Explanation of Agency Billed Accounts & Insurance Premium Financing

Agency Billing

What is it?

In an agency billed policy, the insurance agency (us) bills the insured (you) for the policy issued by the Insurance Company or Brokerage. We act as the middleman in this financial transaction, collecting the entire premium (gross premium) from the insured, our client, and passing on the premium reduced by our commission (net premium) to the Insurance or Brokerage Company.

Example: Policy is issued for $1000.00 premium, at 15% commission. We need to bill the client (you) for $1000, and remit $850.00 (net) to the issuing company, retaining our commission. We may or may not be paying a producer a percentage of the agency's commission.

What happens if I cannot pay the entire premium when billed by the agency?

In many cases, it is not expected that the insured (you) pay an entire agency billed premium to begin coverage. In the event that a payment plan is requested or necessary, we utilize third-party insurance premium finance companies to meet your needs.

What is insurance premium financing?

Insurance Premium Financing, sometimes referred to as *premium funding,* is an option for businesses or individuals in need of non-standard insurance coverage such as commercial and higher risk policies. Unlike standard, lower-risk insurance policies such as home or automobile insurance, which let the insured spread out payments through the year, non-standard policies typically require that you pay your entire premium in one lump sum at binding or within 30 days.

This is where insurance premium financing comes in. A premium financing company lends you or your company the funds to cover the cost of your insurance premium. You sign a premium finance agreement (or we sign on your behalf, as allowed by insurance law), and the premium finance company pays your insurance premium and bills for the cost of the loan. All premium finance companies charge interest to issue your loan, and the interest is added into the total of payments due to the premium finance company.

- *Please note that in many cases, the amount you will be charged for interest is equivalent to the amount charged by insurance providers that bill direct. Direct bill fees are also known as installment fees.*

Sample Loan Summary

LOAN SUMMARY	
Loan Number:	TBD
Total Premiums:	$1,149.00
Down Payment:	$569.63
Amount Financed:	$579.37
Finance Charge:	$42.44
Payment:	$69.09
Annual % Rate:	17.25
Number of Payments:	9
Effective Date:	1/1/2015
First Due Date:	2/1/2015

Additional Considerations *please refer to above 'Sample Loan Summary"*

1. Please keep in mind that the **Annual % Rate** is based on a 12-month term. However, as you will notice by this loan summary, we set up billing for 9 payments. This means that since the loan is paid back in 9 payments rather than 11 (last two months are bill free), the % interest being charged is less than 17.25%.

2. In order to determine the finance charge %, simply divide the finance charge into the amount financed. In the sample above, divide $42.44 / $579.37, which equals 7.325%.

3. Please keep in mind that although finance charges issued by premium insurance finance companies may seem expensive, almost all insurance providers charge installment fees when billing direct. For example, a carrier may charge between $6.00 and $12.00 per month, which could equate to $108.00 if billed in 9 payments.

- I have read and understand this document titled "Explanation of Agency Billed Accounts & Insurance Premium Financing":

X____________________________________
Signature

X____________________________________
Title

X____________________________________
Date