

# CloseUp



By Stuart Reid

## Feeling the crunch? Take the crunch out of your insurance payments with 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.

### So what does this mean for you and your clients?

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

Premium finance is an additional, short term line of credit which your clients can source, saving their normal banking facilities for other spending. This is an opportunity 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.

In the current climate you may need to tighten your credit checks for larger clients, thus limiting bad debt where clients are unable to pay their premium 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.

Asking for money is never an easy subject but everyone is talking about the credit crunch so remind your clients their insurance premium does not need to use up the companies immediate cash resources. Why not limit the impact and simply pay by instalments using premium finance.

Premium finance has other great benefits 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 the rate can be

We are moving into choppy waters, but a few simple measures now can prevent a lot of hassle down the line.

If you have any queries or comments on this article please email me at [sreid@closepf.com](mailto:sreid@closepf.com)

## Front line talk – Talking premium finance with the client

With the experience we have in premium finance, we understand the importance of the broker “talking payment” with the client early on in the proposal. We thought we’d share with you some pointers on introducing premium finance.

### 1. Include premium finance in all new quotes and renewal invitations so that the client has all the options at the earliest stage.

Show the rate, the corresponding APR, the monthly payment and number of installments, as well as defining premium finance and providing the benefits.

### 2. Raise the subject of payment upfront when talking to the client, and explain the benefits.

For example: “Have you considered your payment options? With premium finance, we can combine various policies into one monthly direct debit with a payment date of your choice.

And now with the credit crunch making borrowing tougher, it means you don’t need to use your existing cash resources.”

### 3. Use the Cost Benefit Calculator (and its accompanying guide) at face-to-face meetings with key clients.

The calculator provides a financial comparison and shows the benefits of premium finance over cash, overdraft or bank loans.

### 4. Make premium finance prominent in your overall client proposal

Ensure premium finance is the first option when listing payment choices in your proposal and remind clients of the advantages, either with a large section showing the benefits or by including Close’s client flyer (available from [marketing@closepf.com](mailto:marketing@closepf.com)) with the invoice.

## Tips to remember

- Explain the product – while we know what premium finance is, your client may not. Always assume it is an unknown product when dealing with new quotations.

- When providing info, ask yourself “does the customer have everything needed to make an informed decision?” Omitting the number of installments or the APR could result in your client losing interest.

- If clients ask about other payment methods, such as insurer interest free, point out the counter benefits, for example: interest free only covers certain policies and you can’t combine all of your policies, and the broker fee, into one

monthly payment – with premium finance you can. Renewals are also more complicated as you will need new paperwork if using a different insurer.

- Where you need an improved rate on a specific larger deal, consider whether you can wait longer for the money – say to 35 or 42 days rather than 28 days. This will improve rates for ad-hoc big deals.

If you have any other tips you’d like to share with us, email these to [marketing@closepf.com](mailto:marketing@closepf.com). The 5 best tips will each receive a bottle of champagne and we’ll publish these in the next CloseUp.

## Some benefits to cover with your client

- Premium finance is an additional line of credit allowing clients to preserve existing cash resources
- Mid term adjustments are easily added to the loan – no forms to sign
- No signed forms needed for renewals and clients are not tied to one insurer long-term
- As an off-balance sheet facility, it enhances the client’s access to credit
- Commercial clients benefit from corporation tax relief on the finance charge

Remember, every client has a distinct payment requirement so if you know a client’s concern is around cover amendments and renewals, point out the ease of renewing and managing mid term adjustments. If his focus is the credit crunch, offer our credit crunch flyer and explain how premium finance helps.

If more information is requested, offer our client flyer or direct the client to the “Have a loan with Close?” section on our

website, [www.closepf.com](http://www.closepf.com). And if you have processed a loan for the client, inform him that he will receive a welcome pack with a copy of the agreement and a payment schedule from us.

If you or your team require further training on promoting premium finance, contact your account manager. For more copies of our client and credit crunch flyers, email your request to [marketing@closepf.com](mailto:marketing@closepf.com)

## Make our “Working With You” pack work for you!

You’ve probably read about our product literature in past newsletters and received a copy of the “Working With You” pack from your account manager. Now here are some examples of how this pack can save you time and make your life easier!

### You have a new starter but there’s not enough time for extensive training.

We recommend your new starter has a good read of our pack, including the quickstart guide to i-prompt (page 36 in the full document). The pack provides comprehensive product information at the start and is ideal to refer to as a refresher too.

### You plan to offer finance on some new M&D business and know that you need to send an i-mail informing us of the split, but are there any other requirements?

Our general guidelines page lists the requirements, which include the need for at least 75% of the loan to be secured against cancellable, refundable policies and for these policies to exclude life or short-term travel insurance. This section also shows who to contact to progress your M&D loan.

### You’ve heard Close will quote for big deals so what’s the process for this?

Big deals are quoted for by our Credit Team, based on your estimate of the total premium finance required. Page C12 explains the requirements.

### You are new to premium finance and an existing PL client wants to arrange a mid-term adjustment but how to do this?

Mid-term adjustments are added to existing loans on i-prompt with no paperwork required – page P21 details the quick and easy process.

### Your PL client is in arrears and you need to call him – what should you cover off?

As explained on page P26, clients on a first time default should be informed that we will represent for collection and won’t cancel the loan if this is successful. Clients who have received a default notice from

us, should call our 24-hour credit card telephone number to arrange the payment.

### Your client wants more info on premium finance but you don’t have any material to give him, can we help?

Good news – page 40 shows our client flyer and explains how to order copies of this (email [marketing@closepf.com](mailto:marketing@closepf.com)). In the meantime, direct the client to our website, [www.closepf.com](http://www.closepf.com) for info, or download a copy of the client flyer from the product library section of the site.

These are just a few of the subjects covered in the Working With You pack so keep it at hand and refer to it with any premium finance questions – and if your product question isn’t answered in the pack, speak to your account manager or email [productquery@closepf.com](mailto:productquery@closepf.com)



# Dr Knowledge

To get the most from our products, try thinking like James Bond.

What kind of career might James Bond take up when he tires of the endless round of casinos, car chases and country-saving? Perhaps broking is not the most obvious option, but he would certainly understand the importance of taking out watertight insurance to protect against the unexpected.

As a broker, he would seek out the most reliable partner and look for products that work in the most demanding of situations. So what better role model could we choose to evaluate our products? Here's what he might be looking for – and some of the key features that might also be useful to you.

**BOND: "I'm thinking about commercial business and I need finance on a non-recourse basis for general insurance policies of 12 months or more that are cancellable and 75% refundable. What can you offer?"**

☀ **A self-approval limit** (typically of €190,000). Bond is used to having a free hand with money and this option allows for the automatic acceptance of the majority of loans.

☀ **Bespoke quoting** for big deals over the self-approval limit. Useful when you're working with serious players who are not afraid to put large sums on the table.

☀ **Flexible payment options.** Bond likes to be in control, so he would expect us to offer a choice, with the option of payment into brokers' accounts after 10, 21, 35 or 42 days alongside the standard 28 days.

☀ **Better rates for small loans** using the bordereau system. Never mind Bond, who wouldn't want better rates?

**BOND: "I see a lot of young drivers who have big car insurance premiums (and with the cars I'm used to, you need serious insurance). So I want to know what you can offer for personal business for cancellable and pro-rata policies of twelve months or more."**

☀ **Risk options** are always likely to be important to Bond, who can assess risk like no-one else. You need to stay on top of this one as the product is recourse.

☀ **Flexible product profiles.** In "The World is Not Enough", a suitcase full of cash blew a hole in the wall of MI6, so Bond is probably somewhat nervous of taking deposits. We offer seasonal and non-deposit alternatives alongside the standard options.

☀ **Interest-free or lower rates** are always a useful weapon in the armour. If you want to offer clients a subsidy on our agreed rate, we simply deduct the difference from your bordereau account.

☀ **Payment options and delayed debiting.** Timing is everything in both espionage and business. Personal products are provided on a bordereau basis and though payments are normally credited monthly, we offer a twice-monthly alternative. Where cancellations are debited to your bordereau, you have the option of delaying these debits by up to 90 days.

☀ **We manage the paperwork.** Bond would hate being stuck behind a desk, so he'd love Telesign. Simply input a loan using our i-prompt system, then leave us to send out the agreements and chase returns.

## Six more benefits that might help you on the way to an Aston Martin:

☀ We accumulate and pay out overrider payments monthly for personal lines and annually for commercial lines. High volume contracted brokers can also opt for advanced overrider or manage their income using our centralised facility.

☀ We can provide EURIBOR-linked rates on a contract basis to brokers, so your rates only change when EURIBOR moves.

☀ We offer business development loans to help brokers invest for growth, such as improving IT systems or contributing to the funding of an acquisition.

☀ We can easily arrange a loan to cover the cost of your Financial Regulator annual fees.

☀ We are always happy to discuss more flexible options with you when the standard solution doesn't meet your needs

Our full range of products extends beyond premium finance and includes our CPS collection system, which automates client direct debit payments.

If you would like more information about anything mentioned here, simply ask your account manager or visit our website, [www.closepf.com](http://www.closepf.com)



## There's something for everyone

### Our incentives scheme – Something for everyone

In August 2005 we teamed up with The Gift Voucher Shop, [www.giftvouchershop.ie](http://www.giftvouchershop.ie) to bring you an incentive that can be redeemed at over 3,500 outlets across Ireland – whether it's health clubs or holidays, home entertainment or fashion, there's truly something for everyone.

And qualifying is as easy as redeeming the vouchers. For every Personal Lines deal input through i-prompt, we'll credit your personal account at The Gift Voucher Shop with €1.

Once your account is set up, you can track your progress on-line. As soon as you've built up a minimum of €20, you can redeem your vouchers

on-line – and even top them up if you want to. Redeemed vouchers will be sent to you in the post.

Joining the scheme couldn't be easier. Our existing brokers should have already received an application form in the post. But if you haven't please contact your account manager or email [amcmahon@closepf.com](mailto:amcmahon@closepf.com)

Then return the confirmation form, including the names of the staff to be included. We'll send them their username, password and details of how to track their progress on-line. Remember, every new deal input through i-prompt is worth €1. So start inputting – and start earning.

### Did you know?

With the credit crunch and possibly deteriorating economic conditions, it's timely to draw your attention again to one of the key features of our product.

For loans below your self approval limit, we require that 75% of each loan is made up of cancellable and refundable policies. Where a large amount of the loan is or policies with minimum and deposit conditions, we need you to inform us of the split, by i-mail. Loans quoted and processed without this information upfront can result in an offset against

your overrider and we may ask you to share part of any ultimate write-off.

**... that premium finance loans**, unlike insurer schemes, can cover more than just the premium? Take add-ons and fees, for example – your client can pay for your time, admin fees and extra insurance elements such as PPI, as part of the loan. That means you won't have to waste time chasing your clients to pay for these costs separately – as is often the case if they take out insurer's own finance.

### Return to sender ... address unknown!

Every time we mail out news, we receive a small handful of undeliverable post. This always alerts us to the fact that our broker details are not up-to-date and as a result, some of our brokers do not know about our latest changes. To ensure that you continue receiving our newsletters and offers, remember to inform your account manager of all changes to address, telephone, email or main contact details. And review and update your details on i-prompt regularly too.

## Captivate your clients

'Protected Cell Company' legislation in Guernsey is now in its 10th year. Broker clients who in the past found a full blown captive insurance company too costly are now revisiting this option, recognising the potential long term benefits of a 'Cell Captive' solution. There are advantages both to brokers and the client in exploring this route. Our sister company, Close Wealth management Group, has established a Protected Cell Company in Guernsey and would be delighted to discuss further opportunities with any of our brokers.

### So why should a broker introduce a Captive solution?

- It adds value to the overall client offering, creating an edge over competitors.
- A captive is generally a longer term commitment, cementing longer lasting relationships and increasing client retention.
- The broker can earn a fee for the basic product, and additional revenue on banking and investment of premiums, retained reserves and the like.

- Clients often add additional/unconventional risks to the captive programme, providing growth to the insurance portfolio.
- It increases the likelihood of introductions to subsidiaries and associates of the client group.

For more details email James Ingram on [James.Ingram@closewm.com](mailto:James.Ingram@closewm.com)

Would you like to know what Close can do for your broking business? Why not speak to your account manager or give Stuart Reid a call on 087 9081665 and find out?

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