

Premium Finance Express

Pre-test Answer Key

- 1 Parties involved in a premium finance agreement are
 - a. Insured, Agent and Carrier
 - b. **Wholesaler/Carrier, Premium Finance Company, Insured, and Agent**
 - c. Premium Finance Company, Insured and Agent
 - d. Agent, Premium Finance Company and Carrier

- 2 What is the estimated amount of Insurance premium financed in the U.S each year?
 - a. \$500 Billion
 - b. **\$50 Billion**
 - c. \$400 Million
 - d. \$40,000,000

- 3 Which of the following is an advantage to the insured when they premium finance?
 - a. Increased cash flow
 - b. May have a tax advantage which allows them to write-off the interest
 - c. Ability to afford ALL the coverage they need
 - d. **All of the above**

- 4 Which of the following is an advantage to the Wholesaler/Carrier when a policy is premium financed?
 - a. **Immediate payment is received in full**
 - b. The requirement for an Carrier/Wholesaler to track billing and collections
 - c. Extends the length of the coverage

- 5 The responsibility of the Insured is *always* to
 - a. Furnish lender with letter of credit to secure the loan
 - b. Produce the policy number for the loan financed
 - c. Disclose any unusual earnings on the loan
 - d. **Repay the lender, with interest, the sum the lender advances to pay premium**

- 6 Which of the following will NOT have an impact on the collateral of the loan:
 - a. Retrospective ratings on a policy
 - b. Audits
 - c. **APR/Interest rate**
 - d. Cancellation provisions

- 7 The time to disclose information that could affect the collateral on the loan is
 - a. **At the time a quote for financing is requested**
 - b. Three months into the loan
 - c. At the time the money is disbursed to the carrier

- 8 The Premium Finance Agreement (PFA)
- Appoints the Premium Finance Company as Attorney-in-fact for the insured**
 - Appoints the Agent as the Attorney-in-fact for the insured
 - Need not be signed
- 9 If the policy is cancelled due to non-payment and the insured then makes a payment that brings the account current
- The policy will be reinstated
 - The Premium Finance Company can and usually does request reinstatement from the carrier**
 - The agent will be notified
- 10 Which of the following policy is most likely to carry an extended cancellation date?
- Legal Liability
 - Trucking**
 - Agricultural Aviation
 - Inland Marine
- 11 Which of the following structures would leave the lender with the largest exposure?
- 35% down payment and 8 equal payments
 - 20% down payment and 9 equal payments
 - 10 equal payments
 - 12 equal payments**
- 12 Which of the following structure is standard terms for most general lines of business?
- 35% down payment and 7 installments
 - 20% down payment and 9 installments**
 - 10 equal payments
 - 12 equal payments
- 13 Which of the following do not influence the risk on a premium finance loan?
- APR**
 - Structure (amount down and number of payments)
 - Earnings provisions
 - Type of insurance policy
- 14 Which of the following are lenders required to send to insureds (unless they waive their rights and send the notices to a third party)?
- Acceptance, Intent to Cancel and Receipt of payment
 - Acceptance, Invoice, Intent to Cancel, Receipt of payment
 - Acceptance, Invoice, Receipt of payment, Cancellation
 - Acceptance, Intent to Cancel and Cancellation**

- 15 What Premium Finance Technology is currently available?
- a. Online quoting
 - b. Electronic transmission/signature of finance agreement
 - c. Integration with management system
 - d. **All of the above**
- 16 (Extra Credit) Which of the following are options available from premium finance companies:
- a. Help in educating agent on insured financial state by sharing a D&B
 - b. Carrier capacity information
 - c. **Assessment of Agency Book**
 - d. Policy risk information