LIFECYCLE OF A PREMIUM FINANCE LOAN

Policyholder agrees to purchase insurance from retail agency

Retail agency informs policyholder of available options for terms, including premium financing

If policyholder chooses financing, agent prepares a premium finance agreement ("PFA") signed by agent and policyholder and pays down payment to the agent

Agent subtracts annual commission from the down payment, forwards the balance to the insurance carrier and faxes signed PFA to finance company

Finance company receives PFA and begins underwriting process (i.e. verification of loan terms, carriers and agents, dates, etc.)

Upon completion of underwriting, finance company accepts loan and issues first month's invoice to policyholder and other documents to carriers and agents verifying the financing

Loan proceeds are advanced to the entity authorized by the carrier to receive funding

If policyholder makes the installment amount in a timely fashion, the loan proceeds towards maturity as scheduled

If policy holder defaults, the finance company begins the default/ cancellation cycle. The first step is the mailing of a Notice of Intent to Cancel approximately 5-10 days after the missed installment

If policyholder cures the default by making the missed installment, the finance company continues to invoice for and collect the monthly installments per the original loan schedule

If policy holder fails to make the installment within 10-15 days after the Notice of Intent to Cancel is issued, the finance company issues a Notice of Cancellation which terminates coverage under the financed policy(ies)

If policyholder cures the default by making the missed installment, the finance company may issue a Notice of Request for Reinstatement. Sole discretion as to whether or not the request for reinstatement is honored remains with the insurance carrier

If the Notice of Request for Reinstatement is honored, the finance company continues to invoice for and collect the monthly installments in accordance with the original loan schedule

If the policyholder fails to cure the default after the Notice of Cancellation or if the carrier chooses not to honor the Notice of Request for Reinstatement, the policy remains canceled and the finance company begins billing the insurance carrier (or the entity to which the proceeds were originally funded) for the unearned premium

Upon receipt of the unearned premium, the finance company credits the funds against the outstanding indebtedness under the PFA and determines a rebate of the pre-computed finance charge (if applicable)

If the result (after earning all finance charges and late fees permitted by statute) is a credit balance, a refund is issued to the policyholder. If the result is a debit balance, the finance company begins a letter campaign (typically 1-3 letters) making demand for the balance

If the policyholder fails to pay the remaining indebtedness under the PFA, the finance company refers the matter to a third party collection agency and writes off the balance pending any recoveries

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