

To: All Property and Casualty Insurance Companies Licensed in North Carolina
All Premium Finance Companies Licensed in North Carolina

From: Charles Swindell, Deputy Commissioner- Property and Casualty Division

Date: January 30, 2004

Re: Insurance Contracts Cancelled at the Request of a Premium Finance Company

In response to questions raised by several insurance companies, the North Carolina Department of Insurance recently reviewed the provisions of Article 35 of the North Carolina General Statutes, which governs Insurance Premium Financing, with respect to the question of whether refunds should be computed on a short rate or pro rata basis in the case of contract cancellation made at the request of a premium finance company. The Department has concluded that both the short rate and the pro rata (**see exception below**) methods are permissible. Therefore, this memo is being issued to eliminate any uncertainty on the part of insurers.

Effectively immediately, all property and casualty insurance companies licensed to do business in North Carolina are permitted to use a short rate refund calculation in the event of a policy cancellation by a premium finance company. This is not to be construed as prohibiting any company from using a pro rata refund calculation if the company elects to do so. **Exception prohibits pro rata cancellation of private passenger automobile.***

If you have any questions, please contact me at (919) 733-3368 ext 226.

***Amended May 18, 2012 based on policy contract and personal auto manual rule.**

