



Easing the credit squeeze

Premium finance.

The credit crunch is all over the press - banks have tightened their lending criteria, auditors are looking more critically at companies' financial health, mortgage providers foresee house prices reducing and businesses and consumers are struggling to source credit.

What is the credit squeeze all about?

High defaults in sub-prime mortgage lending in the USA have made banks worldwide reluctant to lend money to each other, as doubts exist on which banks may be sitting on large losses. Inter-bank lending is one of the key ingredients in making funds available to borrowers, and a vital lubricant to the economy. The knock-on effect is that businesses and individuals now struggle to borrow money, and are paying higher rates to do so. Credit card providers are more cautious with applicants and retailers are feeling the pinch as consumers become worried about their own level of debts.

How does this affect your clients?

Whether your clients are businesses or individuals, they may find credit harder to come by in 2008. The result is that many clients are likely to delay settling their premiums, and some will not be able to pay at all.

What does the credit crunch mean for you?

More time spent chasing payments and there may also be an increase in quotes that are not progressed on time as clients look for alternative ways to pay. Of course, delayed payments don't help when negotiating better rates with your insurers either. Your company is also likely to see increased bad debts and a poorer cash flow as a consequence.

To find out how premium finance can ease the credit squeeze for your clients, call your account manager.



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How can you minimise the impact of the credit crunch?

Offer your clients premium finance – an additional, short term line of credit which your clients can source, saving their normal banking facilities for other spending. This is the chance for you to genuinely add value to your clients, while guaranteeing you receive payment on time. It also cuts back on the time spent chasing payment, both for recent quotes and renewals.

Are there any other issues to consider?

You may need to tighten your credit checks for larger clients, thus limiting bad debt where clients are unable to pay their insurance altogether. And you may want to reaffirm your terms of credit so your clients understand their payment responsibilities. Of course, for loans that fall within your self approval limit, we take the risk without you needing to do any checks.

Should you mention the credit crunch to your clients?

Your clients will know about this situation so point out that taking out insurance does not mean eating into cash resources immediately. If clients want to limit the impact, they can pay by instalment using premium finance.

You may want to mention some other benefits of premium finance too:

- multiple insurance policies can be combined into one loan
- clients can choose the payment date
- clients are not tied to one insurer long-term
- for larger loans, we can offer bespoke pricing and payment structures to suit your clients' specific needs
- the longer you the broker can wait for your money, the lower our rate can be

Where can clients obtain more information on premium finance?

You can provide a copy of our client flyer (available to download on our website) or direct clients to our website, www.closepf.com, where there is a client specific section.