

Premium Finance Options: Why And How It Works

Pre-test

- 1 Who is involved in the Premium Finance relationship?
 - a. Insured, Premium Finance Company, and Wholesaler/Carrier
 - b. Carrier, Agent, Insured
 - c. Carrier, Insured, Premium Finance Company, and Agent
 - d. Carrier, Premium Finance Company and Agent
- 2 What is the estimated amount of Insurance premium financed in the U.S each year?
 - a. \$500 Billion
 - b. \$40 Billion
 - c. \$400 Million
 - d. \$50 Billion
- 3 What is the benefit to the Wholesaler/Carrier? (Circle all that apply)
 - a. Premium paid in full
 - b. Reduces administrative costs associated with billing and collections
 - c. Premium Finance Company assumes risk of payment exposure
 - d. Assures the policy will earn on a short-rate basis
- 4 What is the benefit to the Insured? (Circle all that apply)
 - a. Optimizes Cash Flow
 - b. Assures policy will earn pro-rata
 - c. Provides a means to afford all coverage's
 - d. Allows convenient payment for all insurance Policies
 - e. Creates possible tax advantage – interest write-off
 - f. Maintains existing credit lines
- 5 Benefit to the agent? (Circle all that apply)
 - a. Commissions up front
 - b. Shares D&B with the agent
 - c. Reduced administrative time and costs
 - d. Provides funding mechanism for insured to afford all coverages
 - e. Close deal quickly
- 6 Which of the following is an advantage of financing Insurance Premiums over using Cash?
 - a. Premium Finance does not change the ability to borrow.
 - b. Cash is available for other opportunities/needs.
 - c. Premium Finance charge offers a tax deduction
 - d. All of the above

- 7 Which of the following do not influence risk on a Premium Finance loan?
- APR
 - Structure (amount down and number of payments)
 - Earnings provisions
 - Type of insurance policy
- 8 Which of the following describe the speed at which a policy earns (circle all that apply)
- Actuarial and Rule of 78's
 - Pro Rata or Short Rate
 - Structure and APR
- 9 Standard terms for most general lines of business:
- 10 equals
 - 12 equals
 - 20/9
 - 35/7
- 10 Structure with the most exposure?
- 10 equals
 - 12 equals
 - 20/9
 - 35/7
- 11 Which of the following will NOT have an impact on the collateral of the loan:
- Retrospective ratings on a policy
 - Audits
 - APR/Interest rate
 - Cancellation provisions
- 12 The time to disclose information that could affect the collateral on the loan is
- At the time a quote for financing is requested
 - Three months into the loan
 - At the time the money is disbursed to the carrier
- 13 Structure with the least exposure?
- 10 equals
 - 12 equals
 - 20/9
 - 35/7
- 14 A "Permission to Bill" letter does what?
- Allows the insured to bill direct
 - Allows the insured to prepay their bill
 - Allows the insured to direct their notices to a third party

- 15 A policy clause on a Master Policy for multi-named insureds that identifies one person as the Primary insured states:
- All named insureds must sign the policy
 - Notice sent to primary named insured would be deemed as notice sent to all named insureds.
 - Cancellation by carrier must be sent to all named insureds
 - The primary named insured cannot cancel the policy on behalf of all other insureds
- 16 Policy/Policies with multiple insureds can be financed if:
- A majority of the insureds sign the PFA
 - All the individuals named sign the PFA
 - None of the above
- 17 A larger part of the finance charge is paid
- At the beginning of the loan
 - At the end
 - It is paid evenly throughout the life of the loan
- 18 Which of the following notices 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
- 19 Responsibility of the Agent in a Premium Finance Agreement is
- Provide premium finance company with accurate, precise, and complete information regarding policy terms and conditions
 - Collect specified down payment from insured
 - Inform Premium Finance Co. of down payment default
 - All of the above
- 20 Responsibility of the Insured
- Repay lender, with interest, the sum the lender advances to pay premium
 - Assigns to Agent, as collateral, the unearned portion of the premiums
 - Appoints Agent attorney-in-fact with authority to request the policy be cancelled on behalf of the borrower if default occurs and thereafter collect unearned portion of the premium if the borrower defaults
- 21 Which of the following are NOT options the Premium Finance Company can exercise to help you serve your clients?
- Change the release date
 - Change the way in which a policy earns
 - Change the due date

- 22 Premium finance organization will most likely finance an insured after they have declared bankruptcy if they are able to get
- Debtor in Possession Letter from the court
 - Relief of Stay letter from the court
 - Relief of Prosecution letter from the court
 - Letter of Credit from the insured
- 23 Which of the following is the loan structure for a loan with a bankrupt insured?
- 10% down and 9 installments (10/9)
 - 35% down and 7 installments (35/7)
 - 10 equal payments
 - 12 equal payments
- 24 If an insured is bankrupt and requesting to be Premium Financed, which of the following chapters is he or she most likely filing?
- Chapter 7
 - Chapter 9
 - Chapter 11
 - Chapter 12
 - Chapter 13
- 25 Which of the following is NOT recommended?
- Know your risk
 - Collect full down payments
 - NSF down payment check - inform
 - Collect payment from customer
- 26 Surety bonds are
- Have no minimum Earned
 - Non-cancelable
 - Given as birthday presents to ex-patriots on vacation
- 27 If a loan is covering more than one insurance policy, how many policy numbers should be on the loan?
- The policy with the largest dollar amount
 - All policy numbers
 - All policies whose premium exceeds \$5000.00
 - All policies for the main carrier
- 28 (Extra Credit) Which of the following are options available from premium finance companies: (circle all that apply)
- Help in educating agent on insured financial state by sharing a D&B
 - Mobile app & website
 - Online quoting
 - Policy risk information