

MARYLAND INSURANCE ADMINISTRATION

MARYLAND INSURANCE ADMINISTRATION	*	
	*	
v.	*	
AGENCY SERVICES, INC.	*	Case No. MIA-2008-10-003
	*	
CENTRAL ACCEPTANCE COMPANY, INC.	*	Case No. MIA-2008-10-004
	*	
GEBCO INSURANCE ASSOCIATES, INC.	*	Case No. MIA-2008-10-005
	*	
H&S FINANCE COMPANY, INC.	*	Case No. MIA-2008-10-006
	*	
INSURANCE BILLING SERVICES, INC.	*	Case No. MIA-2008-10-007
	*	
INSURANCE PAYMENT PLAN, INC.	*	Case No. MIA-2008-10-008
	*	
PREMIUM FINANCE OF AMERICA, INC.	*	Case No. MIA-2008-10-009
	*	
SENATE ACCEPTANCE CORPORATION	*	Case No. MIA-2008-10-010
	*	
U.S. CAPITAL ASSOCIATES	*	Case No. MIA-2008-10-011

* * * * *

MEMORANDUM AND ORDER

The Maryland Insurance Commissioner (“the Commissioner”) issued an Order on October 6, 2008 involving nine (9) licensed premium finance companies (PFCs) operating in Maryland, which are the named respondents in this case. For the reasons set forth below, the Order issued by the Commissioner on October 6, 2008 finding that the Respondents had violated MD. CODE ANN., INS. ART., § 23-304 is affirmed as set forth in the following Final Order.¹

STATEMENT OF THE CASE

The Maryland Insurance Administration (MIA) conducted a market analysis, pursuant to § 23-207, of the nine (9) respondent premium finance companies (“PFCs” or “Respondents”).

¹ Unless otherwise indicated, all references are to the Insurance Article of the Annotated Code of Maryland.

The market analysis was focused on how PFCs compute finance charges of their loans. Section 23-304(3) provides that a finance charge, “shall be computed...at a rate not exceeding 1.15% for each 30 days, charged in advance.” The market analysis found, and Respondents acknowledge, that the PFCs compute finance charges in a manner that exceeds a rate of 1.15% for each 30 days for loans on insurance policies that cancel prior to maturity or when a policy is void *ab initio*.² The market analysis revealed that this practice violates § 23-304(3).

Based upon the findings of the market analysis, the Commissioner issued an Order on October 6, 2008 that provided, in pertinent part, that the PFCs are prohibited from: a) computing interest in excess of 1.15% for each 30 days on all premium finance agreements including those cancelled prior to their maturity; and b) imposing any interest on a premium finance agreement when the policy is void *ab initio*. (Resp. Ex. 11.)

Respondents filed timely requests for a hearing, which stayed the operation of the Order pending a hearing. Section 2-212. A consolidated hearing before an MIA hearing examiner was scheduled pursuant to § 2-210. (Resp. Ex. 30.) By letter dated November 13, 2008, the PFCs requested that the case be referred to the Office of Administrative Hearings. The MIA denied that request by letter dated November 18, 2008.

The contested case provision of the Administrative Procedure Act, the hearing provisions of the Insurance Article, and the procedural rules for MIA hearings apply to this case. Sections 2-210 – 2-213; MD. CODE ANN., STATE GOV’T ART., §§ 10-201 – 10-226; COMAR 31.02.01.

² According to Black’s Law Dictionary, the term void *ab initio* (also referred to by the parties as “flat cancels”) means that a contract is considered invalid from the outset or void as a matter of law.

ISSUES

The issues in this case are: 1) whether all of the Respondents violated § 23-304 in computing the finance charge on premium financing agreements that were cancelled prior to their maturity; and 2) whether Insurance Billing Services and U.S. Capital Associates violated § 23-304 in charging a finance charge on contracts that were void *ab initio*.

SUMMARY OF THE EVIDENCE

The hearing on this matter was held on December 9-11, 2008. The MIA was represented by Lisa B. Hall, Ioannis A. Laskaris, and Jeffrey L. Shelton, Assistant Attorneys General. Agency Services, Inc. (ASI) was represented by Bryson Popham, Esq. Central Acceptance Co., Gebco Insurance Associates Inc., H&S Finance Co., Inc, and U.S. Capital Associates, LLC were represented by Joseph A. Schwartz, III, Esq. and Steven Wise, Esq. Insurance Billings Services, Inc. (IBS) was represented by Leslie Williams, Esq. Insurance Payment Plan, Inc. (IPP) was represented by Michael Cohen, Esq. assisted by John Haley, Esq. Premium Finance of America, Inc. (PFA) was represented by Marta Harting, Esq. Senate Acceptance Corp. was represented by Lee Donner, Esq.

All parties filed pre-hearing briefs and, at the request of the parties, the record was held open until December 24, 2008 to provide the opportunity for the filing of post-hearing briefs.

I. WITNESSES AND EXHIBITS

Thirteen (13) witnesses provided testimony during the hearing and the parties submitted forty-seven (47) exhibits representing over 1,000 pages of documents. A complete listing of witnesses and exhibits are found in the Appendix to this Memorandum and Order.

II. JOINT STIPULATION OF THE PARTIES

The parties entered into a "Joint Stipulation as to Document Request" executed on or about November 20, 2008. (Resp. Ex. 30.) As part of this agreement, the parties stipulated to the following pertinent facts.

1. On October 6, 2006, the Commissioner issued a Cease and Desist Order ("Order") to each of the PFC's. Each of the PFC's requested a hearing on the Order, which affected a stay of the Order pending the hearing.
2. At issue in all of these cases is the proper legal interpretation of Md. Code Ann., Insurance, Title 23 and its provisions governing the portion of the finance charge retained upon cancellation in premium finance agreements issued by the PFC's.
3. The parties stipulate that at all times relevant the PFC's used the Rule of 78's (or Rule of 78) in calculating the amount of finance charge, if any, to be refunded to an insured upon cancellation of an insurance policy.
4. The parties further stipulate that all "documents" in the possession of the PFC's as requested in the MIA's Request for Production of Documents of November 3, 2008, confirm that the PFC's employ the Rule of 78's in cases of cancellation, or in Case Nos. 2008-10-007 and 2008-10-011, where policies are voided *ab initio*.
5. The MIA stipulates that it has not disapproved a premium finance agreement on the basis that the premium finance agreement references the use of the Rule of 78 (or Rule of 78's).
6. The MIA stipulates that, prior to the issuance of the Order, the MIA has not found a PFC in violation of the Insurance Article for using the Rule of 78 (or Rule of 78's).

(Resp. Ex. 30.)

FINDINGS OF FACT

In addition to the stipulation of the parties, these findings of fact are based upon the briefs submitted by counsel, the testimony provided at the hearing and upon a complete and thorough review of the transcript and all exhibits and documents provided by the parties. To the extent that there are any facts in dispute, the following facts are found, by a preponderance of the

evidence, to be true. Citations to particular parts of the record are for ease of reference and are not intended to exclude and do not exclude reliance on the entire record.

I. PREMIUM FINANCING IN MARYLAND

The Respondents are licensed premium finance companies that provide consumers with loans to finance the purchase of insurance policies. (MIA Exs. 5-13.) The vast majority of Respondents' business is the financing of insurance policies issued by the Maryland Automobile Insurance Fund (MAIF), the residual automobile insurer in Maryland. (ASI Br. at 2; Tr. 451, 469, 495.)

Pursuant to state law, MAIF cannot accept installment payments. Section 20-508(f)(1). MAIF policy holders who cannot pay their total premium in advance must use the services of a PFC. Section 20-508(f)(2) ("A premium may be financed only by a premium finance company...") The insurance policy holder enters into a premium financing agreement under which the PFC pays the total premium (minus a down payment) to MAIF and the policy holder agrees to repay the loan along with the applicable finance charge and service fee in installments. (PFA Br. at 2.) The MAIF policy itself secures the loan and may be cancelled if the policy holder fails to repay the loan. Sections 23-401 – 23-406. (ASI Br. at 2; PFA Br. at 2.)

II. CALCULATION OF FINANCE CHARGES ON PREMIUM FINANCE AGREEMENTS

Section 23-304 permits the calculation of a finance charge on a premium finance agreement. Section 23-304 provides,

The finance charge shall be computed:

- (1) on the amount of the entire premium loan advanced, including any taxes or fees that are financed under §23-301.1 of this subtitle, after subtracting any down payment on the premium loan made by the insured;
- (2) from the inception date of the insurance contract or from the due date of the premium, disregarding any grace period or credit allowed for payment of the

premium, through the date when the final installment under the premium finance agreement is payable; and
(3) at a rate not exceeding 1.15% for each 30 days, charged in advance.

The parties stipulate that Respondents use the “Rule of 78s” to calculate the amount of the finance charge that has been earned and may be retained by a PFC following cancellation of a policy before the expiration of its term. (Resp. Ex. 30; PFA Br. at 3.) Respondents, U.S. Capital and IBS, use this same method to calculate the amount of a retained finance charge when a policy is void *ab initio* or “flat cancelled.” (Resp. Ex. 30; Tr. at 455; IBS Br. at 5.)

The Rule of 78s (also known as the “sum of the digits”) is a method for calculating the amount of the finance charge that has been earned and, therefore, may be retained by a PFC when a consumer’s loan cancels before the expiration of its term. (IPP Br. at 6; PFA Br. at 4; MIA Br. at 10.) The parties agree that the Rule of 78s operates in the following manner.

Under the Rule, when a loan is to be repaid in monthly installments, each month of the loan’s term is assigned a digit, with the first month’s digit equaling the total number of months in the agreed period of the loan. The second month is then assigned a digit one less than that of the first, the third month again one less, and so on, until the digit assigned to the last month equals one (1). For a twelve month loan, the sum of the digits (12+11+10...+1) of this arithmetic progression is 78. For example, assuming a twelve month loan obligation, if the entire loan were prepaid at the end of the first month, 12/78 of the total finance charge would be retained by the creditor.

Bone v. Hibernia Bank, 493 F. 2d 135, 137 (9th Cir. 1974); accord, *Genn v. CIT Corp.*, 40 Md. App. 516, 518, fn 2 (1978); (MIA Ex. 16 at Ex. A; IPP Br. at 11; PFA Br. at 4.)

There is also no dispute that the Rule of 78s operates to a consumer’s disadvantage and to the PFCs advantage if the financed insurance policy is cancelled early in the life of the loan.

Using a loan with a ten (10)-month term as an example (as was used throughout the hearing), the MIA market analysis of each Respondent demonstrated that a consumer who cancelled in the first five (5) months of the policy pays a finance charge that is significantly more than 1.15% for each 30 days, as allowed by § 23-304. (MIA Exs. 5-13.) The MIA calculated the allowable

finance charge under § 23-304(3), “at 1.15% of the principle for each 30 days, corresponding with each respective company billing cycle/earned interest period.” (MIA Ex. 5, ASI-MAIF Cancel- Samples 2 and 5, fn.3, Tr. 366.)

Because the majority of the PFC’s loans do cancel early, the application of the Rule of 78s is very lucrative for the PFCs. *Id.* The income that PFCs realize from the collection of finance charges on policies that cancel early is so significant that the Respondents estimate that their incomes will decrease by approximately one-third (1/3) by complying with the October 6, 2008 Order. (Tr. at 447, 565, 573.)

Pursuant to the Joint Stipulation, it is agreed that the MIA has for many years approved forms used by the PFCs that indicate that they apply the Rule of 78s. (Resp. Ex. 30.) Additionally, the parties stipulate that the MIA has not found a PFC in violation of the Insurance Article for using the Rule of 78s. *Id.* It is likewise undisputed that, prior to 2008, the MIA had never conducted a market analysis or any type of investigation specifically designed to determine whether the method used by PFCs to compute the amount of earned finance charges complied with § 23-304. (Tr. 65, 79, 383-84.)

Although MAIF is Maryland’s residual automobile insurance carrier, some MAIF policies are not approved and are void *ab initio*. Two Respondents, U.S. Capital and IBS, both acknowledge that they collect a finance charge on policies that are void *ab initio*. (Tr. 457-58; IBS Br. at 11-14; U.S. Br. at 2.) Other Respondents, as a matter of customer service, do not collect a finance charge on policies that are void *ab initio*. (Tr. at 444, 486, 495.)

III. 2008 MARKET ANALYSIS AND OCTOBER 6, 2008 ORDER

The MIA’s 2008 market analysis was conducted because the Commissioner sought to clarify how the PFCs computed finance charges. (Tr. at 193.) During the 2008 legislative

session, the Commissioner heard debates on various proposed bills during which MAIF and the PFCs made conflicting statements about how finance charges are computed by PFCs. (Tr. 192-93, 198-99.) The Commissioner testified that he was asked by a member of the General Assembly to confirm that the MIA has authority to investigate and audit PFCs. (Tr. at 193.)

As a result, the Commissioner consulted with the MIA's Associate Commissioner for Compliance and Enforcement "and suggested that [the MIA] conduct an inquiry of the larger premium finance companies to look at the question of how interest is calculated." (Tr. at 193-94.) Respondents were informed by a letter dated May 19, 2008 that the MIA would conduct a targeted investigation for the period of November 1, 2007 through April 20, 2008 focusing on "the methods used by Respondents to calculate earned interest on premium finance agreements." (MIA Ex. 16; Resp. Ex. 11 at ¶ 2; PFA Post Hearing Br. at 3.)

The Commissioner may conduct investigations of premium finance companies "to the same extent as is authorized with respect to insurers under the Article." Section 23-103(a). (MIA Post-Hrg. Br. at 2.) The MIA has the authority to conduct two levels of investigation: the comprehensive market conduct examination and the more targeted market analysis. (Tr. at 267; 311-315.) According to the undisputed testimony provided by the MIA's former Associate Commissioner for Compliance & Enforcement, the MIA's investigation was not a "market conduct examination," but a more limited and focused "market analysis." (Tr. at 266-67.) The latter is: focused on a particular issue, of shorter duration, not charged to the PFC, and does not demand the same reporting requirements as a market conduct examination. (Tr. at 311-315.) Representatives of the PFCs testified that the 2008 market analysis was not a comprehensive, on-site examination of all of the company's business records for all of the policies of the prior year,

which they had experienced in the past. (Tr. at 534-35.) Rather, it was a targeted analysis of cancellations, for which Respondents admit that they were not charged. (Tr. at 536, 550-51.)

The MIA found that the calculation method used by the PFCs when a policy was cancelled prior to maturity or void *ab initio* resulted in “interest being charged unequally throughout the period of the finance agreement, such that as time progressed less of each monthly payment was attributable to interest.” (Resp. Ex. 11 at ¶ 4a.) As a result, the MIA found that the interest charged exceeded the statutory maximum under § 23-304(3) of 1.15% for each 30 days. *Id.* at ¶ 5. The practical impact of the Order is that Maryland consumers who finance their insurance premiums with PFCs will be charged a lower finance charge for an early cancellation and no finance charge when their policy is void *ab initio*.

DISCUSSION

I. RESPONDENTS’ PROCEDURAL ARGUMENTS FAIL AS A MATTER OF LAW

A. *Respondents were not entitled to have this case transferred to the Office of Administrative Hearings.*

At the outset of the hearing, Respondents moved that the case be transferred to the Office of Administrative Hearings. (Tr. at 27.)³ Respondents’ basis for this motion was that the Commissioner has publically commented about the Order at issue, and, indeed, he testified in this case. (Tr. at 27-28). Respondents do not claim any personal bias or improper *ex parte* communications about this matter and, in fact, none have occurred.

Section 2-210 of the Insurance Article allows the Commissioner to delegate the role of hearing officer to “the Deputy Commissioner, an Associate Deputy Commissioner or an Associate Commissioner.” Section 2-210(d). He may also, at his discretion, delegate the hearing

³ This issue was raised by Respondents and resolved by the MIA prior to the hearing. Respondents repeated this request in its briefs and at the hearing.

to the Office of Administrative Hearings. MD. CODE ANN., STATE GOV'T ART., § 10-205. However, merely because he has the discretion to delegate the matter, it is not meant as a requirement. MD. CODE ANN., STATE GOV'T ART., § 10-205 (a)(3) (“This subsection is not intended to restrict the right of an individual expressly authorized by a statute... to conduct a contested case hearing”).) The decision as to where to refer a case is within the sole discretion of the Commissioner. *See, Spencer v. Md. State Bd. Of Pharm.*, 380 Md. 515, 531-32 (2004).

Respondents have presented no evidence of undue bias. (Tr. at 27.) Furthermore, Respondents have pointed to no case to support its contention that Article 24 of the Maryland Constitution and the 5th and 14th Amendments of the United States Constitution prohibit the delegation as provided for in §2-210.

There is no allegation or evidence that the hearing examiner had a role in the market analysis at issue or in the development and/or issuance of the October 6, 2008 Order. The separation between the investigative and adjudicatory functions has been consistently maintained in this matter. The fact that a reporting relationship exists between the Commissioner and the hearing examiner does not undermine the legitimacy of the delegation. *See e.g. Davis, Administrative Law Treatise*, 3rd E., Vol. II, pp. 98-99. For these reasons and in accordance with the prior determination on this request, the Respondents' motion is denied. (Tr. 30-31.)

B. The market analysis conduct by the MIA complied with the Insurance Article.

Respondents argue that the October 6, 2008 Order resulted from a *market conduct examination* and that the MIA failed to follow the statutorily mandated procedures for such an examination. Specifically, Respondents allege that the MIA did not comply with the strictures of § 2-209, the section that sets forth the requirements for a market conduct examination, in that it

failed to issue a report before it issued the Order. Respondents' argument arises from the fact that the October 6, 2008 Order cites § 2-209.

Respondents argue that § 2-209 must be applicable because the Order cites it, but they also acknowledge that "labels are not determinative of the nature of the process." (PFA Br. at 14.) Section 2-204 (b)(2) provides that the failure to designate a particular provision of the Insurance Article does not deprive the Commissioner of the right to rely on that provision. The Commissioner has the right to investigate the actions of Respondents and did so here.

Furthermore, Respondents acknowledge that the MIA need not always issue a report before issuing an Order, noting that § 2-108(4) provides that "in addition to the examinations and investigations expressly authorized, [the MIA] may conduct examinations and investigations of insurance matters as necessary to fulfill the purposes of this article." (PFA Post-Hrg. Br. at 16.)

As is set forth in the Findings of Fact, the record evidence supports a finding that the investigation undertaken in this matter was a market analysis and not a formal market conduct examination. (Tr. at 266-267.) Respondents certainly cannot argue that they are not aware of the allegations against them. Furthermore, they cannot argue that they have not had ample opportunity to rebut the allegations. Consequently, the market analysis conducted by the MIA is consistent with the Insurance Article.⁴

C. The Commissioner's Order does not exceed his statutory authority.

The October 6, 2008 Order issued by the Commissioner is entitled, "Order to Cease and Desist." (Resp. Ex. at 11.) Focusing on the title of the Order, Respondents argue that the Order

⁴ Even if the MIA obtained the evidence in this case improperly in that it failed to issue a report before issuing the Order, the use of the evidence at this hearing would be appropriate. Contrary to Respondents' argument, the exclusionary rule does not apply to civil administrative proceedings such as this. *See e.g., Kerr v. Pennsylvania State Bd. Of Dentistry*, 960 A.2d. 427, 436 (Pa. 2008). Frankly, there is no factual dispute among the parties as to how interest is calculated by Respondents. What is in dispute, and addressed below, is the meaning of § 23-304. Clearly, the MIA believes that Respondents are not complying with the statute; hence, the Order. Clearly Respondents disagree; hence, the requests for a hearing.

is unlawful because the Commissioner may issue “cease and desist” orders only under two sections of the Insurance Article, which are not applicable to this proceeding (§ 4-114 and § 27-103). The MIA responds that the Commissioner is required to enforce the Insurance Article and that he has both those powers that are “expressly conferred” on him and “reasonably implied” from the Article. Section 2-108. The MIA correctly argues that the Order merely requires Respondents to comply with its interpretation of the law. Furthermore, §§ 4-114 and 27-103 do not provide that an order of the Commissioner can be entitled a cease and desist order only when issued under those sections.

Section 1-201 requires all persons subject to regulation under the Article to “comply with each applicable provision of this Article.” The Commissioner has authority under § 2-108 to enforce all provisions of the Insurance Article. This authority extends to the “authority expressly conferred on the Commissioner by or reasonably implied from [the Insurance Article].” Section 2-108(1). Section 23-304 is, of course, such a provision. The Commissioner has an obligation to enforce the Insurance Article and the Order issued in this case, including this Final Order, is subject to a hearing and, ultimately, review by the courts.

Here, regardless of its title, the Commissioner merely ordered Respondents to comply with a provision of the premium finance title of the Insurance Article. This is a power possessed by the Commissioner to ensure that premium finance companies are complying with the law.

D. The Commissioner was not required to issue a regulation in this case.

The final procedural hurdle raised by Respondents is that the nature of this action required the MIA to proceed by rulemaking rather than through the issuance of an Order that is subject to a hearing and judicial review. Respondents argue that the Order meets the definition of a “regulation” under 10-101(g) of the State Government Article in that it has general

application, has future effect and was imposed to carry out a law that the MIA administers. (PFA Post-Hrg. Br. at 27-28.) The MIA argues that an agency has the discretion to decide whether to proceed by rulemaking or by case-by-case adjudication. (MIA Post-Hrg. Br. at 5.)

It is a settled principle of administrative law that it is within the sole discretion of an administrative agency to decide whether to proceed, in a particular case, “by general rule or by individual, ad hoc litigation.” *Maryland Assoc. of Health Maintenance Organization v. Health Services*, 356 Md. 581, 600 (1999) quoting *Baltimore Gas & Electric Co. v. Public Service Comm’n*, 305 Md. 145, 168 (1986). The administrative adjudicatory process is particularly appropriate where, like here, the agency is seeking to resolve a dispute based upon a particular set of facts. *BGE*, 305 Md. at 167. This is not a situation in which the agency had a regulation and is attempting to change that regulation not through rule making but through adjudication. *CBS, Inc. v. Comptroller of the Treasury*, 319 Md. 687, 693 (1990).

In *Consumer Protection v. Consumer Pub.*, 304 Md. 731 (1985), the Maryland Attorney General proceeded by adjudication against a company that sold diet pills through the mail, alleging that its advertising was false and misleading. The company claimed, like the argument asserted here, that because the same advertising practices were used industry wide, the rule would apply to many companies and the Attorney General should have proceeded through rulemaking. *Id.* at 753. The Court of Appeals held that agencies have broad discretion in choosing rulemaking or adjudication and that the Attorney General was not required to proceed by rulemaking. *Id.* at 755-756.

The terms of the October 6, 2008 Order only apply to the Respondents. While this Final Order may inform the business decisions of other premium finance companies, only the

Respondents are bound by this Order. While Respondents point to past practices of the MIA and assert that they differ from the Order, because the Order is prospective, there is no detriment.

Here, the Commissioner is not seeking to change § 23-304, but rather to enforce its terms. *See infra* Section II A-B. The Commissioner has wide discretion in deciding whether to proceed through rulemaking or through adjudication and it is appropriate to interpret and enforce statutes through adjudication. *Health Services*, 356 Md. at 600; *Consumer Publishing*, 304 Md. at 753-54. Thus, it was appropriate in this case for the MIA to proceed through adjudication.

II. THE RECORD SUPPORTS THE COMMISSIONER’S FINDING THAT RESPONDENTS VIOLATED THE INSURANCE ARTICLE

A. The computation of a finance charge, including earned interest, on the refund of a premium finance agreement must comply with § 23-304(3).

Title 23 of the Insurance Article regulates the operation of Maryland’s premium finance industry and grew out of a statutory scheme first developed in 1964. *Government Employees Insurance Company v. Taylor*, 270 Md. 11, 17 (1973). These consumer protection laws were developed in response to the need to finance automobile insurance premiums, which became necessary with mandated liability coverage. As the premium finance industry flourished so did unfair business practices.

American Business ingenuity developed a system of premium financing as a distinct form of consumer credit to meet a specific public need. However, as is often the case, this plan to cure one evil begot another. Included in the mischief which resulted from unregulated premium finance agreements was the extraction of usurious interest and excessive service charges.

Id. at 17; *Great Southwest Fire Insurance Co. v Huss*, 49 Md. App. 447, 455, fn. 9 (1981).

Title 23 is, “remedial legislation and, as such, must be liberally construed to advance the remedy which was designed to eradicate and eliminate the mischief found to exist.” *Taylor*, 270 Md. at 17-18. The title is divided into five subtitles. Subtitle 1 contains definitions and general

provisions. Sections 23-101 to 23-103. Subtitle 2 contains provisions governing a PFCs registration with the State. Sections 23-201 to 23-210. Subtitle 3 contains the requirements for a premium finance agreement as well as the charges and fees that may be imposed by a PFC. Sections 23-301 to 23-310. Subtitle 4 involves the cancellation of insurance contracts under power of attorney by PFCs. Sections 23-401 to 23-406. Lastly, Subtitle 5 (§§ 23-501-23-506) contains a variety of prohibited acts and penalties such as the prohibition on splitting fees between PFCs and insurance agents and inducing a consumer to enter into multiple premium finance agreements in order to collect multiple initial services fees. Sections 23-502 and 23-503.

While Subtitle 4 provides for when and how an insurance contract may be cancelled, it is Subtitle 3, and Subtitle 3 alone, that provides for the charges and fees that may be imposed when a policy is cancelled. In fact, the law is clear that only those charges and fees permitted under Title 23 may be collected by a PFC. Section 23-504 (“Unless otherwise provided by law, a person may not charge, take, receive from, reserve or impose on an insured or a prospective insured greater charges than those allowed by this title.”)

At issue in this case is §23-304, which involves the finance charges a PFC is permitted to charge a consumer. Specifically, §23-304(3) provides that a “finance charge shall be computed ... at a rate not exceeding 1.15% for each 30 days, charged in advance.”⁵ The MIA and the Respondents interpret § 23-304(3) differently and that difference is straightforward. The PFCs position is that § 23-304(3) applies only to the computation of “the total amount of finance charge and nothing more” that may be charged over the life of a particular loan. (IPP Post-Hrg. Br. at 2; Central/Gebco/H&S/U.S. Capital Post-Hrg. Br. at 5.) It is their position that § 23-304(3) does not apply to the computation of how a finance charge is *earned*. (Central/Gebco/

⁵ That portion of the statute allowing the finance charge to be “charged in advance” is not at issue in this case.

H&S/U.S. Capital Post-Hrg. Br. at 3; Tr. at 51.) According to the MIA, § 23-304(3) applies to any computation of interest on a PFC loan, whether computing the total amount over the life of a loan or the finance charge to be refunded when a policy cancels before the term of the loan expires. (Tr. at 364-67; MIA Br. 4-8.)

The reading of § 23-304(3) urged by the MIA is dictated by the plain language of the statute. The statute says that “the finance charge shall be computed...at a rate not exceeding 1.15% for each 30 days, charged in advance.” Section 23-304(3). The word “computed” is not a defined term in the statute and there is no evidence in the record to indicate that it is a term of art in the finance industry. Therefore, the word must be given its ordinarily accepted meaning. *Bowen v. City of Annapolis*, 402 Md. 487, 613 (2007). “Computed” is a transitive verb that means, “to determine especially by mathematical means...to make a calculation.”

<http://www.merriam-webster.com/dictionary/computed>.

To accept the PFCs interpretation of the statute, which limits its meaning, one would be forced to read language into § 23-304(3) that simply does not exist, a task that Respondents admit is not permitted under the rules of statutory construction. (*See e.g.*, Central/Gebco/H&S/U.S. Capital Post-Hrg. Br. at 4; PFA Post- Hearing Br. at 19.) “We neither add nor delete words to a clear and unambiguous statute to give it a meaning not reflected by the words the Legislature used or engage in forced or subtle interpretation in an attempt to extend or limit the statute's meaning.” *Bost v. State*, 406 Md. 341, 350 (2008) quoting *Stoddard v. State*, 395 Md. 653, 662 (2006) (quoting *Taylor v. NationsBank*, 365 Md. 166, 181 (2001)); *Dept. of Economic and Employment Development v. Taylor*, 108 Md. App. 250, 267 (1996) (“Courts are not at liberty to...insert words to express an intention not shown in the original form.”)

To support their position, Respondents contend that the premium finance statute is an “add-on interest” statute and not a simple interest statute. (Tr. at 50-51; IBS Brief at 6.) In support of this contention Respondents cite the case of *Restaurant Development Inc. v. Cananwill*, 150 Wash. 2d 674 (2003). (IPP Br. at 14; IBS Br. at 8.) The *Cananwill* case, however, does not support Respondents’ position. Examining the statutory construction of the state of Washington's premium finance law, the court determined that the law’s phrase “[x] dollars per one hundred dollars per year” was a form of “add-on” interest to which the Rule of 78s could be applied. *Id.* at 687. But, significantly, the court contrasted that statutory language with the “simple interest method” used by other states where the statute specified language such as “x percent per year.” *Id.* at 684, fn 4. The language of the Maryland statute, “1.15%, for each 30 days,” is more akin to the simple interest statutes noted in *Cananwill*.

The statute simply does not say that it applies only to the total finance charge over the life of the loan and it does not, as Respondents urge, exclude application to the computation of earned interest. The plain language of the statute does not limit the application of § 23-304(3) and, therefore, must be read as it is written to apply to any computation of the finance charge for a PFC loan. Therefore, the Order requiring PFCs to use a method for computing a finance charge at a rate not exceeding 1.15% for each 30 days is consistent with the plain language of § 23-304.

B. Even if § 23-304(3) is subject to interpretation, the MIA’s interpretation is consistent with the remedial nature of Title 23.

Even if § 23-304 is not clear on its face and is subject to statutory interpretation, the result is the same. The Commissioner’s interpretation of the statute is consistent with the intention of the Legislature and the overall statutory scheme.

All parties agree that “in ascertaining the intention of the legislature, all parts of a statute are to be read together to find the intention as to any one part and all parts are to be reconciled

and harmonized, if possible.” *Sewell v. Norris*, 148 Md. App. 122, 133, fn.7 (2002) *appeal dismissed*, 374 Md. 81 (2003). When a statute is part of a larger statutory scheme its language is not interpreted in isolation, but as a whole, considering the purpose, aim, or policy of the Legislature, and attempting to harmonize sections concerning the same subject, so that each may be given effect. *Anderson v. Council of Unit Owners of Gables on Tuckerman Condominium*, 404 Md. 560, 572 (2008); *accord Blondell v. Baltimore City Police Dept.*, 341 Md. 680, 691 (1996); *Lombardi v. Montgomery Co.*, 265 Md. 3, 6 (1972) (“It is a hornbook rule of statutory construction that in ascertaining the intention of the General Assembly all parts of a statute are to be read together to find the intention as to any one part, and that all parts are to be reconciled and harmonized if possible.”)

It is the MIA’s position that even if the language of § 23-304 is subject to interpretation, the Commissioner’s interpretation is supported by the legislative history and remedial purpose of the statutory scheme. MIA Br. at 5. Furthermore, the MIA argues that the Commissioner’s construction and interpretation of the statute should be given weight. *Id.* at 5-7. Respondents counter that the statute must be construed in light of the realities of the premium finance industry informed by the MIA’s long-standing acceptance of the application of the Rule of 78s. (Senate Post-Hrg. Br. at 2-3.)

The PFCs want the debate to be focused on the Rule of 78s. They argue that it is an accepted method of computation in the industry, that § 23-304 does not prohibit or specify the use of a particular method, and that they have been allowed to use the Rule of 78s in the past. However, the focus on the Rule of 78s misses the point. The focus must be on the application of and compliance with § 23-304. This distinction was made plain during the hearing. The Commissioner said,

I don't have a position one way or another on the Rule of 78's...you can use it if you want so long as it complies with the statute. If it happens in its application not to apply, then of course you can't use it. The statute doesn't say you can charge interest not to exceed the Rule of 78s. The statute says nothing about the Rule of 78s. The statute speaks in plain language of you can't charge anything in excess of 1.15 percent for each 30 days.

(Tr. at 214.)

To support their contention that the statute must be interpreted in the limiting fashion that they propound, the PFCs assert that there are only two ways to compute how interest is earned: the Rule of 78s and the actuarial method and, therefore, one of those methods must be permitted under § 23-304.⁶ (Tr. at 51, 562.) However, the record evidence does not support this contention. There is undisputed evidence in the record that these two methods are most employed by the PFC industry to compute interest. (Tr. at 562.) This does not mean, however, that there are no other methods of computing earned interest and, in fact, the Respondents' expert witness, Robert Breckenridge, testified that there are states that impose special calculation methods. (Tr. at 511.) Mr. Breckenridge explained that South Carolina imposes a unique method, imposed by statute, that is different from both the actuarial method and the Rule of 78s. (Tr. at 512-13.)

While the Rule of 78s is typically used in the premium finance industry, Maryland's statutory scheme with respect to the financing of MAIF insurance policies by PFCs is anything but typical. The market niche enjoyed by Maryland's PFCs is a unique creation of state law. PFCs in Maryland have a statutorily mandated and guaranteed market share because, unlike all other personal line automobile insurers, MAIF is precluded by statute from accepting installment

⁶ While the actuarial method is more favorable to consumers, both methods compute interest so that more is earned in the early months of the loan and less in the later months of the loan. (Tr. at 51.)

payments. Section 20-508(f). Consumers must use the services of a PFC to finance their policies: “[a] premium may be financed only by a premium finance company registered with the Commissioner in accordance with § 23-201 of this article.” Section 20-508(f)(2). In no other state in the country has the PFC industry secured the statutorily mandated use of the industry’s services as it has in Maryland when the General Assembly created MAIF. It is against this unique background created by the General Assembly that this statute must be evaluated because the operation of other premium finance companies in a more free market setting is not terribly instructive.

Even if § 23-304(3) were ambiguous (which it is not) and requires statutory interpretation, the subsection must be read consistently with the remedial nature of Title 23. *Taylor*, 270 Md. at 11. The purpose of Title 23 is to adequately protect consumers required to enter into premium finance agreements. *Id.* The legislature did not set out to protect PFCs’ profits, but to eliminate the abuses that existed in the industry prior to government regulation. *Great Southwest Fire insurance Co. v. Huss*, 49 Md. App. 447, 455, fn. 9 (1981). It would be curious, when looking at the complete statutory scheme, to believe that after taking such pains in Title 23 to protect consumers and check the business practices in the premium finance industry that the General Assembly would have intentionally permitted PFCs to impose on consumers what all agree to be the most burdensome method of computation of finance charges.

C. The Commissioner properly exercised his authority in issuing the October 6, 2008 Order.

Respondents argue that the Commissioner’s Order applying § 23-304 must be rejected as arbitrary and capricious because it reverses what they contend is the MIA’s long and consistent interpretation of the statute, which permitted the use of the Rule of 78s. It cannot be disputed that the PFCs have interpreted § 23-304 in a consistent manner. That interpretation limits the

application of § 23-304, allows PFCs to apply the Rule of 78s, and positively benefits the PFCs' bottom line. What the parties do not agree upon is how the past action (or inaction) by the MIA should impact the validity of the October 6, 2008 Order.

Respondents argue that the October 6, 2008 Order contains an interpretation of § 23-304 that reverses the MIA's prior and long standing interpretation. In support of this position, the Respondents point to the following undisputed facts contained in the record:

- The MIA has approved premium finance agreements containing provisions allowing the use of the Rule of 78s (Resp. Ex. 30);
- Consumer complaints challenging the application of the Rule of 78s have been resolved in favor of the PFCs and one of those determinations was upheld by the OAH in *Renninger v. Insurance Billing Services, Inc.*, OAH No. MIA-INS-33-04-24102 (February 4, 2005) (Resp. Exs. 12, 16, 23, 24, 29, 30);
- Market conduct examinations conducted of PFCs have never raised this issue (Resp. Ex. 1, 2, 22, 30);
- A letter written by the former principal counsel for the MIA, referred to throughout the hearing and in the papers as the "Birrane letter," states that the Rule of 78s is not explicitly prohibited by statute (Resp. Ex. 3);
- The MIA has proposed regulations and urged legislation that would outlaw the use of the Rule of 78s (Resp. Ex. 6, 7, 8, 9);

All the parties agree the statute does not provide for or prohibit a specific method to compute *earned* finance charges. This was the conclusion reached in the Birrane letter and the current Commissioner agrees with this conclusion. (Tr. at 206-07.) It seems that, in the past, this is where the analysis began and ended: the MIA accepted the PFCs position as to the use of the Rule of 78s, but had never done a thorough, data-based analysis of the impact of the use of the Rule of 78s (or any other computation method) on compliance with the plain language of § 23-304. The 2008 market analysis conducted by the MIA, however, sought to determine whether the method used by the PFCs actually complies, in practice, with the mandate of § 23-

304. The Commissioner reached a conclusion, which the PFCs do not dispute, that the application of the Rule of 78s may result in charging a finance charge that exceeds 1.15% for each thirty (30) days when a policy is cancelled prior to its maturity. (Resp. Ex. 11.)

Despite the market analysis findings, Respondents argue that a change to the MIA's past practice would be "arbitrary, illegal and capricious." (Senate Post-Hrg. Br. at 3.) In determining whether administrative agencies are bound by past practice, courts have been quick to make a distinction between official agency positions and an agency's practice and custom. *Comptroller v. John C. Louis Co., Inc.*, 285 Md. 527, 544 (1979); *Kiley v. Federal Bureau of Prisons*, 333 F.Supp.2d 406, 412 (D. Md. 2004). "[I]f the administrative practice has not been publicly established, it is not entitled to substantial weight." *John C. Louis Co., Inc.*, 285 Md. at 544. The record does not contain any evidence sufficient to support a finding that the MIA's past actions constituted an official agency position. The MIA did not issue any prior regulation, order, or bulletin with respect to § 23-304. Yet, it is undisputed that the MIA had a custom or practice of allowing PFCs to apply the Rule of 78s. (Resp. Ex. 30.)

As noted above, most of the evidence pointed to by Respondents – approval of forms, consumer complaints, past market conduct examinations, and the Birrane letter – involve only whether the use of the Rule of 78s is explicitly prohibited by the statute. None of these past analyses determine whether the use of the Rule of 78s in a particular case results in the computation of a finance charge exceeding 1.15% for each 30 days. One cannot say that the MIA is currently deviating from these past analyses when they did not address the same question

that was addressed in the market analysis at issue in this case.⁷ Furthermore, the MIA cannot be bound by its past failure to adequately deal with the issue addressed by the 2008 market analysis. *Id.* at 545. (Agency's failure to act diminishes the impact of the administrative interpretation.)

What is more telling is the evidence, offered by Respondents, of two proposed MIA regulations from 1993 and 1994, which sought to prohibit the use of the Rule of 78s by PFCs. The statement of purpose to these proposed regulations supports the position taken by the Commissioner in his October 6, 2008 Order. (Resp. Exs. 6-7.) The purpose of the regulations was to ensure that the maximum finance charge of 1.15 percent of each 30 days,

are not exceeded when an insurance contract is canceled by a premium finance company...Currently most premium finance companies employ such methods as the Rule of 78s or other short rate interest calculations to determine the amount of interest payable to the premium finance company by the insured when the insurance contract is cancelled. These methods of calculating the interest due may result in the insured being charged a penalty for cancellation which exceeds the amount permitted by Article 48A, §486F [now § 23-304(3)], an effective interest rate in excess of the statutorily permitted amount.

(Resp. Ex. 6.) (Emphasis added.) These proposed regulations demonstrate that the MIA's position in 1993 and 1994 was the same as it is now: any finance charge can not exceed 1.15% for each 30 days, regardless of the method used to compute earned interest.⁸

Respondents' argument that the Commissioner is barred from deviating from past practice is essentially an estoppel argument and is not supported by the law. Even assuming that

⁷ Respondents rely upon a decision of the Office of Administrative Hearings, which affirmed the MIA's finding in a consumer complaint case. *Renninger v. IBS, Inc.*, OAH No. MIA-INS-33-04-24102 (2005). (Resp. Ex. 16.) The judge in *Renninger* was not faced with a case factually on all fours with the instant case. *Renninger* did not involve the results of a market analysis and did not specifically address whether the application of the Rule of 78s resulted in the charging of a finance charge that exceeded the limits of § 23-304(3). Again, the analytical focus of that case seemed limited to the undisputed issue of whether the Insurance Article explicitly prohibits the application of the Rule of 78s. *Id.* at pp. 8-9. Even if *Renninger* was factually similar to the instant case, that decision does not bind the Commissioner and preclude him from reaching a different result in a case where a market analysis undisputedly found that PFCs compute a finance charge in a manner that exceeds 1.15% for each 30 days.

⁸ The record contains no evidence about why these proposed regulations were withdrawn and speculation about the reason is not appropriate. However, before any proposed regulation can be introduced, the agency must first secure a determination by the Office of the Attorney General that a proposed regulation is based upon statutory authority. MD. CODE ANN., STATE GOV'T ART., § 10-107.

the October 6, 2008 Order does deviate from a past practice, the Commissioner is not barred from changing the agency's interpretation of the law. Respondents put forward no case law, and none could be found, that would support the proposition that where an agency has misinterpreted the law or failed to fully enforce the law, the agency is bound by that mistake or inaction. The opposite is true. An administrative agency does not have the authority to change or ignore the law regardless of its long-standing practice or inaction. *Kerpleman v. Disability Review Board of Prince George's County Police Pension Plan*, 155 Md. App. 513, 521 (2004) (No custom, however long and generally it has been followed, can nullify plain meaning and purpose of statute); *Salisbury Beauty Schools v. State Board of Cosmetologists*, 268 Md. 32, 64-65 (1973) (equitable estoppel cannot be applied to deprive the public of the protection of a statute because of mistaken action or lack of action on the part of public officials.) To hold otherwise would allow an administrative agency the right to ignore or rewrite the law.

Even if the Commissioner's action in issuing the October 6, 2008 Order is a departure from past agency practice, that action must still be affirmed as "the decision represent(s) an intentional change and not merely evidence of arbitrary and capricious enforcement." *Montgomery County v. Anastasi*, 77 Md. App 126, 137 (1988). An administrative agency is not "locked forever into its prior decisions," rather an agency's change in position must be based upon a "reasoned analysis indicating that prior policies and standards are being deliberately changed." *Id.*, quoting *Motor Vehicle Manufacturers Ass'n v. State Farm Mutual*, 463 U.S. 29 (1983) and *Local 32 v. F.L.R.A.*, 774 F. 2d 498, 502 (D.C. Cir. 1985).

Here, the results of the market analysis formed the reasonable basis upon which the Commissioner based his Order and he set forth his position as to the meaning of § 23-304 clearly and publicly. In fact, even if the MIA had a different past practice, the Commissioner had no

option other than to order the Respondents to comply with § 23-304(3) when faced with data gathered during a market analysis (data that Respondents do not dispute) that revealed that the PFCs apply a method that results in the computing of earned interest at a rate that exceeds 1.15% for each 30 days. To do otherwise would have been an abrogation of the Commissioner's responsibility to enforce the Insurance Article. Section 2-108.

D. A premium finance company is prohibited from collecting a finance charge on a loan for an insurance policy that is void ab initio.

During its market analysis, the MIA found that IBS and U.S. Capital imposed a finance charge on certain loans “which were cancelled and voided *ab initio* or where the insurance policy that was to be financed was never issued by [MAIF].” (Resp. 11 at ¶ 7.) The PFCs do not dispute this finding, but argue that they are permitted to charge a finance charge on a loan that did not exist as a matter of law, because § 23-304(2) says that the finance charge is to be assessed “from the inception date of the insurance contract *or from the due date of the premium.*” (Emphasis added.) (Tr. at 460; IBS Post-Hrg. Br. at 5.)

A MAIF premium is “due” upon application and the PFCs forward the loan amount to MAIF before a policy is finalized. (IBS Br. at 12; Central/Gebco/H&S/U.S. Capital Post-Hrg. Br. at 12-13.) As a practical matter, a PFC does lose the use of its money for a period of time even if the policy is never issued. (Tr. at 468; IBS Br. at 12.) Under Respondents interpretation, the “due date of the premium” and the PFCs entitlement to a finance charge can exist with or without the existence of an underlying contract. (*Id.*; Tr. 467-68.)

Subtitle 23 allows PFCs to collect only those charges set forth in the Insurance Article. Section 23-504. The Insurance Article does not specify that a PFC may retain a finance charge on a transaction that was void *ab initio*. Where an agreement is void *ab initio* the parties are entitled to be returned to the status quo. *Dialist Co. v. Pulford*, 42 Md. App. 173, 177 (1979);

see e.g. *Tyler v. Capitol Indem, Ins. Co.*, 206 Md. 129, 137 (1955). When a contract is void *ab initio* there was, as a matter of law, no “inception date of the insurance contract” or “due date of the premium.” Because the policy did not exist, the terms of that policy did not exist. There may be a cost involved to the PFCs when a policy is void *ab initio*, but PFCs are permitted by law to collect an initial service fee, which is not subject to refund. Section 23-305. Nonetheless, their costs cannot be recouped as a *finance charge* on a loan when nothing was in fact financed. See *Ryan v. Brady*, 34 Md. App. 41, 49 (1976); *Genn v. CIT Corp.*, 40 Md. App. 516, 521 (1978).

There is evidence in the record that the MIA had since at least 1997 taken the position that PFCs cannot collect a finance charge on a policy that was void *ab initio*. (MIA Ex. 2.) This position was set out in a letter dated October 3, 1997 from an Associate Commissioner of the MIA to Senate Insurance Agency, Inc., one of the Respondents in the instant case. *Id.* Respondents made the point during the hearing that they should not be bound by the position of the MIA expressed in the 1997 letter because it was not publically distributed and that they were not aware of the MIA’s position. (Tr. 465.) Interestingly, with respect to the MIA’s communications about the Rule of 78s, Respondent argue the reverse position: even though the agency’s position was not formally made or communicated to the public, the MIA should be bound by and the Respondents should be able to rely upon that position.

The October 6, 2008 Order prohibiting Respondents from collecting a finance charge on a policy that is void *ab initio* is correct as a matter of law and is consistent with the overall consumer protection purpose of Subtitle 23.

CONCLUSION

The data collected by the market analysis performed by the Maryland Insurance Administration of the nine (9) respondent PFCs demonstrated that the PFCs compute finance charges in a manner that exceeds a rate of 1.15% for each 30 days for loans on insurance policies that cancel prior to maturity or that are void *ab initio*. This practice violates § 23-304(3). Therefore, the Commissioner's October 6, 2008 Order finding that Respondents had violated MD. CODE ANN., INS. ART., § 23-304 is affirmed as set forth in the following Final Order.

FINAL ORDER

Effective on this 22nd day of January, 2009, the date of this Final Order, it is hereby ORDERED that:

A. Respondents are prohibited from imposing finance charges that exceed 1.15% for each 30 days on any and all premium finance agreements, including those cancelled prior to their maturity.

B. Respondents are prohibited from using any form, even a form that was approved by the MIA, which would result in the imposition of a finance charge that exceeds 1.15% for each 30 days. Respondents shall file new forms with the Commissioner within thirty (30) days of the effective date of this Final Order.

C. Insurance Billing Services and U.S. Capital Associates are prohibited from imposing any finance charge on a premium finance agreement when the underlying policy is void *ab initio*.

D. Insurance Billing Services and U.S. Capital Associates shall identify those customers who, since October 6, 2008, paid a finance charge on a premium finance agreement when the underlying policy is void *ab initio*. Within sixty (60) days after the effective date of

this Final Order, Insurance Billing Services and U.S. Capital Associates shall refund to each such customer the amount of the finance charge and shall provide to counsel for the MIA a letter outlining compliance with provisions D and E of this Final Order.

E. Insurance Billing Services and U.S. Capital Associates shall pay pre-judgment interest to the consumers identified in paragraph (D) above, at the rate of six percent (6%) per annum on the period beginning October 6, 2008.

F. This Final Order will be kept and maintained in the regular course of business by the MIA.

G. This Final Order does not preclude the Commissioner from proceeding in any other administrative action or civil action for violations not specifically identified in this Order.

RALPH S. TYLER,
INSURANCE COMMISSIONER

KAREN STAKEM HORNIG
Associate Deputy Commissioner

Appendix to Memorandum and Order

The parties presented the following witnesses and admitted the following exhibits into evidence. Most of the exhibits were subject to a Joint Stipulation as to Authenticity of Documents executed on or about December 9, 2008.

I. Witnesses Providing Testimony at the Hearing

Breckenridge, Robert	PFC Expert
Cioni, P. Todd	MIA
Diliello, Nick	Central
Eby, Barry	PRCA
Ewen, Dudley	MIA
Lanasa, Kyle	MIA
Muccioli, Gerry	PFC Expert
Radov, Jay	Gebco
Rubenstein, Robert	US Capital
Schulte, Fred	H&S
Tadlock, E. Scott	ASI
Tyler, Ralph	MIA
Welsh, Thomas	MIA

II. Exhibits Admitted into Evidence

A. MIA's Exhibits

Number	Exhibit Description
1	Legislative History
2	Letter to Jonathan Friedlander from MIA Assoc. Commissioner Jean Bienemann dated 10/03/97
3	Testimony on HB 1510 dated 03/10/08
4	Presentation by MAIF Representative on HB 32 & SB 603 dated 02/26/08
5	MIA Investigative Report No. MCPC-36-2008-I of Agency Services Inc.
6	MIA Investigative Report No. MCPC-37-2008-I of Central Acceptance Company, Inc.
7	MIA Investigative Report No. MCPC-41-2008-I of Gebco d/b/a Crown Premium Funding Company
8	MIA Investigative Report No. MCPC-40-2008-I of H&S Finance Company, Inc.
9	MIA Investigative Report No. MCPC-39-2008-I of Insurance Billing Services Inc.
10	MIA Investigative Report No. MCPC-42-2008-I of Insurance Payment Plan, Inc.
11	MIA Investigative Report No. MCPC-38-2008-I of Premium Finance of America, Inc.
12	MIA Investigative Report No. MCPC-43-2008-I of Senate Acceptance Corporation
13	MIA Investigative Report No. MCPC-35-2008-I of U.S. Capital Associates
14	MIA Market Conduct Examination Report of Arizona Premium Finance Company dated 06/30/94
15	Letter from MIA's Dudley B. Ewen, Chief Examiner, Compliance & Enforcement Unit to Hal S. Katz, Present Insurance Payment Plan, Inc. dated 05/19/08
16	MIA Investigative Summary for Reports No. MCPC-36-2008-I through 43-2008-I

B. Respondents' Exhibits

Number	Exhibit Description
1	MIA Market Conduct Examination Report No. PF-12-05 of Agency Services, Inc.
2	MIA Consent Order No. MIA-2008-07-042 with Agency Services, Inc.
3	Letter from Asst. Attorney General Kathleen A. Birrane to the Honorable Marvin E. Holmes, Jr. dated 01/24/07
4	House Bill 1510 dated 02/20/08 with part of MIA Testimony on HB 1510 dated 03/10/08 attached
5	Senate Bill 603 offered 04/07/08
6	Proposed Action on Regulations COMAR 09.30.56 dated 05/14/93
7	Proposed Action on Regulations COMAR 09.31.07 dated 10/14/94
8	MIA Testimony on HB 1510, Power Point Presentation dated 03/10/08
9	MIA Testimony on HB 1510 before House Economic Matters Committee dated 03/10/08
10	MIA Press Release on MIA Order dated 10/06/08
11	MIA Order to Cease and Desist dated 10/06/08
12	Letter from MIA Investigator Thomas J. Welsh to Cindy J. Renninger dated 11/03/03
13	MIA Testimony on SB 275 before Senate Finance Committee dated 02/14/06
14	MIA Testimony on SB 275 before House Economic Matters Committee dated 03/22/06
15	Unofficial Copy of Senate Bill 275 dated 02/28/06
16	OAH Decision in <i>Renninger v. IBS, Inc.</i> dated 02/02/05
17	Letter from MIA Analyst Brian W. Plater to Frederick W. Schulte dated 12/08/06
18	Interest Rate Comparison Chart
19	Letter from MIA Analyst Brian W. Plater to Robert Rubenstein dated 06/19/08
20	Letter from MIA Investigator Shelley Hawkins to Ababu Birru dated 02/24/05
21	Resume of Robert Breckenridge
22	Unearned Interest Determination Rule of 78s Chart
23	Letter from MIA Investigator Welsh to Premium Finance of America dated 01/25/06
24	Letter from Barry Eby, Vice-President, Premium Finance of America, Inc. dated 01/31/06
25	Letter from MIA Investigator Welsh to Emilio Ceballo dated 04/24/07
26	Resume of Gerald A. Muccioli
27	Letter from MIA Analyst Robert D. Friedman to E. Scott Tadlock , Executive Vice-President Agency Services, Inc. dated 09/02/04
28	Letter from MIA Investigator Allen Wicker to Insurance Payment Plan dated 07/18/00
29	Letter from MIA Investigator Allen Wicker to Katz Insurance Agency dated 01/03/01 with enclosures
30	Joint Stipulation as to Document Request
31	Joint Stipulation as to Authenticity of Documents