

*Market Conduct Final Examination Report*

*Northern Investors Company, Inc.*

*Florida Company Code: 42407*

*Date: February 7, 2025*

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## Executive Summary

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

## Company Operations

Northern Investors Company, Inc. is a foreign Premium Finance Company licensed to offer premium finance agreements in Florida on September 25, 2019. Northern Investors only finances commercial lines insurance policies. Refund checks are issued to the policyholder when overpayments produce a credit on individual accounts.

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”). Northern Investors 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	\$121,282
2022	\$110,546
2021	\$104,491
2020	\$100,774
2019	\$99,581

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. Northern Investors 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	02/27/2023
2022	03/09/2023	03/09/2023
2021	03/03/2022	03/03/2022
2020	03/02/2021	03/02/2021
2019	05/22/2020	05/22/2020

**Finding 1:** The examiners determined that in eight instances, Northern Investors did not file the Annual Report with OIR or remit the Annual Report filing fees to DFS by March 1<sup>st</sup>, as required by Section 627.836(2), F.S.

## 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 Northern Investors 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 7, 2025. This is the first market conduct examination of Northern Investors.

## 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, Northern Investors was requested to provide the total number, or universe, of premium finance agreements entered into during the examination's scope period. Northern Investors 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. Northern Investors reported entering into a total of 53 premium finance agreements during the examination scope period. Of the 53 premium finance agreements, seven 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 Northern Investors' 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 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 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 53 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 Northern Investors' 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 53.

The 53 randomly selected premium finance agreements consisted of:

- 46 premium finance agreements; and
- Seven cancellations and refunds.

## Findings

### Premium Finance Agreements

This portion of the examination focused on Northern Investors' use of approved forms and rates and evaluated specific statutory components required by Northern Investors 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 Northern Investors' 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 Florida Insurance Code.

*No exceptions were noted.*

### Cancellations and Refunds

This portion of the examination focused on Northern Investors' 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.

*No exceptions were noted.*

## 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 annual reports are filed with OIR and report filing fees are remitted to DFS annually, by March 1<sup>st</sup> of each year.

## **Conclusion**

This market conduct examination of Northern Investors Company, Inc. 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 Northern Investors.

This examination report and the observations contained therein are the result of a factual, data-driven analysis of the Northern Investors' premium finance agreements and practices related to the cancellation and refund of premiums to consumers. This report contains one recommendation for improvement that should be implemented by Northern Investors. 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 Report Final 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 the Northern Investors Company, Inc.



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