

TO: Pennsylvania Premium Finance Companies and Insurance Carriers

SUBJECT: COVID-19 Guidance Regarding Premium Finance Agreements

NOTICE # 2020-11

The Insurance Department (Department) is issuing this notice to all premium finance companies licensed by the Department under the Insurance Premium Finance Company Act, 40 P.S. §§ 3301, et seq., as well as all insurance carriers engaging with such companies within the Commonwealth of Pennsylvania. The purpose of this notice is to communicate the Department's expectations of premium finance companies during the COVID-19 pandemic. As noted in the Department's Notice 2020-04, the Department recognizes that the COVID-19 disruption has posed unique challenges for the insureds and insurers of this Commonwealth. Responses to these challenges requires flexibility in all aspects of the insurance industry, including premium finance companies.

The Department recognizes that premium finance companies provide an important lending function to individuals and businesses with respect to financing the payment of insurance premiums pursuant to premium finance agreements. Further, the Department understands that disruptions to normal operations resulting from the efforts to mitigate the spread of COVID-19 may result in insureds being unable to timely meet payment obligations under these agreements. Considering these unprecedented challenges to individuals and businesses, the Department is encouraging premium finance companies, to the greatest extent possible, to accommodate insureds by extending or providing grace periods for loan payments or to be otherwise flexible with respect to determinations of default under premium finance agreements, especially with regard to cancellations for default governed by 40 P.S. § 3310. In addition, the Department is encouraging premium finance companies to waive or temporarily eliminate any delinquency or other charges that would ordinarily be permitted pursuant to 40 P.S. § 3309.

In order to facilitate this accommodation, the Department is also encouraging insurance carriers to work with premium finance companies to facilitate any grace period modifications. Furthermore, insurance carriers should also recall that their ultimate responsibility is to the policyholder. As such, when a policy is being cancelled because of a premium finance default, the Department advises that insurance carriers should work directly with the policyholder to provide any reasonable flexibility and accommodations to the policyholder to allow the policy to remain in effect.

The severe and ongoing economic impact resulting from the COVID-19 pandemic calls on everyone to work together to support individuals and members of the business community who, through no fault of their own, are incurring economic hardship, and the Department is requesting the insurance industry's cooperation in providing this support. If you have any questions pertaining to this notice please contact Deputy Insurance Commissioner Christopher Monahan at cmonahan@pa.gov.