



## Will each quote/offer letter contain a Minimum Earned Premium (MEP) statement?

Yes, each new business and renewal offer letter will contain language in the disclosure section at the bottom of the letter that speaks to the new MEP.

## What does the offer letter language say?

As of inception or renewal, if this Policy is cancelled by You, or if We cancel this Policy because of your failure to timely pay the premium, Reliable Lloyds/Voyager Indemnity will retain a minimum earned premium equal to 25% of the total premium, which shall be immediately due and payable. Please read the Minimum Earned Premium Endorsement for full information.

Will each policy get issued with a similar statement?

Yes, each new business and renewal policy issued after December 1st, 2022, will be issued with a separate endorsement document specific to the MEP that accompanies the dec pages and policy jacket.

## What does the policy language say?

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

Notwithstanding any terms of the Policy to the contrary, if this Policy is cancelled by you, a minimum of 25% of the total premium set forth on the Declarations Page shall be deemed earned premium which we shall be entitled to retain and shall not be refunded to you.

If we cancel this Policy because of your failure to timely pay the premium for this Policy in full or, if applicable, any installment thereof, such a cancellation shall be deemed a cancellation of this Policy by you and a minimum of 25% of the total premium set forth on the Declarations Page shall be deemed earned and immediately due and payable by you.

If we cancel this Policy for any other reason, the earned premium shall be calculated pro rata and the minimum earned premium set forth above shall not apply.

**ALL OTHER TERMS AND CONDITIONS OF THE POLICY REMAIN THE SAME.**

## Does the MEP apply to policies currently in effect?

The MEP will apply to policies currently in effect once they've renewed into a new term, but not to their existing term. New business policies and policies that renew on or after December 1st, 2022, will be subject to the MEP. They will have the MEP language present in the offer letter and get issued with the MEP endorsement doc.

## Will the 25% apply if the Insured sells the property?

Yes, regardless of the reason for the cancellation, including a sale of the property, 25% of the premium is fully earned upon issuance. This is a standard practice in the industry as this helps reimburse the carrier for the underwriting and operational costs associated with the issuance of each policy. This was instituted based on continued feedback from our agents that this was a market standard feature.

## **If we're a Direct Bill agency, paying for our policies in full up front, are we still subject to the 25% for non-payment?**

If your agency pays for policies up front under the direct bill contracting arrangement, then you're paying for a policy in full before it's issued, so you can't be subject to a non-pay cancellation. This statement is meant for other agency structures and wouldn't impact Direct Bill agencies.

## **If a policy cancels after 25% of the term has been exhausted, does our agency owe additional premium?**

Once a policy has met 25% of the coverage term, it's considered to have exhausted the minimum earned premium; there's no additional pro-rated amount on the refund. Our policies are pro-rated when they're cancelled mid-term, so if the policy has exhausted a quarter of its term, no additional premium is due.

For example:

- If a policy with a January 1st effective date cancels February 1st, the policy wouldn't have already exhausted 25% of its term, so 25% would be considered earned premium & kept at cancellation, while the remaining 75% would be refunded to the payor.

## **If a policy flat cancels for a valid cancellation back to the effective date of the policy, is it still subject to the 25% minimum earned premium?**

Once a policy has been issued, regardless of its effective date or the cancellation date, it's subject to the 25% minimum earned premium. We consider a policy to be issued when we've processed your request to bind and produced declaration pages. If a policy has been issued, even prior to its effective date, it is subject to the 25% minimum earned premium if/when cancelled.

## **I'm an Account Current agent. Since the MEP applies to non-payment, will bind recissions be accepted prior to the effective date?**

If we have received a bind request & issued a policy with the MEP doc, meaning we've sent policy pages to you, regardless of whether it's before or after the effective date, that policy will be subject to the MEP should it cancel.

## **When an individual or multiple locations are removed/cancelled from scheduled and blanket policies, will they be subject to the MEP?**

Currently, for scheduled or blanket policies, we aren't applying the MEP for individual location removals/cancels

## **Who should I contact if I have additional questions?**

Please contact your Marketing Account Representative or reach out to our Private Flood team via email at [private.commercial@assurant.com](mailto:private.commercial@assurant.com).