

*Market Conduct Final Examination Report*

*INSURANCE PREMIUM SERVICES, LLC*

*Florida Company Code: 28607*

*Date: February 5, 2025*

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## Executive Summary

A market conduct examination of Insurance Premium Services, LLC (“IPS” or “Company”) was performed to ascertain IPS’s compliance with the applicable provisions of the Florida Insurance Code as required by Section 627.834, Florida Statutes (“F.S.”).

## Company Operations

Insurance Premium Services, LLC is a domestic Premium Finance Company licensed to offer premium finance agreements in Florida on January 21, 2016. IPS finances property and casualty insurance policies. Refunds resulting from cancellations and policy endorsements are sent from the insurance company to the general agent who is responsible for issuing refunds to the insured. All other refunds are sent directly by IPS to the insured.

Section 627.828(1), F.S. requires premium finance companies to maintain a net worth of \$35,000 or a net worth of \$10,000 if a surety bond or other acceptable collateral is approved by the Florida Office of Insurance Regulation (“OIR”). IPS met the requirements of Section 627.828(1), F.S. by reporting the following statutory net worth:

Year	Statutory Net Worth as of December 31 <sup>st</sup> (Per the Balance Sheet of the Annual Report)
2023	\$830,766.00
2022	\$654,758.00
2021	\$529,866.00
2020	\$406,125.00
2019	\$921,990.00

Section 627.836(2), F.S. requires premium finance companies to file an annual report with OIR and remit the annual report filing fee to the Florida Department of Financial Services (“DFS”) by March 1<sup>st</sup> of each year. IPS made the following filings during the examination scope period:

Year	Date Annual Report Filed with OIR	Date Annual Report Filing Fees Remitted to DFS
2023	02/27/2024	02/23/2024
2022	02/28/2023	02/10/2023
2021	02/17/2022	02/03/2022
2020	02/24/2021	02/10/2021
2019	02/26/2020	02/14/2020

## Purpose and Scope of the Examination

OIR has primary responsibility for the regulation, compliance, and enforcement of statutes related to the business of insurance premium financing and the monitoring of industry markets. Due to this responsibility, OIR conducted a market conduct examination of IPS pursuant to Section 627.834, F.S. The examination scope period was from January 1, 2019, to December 31, 2023. The examination was performed by members of OIR's Property and Casualty Market Regulation business unit.

The purpose of a market conduct examination is to review the premium finance company's operating practices to determine if they comply with the applicable provisions of the Florida Insurance Code, rules related to the business of insurance premium financing, the provisions contained within a premium finance contract issued by the Company, or orders issued by OIR. A common element of all market conduct examinations is to evaluate a premium finance company's business practices, to promote the protection of insurance-buying consumers, and to hold entities regulated by OIR accountable when issues or violations are found.

The examination began April 1, 2024, and ended February 5, 2025. The last examination of IPS was completed as of January 24, 2020. That examination concluded IPS's records appeared to be in good order.

## Examination Procedures

The conduct of this examination and the procedures, statistical sampling, and examination processes used were consistent with and in accordance with those standards and procedures contained in the *Market Regulation Handbook* promulgated by the National Association of Insurance Commissioners ("NAIC").

In preparation for the examination, IPS was requested to provide the total number, or universe, of premium finance agreements entered into during the examination's scope period. IPS was also requested to identify premium finance agreements that were cancelled or received a refund from an insurer prior to the end of the premium finance agreement's contract term. IPS reported entering into a total of 1,264 premium finance agreements during the examination scope period. Of the 1,264 premium finance agreements, 71 were either cancelled or received a refund from the premium finance company prior to the end of the agreement's term.

To facilitate a thorough review of IPS's premium finance agreements and corresponding documentation, the total universe of premium finance agreements was divided into two categories: Premium Finance Agreements; and Cancellations and Refunds. Each of the two categories were evaluated for compliance with the Florida Insurance Code.

For purposes of this examination, the two categories were defined as follows:

- Premium Finance Agreements: The initial premium finance agreement entered into during the examination scope period that completed the full term of the agreement (the premium finance agreement was not cancelled midterm or the consumer was not eligible for a refund); and
- Cancellation and Refunds: The initial premium finance agreement entered into during the examination scope period that were either cancelled prior to the end of the agreement's term or were eligible for a refund from an insurer or the premium finance company.

The Market Regulation Handbook provides guidance regarding sampling methods utilized during market conduct examinations. A minimum confidence level of 95% is used to make inferences when a universe population is greater than 200 and permits those results to be extrapolated to the population of all premium finance agreements. The examiners reviewed a total of 184 randomly selected premium finance agreements. The number of randomly selected premium finance agreements is consistent with the recommended sample size for non-claims in the Market Regulation Handbook's Acceptance Samples Table. Examination results with a 95% confidence level permit those results to be extrapolated to the population of non-claims in each of the two premium finance agreement categories. Based on the universe of IPS's premium finance agreements subject to this examination, the total sample size required to achieve a 95% confidence level in both categories was determined to be 184.

The 184 randomly selected premium finance agreements consisted of:

- 113 premium finance agreements; and
- 71 cancellations and refunds.

## Findings

### Premium Finance Agreements

This portion of the examination focused on IPS's use of approved forms and rates and evaluated specific statutory components required by IPS in the execution of premium finance agreements, including but not limited to finance charges, service fees, late and nonsufficient fund fees, and products financed. To determine IPS's adherence to these statutory requirements, the examiners reviewed and analyzed each sampled premium finance agreement to determine if the agreement was executed in compliance with the Florida Insurance Code.

No exceptions were noted.

### Cancellations and Refunds

This portion of the examination focused on IPS's premium finance agreements entered into during the examination scope period that were either cancelled prior to the end of the agreement's term or were eligible for a refund from an insurer to determine compliance with the Florida Insurance Code. The review evaluated specific statutory components pertaining to cancellations and refunds.

**Finding 1:** The examiners determined that in one instance out of 71 premium finance agreements reviewed, an error percentage of 1.4%, IPS did not maintain in its files a certificate of mailing reflecting that a 10-Day Intent to Cancel Notice was mailed to the last known address of the insured, as required by Rule 69O-196.002(2), Florida Administrative Code ("F.A.C.").

## Recommendations

The following recommendations were compiled from the Findings contained within this report, and observations noted during the examination. The Company is to provide a written report to OIR of actions taken on each Recommendation within 60 days of the Company's receipt of the Final Examination Report.

It is recommended that the Company:

- Ensure that certificates of mailing reflecting that a 10-Day Intent to Cancel Notice was mailed to the last known address of the insured are maintained in each file.

## **Conclusion**

This market conduct examination of Insurance Premium Services, LLC was designed to review and evaluate whether the Company's handling of premium finance agreements was in compliance with the provisions of the Florida Insurance Code. During the examination, OIR identified findings and made recommendations for remediation to be implemented by IPS.

This examination report and the observations contained therein are the result of a factual, data-driven analysis of the IPS's premium finance agreements and practices related to the cancellation and refund of premiums to consumers. This report contains a number of recommendations for improvement that should be implemented by IPS. It does not document what regulatory or administrative action may be taken by OIR. Any such action taken as a result of this market conduct examination will be the subject of a separate Order issued by OIR.

## **Examination Final Report Submission**

OIR hereby issues this final report based upon information from the examiner's draft report, additional research conducted by OIR, and additional information provided by Insurance Premium Services, LLC.



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