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.

- Finances the payment of 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: down payment of 20% with the 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 details:
  - Promissory note (unconditional promise to pay by the insured)
  - Security interest in the unearned premium
  - Power of attorney to cancel the insurance policies in the event of a default
- Secured by the unearned premium in the underlying insurance policies