

AN ACT relating to compensation of insurance producers for services performed in relation to a premium finance loan.

***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

➔Section 1. KRS 304.30-050 is amended to read as follows:

- (1) The commissioner may revoke or suspend the license of any premium finance company when and if, after investigation, it appears to the commissioner that:
  - (a) Any license issued to the company was obtained by fraud;
  - (b) There was any misrepresentation in the application for the license;
  - (c) The holder of the license has otherwise shown himself or herself untrustworthy or incompetent to act as a premium finance company;
  - (d) The company has violated any of the provisions of this chapter; or
  - (e) The company has been rebating part of the service charge as allowed and permitted by KRS 304.30-090 to any insurance agent or any employee of an insurance agent or to any other person as an inducement to the financing of any insurance policy with the premium finance company, ***except as provided in subsection (2) of this section.***
- (2) ***Transactions related to the financing of insurance premiums for personal and commercial lines of insurance shall not be deemed a rebate of the service charge in violation of subsection (1)(e) of this section if:***
  - (a) ***The transaction is arranged by an insurance agent who discloses in writing to the insured:***
    1. ***The source of any compensation to be received by the agent as a result of the insured entering into a premium finance agreement; and***
    2. ***The amount of compensation, as a percentage of the premiums financed, if the amount of compensation received by the agent exceeds two percent (2%) of the premium amount financed; and***
  - (b) ***The amount of compensation is based only on actual premiums financed***

and is not paid as:

1. An advance on future premium finance agreements; or

2. A form of bonus for the agent agreeing to place finance agreements with the premium finance company.

(3) Before the commissioner shall revoke, suspend, or refuse to renew the license of any premium finance company, he or she shall give to the person an opportunity for a hearing to be conducted in accordance with KRS Chapter 13B. In lieu of or in addition to revoking or suspending the license for any of the causes enumerated in the section, after hearing as provided in this subsection, the commissioner may subject the company to a penalty specified in Subtitle 99 of this chapter when the commissioner determines that the public interest would not be harmed by the continued operation of the company. The amount of any penalty shall be paid by the company through the department of the commissioner to the State Treasurer.

(4)~~(3)~~ If any applicant or licensee is aggrieved by any final order of the commissioner, the applicant or licensee shall have the right to appeal to the Franklin Circuit Court in accordance with KRS Chapter 13B.