

Premium finance client FAQ's

Selling premium finance is like selling any other financial product, including insurance! And part of the art is knowing how to overcome common objections raised by both brokers and their clients. We've set out some frequently asked questions and answers.

- my client is cash rich...
- my client can obtain a better APR...
- my client objects to paperwork...
- the insurer has offered interest free or cheap instalments...

(Please see overleaf for answers)

“My client is cash rich and does not need finance”

Do you really know that's true in the current climate? And what does “doesn't need finance” mean? If your client does have available cash in the business, this does not necessarily exclude an appetite for short term finance on attractive terms. “Cash” may mean a line of credit or overdraft. When credit is difficult to source, clients may wish to preserve these and use an additional line of credit to pay their insurance premium.

Brokers often make this “cash rich” statement about a large client, whom they perceive to have no need for finance – our Credit Team could tell you otherwise, we do many large loans for businesses with very healthy balance sheets, some in the £m's, every year!

“My client can obtain a better APR from the bank and prefers to use pre-agreed limits / facilities with their bank or from their parent”

- Again, many clients may actually wish to preserve these existing lines of credit in the current climate.
- Clients may borrow funds through a cash rich parent company – in some cases they will be charged interest on these.
- Whilst APRs are often quoted as the “true method of comparing credit”, with a short term loan that can be misleading. If your client calculates the actual interest cost (premium x interest rate) and matches that against the interest charge from their bank – the results usually aren't far apart, and for that extra line of credit...?
- What profile is this APR based on? It might be we can match or better it by reviewing the loan profile i.e. changing the number of instalments or delaying payment of the premium to you.
- Banks often charge substantial 'one off' arrangement or set up fees, making the true cost of the loan greater than the interest rate implies.

- And remember, finance is easy to adjust with Close when more cover is needed – making it easier to manage cash flow expectations and projections.

“My client objects to getting involved in protracted paperwork and admin”

Not surprising with all the red tape they have to endure, but did you know that 98% of all our commercial loans are approved under Self Approval Limits, so that means no accounts to submit and no additional security or guarantees required. Nothing protracted about that then!

Where we do need to underwrite the loan, please explain what checks Close do, as follows:-

- Our analyst will in the first place simply use the information publicly available via Companies House and Credit Agencies.
- Where we do need to ask the client for more information, we are happy to do this directly or through you, and offer a letter of confidentiality as reassurance.
- Telesign (paperless facilities) can in some circumstances be made available for small commercial bordereaux business, making the point of sale paperless.

“The Insurer has offered my client interest free or cheap instalments”

We all know there's no such thing as a free lunch.

- Would insurers consider a discount on the premium if they receive the premium in full? How much discount would the insurer give? Does this offset the finance charge?
- How long are your payment terms with the insurers? Can these be extended to allow a longer payment delay from CPF, hence a lower interest charge?
- Remember, if the client has multiple policies, premium finance lets him combine the policies into one loan, meaning only one payment each month. And if they subsequently change insurers, you don't need to arrange a new loan next year.
- The client can also finance your broker fee and any add-ons on the one agreement, making it easier to collect your fees and sell additional services.

