Risk Solutions for the Road Ahead

Canal INSURANCE

W.E. Love & Associates, Inc. CMGA

Non Fleet Premium Payment Methods – 012017

Pay plans are offered for any annual policy. Short-term policies written for less than one year do not qualify. Pay plans cannot be changed after the first 60 days of a policy term. Any change to a pay plan requires a policy rewrite after the first 60 days of a policy term.

1. **Annual Premium Full Payment**

   All policies are considered paid in full unless the pay plan is selected or the policy is a continuous until canceled or is a fleet automatic. All policies that are short-term (less than one year) do not qualify for a pay plan and must be paid in full.

2. **Interest Free Down Pay and Installment Payment Plan**

   This plan can accommodate 1 to 10 monthly installments and any down payment with a minimum of 20%. The recommended down payment is 35%, especially on policies with filings. WEL has authority to quote and bind any of the down payment options and may select from 1 to 10 installments, however, Canal will not assume liability for any uncollected earned premium. The changes that can occur in first sixty days are: percentage of down payment, number of monthly installments, or removing the pay plan to make the policy a full pay.

   - **Down Payment-** percent of the annual premium
   - **Installments-** The annual premium less the down payment, divided by 10 or fewer installments rounded to the nearest dollar
   - **Installment Adjustment-** The rounding adjustment (see step 5 in the example below) The standard payment plan with 35% down payment and 8 installments is computed as follows:

   Example:

   1. The total annual premium is $5,000. AL= $3,500, PD=$1,000, GL= $0, Cargo= $500.
   2. A 35% **down payment** is $1750 (1225+350+175). AL= $3500 x .35= $1225, **PD=** $1,000 x .35= $350, Cargo= $500 x .35= $175.
   3. The balance after the down payment is $3250 (2275+650+325). AL= $3500-$1225= $2275, PD= $1,000-$350= $650, Cargo= $500-$175= $325.
   4. Divide each balance for each line of business by 8 to figure the **installments.** AL= $2275/8= $284.38 (rounded to $284), PD=$650/8= $81.25 (rounded to $81), Cargo= $325/8= $40.63 (rounded to $41). Add each line of business to get the installment, 284+81+41= $406.

The **installment adjustment** is figured by subtracting the total installment premium by line from the total premium minus the down payment ($3250 see number 3) by line. AL= $284 x 8= $2272; **PD=** $81 x 8= $648; Cargo= $41 x 8= $328. 2272+648+328= $3248, which is the total of the installments. Subtract the total premium after the down payment from the total installments, $3250-$3248= $2. The difference is the installed adjustment.

The written premium for the endorsement less the down payment will be divided among the remaining installments that are effective on or after the endorsement change effective date. Any installment adjustment, due to rounding, will be due with the first installment on or after the endorsement effective date. An additional down payment **will** not be automatically charged with each endorsement, but this can be added per transaction if needed.

3. **Interest Free Continuous Until Cancelled Pay Plan**

Continuous Until Cancelled policies can be paid in full up front, or have 12 equal installment amounts.

Monthly Billing Amount - Annual premium divided by 12 rounded to nearest **dollar**

Escrow Deposit — The deposit is either 1/12 or 2/12 of the annual premium (no commission)

Installment Adjustment - The rounding adjustment (see step 5 in the example below)

The escrow deposit is held as a security and is not returned until the policy is cancelled.

The deposit is not included in the written premium and is a non commission premium security

Example:

1. The total annual premium is $16,138. **AL=** $11,898, **PD=** $3,740, GL= $500, Cargo= $0
2. **Divide the annual premium by 12 months for each line of business. AL= $11,898/12=** $991.50 (rounded to $992). PD= $3,740/12= $311.66 (rounded to $312), and GL= $500/12= $41.66 (rounded to $42).
3. The **monthly billing amount** is 992 + 312 + 42= $1346
4. The **escrow deposit** is the monthly payment by line (before they are rounded, see above), times **two** and then **all added together. AL= 991.5 x 2= $1983, PD= $311.66** x 2= $623.32 (rounded to $623), GL= $41.66 x 2= $83.32 (rounded to $83 -commission not applicable). Add together each line for the total escrow deposit 1983 + 623 + 83= $2689
5. The **installment adjustment** is figured by multiplying the rounded monthly payment by 12 then subtracting it from the annual premium. $1346 x 12= $16,152, $16,138-$16,152= $-14.00. $-14.00 in this example is the installed adjustment.

If endorsements that change the premium are issued, the written premium is divided among the remaining installments effective on or after the endorsement change effective date. A deposit change of the endorsed annual premium will also be applied.

On each anniversary of the original effective date of the policy, policies must be rerated in accordance with the applicable rates and rules and any applicable schedule modification factors. The deposit from **the previous module is credited. The new module will have a new deposit, monthly** installment and installment adjustment calculated as described above, based on the newly quoted annual premium.

4. Independent Premium Financing

Outside financing, via Premium Finance Company, is permitted. PFC contracts should be amended for any endorsement activity. Return premiums on PFC financed policies will be sent to the premium finance company, not the Retail Agent. To avoid potential collection issues, Agents should instruct Premium Finance Companies to remit financed premiums directly to WEL in lieu of payment to the Producing Agent. Canal will not accept liability for collection of any outstanding premiums. Retail Agents are exclusively responsible for payment of all premiums to WEL. Premium Financing Company contracts are not permitted on policies where a Canal Pay Plan has been selected.