OFFICE of the INSURANCE COMMISSIONER WASHINGTON STATE

Agency bill accounts reference card

Agency bill premiums are processed through the separate premium account. However, there are some "nuances" or key differences that impact the timing of removing commissions from the account and resolving return cancellation premiums due to customers.

How can I process one customer check for an agency-bill policy that includes our agency's policy fee and commission without commingling?

Scenario: Paint Master's provides a $2,750 check payable to your agency that includes a $250 policy fee. The "gross" premium for the policy is $2,500; your commission is 15 percent or $375.

Answer: You have two options:
1. If both the premium account and the operating account are at the same bank, the bank may permit a "split" deposit. The $250 policy fee is deposited into the operating account and the $2,500 gross premium is deposited into the separate premium account.

2. If a split deposit is not possible, then deposit the entire check into the separate premium account. The $250 policy fee is subsequently paid out of the separate premium account to the operating account. (It is important to document the individual policy fees included in the total dollar amount paid to the operating account.)

Reference rule: WAC 284-12-080(4)(g)

But the above didn't take out the commission - when can I take the agency bill commission out of the separate premium account?
You should transfer the agency bill commission from the separate premium account to the operating account when the policy is bound or effective. After the policy is bound, you may now generally pay the commission of $375 to your operating account.

(However, you may leave the commission in the separate premium account as "additional funds" as allowed by RCW 48.17.600(3); WAC 284-12-080(2)(a); RCW 48.15.180(1)(c). Refer to the requirements for maintaining "additional funds in the separate premium account.)

Reference rules: WAC 284-12-080(13); WAC 284-12-080(4)(d); WAC 284-12-080(6)(c)

This card is intended as a Quick Reference Guide for insurance producers and surplus line brokers. We make every effort to ensure that it is correct. When using this card, please understand it is not intended to replace RCWs or WACs in their entirety.

How are cancellation return premiums identified?
You should **closely** review account current billing statements every month to identify cancellation return premium refunds that may be included in your commission check from the broker. Return premiums must be deposited into the separate premium account. If you're not sure a broker or insurer check includes a return premium, ask the broker for assistance to identify the amounts you owe to the insured client.

What if the cancelled policy was financed?
If the cancelled policy was financed, the broker may instruct your agency to refund the unearned commission directly to the finance company.

How much is the return premium and which account is it disbursed from?
The cancellation return premium your agency receives from the broker is often a "net" amount. You usually need to refund the amount of the "unearned commission" in addition to the amount you receive from the broker. You will pay the "unearned commission" amount from your operating account to the separate premium account. Then, refund the "gross" return premium from the separate premium account directly to the insured client.

To which account is the return premium from the broker/insurer deposited?
Return premiums must be maintained in a separate premium account until you refund it to the insured client.

What should I do if the broker or insurer sends me a return premium check payable to the insured?
If the payee on the check from the insurer or broker is the insured client, you must forward the check directly to the insured client along with your agency's check for the unearned commission. Do **NOT** deposit a check that is payable to the insured client into your agency's accounts.

When are return premiums due to the insured client?
When the consumer cancels an agency-bill policy, you should communicate with the insurer or broker who secured the policy, and clear the premium credit transaction as soon as possible. Once your agency has "received the funds" by either receiving the return premium money or taking a credit (against what your agency owes the insurer or broker on current accounts) you need to refund the consumer the full return premium within a one-month operating cycle or 30 days.

What if I have a return premium or overpayment and cannot locate the insured client?
You must make a reasonable attempt to locate the insured client. If you can't locate the insured, then you must file an Unclaimed Property Report and turn the money over to the state of Washington. For information on filing an Unclaimed Property Report go to: http://ucp.dor.wa.gov/holderContent.aspx

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