

## MAX BILLING SYSTEM

MAX is an equity based system. Equity on a policy is the date the policy is paid through based on the payments received. The equity date will change with any type of premium transaction to the policy and with any payment received.

### PAYMENT OPTIONS

Five payment options are available for most policies: Full pay, Two pay, Four pay and Eight pay and Monthly Recurring (monthly requires automatic ach). Each pay plan requires a different initial down payment amount.

- Full Payment** = 100% of policy premium, plus all applicable taxes and fees.
- 2 Payments** = 50% of policy premium, plus all applicable taxes and fees. The first installment bill will be sent on Day 141 and will be due on Day 160.
- 4 Payments** = 25% of policy premium, plus all applicable taxes and fees. The first installment bill will be sent on Day 51 and will be due on Day 70.
- 8 Payments** = 20% of policy premium, plus all applicable taxes and fees. The first installment bill will be sent on Day 25 and will be due on Day 44. The 7 subsequent payments will each be 11.43% of the premium plus the service charge.
- Monthly Recurring** = The monthly payment option requires automatic ach on the policy. The down payment is 16.7% of policy premium, plus all applicable taxes and fees. Installments will be drafted monthly on the date chosen by the insured at 8.33% of the premium plus the service charge.

All taxes and policy fees are collected on the initial down payment of the policy and will not be spread out over the remaining payments. Service charges are added to all installments and to the initial invoices for renewal and rollover policies that are not paid in full.

#### *Down Payment Example (for a new policy):*

<i>Total Annual Policy Premium</i>	<i>\$400.00</i>
<i>Policy Fee</i>	<i>\$ 15.00</i>
<i>Total</i>	<i>\$415.00</i>

2 Pay Plan Down Payment = \$215.00 (50% of \$400, plus \$15)

4 Pay Plan Down Payment = \$115.00 (25% of \$400, plus \$15)

8 Pay Plan Down Payment = \$95.00 (20% of \$400, plus \$15)

Automatic Monthly Pay Plan Down Payment = \$39.00 (16.66% of \$400, plus \$15)

In order to cover the minimum earned premium in the down payment, iReli policies are offered specific payment plans when the minimum earned amount is greater than 20% of the total policy premium as outlined below.

Payment Plans Offered	Minimum Earned Range
Full, 2, 4, 8 & Monthly Recurring	Less than or equal to 20% of total premium
Full, 2, 4 & Monthly Recurring	Greater than 20% & less than or equal to 25% of total premium
Full, 2 & Monthly Recurring	Greater than 25% & less than or equal to 50% of total premium
Full Only & Monthly Recurring	Greater than 50% of total premium

On new business applications, the payment plan is determined by the amount of the initial down payment submitted. For renewals, the renewal offer will include all payment options available and the minimum initial down payment required for each payment plan unless they have chosen automatic recurring monthly. The insured will then be able to select the payment plan that best fits their budget. For automatic monthly recurring payments it will retain this payment plan and provide a new schedule for the insured showing the monthly amounts. If the renewal invoice is not paid and a cancellation notice is sent, the amount shown on the notice is for the minimum amount due which is the amount of the 8 Pay Plan option (or 4 Pay option if 8 is not offered). The insured can still choose another plan by sending the corresponding initial down payment amount from their prior invoice.

### NEW BUSINESS POLICY ISSUANCE

Because this is an equity based system, it is critical that the new business policies be issued in a timely manner. When applications are entered promptly, it allows American Reliable adequate time to send out a bill and the insured adequate time in which to pay. This is particularly critical for new business applications requesting the 8 Pay Plan because the first installment is billed on day 25 and due on day 44.

Failure to issue a policy in a timely manner could potentially increase the amount needed on the down payment and place the policy in a negative equity position. This would occur when a policy is not issued until after the effective date of the policy. ***If the downpayment amount collected is not sufficient to cover equity to date plus the state required number of cancellation days, the payment will not be accepted and the policy will not be in force.***

Applications with no down payment are acceptable only for the closing of escrow when the lienholder will be the payor. **All other new business must be accompanied by the down payment.** Again, it is critical that these applications be entered promptly.

### INSTALLMENTS

Installment bills will be due 19 days after they are printed. Each installment bill, including renewal billings, will include a service charge that will be clearly identified on the bill. Please keep in mind that any payment received will first be applied to any service charges, taxes and fees. The remainder will then be applied to the premium.

American Reliable will not reinstate with a lapse in coverage. When installment payments are not received prior to the cancellation date or within the grace period, the policy will be sent to underwriting to determine if the payment should be accepted and the policy reinstated. If the policy is not reinstated a notification will be sent to the insured advising that there is no coverage because payment was mailed late, that the monies not owed would be returned after 14 days, and to contact their agent to rewrite the coverage.

Renewal bills will be mailed typically 35 days in advance of the renewal date. The renewal payment will be due on the effective date of the policy renewal date. If payment is not received by the due date, a cancellation notice will be mailed giving the insured the state statutory required number of days to pay the policy. If the payment is not received prior to the cancellation date or within the grace period, then the policy will cancel back to the effective date of the policy term.

Installment payments that are for amounts greater than or less than the amount due will have the affect of reducing or extending the equity date. This will affect the next billing amount and/or timing of the next invoice.

Agents with access to the policy system can view the Payment Plan inquiry screen to see the equity date of the policy and the remaining installment billing schedule.

## CANCELLATIONS FOR NON PAYMENT

A cancellation notice for non-payment will be issued at the state required number of days prior to the equity date of the policy. 14 days is most common and will be used in these examples. All cancellations are effective at 12:01 a.m. on the date of cancellation.

American Reliable offers a 7 calendar day grace period beginning on the due date of the non-pay notice for the payment to be physically received without necessitating a rewrite of coverage. We must have the payment in our hands – no exceptions. Thereafter, rewrite of the policy is required. If the insured cannot mail the payment and assure the company receives it before the end of this period, we suggest they go online to [www.MyARICPolicy.com](http://www.MyARICPolicy.com) or call our 24 hour automated phone system or Customer Service department at 800.535.1333 to pay by eCheck, Visa or MasterCard.

On a policy with an outstanding cancellation notice, if a payment is received prior to the notice due date or within the grace period, the policy will be reinstated and the equity date will be extended. However, if the payment would not extend the equity date by a minimum of 15 days, the policy will not be reinstated. The original cancellation date would stand and any money remaining on the policy would be returned after a 14 day waiting period to allow time for the check to clear.

For renewals, the payment is due on the effective date of the new policy term. If the payment is not received on the due date, the cancellation notice will be sent giving the insured the state statutory required number of cancellation days to make the payment. If the payment is not received prior to the notice due date or within the grace period, the policy will be cancelled back to the policy effective date and any monies not owed by the insured but received after that date will be returned.

If a payment is returned for any reason (such as insufficient funds or stop payment) a cancellation notice would be mailed 14 days prior to the equity date on the policy. A fee, \$15.00 is most common, will be charged on all returned payments.

**Note:** Agents who enter policy transactions remotely must review the policy system transactions before processing a cancellation. If a notice of cancellation for non-payment has been sent, a cancellation for reasons other than non-payment cannot be processed if the “new” cancellation date is beyond the non-payment cancellation date. If a cancellation is required, contact your underwriter.

## ENDORSEMENTS

Endorsements which result in an additional premium will affect the policy by reducing the equity date. Additional premium endorsements will be billed on a pro-rata basis for coverage until the next installment date. If no installments remain, the entire pro-rata amount will be billed. If there are more installments, subsequent installments will be adjusted to reflect the additional premium due.

Endorsements which result in a return premium will affect the policy by extending the equity date. Subsequent installments will be adjusted to reflect the reduced premium due. If no installments remain, a refund will be generated.

# MAX DIRECT BILL PROCEDURES

## Timetable of Billings and Notices

(Timetable is valid unless changes made to the policy or payments impact equity)

### TWO PAY PLAN

<u>Day 1</u>	50% of premium plus 100% of applicable policy fees and taxes due with application
Day 141	Bill remaining balance plus Service Charge
Day 160	Due date
Day 182	Effective date of cancellation if payment is not received when due

### FOUR PAY PLAN

<u>Day 1</u>	25% of premium plus 100% of applicable policy fees and taxes due with application
<u>Day 51</u>	1 <sup>st</sup> Installment of 25% of total plus Service Charge
Day 70	Due date
Day 91	Effective date of cancellation if payment is not received when due
<u>Day 121</u>	2 <sup>nd</sup> Installment of 25% of total plus Service Charge
Day 140	Due date
Day 182	Effective date of cancellation if payment is not received when due
<u>Day 191</u>	3 <sup>rd</sup> Installment of balance due plus Service Charge
Day 210	Due date
Day 273	Effective date of cancellation if payment is not received when due

### EIGHT PAY PLAN

<u>Day 1</u>	20% of premium plus 100% of applicable policy fees and taxes due with application
<u>Day 25</u>	1 <sup>st</sup> Installment of 11.43% of total plus Service Charge
Day 44	Due date
Day 73	Effective date of cancellation if payment is not received when due
<u>Day 69</u>	2 <sup>nd</sup> Installment of 11.43% of total plus Service Charge
Day 88	Due date
Day 115	Effective date of cancellation if payment is not received when due
<u>Day 113</u>	3 <sup>rd</sup> Installment of 11.43% of total plus Service Charge
Day 132	Due date
Day 156	Effective date of cancellation if payment is not received when due
<u>Day 157</u>	4 <sup>th</sup> Installment of 11.43% of total plus Service Charge
Day 176	Due date
Day 198	Effective date of cancellation if payment is not received when due
<u>Day 201</u>	5 <sup>th</sup> Installment of 11.43% of total plus Service Charge
Day 220	Due date
Day 240	Effective date of cancellation if payment is not received when due
<u>Day 245</u>	6 <sup>th</sup> Installment of 11.43% of total plus Service Charge
Day 264	Due date
Day 282	Effective date of cancellation if payment is not received when due
<u>Day 289</u>	7 <sup>th</sup> Installment of balance due plus Service Charge
Day 308	Due date
Day 323	Effective date of cancellation if payment is not received when due

## Automatic Monthly Recurring

Month 1	16.7% of premium plus 100% of applicable policy fees and taxes due with application
Month 2	1 <sup>st</sup> Installment of 8.33% of total plus Service Charge
Month 3	2 <sup>nd</sup> Installment of 8.33% of total plus Service Charge
Month 4	3 <sup>rd</sup> Installment of 8.33% of total plus Service Charge
Month 5	4 <sup>th</sup> Installment of 8.33% of total plus Service Charge
Month 6	5 <sup>th</sup> Installment of 8.33% of total plus Service Charge
Month 7	6 <sup>th</sup> Installment of 8.33% of total plus Service Charge
Month 8	7 <sup>th</sup> Installment of 8.33% of total plus Service Charge
Month 9	8 <sup>th</sup> Installment of 8.33% of total plus Service Charge
Month 10	9 <sup>th</sup> Installment of 8.33% of total plus Service Charge
Month 11	10 <sup>th</sup> Installment of balance due plus Service Charge
Month 12	1 <sup>st</sup> Renewal Installment 8.33% of premium plus 100% of applicable policy fees and taxes

Payment Options	Initial Amount Includes	Future Installments	Explanation
Full Payment	100% of policy premium, plus 100% of fee and taxes, where applicable	None	Payment made in full with no remaining balance or installments
2 Payment Option	50% of policy premium, plus 100% of fee and taxes, where applicable	One installment at 50% of the policy premium plus service charge	Half of the premium payment and all fees and taxes paid, with 1 installment of the remaining balance plus the service charge
4 Payment Option	25% of policy premium, plus 100% of fee and taxes, where applicable	Three installments each at 25% of the policy premium plus service charge	A quarter of the premium payment and all fees and taxes paid, with 3 installments of equal payments of the remaining balance plus the service charge
8 Payment Option	20% of policy premium, plus 100% of fee and taxes, where applicable	Seven installments each at 11.43% of the policy premium plus service charge	A fifth of the premium payment and all fees and taxes paid, with 7 installments of equal payments of the remaining balance plus the service charge
Automatic Recurring Monthly (Must be registered for automatic ach)	16.7 % of policy premium, plus 100% of fees and taxes, where applicable	Regularly scheduled monthly installments each at 8.33% of the policy premium plus service charge	Two months down of premium and all taxes and fees with regularly scheduled equal monthly installments on chosen due date automatically drafted from your designated bank account. Selected payment plan will continue at renewal without interruption of the payment schedule.

**State Surcharges** These fees are assessed by your state and local government and are sent from the Insurance Company to the appropriate governmental agency.

**Service Charges/Fees** A service charge is assessed on each installment in the amount disclosed on your billing notice.

**Returned Payment Fee** A \$15 return payment fee is assessed for each item returned by the bank.

**Check Processing** In accordance with Federal Reserve Board guidelines, personal checks that you send us for payment may be processed electronically. This means that checks generally clear faster, banks no longer return checks and bank statements are valid proof of payment.

**Note** Your payments are first applied to fees and state surcharges and the remainder applied to your premium. It is important that you pay one of the premiums amounts as indicated on your bill.