



## FLEX Rate - Q&A

09/2010

Reliant General Insurance Services / [www.reliantgeneral.com](http://www.reliantgeneral.com) / 800 959-9956 / DOI # OB270339

"Count on Us"

### What is Flex Rate / Flex 12?

An optional tool that allows Reliant producers to adjust the customer's end price by "Flexing" their commission dollars up or down. New and/or renewal commissions can be leveraged based on the situation. A producer might want to reduce commission for the initial term to gain a new customer, then increase the percentage at renewal. Conversely, a policy could be sold at regular commission levels, with an incentive to the customer that their premiums will go down at renewal (assuming no carrier rate changes or changes to the risk profile). Flex Rate products are defaulted to 12% commission on FSC (hence the name Flex 12).

### What are the benefits of Flex Rate?

Both producer and insured benefit from a custom rate solution.

*It gives Producers a way to:*

- Beat a Specified Price
- Increase Closing Ratios
- Promote Retention
- Cross-Sell
- Offer a Lower Price on "Call-backs"

*It gives the insured:*

- A lower rate (increasing the chances they'll stay)
- A lower rate with no reduction in coverage

### Do I have to use Flex Rate?

**You need to SELECT the FLEX 12 programs in order to quote the TransGuard (TICA) programs.**

This does not mean you have to Flex your commission; you'll be able to continue writing at 14% by entering it in the Company Underwriting Tab during the quote. We also recommend selecting Occidental I Flex 12.

### Is it legal?

Yes – prior to the passage of prop 103 in 1988, there was an “anti-rebate” provision in California Insurance Code section 750.1. In an effort to increase the competitiveness of auto insurance section 750(d) was amended to allow rebating. Currently, only Florida and California allow rebating.

<b>How does it work?</b>	Quotes at FSC will include an initial option to select the commission percentage. The producer selects the level of commission for the policy, depending on where he/she estimates the rate needs to be in order to make the sale. The rebate to the customer can be anywhere from 1% up to the standard commission level of the program (for TransGuard, you could rebate anywhere from 1% to 14%, for Occidental I, anywhere from 1% to 20%). The displayed premium in FSC will reflect the net premium after the rebate adjustment. Commission levels can be re-adjusted through the ReX bridge.
<b>Is Flex Rate available on ZapApp?</b>	No – Flex 12 is only available on REX (Reliant Exchange) our own upload system.
<b>What is the default commission on FSC?</b>	TransGuard and Occidental I are defaulted to 12% on FSC.
<b>Can I set my own default Flex Rate commission on FSC?</b>	No – You must enter it in the Company Underwriting Tab or answer the popup question during the quote. You can change the percentage / rate several times until you reach the desired price point. You can also do this when bridging to ReX.
<b>Do New and Renewal Commissions have to be the same percentage?</b>	No – within the specified range, the producer is free to select the best blend of new business and renewal commission to fit the client. In some cases the producer may take more commission on new business and reduce their commission at renewal to retain the policy. Or the producer could emphasize retention and do the opposite. The choice remains with the producer.
<b>How do I know what commission percentage to use?</b>	This is dependent on each individual situation. We expect some producers will have internal rules on setting commission and others will base the decision on each individual risk scenario. The value of Flex Rate is that it gives you the flexibility to respond individually to unique situations
<b>How is this Flex Rate concept explained to customers / insured's?</b>	It is the producer's responsibility to explain the rebating process during the transaction. To help facilitate this discussion we do provide a rebate disclosure form at the point of sale. This should be reviewed with the customer so they understand that a portion of the producer's commission is being used to reduce the overall cost of the product.
<b>What documents does the insured get at new business or at renewal to explain Flex Rate?</b>	Part of the application process includes the delivery of a rebate disclosure document which discloses the specifics of the rebate process.
<b>What if I want to change the commission after transmitting a policy?</b>	Like any new business transaction, if a mistake occurs prior to issuing the policy, (within the first 24 hours) you can void the policy by providing a signed void form. If the request is made after this time period, you can request a cancellation and rewrite the policy.

<b>How often can I change commission?</b>	New business commission can be changed anytime before upload of the policy. On renewal, commission can be changed prior to the renewal of the policy. We request notice at least 45 days in advance of the renewal. For monthly term programs we will apply the selected renewal commission at the six-month renewal. For six month and annual policy terms the renewal commission applies at the first renewal.
<b>Can the commission % be changed in the middle of a policy term?</b>	No – commission terms can only be done in advance of a renewal (45 days advance notice). No mid term commission changes – if a producer needs to correct commission on a policy a rewrite is required and a fully earned policy fee will be charged.
<b>How will I know if I am paid the correct commission?</b>	Your monthly commission statement provides the commission % paid for each policy.
<b>Internally, how does Reliant track commission levels and changes?</b>	We list each policy on the monthly commission report with a commission percentage and commission amount so you can reconcile each transaction.
<b>What will the insured's bill show?</b>	The insured's bill will clearly identify the rebate applied to the premium and the balance due after the rebate. The rebate is prorated over the term of the policy and is not refundable.
<b>At renewal, is the insured notified why his /her rate increased if the rebate goes away?</b>	Yes – At renewal, Reliant will notify the insured of changes in the amount due as a result of a rebate change.
<b>What happens to the commission percentage if the insured makes a Producer of Record change?</b>	The commission percentage remains at the new business and renewal commission set by the original producer. Commission is changeable by the Producer of Record as long as proper advance notice is provided to Reliant General.