

Separate premium account shortages reference card

You're required to maintain all funds that represent premium in the separate premium account. This includes:

- Premium taxes
- Premium financing proceeds
- Agency bill cancellation return premiums

It's important to provide the business oversight necessary to protect the account from shortages.

Reference law: RCW 48.18.170.

Common causes of shortages in separate premium accounts

- Failing to make timely deposits into the separate premium account. Some insurers are sweeping the account within one day. If a daily deposit is not made, the sweep may occur before the funds are deposited and overdraw the account.
- Poor record-keeping practices that result in transferring more "fee" and agency-bill commission income from the separate premium account than the agency is entitled.
- Uploading errors that result in transmitting a payment multiple times.
- Skimming occurs when not all of the funds are deposited into the separate premium account. This can happen when the agency collects substantial premiums in the form of currency and coin. (Look for insurer sweeps coming out of the bank account or check payments by your agency without a corresponding receipt of premium money.)
- Advancing premiums for customers without maintaining an official record of the Account Receivable. (Look for insurer sweeps coming out of the bank account or check payments by your agency without a corresponding receipt of premium money.) Without a list of whose premium has been advanced and some corresponding paperwork/agreement, your agency may not collect premium. The source of the account shortage also may be difficult to pin point later.
- Refunding agency bill cancellation return premiums from the account without depositing the "unearned commission" amount the agency owes from the operating account.
- Covering bank fees to transmit payments to finance companies as an accommodation for clients without reimbursing the costs from the operating account. These customer

accommodation fees should be reimbursed to the premium account from the operating account.

- Bank charges assessed against the separate premium account. (i.e. Monthly service charges; NSF (non-sufficient funds) charges on client checks, and overdraft charges.) It's a good practice to monitor the bank account on a frequent basis (daily if possible) to spot problems before they compound. The bank fees should be reimbursed to the premium account from the operating account, if the agency is not maintaining sufficient additional funds in the premium account.
- Merchant fee credit/debit card processing charges coming out of the premium proceeds. (Some agencies process all card transactions online to the insurer or broker's account, to avoid having to absorb the merchant fees.) If your agency processes card transactions in the separate premium account, you'll need to:
 - maintain additional funds in the account sufficient to absorb the fees;
 - track the additional funds remaining in the account; and
 - periodically deposit additional funds in the account to prevent the merchant fees from depleting insurance premiums.