PREMIUM FUNDING CODE OF PRACTICE

Customers seeking insurance premium funding will benefit from industry best practice through a new Code of Practice (“Code”). The Australian Finance Industry Association (“AFIA”) and its Insurance Premium Funding (“IPF”) members, which includes Elantis, voluntarily developed the Code after extensive consultation with key stakeholders.

The Code requirements include that lenders provide transparent, clear and concise information to prospective borrowers, empowering customers to make the best choice for their needs, ultimately streamlining and easing a customer’s ability to compare loan options. This includes the way in which Elantis Premium Funding discloses interest rates to our Customers.

THE WAY WE DISCLOSE INTEREST RATES

Why are there two interest rates displayed on Elantis Premium Funding loan documentation?

From July 2023, Elantis Premium Funding will start including the ‘Annual Percentage Rate’ (APR) on its loan documentation.
The APR is a finance industry standard. Elantis Premium Funding believes disclosing the APR is a simpler and more transparent way of expressing interest costs to our customers. Disclosing the APR means that customers will be easily able to compare their premium funding offer to other lending products such as credit cards, overdraft facilities and other short term loans.

What is a Flat Rate?

This rate is calculated as the total credit charges divided by the premium being funded. It does not take into account the duration of the loan or the reducing balance of the loan. For the purposes of calculating the flat rate, the cost of the loan is exclusive of fees.

For example, the flat rate would be same rate as an "interest-only loan" where there are no repayments of principal during the course of the loan. The difference is that premium funding loans are not interest-only loans.

What is an Annual Percentage Rate (or APR)?

The APR can be used to calculate the cost of the loan, taking into account the reducing balance of the Loan Amount, expressed as an annual rate. For the purposes of calculating the APR, the cost of the loan is exclusive of fees.
By way of example this is the rate used for standard residential mortgages where there are principal and interest repayments made during the course of the loan over a specified time period. This is a more appropriate interest rate calculation as premium funding loans are principal and interest loans just like residential mortgages.

The APR is higher than the flat rate? Am I being charged more?

The Credit Charge the Customer is paying is exactly the same under both interest rate calculations. The APR is a higher figure because it takes into account the reducing principal balance over the period as the borrower makes their principal and interest instalment repayments. This is unlike the flat rate calculation which does not consider the principal amount being paid off.

Where can I find the APR?

From July 2023, the APR will be visible through our online acceptance facilities and also disclosed on the loan documentation.

What if I have more questions about the Premium Funding Code of Practice?

If you have any additional enquiries about the Premium Funding Code of Practice you can contact Elantis or refer to the *AFIA Premium Funding Code of Practice*

1800 451 111 admin@elantis.com.au elantis.com.au

Level 6, 1 Elizabeth Plaza, North Sydney NSW 2060
PO Box 1975, North Sydney NSW 2060