



Published: June 16, 2011

Updated commission policy regarding unpaid earned premium 6/16/2011

Currently, Safeco pays commission upfront and in full for new and renewal business, and when a policy cancels midterm, we reverse the commission on unearned premium immediately upon cancellation.

In order to bring Safeco's commission policy in line with industry standards, we will now also reverse the commission on earned premium that Safeco was owed for policies with at least \$50 of **unpaid earned premium**.

We are launching this change for all policies that have canceled for nonpayment and reached the 180-day post cancel date. During this 180-day period, Safeco makes every effort to collect the owed premium from the policyholder. At 180 days, we write off the **unpaid earned premium** as bad debt and cease collection efforts. This will trigger a reversal of the commission paid on the **unpaid earned premium**.

Beginning with commission statements available in July, you might see a commission reversal on the amount of **unpaid earned premium** that Safeco was due for policies with at least \$50 earned premium that canceled 180 days ago, in the month of December 2010.

The commission reversal will appear as a negative amount in the "Miscellaneous" section on printed commission statements as "COMMISSION REVERSAL" and online statements as "COMM-RVRSL."

If you have any questions, please contact your Territory Manager, Agency Specialist or Account Executive.

Example

If you write a six-month auto policy with a total premium of \$600, the typical earned premium after cancellation for nonpayment would be \$100. Using the commission rate of 15%, the commission reversal you would see on your commission statement would be \$15.

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