

**Sec. 38a-288-7. Cancellation; repayment of unearned premiums**

(a) Where a policy is cancelled by the insurance company, the pro rata unearned return premium due shall be paid either directly by the insurance company or credited to the account of the producer through whom the policy was written, with prompt repayment of such unearned premium as may be due the purchaser or borrower being effected by the producer or insurance company. Records of the insurance company and producers shall at all times be available for the inspection of representatives of the insurance department. Where policies are cancelled upon request of the purchaser or borrower, cancellation shall be in accordance with the terms of the policy contract with payment of the unearned premium as herein provided. A fire, theft and collision policy is a divisible contract and the payment of a total loss on one of the coverages gives the insurance company no right to cancel the policy without payment of appropriate return premium on the other coverage or coverages for which separate premiums were collected under the policy.

(b) In the event of a repossession and cancellation, the insurance company shall secure an affidavit of repossession to warrant the cancellation and retention by the dealer, finance factor or lender of the return premium as a credit against the unpaid balance of the purchaser or borrower. In case of cancellation upon prepayment the insurance company shall have unmistakable evidence in its files that the purchaser or borrower has received proper cash return or credit. In no case shall an insurance company pay the return premium to a dealer, finance factor or lender if there is an "overage balance" in the account of the purchaser or borrower. The amount of return premium due shall be shown on all notices of cancellations.

(Effective September 25, 1992; Amended June 26, 1997)