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The Elements of a Premium Finance Loan

Premium finance loans help businesses free up working capital and reallocate cash that would otherwise be committed to lump-sum payments for Property & Casualty Insurance.

- Loan to insured - finances premiums for property and casualty insurance
- Insured makes a down payment and finances the remaining balance during the life of the insurance policy
- Typical transaction: 20% down payment; remaining 80% financed over nine months
- If the insured defaults, the premium finance company cancels the insurance policy and collects the unearned premium
- Straightforward Premium Finance Agreement (PFA) documentation includes:
  - Promissory note (unconditional promise to pay by the insured)
  - A security interest in the unearned premium
  - A power of attorney to cancel the insurance policies in the event of a default
- Loan is secured by the unearned premium in the underlying insurance policy