



RHODE ISLAND JOINT REINSURANCE ASSOCIATION

Underwriting Division
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February 12, 2004

To: All Rhode Island Producers

RE: Revised Premium Installment Program

A review of the Association's Installment Program (the Program) revealed a high percentage of Association policies paid under the installment plan undergo multiple cancellations with non-payment of premium and are thereafter reinstated during that same policy term. It was also found that the subsequently issued policies under the Program again generate one or more cancellation notices for non-payment of premium. This abuse of the Program has resulted in increased costs for Producers and the Association and has an adverse impact on the Association's ability to provide efficient service.

In order to protect the integrity of the Program and address this issue, the Association filed for and received approval from the Rhode Island Insurance Department of a revision to the Installment Program. The revision provides that **"an applicant who was issued two notices of cancellation by the Association for non-payment of premium during a policy period will not be eligible to finance policy premium for the following year"**. A copy of the revised Installment Program is included. Upon implementation of this change, the Association will require the payment of full annual premium to place coverage in force if coverage is renewed or replaced after two such notices of cancellation for nonpayment of premium were issued during the prior policy term.

These changes will become effective for all new policies as of March 1, 2004 and April 1, 2004 for all renewals. The Association believes the above revisions to the Installment Program will improve efficiency for producers and the Association and should discourage the abuse of the Program.

If you have any questions regarding this letter, please contact our Customer Service Department.

Very truly yours,

James H. Pappas
Vice President – Underwriting

Did you check your smoke detectors today!

RHODE ISLAND JOINT REINSURANCE ASSOCIATION

INSTALLMENT PROGRAM

INSTALLMENT PROGRAM

The Installment Program available to the Association's insureds offers the opportunity to spread premium payments over four installments. The installment plan applies to both new and renewal business.

ELIGIBILITY

The minimum amount of annual premium which can be financed is \$100. A mortgagee or finance company is not eligible to finance policy premiums. **Also, an applicant who was issued two notices of cancellation by the Association for non-payment of premium during a policy period will not be eligible to finance policy premium for the following year.** The Association will require the payment of the full annual premium to place coverage in force if coverage is renewed or replaced.

INSTALLMENT BILLINGS

If the insured elects the installment plan, 25% of premium will be required at inception, with the remaining balance billed in three installments due in 60 days, 120 days and 180 days from inception of the policy. The entire premium must be paid within 6 months of inception. Installment bills will be mailed from the Association 27 days prior to the due date. Sufficient premium will be billed at each installment so that if a cancellation is processed, the Association will have already collected monies to cover the amount of earned premium.

PAYMENT OF PREMIUM

Downpayment of at least 25% of the required annual premium must accompany:

- (i) an application submitted by mail or hand under the Immediate Coverage Program or the Proof of Insurance form submitted following submission of a faxed application under the Immediate Coverage Program), or
- (ii) the Premium Invoice issued under the Association's Renewal Procedure, or
- (iii) the Premium Invoice issued under the Association's New Business procedure.

Bills for subsequent installments will be sent directly to the insured along with a self-addressed return envelope. Insureds will be instructed to return the remittance using the return envelope. The Association uses a lockbox facility to process these payments. If the insured sends the remittance to any other address, this will result in delaying credit to their account and could result in a cancellation notice being issued.

The insured must pay the minimum amount due, but will be allowed to pay any amount between the minimum due and the annual policy premium. Payment of more than the minimum amount due will reduce future installment payments. Payment of more than the minimum due will not create an overpayment status unless the full policy premium is exceeded.

There will be a grace period of 6 days on any installment payments after which a notice of cancellation will be automatically issued to be followed by the cancellation if the payment has not

been received. Receipt date of the installment payment will be the date of deposit by the bank. If an installment payment is received after the cancellation effective date, the policy will not be reinstated.

The bank will automatically redeposit a check returned for insufficient funds. A returned check will only be redeposited once. Checks rejected more than once will result in automatic issuance of notice of cancellation for non-payment of premium.

One check should not be used to pay for more than one policy. If this occurs, the possibility exists that the payment may be applied incorrectly. Further, no correspondence should be sent with the check or bill to the lockbox as these items will not be forwarded by the bank in a timely manner.

ENDORSEMENTS

After the initial down payment, any additional premiums resulting from an endorsement will be added equally to any remaining installments. If no installment payments remain the entire premium will be due in 30 days after the endorsement issue date.

If an endorsement results in a return premium that is less than the amount due on the remaining installments, the return premium will reduce future installment payments. If the return premium is greater than the remaining installments due, the return premium will be applied to the outstanding balance and a check will be issued for the remaining balance and sent to the producer. If no installment payments remain, a return premium check will be issued. If installments are still due, anticipated return premiums should not be deducted from the next minimum payment. This could result in an underpayment necessitating a notice of cancellation.

SERVICE CHARGE

A service charge of \$3 will be added to each of the last three installment bills and included in the minimum amount due. If the annual premium is paid at inception no service charge is imposed on the insured.

COMMISSIONS

Commissions will be paid on the full policy premium at inception or renewal even if the insured elects the installment option. No commission will be paid on the service charge. A commission check along with an itemized statement will be issued on or about the 15th of the month following the month in which business has been placed with the Association. Any commission balance due the Association from an agent as a result of cancellation or return premium endorsement will be billed on or about the 15th of the month following the month in which the transaction has taken place.

UNDERPAYMENTS

Underpayments of \$10 or less on installment payments will be accepted and the difference will be added to the next billing cycle. Underpayments of greater than \$10 will be applied to the outstanding balance and a cancellation notice will be issued for non-payment of premium. Upon renewal, a cancellation will be initiated if any balances are not paid.