the  
6 cancellation of any insurance contract listed in the agreement, the  
7 agreement may provide for the payment by the insured of a can-  
8 cellation charge; such charge shall be \$5.00, less any delinquency  
9 charge on the installment in default.

1 13. Cancellation of insurance contract upon default—

2 (a) When a premium finance agreement contains a power of  
3 attorney enabling the premium finance company to cancel any in-  
4 surance contract or contracts listed in the agreement, the insur-  
5 ance contract or contracts shall not be canceled by the premium  
6 finance company unless such cancellation is effectuated in accord-  
7 ance with this section.

8 (b) Not less than 10 days' written notice shall be mailed to the  
9 insured of the intent of the premium finance company to cancel  
9A the insurance contract unless the default is cured within such 10-day  
10 period. A copy of said notice shall also be sent to the insurance  
11 agent or insurance broker indicated on the premium finance agree-  
12 ment.

12A (c) After expiration of such 10-day period, the premium finance  
12B company may thereafter request in the name of the insured, can-  
12C cellation of such insurance contract or contracts by mailing to the  
12D insurer a notice of cancellation, and the insurance contract shall  
12E be canceled as if such notice of cancellation had been submitted  
12F by the insured himself, but without requiring the return of the  
12G insurance contract or contracts. The premium finance company  
12H shall also mail a notice of cancellation to the insured at his last  
12I known address and to the insurance agent or insurance broker  
12J indicated on the premium finance agreement. *\*\*The effective date*  
12K *of such cancellation shall not be earlier than 3 days after the date of*  
12L *mailing of such notice to the insured and to the insurance agent or*  
12M *insurance broker.\*\**

12N (d) All statutory, regulatory, and contractual restrictions pro-  
12O viding that the insurance contract may not be canceled unless  
13 notice is given to a governmental agency, mortgagee, or other third  
14 party shall apply where cancellation is effected under the provi-  
15 sions of this section. The insurer shall give the prescribed notice  
16 in behalf of itself or the insured to any governmental agency,  
17 mortgagee, or other third party on or before the second business  
18 day after the day it receives the notice of cancellation from the  
19 premium finance company and shall determine the effective date  
20 of cancellation taking into consideration the number of days notice  
21 required to complete the cancellation.

1 14. Application of unearned premiums. (a) Whenever a financed  
2 insurance contract is canceled, the insurer on notice of such financ-  
3 ing shall return whatever gross unearned premiums are due under  
4 the insurance contract to the premium finance company for the  
5 account of the insured or insureds.

6 (b) In the event that the crediting of return premiums to the  
7 account of the insured results in a surplus over the amount due  
8 from the insured, the premium finance company shall refund such  
9 excess to the insured provided that no such refund shall be required  
10 if it amounts to less than \$1.00.

1 15. Exemption from any filing requirements. No filing of the  
2 premium finance agreement shall be necessary to perfect the va-  
3 lidity of such agreement as a secured transaction as against cred-



4 itors, subsequent purchasers, pledgees, encumbrancers, successors,  
5 or assigns.

1 16. Severability. If any provision of this act is held invalid, the  
2 invalidity thereof shall not affect other provisions of the act which  
3 can be given effect without the invalid provision and to this end  
4 the provisions of this act are severable.

1 17. Effective date. This act shall take effect on the sixtieth day  
2 after the date of enactment.

Original bill, which was amended, was  
Chapter 221, L. 1968 on July 30

SENATE, No. 500

STATE OF NEW JERSEY

INTRODUCED MARCH 11, 1968

By Senators TANZMAN and STOUT

Referred to Committee on Banking and Insurance

AN ACT to provide for the licensing and regulation of insurance premium finance companies, and supplementing Title 17 of the Revised Statutes.

1 BE IT ENACTED by the Senate and General Assembly of the State  
2 of New Jersey:

1 1. Short title. This act shall be known and may be cited as the  
2 "Insurance Premium Finance Company Act."

1 2. Definitions. For the purposes of this act—

2 (a) "Insurance premium finance company" means a person en-  
3 gaged in the business of entering into insurance premium finance  
4 agreements.

5 (b) "Insurance premium finance agreement" means an agree-  
6 ment by which an insured or prospective insured promises to pay  
7 to a premium finance company the amount advanced or to be ad-  
8 vanced under the agreement to an insurer or to an insurance agent  
8A or insurance broker in payment of premiums on an insurance con-  
9 tract together with a finance charge as authorized and limited by  
10 this act.

11 (c) "Licensee" means an insurance premium finance company  
12 holding a license issued by the commissioner under this act.

1 3. Application. The provisions of this act shall not apply with  
2 respect to:

3 (a) Any insurance company authorized to do business in the  
4 State of New Jersey,

5 (b) Any safe deposit company, provident loan association, sav-  
6 ings and loan association, sales finance company, motor vehicle  
7 installment seller, bank, savings bank, national banking association,  
8 small loan business, loan company or credit union authorized to  
9 do business in the State of New Jersey,

10 (c) The inclusion of a charge for insurance in connection with  
11 an installment sale of a motor vehicle or other goods made in ac-  
12 cordance with the New Jersey Retail Installment Sales Act of 1960,

13 (d) The financing of insurance premiums in New Jersey in ac-  
14 cordance with the provisions of Revised Statutes 31:1-1 relating  
15 to legal interest rate.

1 4. Licenses. No person shall engage in the business of financing  
2 insurance premiums in this State without first having obtained a  
3 license as a premium finance company from the Commissioner of  
4 **Banking and Insurance. Any person who shall engage in the busi-**  
5 **ness of financing insurance premiums in this State without obtain-**  
6 **ing a license as provided hereunder shall, upon conviction as**  
7 **provided in Revised Statutes 17:32-2, be subject to a fine of not**  
8 **more than \$200.00.**

9 The annual license fee shall be \$100.00. Licenses may be renewed  
9A from year to year as of January 1 of each year upon payment  
9B of the fee of \$100.00. The fee for said license shall be paid to the  
9C commissioner for the use of the State. No portion of the license  
9D fee shall be refunded if the license is surrendered by the licensee  
9E or suspended or revoked by the commissioner.

9F Before any licensee changes his address he shall return his  
9G license to the commissioner who shall indorse the license indicating  
10 the change.

11 The person to whom the license or the renewal thereof may be  
12 issued shall file sworn answers, subject to the penalties of perjury,  
13 to such interrogatories as the commissioner may require. The  
14 commissioner shall have authority, at any time, to require the  
15 applicant fully to disclose the identity of all stockholders, partners,  
16 officers and employees, and he may, in his discretion, refuse to  
17 issue or renew a license in the name of any firm, partnership, or  
18 corporation if he is not satisfied that any officer, employee, stock-  
19 holder, or partner thereof who may materially influence the appli-  
20 cant's conduct meets the standards of this act.

1 5. Action by commissioner on application. Upon the filing of  
2 an application and the payment of the license fee the commis-  
3 sioner shall make an investigation of each applicant and shall issue  
4 a license if he finds the applicant is qualified in accordance with this  
5 act. If the commissioner does not so find, he shall, within 30 days  
6 after he has received such application, so notify the applicant and  
7 at the request of the applicant, give the applicant a full hearing.

8 The commissioner shall issue or renew a license as may be applied  
9 for when he is satisfied that the person to be licensed—

10 (a) Is competent and trustworthy and intends to act in good  
11 faith in the capacity involved by the license applied for,

12 (b) Has a good business reputation and has had experience,  
13 training, or education so as to be qualified in the business for which  
14 the license is applied for, and

15 (c) If a corporation, is a corporation incorporated under the  
16 the laws of this State or a foreign corporation authorized to trans-  
17 act business in this State.

1 6. Revocation and suspension of licenses. The commissioner may  
2 revoke or suspend the license of any premium finance company  
3 when and if after investigation the commissioner finds that

4 (a) Any license issued to such company was obtained by fraud,

5 (b) There was any misrepresentation in the application for the  
6 license,

7 (c) The holder of such license has otherwise shown himself un-  
8 trustworthy or incompetent to act as premium finance company,

9 (d) Such company has violated any of the provisions of this act,  
10 or

11 (e) Such company has been rebating part of the finance charge  
12 as allowed and permitted herein to any insurance agent or insur-  
13 ance broker or any employee of an insurance agent or insurance  
14 broker or to any other persons as an inducement to the financing  
15 of any insurance policy with the premium finance company.

16 Before the commissioner shall revoke, suspend or refuse to re-  
17 new the license of any premium finance company, he shall give  
18 to such person an opportunity to be fully heard and to introduce  
19 evidence in his behalf. In lieu of revoking or suspending the  
20 license for any of the causes enumerated in this section, after  
21 hearing as herein provided, the commissioner may subject such  
22 company to a penalty of not more than \$200.00 for each offense  
23 when in his judgment he finds that the public interest would not  
24 be harmed by the continued operation of such company. The  
25 amount of any such penalty shall be paid by such company to the  
26 commissioner for the use of the State. At any hearing provided  
27 by this section, the commissioner shall have authority to administer  
28 oaths to witnesses. Anyone testifying falsely, after having been  
29 administered such oath, shall be subject to the penalty of perjury.

30 **Any action of the commissioner in refusing to issue or renew a**  
31 license shall be subject to review in the Superior Court by a pro-  
32 ceeding in lieu of prerogative writ.

1 7. Books and records. Every licensee shall maintain records of  
2 its premium finance transactions which will enable the commis-  
3 sioner to enforce full compliance with this act and the said records

4 shall be open to examination and investigation by the commis-  
 5 sioner. The commissioner may, at any time, require any licensee  
 6 to bring such records as he may direct to the commissioner's office  
 7 for examination.

8 Every licensee shall preserve its records of such premium finance  
 9 transactions, including cards used in a card system for at least 3  
 10 years after making the final entry in respect to any premium finance  
 11 agreement. The preservation of records in photographic form shall  
 12 constitute compliance with this requirement.

13 Each licensee shall on or before March 1 of each year file a re-  
 14 port with the commissioner giving such information as the com-  
 15 missioner may require concerning the licensee's business and oper-  
 16 ation during the preceding calendar year.

1 8. Power to make rules. The commissioner may make and en-  
 2 force such reasonable rules and regulations as may be necessary  
 3 in making effective the provisions of this act, but such rules and  
 4 regulations shall not be contrary to nor inconsistent with the pro-  
 5 visions of this act.

1 9. Form of premium finance agreement. A premium finance  
 2 agreement shall—

3 (a) Be dated, signed by or on behalf of the insured, and the  
 4 printed portion thereof shall be in at least 8-point type,

5 (b) Contain the name and place of business of the insurance  
 6 agent or insurance broker negotiating the related insurance con-  
 7 tract, the name and residence or place of business of the insured  
 8 as specified by him, the name and place of business of the premium  
 9 finance company to which payments are to be made, a description  
 10 of the insurance contracts involved and the amount of the premium  
 11 therefor; and

12 (c) Set forth the following items where applicable:

13 (1) the total amount of the premiums,

14 (2) the amount of the down payment,

15 (3) the principal balance (the difference between items (1)  
 16 and (2)),

17 (4) the amount of the finance charge, including the addi-  
 18 tional charge of \$10.00,

19 (5) the balance payable by the insured (sum of items (3)  
 20 and (4)), and

21 (6) the number of installments required, the amount of each  
 22 installment expressed in dollars, and the due date or period  
 23 thereof.

24 (d) Contain a notice reading as follows: Notice to Insured: (1)  
 25 Read this agreement before you sign, (2) Do not sign this agree-

26 ment if it contains blank spaces, (3) You are entitled to a copy of  
27 this agreement at the time you sign, (4) Keep your copy of this  
28 agreement to protect your legal rights.

29 The items set out in subsection (c) of this section need not be  
30 stated in the sequence or order in which they appear in such clause,  
31 and additional items may be included to explain the computations  
32 made in determining the amount to be paid by the insured.

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35 agreement, a complete copy of the agreement.

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38 signed except that if the insurance contract involved has not yet  
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42 to confess judgment in this State.

1 10. Maximum finance charge. A premium finance company shall  
2 not charge, contract for, receive, or collect a finance charge other  
3 than as permitted by this act.

4 The finance charge shall be computed on the balance of the pre-  
5 miums due (after subtracting the down payment made by the in-  
6 sured in accordance with the premium finance agreement) from  
7 the effective date of the insurance coverage, for which the premiums  
8 are being advanced, to and including the date when the final install-  
9 ment of the premium finance agreement is payable.

10 The finance charge shall be computed at a maximum rate of 12%  
11 per annum plus an additional charge of \$10.00 per premium finance  
12 agreement which additional charge need not be refunded upon  
13 prepayment. However, any insured may prepay his premium  
14 finance agreement in full at any time before due date of the final  
15 installment and in such event the unearned finance charge shall be  
16 refunded. The amount of any such refund shall be calculated in  
17 accordance with the rule commonly known as the "Rule of 78"  
18 and shall represent at least as great a proportion of the finance  
19 charge, if any, as the sum of the periodic balances after the month  
20 in which prepayment is made bears to the sum of all periodic  
21 balances under the schedule of installments in the agreement.

1 11. Statement of accounts; receipts. Upon the request of an in-  
2 sured a premium finance company shall give to the insured a writ-  
3 ten statement of his account. No more than 2 such statements shall  
4 be required in any 12-month period. An insured shall be given  
5 a written receipt for any payment made in cash. When the premium

6 finance agreement has been paid in full, the licensee shall, upon re-  
7 quest of the insured, return to the insured the premium finance  
8 agreement marked paid or canceled.

1 12. Delinquency charges. A premium finance agreement may  
2 provide for the payment by the insured of a delinquency charge  
3 of \$1.00 to a maximum of 5% of the delinquent installment but  
4 not to exceed \$5.00 on any installment which is in default for a  
5 period of 5 days or more. If the default results in the cancellation  
6 of any insurance contract listed in the agreement, the agreement  
7 may provide for the payment by the insured of a cancellation  
8 charge; such charge shall be \$5.00, less any delinquency charge  
9 on the installment in default.

1 13. Cancellation of insurance contract upon default—

2 (a) When a premium finance agreement contains a power of  
3 attorney enabling the premium finance company to cancel any in-  
4 surance contract or contracts listed in the agreement, the insur-  
5 ance contract or contracts shall not be canceled by the premium  
6 finance company unless such cancellation is effectuated in accord-  
7 ance with this section.

8 (b) Not less than 10 days' written notice shall be mailed to the  
9 insured of the intent of the premium finance company to cancel  
9A the insurance contract unless the default is cured within such 10-day  
10 period. A copy of said notice shall also be sent to the insurance  
11 agent or insurance broker indicated on the premium finance agree-  
12 ment.

12A (c) After expiration of such 10-day period, the premium finance  
12B company may thereafter request in the name of the insured, can-  
12C cellation of such insurance contract or contracts by mailing to the  
12D insurer a notice of cancellation, and the insurance contract shall  
12E be canceled as if such notice of cancellation had been submitted  
12F by the insured himself, but without requiring the return of the  
12G insurance contract or contracts. The premium finance company  
12H shall also mail a notice of cancellation to the insured at his last  
12I known address and to the insurance agent or insurance broker  
12J indicated on the premium finance agreement.

12K (d) All statutory, regulatory, and contractual restrictions pro-  
12L viding that the insurance contract may not be canceled unless  
13 notice is given to a governmental agency, mortgagee, or other third  
14 party shall apply where cancellation is effected under the provi-  
15 sions of this section. The insurer shall give the prescribed notice  
16 in behalf of itself or the insured to any governmental agency,  
17 mortgagee, or other third party on or before the second business  
18 day after the day it receives the notice of cancellation from the

19 premium finance company and shall determine the effective date  
20 of cancellation taking into consideration the number of days notice  
21 required to complete the cancellation.

1 14. Application of unearned premiums. (a) Whenever a financed  
2 insurance contract is canceled, the insurer on notice of such financ-  
3 ing shall return whatever gross unearned premiums are due under  
4 the insurance contract to the premium finance company for the  
5 account of the insured or insureds.

6 (b) In the event that the crediting of return premiums to the  
7 account of the insured results in a surplus over the amount due  
8 from the insured, the premium finance company shall refund such  
9 excess to the insured provided that no such refund shall be required  
10 if it amounts to less than \$1.00.

1 15. Exemption from any filing requirements. No filing of the  
2 premium finance agreement shall be necessary to perfect the va-  
3 lidity of such agreement as a secured transaction as against cred-  
4 itors, subsequent purchasers, pledgees, encumbrancers, successors,  
5 or assigns.

1 16. Severability. If any provision of this act is held invalid, the  
2 invalidity thereof shall not affect other provisions of the act which  
3 can be given effect without the invalid provision and to this end  
4 the provisions of this act are severable.

1 17. Effective date. This act shall take effect on the sixtieth day  
2 after the date of enactment.



SENATE COMMITTEE AMENDMENTS TO  
**SENATE, No. 500**

—•—  
**STATE OF NEW JERSEY**  
—•—

ADOPTED MAY 6, 1968

Amend page 1, section 3, lines 5 and 6, delete "savings and loan association", insert "State associations and Federal associations, as defined in P. L. 1963, chapter 144, section 5 (C. 17:12B-5)".

Amend page 3, section 6, line 8, after "company," insert "or".

Amend page 3, section 6, line 9, omit the comma insert a period.

Amend page 3, section 6, lines 10 to 15, omit.

[OFFICIAL COPY REPRINT]  
SENATE, No. 500

STATE OF NEW JERSEY

INTRODUCED MARCH 11, 1968

By Senators TANZMAN and STOUT

Referred to Committee on Banking and Insurance

AN ACT to provide for the licensing and regulation of insurance premium finance companies, and supplementing Title 17 of the Revised Statutes.

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. Short title. This act shall be known and may be cited as the  
2 "Insurance Premium Finance Company Act."

1 2. Definitions. For the purposes of this act—

2 (a) "Insurance premium finance company" means a person en-  
3 gaged in the business of entering into insurance premium finance  
4 agreements.

5 (b) "Insurance premium finance agreement" means an agree-  
6 ment by which an insured or prospective insured promises to pay  
7 to a premium finance company the amount advanced or to be ad-  
8 vanced under the agreement to an insurer or to an insurance agent  
8A or insurance broker in payment of premiums on an insurance con-  
9 tract together with a finance charge as authorized and limited by  
10 this act.

11 (c) "Licensee" means an insurance premium finance company  
12 holding a license issued by the commissioner under this act.

1 3. Application. The provisions of this act shall not apply with  
2 respect to:

3 (a) Any insurance company authorized to do business in the  
4 State of New Jersey,

5 (b) Any safe deposit company, provident loan association, \***[sav-**  
6 **ings and loan association]** \* *State associations and Federal associa-*  
6A *tions, as defined in P. L. 1963, chapter 144, section 5 (C. 17:12B-5)\*,*  
7 sales finance company, motor vehicle installment seller, bank, sav-  
8 ings bank, national banking association, small loan business, loan  
9 company or credit union authorized to do business in the State of  
9A New Jersey,

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.**

10 (c) The inclusion of a charge for insurance in connection with  
11 an installment sale of a motor vehicle or other goods made in ac-  
12 cordance with the New Jersey Retail Installment Sales Act of 1960,

13 (d) The financing of insurance premiums in New Jersey in ac-  
14 cordance with the provisions of Revised Statutes 31:1-1 relating  
15 to legal interest rate.

1 4. Licenses. No person shall engage in the business of financing  
2 insurance premiums in this State without first having obtained a  
3 license as a premium finance company from the Commissioner of  
4 Banking and Insurance. Any person who shall engage in the busi-  
5 ness of financing insurance premiums in this State without obtain-  
6 ing a license as provided hereunder shall, upon conviction as  
7 provided in Revised Statutes 17:32-2, be subject to a fine of not  
8 more than \$200.00.

9 The annual license fee shall be \$100.00. Licenses may be renewed  
9A from year to year as of January 1 of each year upon payment  
9B of the fee of \$100.00. The fee for said license shall be paid to the  
9C commissioner for the use of the State. No portion of the license  
9D fee shall be refunded if the license is surrendered by the licensee  
9E or suspended or revoked by the commissioner.

9F Before any licensee changes his address he shall return his  
9G license to the commissioner who shall indorse the license indicating  
10 the change.

11 The person to whom the license or the renewal thereof may be  
12 issued shall file sworn answers, subject to the penalties of perjury,  
13 to such interrogatories as the commissioner may require. The  
14 commissioner shall have authority, at any time, to require the  
15 applicant fully to disclose the identity of all stockholders, partners,  
16 officers and employees, and he may, in his discretion, refuse to  
17 issue or renew a license in the name of any firm, partnership, or  
18 corporation if he is not satisfied that any officer, employee, stock-  
19 holder, or partner thereof who may materially influence the appli-  
20 cant's conduct meets the standards of this act.

1 5. Action by commissioner on application. Upon the filing of  
2 an application and the payment of the license fee the commis-  
3 sioner shall make an investigation of each applicant and shall issue  
4 a license if he finds the applicant is qualified in accordance with this  
5 act. If the commissioner does not so find, he shall, within 30 days  
6 after he has received such application, so notify the applicant and  
7 at the request of the applicant, give the applicant a full hearing.

8 The commissioner shall issue or renew a license as may be applied  
9 for when he is satisfied that the person to be licensed—

10 (a) Is competent and trustworthy and intends to act in good  
11 faith in the capacity involved by the license applied for,

12 (b) Has a good business reputation and has had experience,  
13 training, or education so as to be qualified in the business for which  
14 the license is applied for, and

15 (c) If a corporation, is a corporation incorporated under the  
16 the laws of this State or a foreign corporation authorized to trans-  
17 act business in this State.

1 6. Revocation and suspension of licenses. The commissioner may  
2 revoke or suspend the license of any premium finance company  
3 when and if after investigation the commissioner finds that

4 (a) Any license issued to such company was obtained by fraud,

5 (b) There was any misrepresentation in the application for the  
6 license,

7 (c) The holder of such license has otherwise shown himself un-  
8 trustworthy or incompetent to act as premium finance company,  
8A *\*or\**

9 (d) such company has violated any of the provisions of this  
10 act\***]**, or

11 (e) Such company has been rebating part of the finance charge  
12 as allowed and permitted herein to any insurance agent or insur-  
13 ance broker or any employee of an insurance agent or insurance  
14 broker or to any other persons as an inducement to the financing  
15 of any insurance policy with the premium finance company\***]**.

16 Before the commissioner shall revoke, suspend or refuse to re-  
17 new the license of any premium finance company, he shall give  
18 to such person an opportunity to be fully heard and to introduce  
19 evidence in his behalf. In lieu of revoking or suspending the  
20 license for any of the causes enumerated in this section, after  
21 hearing as herein provided, the commissioner may subject such  
22 company to a penalty of not more than \$200.00 for each offense  
23 when in his judgment he finds that the public interest would not  
24 be harmed by the continued operation of such company. The  
25 amount of any such penalty shall be paid by such company to the  
26 commissioner for the use of the State. At any hearing provided  
27 by this section, the commissioner shall have authority to administer  
28 oaths to witnesses. Anyone testifying falsely, after having been  
29 administered such oath, shall be subject to the penalty of perjury.

30 Any action of the commissioner in refusing to issue or renew a  
31 license shall be subject to review in the Superior Court by a pro-  
32 ceeding in lieu of prerogative writ.

1 7. Books and records. Every licensee shall maintain records of  
2 its premium finance transactions which will enable the commis-  
3 sioner to enforce full compliance with this act and the said records

4 shall be open to examination and investigation by the commis-  
5 sioner. The commissioner may, at any time, require any licensee  
6 to bring such records as he may direct to the commissioner's office  
7 for examination.

8 Every licensee shall preserve its records of such premium finance  
9 transactions, including cards used in a card system for at least 3  
10 years after making the final entry in respect to any premium finance  
11 agreement. The preservation of records in photographic form shall  
12 constitute compliance with this requirement.

13 Each licensee shall on or before March 1 of each year file a re-  
14 port with the commissioner giving such information as the com-  
15 missioner may require concerning the licensee's business and oper-  
16 ation during the preceding calendar year.

1 8. Power to make rules. The commissioner may make and en-  
2 force such reasonable rules and regulations as may be necessary  
3 in making effective the provisions of this act, but such rules and  
4 regulations shall not be contrary to nor inconsistent with the pro-  
5 visions of this act.

1 9. Form of premium finance agreement. A premium finance  
2 agreement shall—

3 (a) Be dated, signed by or on behalf of the insured, and the  
4 printed portion thereof shall be in at least 8-point type,

5 (b) Contain the name and place of business of the insurance  
6 agent or insurance broker negotiating the related insurance con-  
7 tract, the name and residence or place of business of the insured  
8 as specified by him, the name and place of business of the premium  
9 finance company to which payments are to be made, a description  
10 of the insurance contracts involved and the amount of the premium  
11 therefor; and

12 (c) Set forth the following items where applicable:

13 (1) the total amount of the premiums,

14 (2) the amount of the down payment,

15 (3) the principal balance (the difference between items (1)  
16 and (2)),

17 (4) the amount of the finance charge, including the addi-  
18 tional charge of \$10.00,

19 (5) the balance payable by the insured (sum of items (3)  
20 and (4)), and

21 (6) the number of installments required, the amount of each  
22 installment expressed in dollars, and the due date or period  
23 thereof.

24 (d) Contain a notice reading as follows: Notice to Insured: (1)  
25 Read this agreement before you sign, (2) Do not sign this agree-

26 ment if it contains blank spaces, (3) You are entitled to a copy of  
27 this agreement at the time you sign, (4) Keep your copy of this  
28 agreement to protect your legal rights.

29 The items set out in subsection (c) of this section need not be  
30 stated in the sequence or order in which they appear in such clause,  
31 and additional items may be included to explain the computations  
32 made in determining the amount to be paid by the insured.

33 The licensee or the insurance agent or insurance broker shall  
34 deliver to the insured, or mail to him at his address shown in the  
35 agreement, a complete copy of the agreement.

36 No premium finance agreement shall be signed by an insured  
37 when it contains any blank spaces to be filled in after it has been  
38 signed except that if the insurance contract involved has not yet  
39 been issued, the name of the insurer and the policy number may  
40 be left blank and later inserted in the original agreement.

41 No premium finance agreement shall contain a power of attorney  
42 to confess judgment in this State.

1 10. Maximum finance charge. A premium finance company shall  
2 not charge, contract for, receive, or collect a finance charge other  
3 than as permitted by this act.

4 The finance charge shall be computed on the balance of the pre-  
5 miums due (after subtracting the down payment made by the in-  
6 sured in accordance with the premium finance agreement) from  
7 the effective date of the insurance coverage, for which the premiums  
8 are being advanced, to and including the date when the final install-  
9 ment of the premium finance agreement is payable.

10 The finance charge shall be computed at a maximum rate of 12%  
11 per annum plus an additional charge of \$10.00 per premium finance  
12 agreement which additional charge need not be refunded upon  
13 prepayment. However, any insured may prepay his premium  
14 finance agreement in full at any time before due date of the final  
15 installment and in such event the unearned finance charge shall be  
16 refunded. The amount of any such refund shall be calculated in  
17 accordance with the rule commonly known as the "Rule of 78"  
18 and shall represent at least as great a proportion of the finance  
19 charge, if any, as the sum of the periodic balances after the month  
20 in which prepayment is made bears to the sum of all periodic  
21 balances under the schedule of installments in the agreement.

1 11. Statement of accounts; receipts. Upon the request of an in-  
2 sured a premium finance company shall give to the insured a writ-  
3 ten statement of his account. No more than 2 such statements shall  
4 be required in any 12-month period. An insured shall be given  
5 a written receipt for any payment made in cash. When the premium

6 finance agreement has been paid in full, the licensee shall, upon re-  
7 quest of the insured, return to the insured the premium finance  
8 agreement marked paid or canceled.

1 12. Delinquency charges. A premium finance agreement may  
2 provide for the payment by the insured of a delinquency charge  
3 of \$1.00 to a maximum of 5% of the delinquent installment but  
4 not to exceed \$5.00 on any installment which is in default for a  
5 period of 5 days or more. If the default results in the cancellation  
6 of any insurance contract listed in the agreement, the agreement  
7 may provide for the payment by the insured of a cancellation  
8 charge; such charge shall be \$5.00, less any delinquency charge  
9 on the installment in default.

1 13. Cancellation of insurance contract upon default—

2 (a) When a premium finance agreement contains a power of  
3 attorney enabling the premium finance company to cancel any in-  
4 surance contract or contracts listed in the agreement, the insur-  
5 ance contract or contracts shall not be canceled by the premium  
6 finance company unless such cancellation is effectuated in accord-  
7 ance with this section.

8 (b) Not less than 10 days' written notice shall be mailed to the  
9 insured of the intent of the premium finance company to cancel  
9A the insurance contract unless the default is cured within such 10-day  
10 period. A copy of said notice shall also be sent to the insurance  
11 agent or insurance broker indicated on the premium finance agree-  
12 ment.

12A (c) After expiration of such 10-day period, the premium finance  
12B company may thereafter request in the name of the insured, can-  
12C cellation of such insurance contract or contracts by mailing to the  
12D insurer a notice of cancellation, and the insurance contract shall  
12E be canceled as if such notice of cancellation had been submitted  
12F by the insured himself, but without requiring the return of the  
12G insurance contract or contracts. The premium finance company  
12H shall also mail a notice of cancellation to the insured at his last  
12I known address and to the insurance agent or insurance broker  
12J indicated on the premium finance agreement.

12K (d) All statutory, regulatory, and contractual restrictions pro-  
12L viding that the insurance contract may not be canceled unless  
13 notice is given to a governmental agency, mortgagee, or other third  
14 party shall apply where cancellation is effected under the provi-  
15 sions of this section. The insurer shall give the prescribed notice  
16 in behalf of itself or the insured to any governmental agency,  
17 mortgagee, or other third party on or before the second business  
18 day after the day it receives the notice of cancellation from the

19 premium finance company and shall determine the effective date  
20 of cancellation taking into consideration the number of days notice  
21 required to complete the cancellation.

1 14. Application of unearned premiums. (a) Whenever a financed  
2 insurance contract is canceled, the insurer on notice of such financ-  
3 ing shall return whatever gross unearned premiums are due under  
4 the insurance contract to the premium finance company for the  
5 account of the insured or insureds.

6 (b) In the event that the crediting of return premiums to the  
7 account of the insured results in a surplus over the amount due  
8 from the insured, the premium finance company shall refund such  
9 excess to the insured provided that no such refund shall be required  
10 if it amounts to less than \$1.00.

1 15. Exemption from any filing requirements. No filing of the  
2 premium finance agreement shall be necessary to perfect the va-  
3 lidity of such agreement as a secured transaction as against cred-  
4 itors, subsequent purchasers, pledgees, encumbrancers, successors,  
5 or assigns.

1 16. Severability. If any provision of this act is held invalid, the  
2 invalidity thereof shall not affect other provisions of the act which  
3 can be given effect without the invalid provision and to this end  
4 the provisions of this act are severable.

1 17. Effective date. This act shall take effect on the sixtieth day  
2 after the date of enactment.



SENATE AMENDMENTS TO  
**SENATE, No. 500**  
[OFFICIAL COPY REPRINT]

**STATE OF NEW JERSEY**

ADOPTED MAY 13, 1968

Amend page 1, section 2, line 4, after "agreements", insert "or acquiring premium finance agreements from insurance agents or insurance brokers".

Amend page 1, section 2, line 7, after "company", insert "either directly or indirectly".

Amend page 1, section 2, line 8, after "agreement", insert "by said premium finance company".

Amend page 1, section 3, line 5 to 9A, omit lines 5 through 9A in their entirety.

Amend page 2, section 3, line 10, omit "(c)", insert "(b)".

Amend page 2, section 3, line 13, omit "(d)", insert "(c)".

Amend page 2, section 4, line 4, after "Insurance", insert ", except that any State or national bank authorized to do business in this State shall be authorized to transact business as a premium finance company, subject to all of the provisions of this act, except that it shall not be required to obtain a license or pay a license fee hereunder".

Amend page 2, section 4, line 7, omit "17:32-2", insert "17:33-2".

Amend page 2, section 4, line 9, omit "\$100.00", insert "\$200.00 for each office".

Amend page 2, section 4, line 9B, omit "\$100.00", insert "\$200.00".

Amend page 4, section 7, line 5, after "sioner.", insert "The commissioner shall have the power to make such examination of the books, records and accounts of any licensee as he shall deem necessary. The expenses incurred in making any such examination shall be assessed against and paid by the licensee so examined."

Amend page 4, section 7, line 13, omit "March", insert "February".

Amend page 5, section 10, line 4, after "computed", insert ", using the actuarial method".

Amend page 6, section 12, line 5, omit "5", insert "10".

Amend page 6, section 13, line 12J, after "agreement.", insert "The effective date of such cancellation shall not be earlier than 3 days after the date of mailing of such notice to the insured and to the insurance agent or insurance broker."

[SECOND OFFICIAL COPY REPRINT]

SENATE, No. 500

STATE OF NEW JERSEY

INTRODUCED MARCH 11, 1968

By Senators TANZMAN and STOUT

Referred to Committee on Banking and Insurance

AN ACT to provide for the licensing and regulation of insurance premium finance companies, and supplementing Title 17 of the Revised Statutes.

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. Short title. This act shall be known and may be cited as the  
2 "Insurance Premium Finance Company Act."

1 2. Definitions. For the purposes of this act—

2 (a) "Insurance premium finance company" means a person en-  
3 gaged in the business of entering into insurance premium finance  
4 agreements *\*\*or acquiring premium finance agreements from in-*  
5 *surance agents or insurance brokers\*\*.*

6 (b) "Insurance premium finance agreement" means an agree-  
7 ment by which an insured or prospective insured promises to pay  
8 to a premium finance company *\*\*either directly or indirectly\*\**  
9 the amount advanced or to be advanced under the agreement *\*\*by*  
10 *said premium finance company\*\** to an insurer or to an insurance  
11 agent or insurance broker in payment of premiums on an insurance  
12 contract together with a finance charge as authorized and limited  
13 by this act.

14 (c) "Licensee" means an insurance premium finance company  
15 holding a license issued by the commissioner under this act.

1 3. Application. The provisions of this act shall not apply with  
2 respect to:

3 (a) Any insurance company authorized to do business in the  
4 State of New Jersey,

5 **\*\*[(b) Any safe deposit company, provident loan association,**  
6 **\*[savings and loan association]\*** *\*State associations and Federal*  
7 *associations, as defined in P. L. 1963, chapter 144, section 5 (C.*  
8 *17:12B-5)\**, sales finance company, motor vehicle installment seller,

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.**

9 bank, savings bank, national banking association, small loan busi-  
 10 ness, loan company or credit union authorized to do business in the  
 11 State of New Jersey,】\*\*

12 \*\*【(c)】\*\* \*(b)\*\* The inclusion of a charge for insurance in  
 13 connection with an installment sale of a motor vehicle or other  
 14 goods made in accordance with the New Jersey Retail Installment  
 15 Sales Act of 1960,

16 \*\*【(d)】\*\* \*(c)\*\* The financing of insurance premiums in New  
 17 Jersey in accordance with the provisions of Revised Statutes 31:1-1  
 18 relating to legal interest rate.

1 4. Licenses. No person shall engage in the business of financing  
 2 insurance premiums in this State without first having obtained a  
 3 license as a premium finance company from the Commissioner of  
 4 Banking and Insurance\*\*, *except that any State or national bank*  
 5 *authorized to do business in this State shall be authorized to trans-*  
 6 *act business as a premium finance company, subject to all of the*  
 7 *provisions of this act, except that it shall not be required to obtain*  
 8 *a license or pay a license fee hereunder\*\**. Any person who shall  
 9 engage in the business of financing insurance premiums in this State  
 10 without obtaining a license as provided hereunder shall, upon con-  
 11 viction as provided in Revised Statutes \*\*【17:32-2】\*\* \*\*17:32-2\*\*,  
 12 be subject to a fine of not more than \$200.00.

13 The annual license fee shall be \*\*【\$100.00】\*\* \*\*\$200.00 for each  
 14 office\*\**.* Licenses may be renewed from year to year as of January  
 15 1 of each year upon payment of the fee of \*\*【\$100.00】\*\*  
 16 \*\*\$200.00\*\**.* The fee for said license shall be paid to the commis-  
 17 sioner for the use of the State. No portion of the license fee shall be  
 18 refunded if the license is surrendered by the licensee or suspended  
 19 or revoked by the commissioner.

20 Before any licensee changes his address he shall return his license  
 21 to the commissioner who shall indorse the license indicating the  
 22 change.

23 The person to whom the license or the renewal thereof may be  
 24 issued shall file sworn answers, subject to the penalties of perjury,  
 25 to such interrogatories as the commissioner may require. The com-  
 26 missioner shall have authority, at any time, to require the applicant  
 27 fully to disclose the identity of all stockholders, partners, officers  
 28 and employees, and he may, in his discretion, refuse to issue or  
 29 renew a license in the name of any firm, partnership, or corporation  
 30 if he is not satisfied that any officer, employee, stockholder, or  
 31 partner thereof who may materially influence the applicant's con-  
 32 duct meets the standards of this act.

1 5. Action by commissioner on application. Upon the filing of  
 2 an application and the payment of the license fee the commis-  
 3 sioner shall make an investigation of each applicant and shall issue  
 4 a license if he finds the applicant is qualified in accordance with this  
 5 act. If the commissioner does not so find, he shall, within 30 days  
 6 after he has received such application, so notify the applicant and  
 7 at the request of the applicant, give the applicant a full hearing.

8 The commissioner shall issue or renew a license as may be applied  
 9 for when he is satisfied that the person to be licensed—

10 (a) Is competent and trustworthy and intends to act in good  
 11 faith in the capacity involved by the license applied for,

12 (b) Has a good business reputation and has had experience,  
 13 training, or education so as to be qualified in the business for which  
 14 the license is applied for, and

15 (c) If a corporation, is a corporation incorporated under the  
 16 the laws of this State or a foreign corporation authorized to trans-  
 17 act business in this State.

1 6. Revocation and suspension of licenses. The commissioner may  
 2 revoke or suspend the license of any premium finance company  
 3 when and if after investigation the commissioner finds that

4 (a) Any license issued to such company was obtained by fraud,

5 (b) There was any misrepresentation in the application for the  
 6 license,

7 (c) The holder of such license has otherwise shown himself un-  
 8 trustworthy or incompetent to act as premium finance company,

8A \*or\*

9 (d) such company has violated any of the provisions of this  
 10 act\***],** or

11 (e) Such company has been rebating part of the finance charge  
 12 as allowed and permitted herein to any insurance agent or insur-  
 13 ance broker or any employee of an insurance agent or insurance  
 14 broker or to any other persons as an inducement to the financing  
 15 of any insurance policy with the premium finance company\***]**.

16 Before the commissioner shall revoke, suspend or refuse to re-  
 17 new the license of any premium finance company, he shall give  
 18 to such person an opportunity to be fully heard and to introduce  
 19 evidence in his behalf. In lieu of revoking or suspending the  
 20 license for any of the causes enumerated in this section, after  
 21 hearing as herein provided, the commissioner may subject such  
 22 company to a penalty of not more than \$200.00 for each offense  
 23 when in his judgment he finds that the public interest would not  
 24 be harmed by the continued operation of such company. The  
 25 amount of any such penalty shall be paid by such company to the

26 commissioner for the use of the State. At any hearing provided  
 27 by this section, the commissioner shall have authority to administer  
 28 oaths to witnesses. Anyone testifying falsely, after having been  
 29 administered such oath, shall be subject to the penalty of perjury.

30 Any action of the commissioner in refusing to issue or renew a  
 31 license shall be subject to review in the Superior Court by a pro-  
 32 ceeding in lieu of prerogative writ.

1 7. Books and records. Every licensee shall maintain records of  
 2 its premium finance transactions which will enable the commis-  
 3 sioner to enforce full compliance with this act and the said records  
 4 shall be open to examination and investigation by the commis-  
 5 sioner. *\*\*The commissioner shall have the power to make such*  
 6 *examination of the books, records and accounts of any licensee as*  
 7 *he shall deem necessary. The expenses incurred in making any such*  
 7A *examination shall be assessed against and paid by the licensee so*  
 7B *examined.\*\** The commissioner may, at any time, require any  
 7C licensee to bring such records as he may direct to the commis-  
 7D sioner's office for examination.

8 Every licensee shall preserve its records of such premium finance  
 9 transactions, including cards used in a card system for at least 3  
 10 years after making the final entry in respect to any premium finance  
 11 agreement. The preservation of records in photographic form shall  
 12 constitute compliance with this requirement.

13 Each licensee shall on or before **\*\*[March]\*\*** *\*\*February\*\** 1 of  
 14 each year file a report with the commissioner giving such informa-  
 15 tion as the commissioner may require concerning the licensee's  
 16 business and operation during the preceding calendar year.

1 8. Power to make rules. The commissioner may make and en-  
 2 force such reasonable rules and regulations as may be necessary  
 3 in making effective the provisions of this act, but such rules and  
 4 regulations shall not be contrary to nor inconsistent with the pro-  
 5 visions of this act.

1 9. Form of premium finance agreement. A premium finance  
 2 agreement shall—

3 (a) Be dated, signed by or on behalf of the insured, and the  
 4 printed portion thereof shall be in at least 8-point type,

5 (b) Contain the name and place of business of the insurance  
 6 agent or insurance broker negotiating the related insurance con-  
 7 tract, the name and residence or place of business of the insured  
 8 as specified by him, the name and place of business of the premium  
 9 finance company to which payments are to be made, a description  
 10 of the insurance contracts involved and the amount of the premium  
 11 therefor; and

12 (c) Set forth the following items where applicable:  
13 (1) the total amount of the premiums,  
14 (2) the amount of the down payment,  
15 (3) the principal balance (the difference between items (1)  
16 and (2)),  
17 (4) the amount of the finance charge, including the addi-  
18 tional charge of \$10.00,  
19 (5) the balance payable by the insured (sum of items (3)  
20 and (4)), and  
21 (6) the number of installments required, the amount of each  
22 installment expressed in dollars, and the due date or period  
23 thereof.

24 (d) Contain a notice reading as follows: Notice to Insured: (1)  
25 Read this agreement before you sign, (2) Do not sign this agree-  
26 ment if it contains blank spaces, (3) You are entitled to a copy of  
27 this agreement at the time you sign, (4) Keep your copy of this  
28 agreement to protect your legal rights.

29 The items set out in subsection (c) of this section need not be  
30 stated in the sequence or order in which they appear in such clause,  
31 and additional items may be included to explain the computations  
32 made in determining the amount to be paid by the insured.

33 The licensee or the insurance agent or insurance broker shall  
34 deliver to the insured, or mail to him at his address shown in the  
35 agreement, a complete copy of the agreement.

36 No premium finance agreement shall be signed by an insured  
37 when it contains any blank spaces to be filled in after it has been  
38 signed except that if the insurance contract involved has not yet  
39 been issued, the name of the insurer and the policy number may  
40 be left blank and later inserted in the original agreement.

41 No premium finance agreement shall contain a power of attorney  
42 to confess judgment in this State.

1 10. Maximum finance charge. A premium finance company shall  
2 not charge, contract for, receive, or collect a finance charge other  
3 than as permitted by this act.

4 The finance charge shall be computed\*\*, *using the actuarial*  
5 *method\*\** on the balance of the premiums due (after subtracting  
6 the down payment made by the insured in accordance with the  
7 premium finance agreement) from the effective date of the in-  
8 surance coverage, for which the premiums are being advanced, to  
9 and including the date when the final installment of the premium  
9A finance agreement is payable.

10 The finance charge shall be computed at a maximum rate of 12%  
11 per annum plus an additional charge of \$10.00 per premium finance

12 agreement which additional charge need not be refunded upon  
13 prepayment. However, any insured may prepay his premium  
14 finance agreement in full at any time before due date of the final  
15 installment and in such event the unearned finance charge shall be  
16 refunded. The amount of any such refund shall be calculated in  
17 accordance with the rule commonly known as the "Rule of 78"  
18 and shall represent at least as great a proportion of the finance  
19 charge, if any, as the sum of the periodic balances after the month  
20 in which prepayment is made bears to the sum of all periodic  
21 balances under the schedule of installments in the agreement.

1 11. Statement of accounts; receipts. Upon the request of an in-  
2 sured a premium finance company shall give to the insured a writ-  
3 ten statement of his account. No more than 2 such statements shall  
4 be required in any 12-month period. An insured shall be given  
5 a written receipt for any payment made in cash. When the premium  
6 finance agreement has been paid in full, the licensee shall, upon re-  
7 quest of the insured, return to the insured the premium finance  
8 agreement marked paid or canceled.

1 12. Delinquency charges. A premium finance agreement may  
2 provide for the payment by the insured of a delinquency charge  
3 of \$1.00 to a maximum of 5% of the delinquent installment but  
4 not to exceed \$5.00 on any installment which is in default for a  
5 period of **\*\*[5]\*\* \*\*10\*\*** days or more. If the default results in the  
6 cancellation of any insurance contract listed in the agreement, the  
7 agreement may provide for the payment by the insured of a can-  
8 cellation charge; such charge shall be \$5.00, less any delinquency  
9 charge on the installment in default.

1 13. Cancellation of insurance contract upon default—

2 (a) When a premium finance agreement contains a power of  
3 attorney enabling the premium finance company to cancel any in-  
4 surance contract or contracts listed in the agreement, the insur-  
5 ance contract or contracts shall not be canceled by the premium  
6 finance company unless such cancellation is effectuated in accord-  
7 ance with this section.

8 (b) Not less than 10 days' written notice shall be mailed to the  
9 insured of the intent of the premium finance company to cancel  
9A the insurance contract unless the default is cured within such 10-day  
10 period. A copy of said notice shall also be sent to the insurance  
11 agent or insurance broker indicated on the premium finance agree-  
12 ment.

12A (c) After expiration of such 10-day period, the premium finance  
12B company may thereafter request in the name of the insured, can-  
12C cellation of such insurance contract or contracts by mailing to the

12D insurer a notice of cancellation, and the insurance contract shall  
12E be canceled as if such notice of cancellation had been submitted  
12F by the insured himself, but without requiring the return of the  
12G insurance contract or contracts. The premium finance company  
12H shall also mail a notice of cancellation to the insured at his last  
12I known address and to the insurance agent or insurance broker  
12J indicated on the premium finance agreement. *\*\*The effective date  
12K of such cancellation shall not be earlier than 3 days after the date of  
12L mailing of such notice to the insured and to the insurance agent or  
12M insurance broker.\*\**

12N (d) All statutory, regulatory, and contractual restrictions pro-  
12O viding that the insurance contract may not be canceled unless  
13 notice is given to a governmental agency, mortgagee, or other third  
14 party shall apply where cancellation is effected under the provi-  
15 sions of this section. The insurer shall give the prescribed notice  
16 in behalf of itself or the insured to any governmental agency,  
17 mortgagee, or other third party on or before the second business  
18 day after the day it receives the notice of cancellation from the  
19 premium finance company and shall determine the effective date  
20 of cancellation taking into consideration the number of days notice  
21 required to complete the cancellation.

1 14. Application of unearned premiums. (a) Whenever a financed  
2 insurance contract is canceled, the insurer on notice of such financ-  
3 ing shall return whatever gross unearned premiums are due under  
4 the insurance contract to the premium finance company for the  
5 account of the insured or insureds.

6 (b) In the event that the crediting of return premiums to the  
7 account of the insured results in a surplus over the amount due  
8 from the insured, the premium finance company shall refund such  
9 excess to the insured provided that no such refund shall be required  
10 if it amounts to less than \$1.00.

1 15. Exemption from any filing requirements. No filing of the  
2 premium finance agreement shall be necessary to perfect the va-  
3 lidity of such agreement as a secured transaction as against cred-  
4 itors, subsequent purchasers, pledgees, encumbrancers, successors,  
5 or assigns.

1 16. Severability. If any provision of this act is held invalid, the  
2 invalidity thereof shall not affect other provisions of the act which  
3 can be given effect without the invalid provision and to this end  
4 the provisions of this act are severable.

1 17. Effective date. This act shall take effect on the sixtieth day  
2 after the date of enactment.



ASSEMBLY COMMITTEE AMENDMENTS TO

**SENATE, No. 500**

[SECOND OFFICIAL COPY REPRINT]

**STATE OF NEW JERSEY**

ADOPTED MAY 27, 1968

Amend page 1, section 3, after line 4, insert a paragraph as follows:

“(b) State associations and Federal associations, as defined in P. L. 1963, chapter 144, section 5 (C. 17:12B-5).”

Amend page 2, section 3, line 12, omit “(b)”, reinsert “(c)”.

Amend page 2, section 3, line 16, omit “(c)”, reinsert “(d)”.

Amend page 2, section 4, line 11, correct printing error to read “17:33-2”.

Amend page 4, section 7, line 7A, omit “accessed”, insert “assessed”.

ASSEMBLY AMENDMENT TO  
**SENATE, No. 500**  
[SECOND OFFICIAL COPY REPRINT]

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**STATE OF NEW JERSEY**

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ADOPTED JUNE 13, 1968

Amend page 2, section 3, lines 12-15, omit and insert:

“(c) The inclusion or deduction of a charge for insurance in accordance with the provisions of chapter 10 of Title 17 of the Revised Statutes relating to small loans or the inclusion of a charge for insurance in connection with an installment sale of a motor vehicle or other goods made in accordance with the New Jersey Retail Installment Sales Act of 1960,”.

ASSEMBLY, No. 840

STATE OF NEW JERSEY

INTRODUCED MAY 25, 1966

By Assemblymen WEGNER, A. S. SMITH and TANZMAN

Referred to Committee on Revision and Amendment of Laws

An Act to provide for the licensing and regulation of insurance premium finance companies, and supplementing "The Banking Act of 1948," approved April 29, 1948 (P.L. 1948, c. 67).

1 BE IT ENACTED by the Senate and General Assembly of the State of New  
2 Jersey:

1 1. Short title. This act shall be known and may be cited as the "Insur-  
2 ance Premium Finance Company Act."

1 2. Definitions. For the purposes of this act—

2 (a) "Insurance premium finance company" means a person engaged in  
3 the business of entering into insurance premium finance agreements.

4 (b) "Premium finance agreement" means an agreement by which an  
5 insured or prospective insured promises to pay to a premium finance com-  
6 pany the amount advanced or to be advanced under the agreement to an  
7 insurer or to an insurance agent or insurance broker in payment of pre-  
8 miums on an insurance contract together with a service charge as author-  
9 ized and limited by this act.

10 (c) "Licensee" means an insurance premium finance company holding a  
11 license issued by the commissioner under this act.

1 3. Application. The provisions of this act shall not apply with respect to:

2 (a) any insurance company authorized to do business in the State of  
3 New Jersey,

4 (b) any safe deposit company, provident loan association, savings and  
5 loan association, sales finance company, motor vehicle installment seller, bank,  
6 trust company, savings bank, national banking association, small loan busi-  
7 ness, loan company, savings and loan association or credit union authorized  
8 to do business in the State of New Jersey,

9 (c) the inclusion of a charge for insurance in connection with an install-  
10 ment sale of a motor vehicle made in accordance with the New Jersey Retail  
11 Installment Sales Act of 1960,

12 (d) the financing of insurance premiums in New Jersey in accordance  
13 with the provisions of Revised Statutes 31:1-1 relating to legal interest rate.

1 4. Licenses. No person shall engage in the business of financing insurance  
2 premiums in this State without first having obtained a license as a premium  
3 finance company from the Commissioner of Banking and Insurance. Any  
4 person who shall engage in the business of financing insurance premiums in  
5 this State without obtaining a license as provided hereunder shall, upon  
6 conviction as provided in Revised Statutes 17:32-2, be subject to a fine of  
7 not more than \$200.00.

8 The annual license fee shall be \$100.00. Licenses may be renewed from  
9 year to year as of January 1 of each year upon payment of the fee of  
10 \$100.00. The fee for said license shall be paid to the commissioner for the  
11 use of the State.

12 The person to whom the license of the renewal thereof may be issued  
13 shall file sworn answers, subject to the penalties of perjury, to such inter-  
14 rogatories as the commissioner may require. The commissioner shall have  
15 authority, at any time, to require the applicant fully to disclose the identity  
16 of all stockholders, partners, officers and employees, and he may, in his dis-  
17 cretion, refuse to issue or renew a license in the name of any firm, partner-  
18 ship, or corporation if he is not satisfied that any officer, employee, stock-  
19 holder, or partner thereof who may materially influence the applicant's  
20 conduct meets the standards of this act.

1 5. Action by commission on application. Upon the filing of an application  
2 and the payment of the license fee the commissioner shall make an investi-

3 gation of each applicant and shall issue a license if he finds the applicant is  
 4 qualified in accordance with this act. If the commissioner does not so find,  
 5 he shall, within 30 days after he has received such application, so notify  
 6 the applicant and at the request of the applicant, give the applicant a full  
 7 hearing.

8 The commissioner shall issue or renew a license as may be applied for  
 9 when he is satisfied that the person to be licensed—

10 (a) is competent and trustworthy and intends to act in good faith in the  
 11 capacity involved by the license applied for,

12 (b) has a good business reputation and has had experience, training,  
 13 or education so as to be qualified in the business for which the license is  
 14 applied for, and

15 (c) if a corporation, is a corporation incorporated under the laws of this  
 16 State or a foreign corporation authorized to transact business in this State.

1 6. Revocation and suspension of licenses. The commissioner may revoke  
 2 or suspend the license of any premium finance company when and if after  
 3 investigation the commissioner finds that—

4 (a) any license issued to such company was obtained by fraud,

5 (b) there was any misrepresentation in the application for the license,

6 (c) the holder of such license has otherwise shown himself untrust-  
 7 worthy or incompetent to act as a premium finance company,

8 (d) such company has violated any of the provisions of this act, or

9 (e) such company has been rebating part of the service charge as al-  
 10 lowed and permitted herein to any insurance agent or insurance broker or  
 11 any employee of an insurance agent or insurance broker or to any other  
 12 person as an inducement to the financing of any insurance policy with the  
 13 premium finance company.

14 Before the commissioner shall revoke, suspend or refuse to renew the  
 15 license of any premium finance company, he shall give to such person an  
 16 opportunity to be fully heard and to introduce evidence in his behalf. In  
 17 lieu of revoking or suspending the license for any of the causes enumerated  
 18 in this section, after hearing as herein provided, the commissioner may sub-

19 ject such company to a penalty of not more than \$200.00 for each offense  
20 when in his judgment he finds that the public interest would not be harmed  
21 by the continued operation of such company. The amount of any such penalty  
22 shall be paid by such company to the commissioner for the use of the State.  
23 At any hearing provided by this section, the commissioner shall have author-  
24 ity to administer oaths to witnesses. Anyone testifying falsely, after having  
25 been administered such oath, shall be subject to the penalty of perjury.

26 Any action of the commissioner in refusing to issue or renew a license  
27 shall be subject to review in the Superior Court by a proceeding in lieu of  
28 prerogative writ.

1 7. Books and records. Every licensee shall maintain records of its pre-  
2 mium finance transactions and the said records shall be open to examination  
3 and investigation by the commissioner. The commissioner may, at any time,  
4 require any licensee to bring such records as he may direct to the commis-  
5 sioner's office for examination.

6 Every licensee shall preserve its records of such premium finance trans-  
7 actions, including cards used in a card system, or at least 3 years after mak-  
8 ing the final entry in respect to any premium finance agreement. The pres-  
9 ervation of records in photographic form shall constitute compliance with  
10 this requirement.

1 8. Power to make rules. The commissioner may make and enforce such  
2 reasonable rules and regulations as may be necessary in making effective the  
3 provisions of this act, but such rules and regulations shall not be contrary  
4 to nor inconsistent with the provisions of this act.

1 9. Form of premium finance agreement. A premium finance agreement  
2 shall—

3 (a) be dated, signed by or on behalf of the insured, and the printed  
4 portion thereof shall be in at least 8-point type,

5 (b) contain the name and place of business of the insurance agent or  
6 insurance broker negotiating the related insurance contract, the name and  
7 place of business of the premium finance company to which payments are to

8 be made, a description of the insurance contracts involved and the amount  
9 of the premium therefor; and

10 (c) set forth the following items where applicable:

- 11 (1) the total amount of the premiums,
- 12 (2) the amount of the down payment,
- 13 (3) the principal balance (the difference between items (1) and (2)),
- 14 (4) the amount of the service charge,
- 15 (5) the balance payable by the insured (sum of items (3) and (4)),
- 16 and
- 17 (6) the number of installments required, the amount of each install-  
18 ment expressed in dollars, and the due date or period thereof.

19 The items set out in subsection (c) of this section need not be stated  
20 in the sequence or order in which they appear in such clause, and additional  
21 items may be included to explain the computations made in determining the  
22 amount to be paid by the insured.

1 10. Maximum service charge. A premium finance company shall not  
2 charge, contract for, receive, or collect a service charge other than as per-  
3 mitted by this act.

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

10 The service charge shall be a maximum of \$6.00 per \$100.00 per year,  
11 plus an additional charge of \$10.00 per premium finance agreement which  
12 need not be refunded upon cancellation or prepayment.

1 11. Delinquency charges. A premium finance agreement may provide for  
2 the payment by the insured of a delinquency charge of \$1.00 to a maximum  
3 of 5% of the delinquent installment but not to exceed \$5.00 on any install-  
4 ment which is in default for a period of 5 days or more.

1 12. Cancellation of insurance contract upon default—

2 (a) When a premium finance agreement contains a power of attorney  
3 enabling the premium finance company to cancel any insurance contract or  
4 contracts listed in the agreement, the insurance contract or contracts shall  
5 not be canceled by the premium finance company unless such cancellation  
6 is effectuated in accordance with this section.

7 (b) Not less than 10 days' written notice shall be mailed to the insured  
8 of the intent of the premium finance company to cancel the insurance con-  
9 tract unless the default is cured within such 10-day period. A copy of said  
10 notice shall also be sent to the insurance agent or insurance broker indi-  
11 cated on the premium finance agreement.

12 (c) After expiration of such 10-day period, the premium finance com-  
13 pany may thereafter request in the name of the insured, cancellation of such  
14 insurance contract or contracts by mailing to the insurer a notice of cancel-  
15 lation, and the insurance contract shall be canceled as if such notice of  
16 cancellation had been submitted by the insured himself, but without requiring  
17 the return of the insurance contract or contracts. The premium finance  
18 company shall also mail a notice of cancellation to the insured at his last  
19 known address and to the insurance agent or insurance broker indicated  
20 on the premium finance agreement.

21 (d) All statutory, regulatory, and contractual restrictions providing that  
22 the insurance contract may not be canceled unless notice is given to a govern-  
23 mental agency, mortgagee, or other third party shall apply where cancel-  
24 lation is effected under the provisions of this section. The insurer shall  
25 give the prescribed notice in behalf of itself or the insured to any govern-  
26 mental agency, mortgagee, or other third party on or before the second  
27 business day after the day it receives the notice of cancellation from the  
28 premium finance company and shall determine the effective date of cancel-  
29 lation taking into consideration the number of days notice required to com-  
30 plete the cancellation.

31 (e) Whenever an insurance contract is canceled in accordance with this  
32 section, the insurer shall return whatever gross unearned premiums are due



33 under the insurance contract to the premium finance company effecting the  
34 cancellation for the account of the insured or insureds.

35 (f) In the event that the crediting of return premiums to the account  
36 of the insured results in a surplus over the amount due from the insured,  
37 the premium finance company shall refund such excess to the insured pro-  
38 vided that no such refund shall be required if it amounts to less than \$1.00.

1 13. Exemption from any filing requirements. No filing of the premium  
2 finance agreement shall be necessary to perfect the validity of such agree-  
3 ment as a secured transaction as against creditors, subsequent purchasers,  
4 pledgees, encumbrances, successors, or assigns.

1 14. Effective date. This act shall take effect on the sixtieth day after  
2 the date of enactment.

ASSEMBLY, No. 67

STATE OF NEW JERSEY

INTRODUCED JANUARY 16, 1967

By Assemblymen WEGNER, TANZMAN and A. S. SMITH

Referred to Committee on Business Affairs

AN Act to provide for the licensing and regulation of insurance premium finance companies, and supplementing "The Banking Act of 1948," approved April 29, 1948 (P. L. 1948, c. 67).

1 BE IT ENACTED by the Senate and General Assembly of the State of New  
2 Jersey:

1 1. Short title. This act shall be known and may be cited as the "Insur-  
2 ance Premium Finance Company Act."

1 2. Definitions. For the purposes of this act—

2 (a) "Insurance premium finance company" means a person engaged in  
3 the business of entering into insurance premium finance agreements.

4 (b) "Premium finance agreement" means an agreement by which an  
5 insured or prospective insured promises to pay to a premium finance com-  
6 pany the amount advanced or to be advanced under the agreement to an  
7 insurer or to an insurance agent or insurance broker in payment of pre-  
8 miums on an insurance contract together with a service charge as author-  
9 ized and limited by this act.

10 (c) "Licensee" means an insurance premium finance company holding a  
11 license issued by the commissioner under this act.

1 3. Application. The provisions of this act shall not apply with respect to:

2 (a) any insurance company authorized to do business in the State of  
3 New Jersey,

4 (b) any safe deposit company, provident loan association, savings and  
5 loan association, sales finance company, motor vehicle installment seller, bank,  
6 trust company, savings bank, national banking association, small loan busi-  
7 ness, loan company, savings and loan association or credit union authorized  
8 to do business in the State of New Jersey,

9 (c) the inclusion of a charge for insurance in connection with an install-  
10 ment sale of a motor vehicle made in accordance with the New Jersey Retail  
11 Installment Sales Act of 1960,

12 (d) the financing of insurance premiums in New Jersey in accordance  
13 with the provisions of Revised Statutes 31:1-1 relating to legal interest rate.

1 4. Licenses. No person shall engage in the business of financing insurance  
2 premiums in this State without first having obtained a license as a premium  
3 finance company from the Commissioner of Banking and Insurance. Any  
4 person who shall engage in the business of financing insurance premiums in  
5 this State without obtaining a license as provided hereunder shall, upon  
6 conviction as provided in Revised Statutes 17:32-2, be subject to a fine of  
7 not more than \$200.00.

8 The annual license fee shall be \$100.00. Licenses may be renewed from  
9 year to year as of January 1 of each year upon payment of the fee of  
10 \$100.00. The fee for said license shall be paid to the commissioner for the  
11 use of the State.

12 The person to whom the license of the renewal thereof may be issued  
13 shall file sworn answers, subject to the penalties of perjury, to such inter-  
14 rogatories as the commissioner may require. The commissioner shall have  
15 authority, at any time, to require the applicant fully to disclose the identity  
16 of all stockholders, partners, officers and employees, and he may, in his dis-  
17 cretion, refuse to issue or renew a license in the name of any firm, partner-  
18 ship, or corporation if he is not satisfied that any officer, employee, stock-  
19 holder, or partner thereof who may materially influence the applicant's  
20 conduct meets the standards of this act.

1 5. Action by commission on application. Upon the filing of an application  
2 and the payment of the license fee the commissioner shall make an investi-  
3 gation of each applicant and shall issue a license if he finds the applicant is  
4 qualified in accordance with this act. If the commissioner does not so find,  
5 he shall, within 30 days after he has received such application, so notify  
6 the applicant and at the request of the applicant, give the applicant a full  
7 hearing.

8 The commissioner shall issue or renew a license as may be applied for  
9 when he is satisfied that the person to be licensed—

10 (a) is competent and trustworthy and intends to act in good faith in the  
11 capacity involved by the license applied for,

12 (b) has a good business reputation and has had experience, training,  
13 or education so as to be qualified in the business for which the license is  
14 applied for, and

15 (c) if a corporation, is a corporation incorporated under the laws of this  
16 State or a foreign corporation authorized to transact business in this State.

1 6. Revocation and suspension of licenses. The commissioner may revoke  
2 or suspend the license of any premium finance company when and if after  
3 investigation the commissioner finds that—

- 4 (a) any license issued to such company was obtained by fraud,  
 5 (b) there was any misrepresentation in the application for the license,  
 6 (c) the holder of such license has otherwise shown himself untrust-  
 7 worthy or incompetent to act as a premium finance company,  
 8 (d) such company has violated any of the provisions of this act, or  
 9 (e) such company has been rebating part of the service charge as al-  
 10 lowed and permitted herein to any insurance agent or insurance broker or  
 11 any employee of an insurance agent or insurance broker or to any other  
 12 person as an inducement to the financing of any insurance policy with the  
 13 premium finance company.

14 Before the commissioner shall revoke, suspend or refuse to renew the  
 15 license of any premium finance company, he shall give to such person an  
 16 opportunity to be fully heard and to introduce evidence in his behalf. In  
 17 lieu of revoking or suspending the license for any of the causes enumerated  
 18 in this section, after hearing as herein provided, the commissioner may sub-  
 19 ject such company to a penalty of not more than \$200.00 for each offense  
 20 when in his judgment he finds that the public interest would not be harmed  
 21 by the continued operation of such company. The amount of any such penalty  
 22 shall be paid by such company to the commissioner for the use of the State.

23 At any hearing provided by this section, the commissioner shall have author-  
 24 ity to administer oaths to witnesses. Anyone testifying falsely, after having  
 25 been administered such oath, shall be subject to the penalty of perjury.

26 Any action of the commissioner in refusing to issue or renew a license  
 27 shall be subject to review in the Superior Court by a proceeding in lieu of  
 28 prerogative writ.

1 7. Books and records. Every licensee shall maintain records of its pre-  
 2 mium finance transactions and the said records shall be open to examination  
 3 and investigation by the commissioner. The commissioner may, at any time,  
 4 require any licensee to bring such records as he may direct to the commis-  
 5 sioner's office for examination.

6 Every licensee shall preserve its records of such premium finance trans-  
 7 actions, including cards used in a card system, or at least 3 years after mak-  
 8 ing the final entry in respect to any premium finance agreement. The pres-  
 9 ervation of records in photographic form shall constitute compliance with  
 10 this requirement.

1 8. Power to make rules. The commissioner may make and enforce such  
 2 reasonable rules and regulations as may be necessary in making effective the  
 3 provisions of this act, but such rules and regulations shall not be contrary  
 4 to nor inconsistent with the provisions of this act.

5 9. Form of premium finance agreement. A premium finance agreement  
 6 shall—

3 (a) be dated, signed by or on behalf of the insured, and the printed  
4 portion thereof shall be in at least 8-point type,

5 (b) contain the name and place of business of the insurance agent or  
6 insurance broker negotiating the related insurance contract, the name and  
7 place of business of the premium finance company to which payments are to  
8 be made, a description of the insurance contracts involved and the amount  
9 of the premium therefor; and

10 (c) set forth the following items where applicable:

11 (1) the total amount of the premiums,

12 (2) the amount of the down payment,

13 (3) the principal balance (the difference between items (1) and (2)),

14 (4) the amount of the service charge,

15 (5) the balance payable by the insured (sum of items (3) and (4)),

16 and

17 (6) the number of installments required, the amount of each install-  
18 ment expressed in dollars, and the due date or period thereof.

19 The items set out in subsection (c) of this section need not be stated  
20 in the sequence or order in which they appear in such clause, and additional  
21 items may be included to explain the computations made in determining the  
22 amount to be paid by the insured.

1 10. Maximum service charge. A premium finance company shall not  
2 charge, contract for, receive, or collect a service charge other than as per-  
3 mitted by this act.

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

10 The service charge shall be a maximum of \$6.00 per \$100.00 per year,  
11 plus an additional charge of \$10.00 per premium finance agreement which  
12 need not be refunded upon cancellation or prepayment.

1 11. Delinquency charges. A premium finance agreement may provide for  
2 the payment by the insured of a delinquency charge of \$1.00 to a maximum  
3 of 5% of the delinquent installment but not to exceed \$5.00 on any install-  
4 ment which is in default for a period of 5 days or more.

1 12. Cancellation of insurance contract upon default—

2 (a) When a premium finance agreement contains a power of attorney  
3 enabling the premium finance company to cancel any insurance contract or  
4 contracts listed in the agreement, the insurance contract or contracts shall  
5 not be canceled by the premium finance company unless such cancellation  
6 is effectuated in accordance with this section.

7 (b) Not less than 10 days' written notice shall be mailed to the insured  
8 of the intent of the premium finance company to cancel the insurance con-  
9 tract unless the default is cured within such 10-day period. A copy of said  
10 notice shall also be sent to the insurance agent or insurance broker indi-  
11 cated on the premium finance agreement.

12 (c) After expiration of such 10-day period, the premium finance com-  
13 pany may thereafter request in the name of the insured, cancellation of such  
14 insurance contract or contracts by mailing to the insurer a notice of cancel-  
15 lation, and the insurance contract shall be canceled as if such notice of  
16 cancellation had been submitted by the insured himself, but without requiring  
17 the return of the insurance contract or contracts. The premium finance  
18 company shall also mail a notice of cancellation to the insured at his last  
19 known address and to the insurance agent or insurance broker indicated  
20 on the premium finance agreement.

21 (d) All statutory, regulatory, and contractual restrictions providing that  
22 the insurance contract may not be canceled unless notice is given to a govern-  
23 mental agency, mortgagee, or other third party shall apply where cancel-  
24 lation is effected under the provisions of this section. The insurer shall  
25 give the prescribed notice in behalf of itself or the insured to any govern-  
26 mental agency, mortgagee, or other third party on or before the second  
27 business day after the day it receives the notice of cancellation from the  
28 premium finance company and shall determine the effective date of cancel-  
29 lation taking into consideration the number of days notice required to com-  
30 plete the cancellation.

31 (e) Whenever an insurance contract is canceled in accordance with this  
32 section, the insurer shall return whatever gross unearned premiums are due  
33 under the insurance contract to the premium finance company effecting the  
34 cancellation for the account of the insured or insureds.

35 (f) In the event that the crediting of return premiums to the account  
36 of the insured results in a surplus over the amount due from the insured,  
37 the premium finance company shall refund such excess to the insured pro-  
38 vided that no such refund shall be required if it amounts to less than \$1.00.

1 13. Exemption from any filing requirements. No filing of the premium  
2 finance agreement shall be necessary to perfect the validity of such agree-  
3 ment as a secured transaction as against creditors, subsequent purchasers,  
4 pledgees, encumbrances, successors, or assigns.

1 14. Effective date. This act shall take effect on the sixtieth day after  
2 the date of enactment.

STATEMENT

FISCAL DATA

This bill provides for the licensing and regulation of insurance premium finance companies, and supplements the Banking Act of 1948.

It is estimated by the Department of Banking and Insurance that in the first year of operation of this legislation, if enacted, there would be revenues of \$5,000.00 and administrative expenses of \$6,500.00, leaving a net deficit of \$1,500.00. In the second year, there would be revenues of \$7,500.00 and expenses of \$6,000.00, leaving a net surplus of \$1,500.00, and in the third year, revenues would amount to \$10,000.00 with expenses of \$6,250.00, leaving a net surplus of \$3,750.00.

The Department of Banking and Insurance has estimated that the net deficit in the first year of operation of this legislation, if enacted, would be \$1,500.00.

In the second year of operation, the net surplus would be \$1,500.00, and in the third year, the net surplus would be \$3,750.00.

The Department of Banking and Insurance has estimated that the net deficit in the first year of operation of this legislation, if enacted, would be \$1,500.00.

In the second year of operation, the net surplus would be \$1,500.00, and in the third year, the net surplus would be \$3,750.00.

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In the second year of operation, the net surplus would be \$1,500.00, and in the third year, the net surplus would be \$3,750.00.

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In the second year of operation, the net surplus would be \$1,500.00, and in the third year, the net surplus would be \$3,750.00.