

# Premium Finance Express

## Pre-test

- 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