

PREMIUM FINANCE

Many agencies offer the client an option to finance their insurance premium through an outside premium finance company or bank. This is usually a low cost convenient way to make your premium payments. Most premium finance companies require a deposit premium of 22% to 25%. The balance can be financed over nine or ten months.

The company by law is required to quote the annualized rate of interest. This can appear to be a bit high due to the short term nature of the loan. The actual amount of interest charged is usually quite reasonable. The interest charges are computed only on the unpaid portion of the premium and only for the actual time the money is in use. Overall, the dollars charged are quite reasonable and the convenience of having such a management tool is worth it.