



**STATE OF NEW YORK
INSURANCE DEPARTMENT**
25 BEAVER STREET
NEW YORK, NEW YORK 10004

**Circular Letter No. 25 (2000)
August 11, 2000**

TO: All Insurers Licensed to Write Motor Vehicle Insurance in New York State

RE: Restriction of Installment Payment Plans and Financed Premiums

In recent weeks several insurers have indicated their intentions to significantly curtail or eliminate installment payment programs for private passenger automobile insurance. The purpose of this circular letter is to bring to insurers' attention several issues that are pertinent to this subject:

- Offering an installment payment option to some tiers or classes of policyholders or withholding the option from some tiers or classes may constitute a violation of Article 23 of the Insurance Law, which prohibits unfair discrimination in rates or benefits.
- Pursuant to §3425 of the Insurance Law, annual non-renewals of private passenger automobile policies are generally restricted to 2% of the policies in force in a given rating territory. Elimination of premium installment plans may be considered a marketing action resulting in the effective withdrawal from a market, intended to circumvent the 2% rule. In such event, premium payment installment options must be maintained in a manner that is substantially similar to the premium payment options applicable in the Assigned Risk Plan.

In addition, Article XII-B of the Banking Law provides for the licensing and operation of insurance premium financing entities in New York. Section 3428 of the Insurance Law provides for specific procedures relative to cancellation of insurance policies where the premium was advanced under a premium financing agreement, and provides further that insurers may retain a minimum earned premium in the event such policies are cancelled. As long as insurers offered their own installment payment alternatives, the Department took no position on an insurer's refusal to accept financed premiums. Such refusals to accept financed premiums, when viewed in the context of the issues discussed above, may be considered a violation of the statutes noted above.

The Department is monitoring insurers' practices with respect to the methods of payment they accept. Any of the above actions could also constitute a violation of Article 24 of the Insurance Law.

You may direct questions concerning this circular letter to Alvin Kaufman, Senior Insurance Examiner, at the above address, or by phone at 212-480-5578.

Very truly yours,

Mark Presser
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Examiner
Property Bureau