

DIRECT BILLING GUIDELINES



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GENERAL GUIDELINES

PAYMENTS

Checks or money orders should be made payable to Western National and should be accompanied by a remittance slip or have the policy/account number written on the document. Visa, MasterCard, electronic funds transfer (EFT), and agency sweep are also acceptable methods of payment.

Policyholders may also make payments by going to our website at www.wnins.com.

Automatic payment by EFT requires that an authorization form be submitted to Western National.

Please note that Western National Insurance Group will be processing all payments for Pioneer Specialty Insurance Company.

INSTALLMENT FEES

An installment fee of \$5.00 will be applied to each installment bill.

Automatic payments by EFT will not be charged an installment fee.

NEW BUSINESS

We require a down payment equal to the first installment (see Billing Schedules on pages 7 and 12) with the application. If the full down payment is miscalculated, the shortage will be billed when the policy is processed.

AUDITS

An audit that results in an additional premium will be billed in full. If an audit results in a return premium, a refund check will be sent directly to the Insured unless there is a current amount due. If there is a current amount due, the audit will be applied and a refund check will be issued for the difference, if any.

ADDITIONAL GUIDELINES

Guidelines for all Personal Lines policies

ENDORSEMENTS

Endorsements will be billed to the Insured as an interim bill for premium due up through the current installment. The remainder will be billed along with any remaining installments on their policy.

REINSTATEMENT FEES

A reinstatement fee of \$20.00 will be charged on all midterm cancellations for non-payment of premium (a maximum of one \$20.00 charge per statement).

RETURNED ITEMS

Any payments returned by the bank will result in a \$25.00 charge to the Insured's policy.

COMMISSIONS

Agents' full term commissions are advanced upon our issuing a new policy or receiving the first payment on a renewal. Cancellation of a new policy or non-payment of an installment will result in a debit to your commission.

PARTIAL PAYMENTS

If the Insured is anticipating a credit endorsement, but it has not been processed, it should not be deducted from the payment. The future installments will reflect these changes. If we receive a partial payment, the check will be returned to the Insured with a letter stating the correct payment must be paid by the due date in order to keep the policy in force.

REFUND CHECKS

If the Insured is not on an account bill program, refund checks will be sent directly to the Insured whenever the policy balance becomes a credit and there is not a pending renewal offer. If the Insured is on an account bill program, refund checks will be sent when all policies have a credit balance after a cancellation. Credits for overpayments and endorsements will be applied to the account.

RENEWALS

The Renewal Declaration and a bill will be sent to the Insured approximately 35 days before the effective date of the policy. If the Insured is not on a monthly bill or EFT program, a renewal invoice will be sent along with the Declaration.

If the Insured is on an account bill or EFT program, the renewal will be billed on the Insured's next monthly billing statement.

If the renewal payment is not received by the due date, a final renewal notice will be issued by the billing system. The remittance portion of the notice may be returned with payment due and would be accepted if postmarked on or before the date indicated on the notice. If payment is not received, an expiration notice will be sent stating that the policy has expired.

CANCELLATIONS

Legal notice of cancellation for non-payment of premium will be issued by the billing system. The remittance portion of the notice may be returned with the payment due (including the reinstatement fee) and would be accepted if it is postmarked on or before the cancellation date. Once a cancellation is issued, revised bills will not be produced unless the Insured is on an account bill program. The Insured should pay the amount shown on the cancellation notice.

REINSTATEMENT

A reinstatement notice is issued if payment is received and accepted after we have sent out a mid-term cancellation notice for non-payment of premium.

PAY PLAN OPTIONS

Western National offers the following direct-bill payment plans for these lines of business. (Not all lines of business are available in all states.)

| | 6 MO. / FULL PAY | 6 MO. / 2 PAY | 6 MO. / 4 PAY | 12 MO. / FULL PAY | 12 MO. / 2 PAY | 12 MO. / 3 PAY | 12 MO. / 4 PAY | 12 MO. / FULL PAY MORTGAGEE BILL | MONTHLY ACCOUNT BILL | MONTHLY ACCOUNT BILL** | FULL PAY EFT** |
|-----------------------------|------------------|---------------|---------------|-------------------|----------------|----------------|----------------|----------------------------------|----------------------|------------------------|----------------|
| Personal Auto (6-mo. Term) | X | X | X | | | | | X | X | X | |
| Personal Auto (12-mo. Term) | | | | X | X | | X | X | X | X | X |
| Homeowners | | | | X | X | X | X | X | X | X | X |
| Dwelling Fire | | | | X | X | | X | X | X | X | X |
| Motorcycle (MN only) | | | | X | | | X | | X | X | X |
| Personal Umbrella | | | | X | X | | X | | X | X | X |

An installment fee of \$5.00 will be added to each installment bill.

**Account bill will be offered for Insureds who have policies billed directly to them (no mortgagee-billed policies). Monthly account statements will be billed on the same day of the month as the policy effective date unless the Insured requests a different day. Account statements will include a \$5.00 installment fee. No fee will be charged for automatic monthly or full payment by EFT.

BILLING SCHEDULE BY PAY PLAN

| Pay Plan | Percentage of Premium Billed | Billed (Days from Effective Date) | Due |
|--------------------|------------------------------|-----------------------------------|----------------|
| 12 mo. / Full Pay | 100% | -35 | Effective date |
| 12 mo. / Two Pay | 50% | -35 | Effective date |
| | 50% | 162 | 180 |
| 12 mo. / Three Pay | 40% | -35 | Effective date |
| | 30% | 92 | 110 |
| | 30% | 202 | 220 |
| 12 mo. / Four Pay | 25% | -35 | Effective date |
| | 25% | 72 | 90 |
| | 25% | 162 | 180 |
| | 25% | 252 | 270 |
| 6 mo. / Full Pay | 100% | -35 | Effective date |
| 6 mo. / Two Pay | 50% | -35 | Effective date |
| | 50% | 72 | 90 |
| 6 mo. / Four Pay | 25% | -35 | Effective date |
| | 25% | 27 | 45 |
| | 25% | 72 | 90 |
| | 25% | 117 | 135 |

Monthly Account Bill

Monthly account bill requires 10% down (for 12-month policies) or 15% down (for 6-month policies). The remaining premium is spread evenly over the remaining installments as whole dollars, with any difference, plus or minus, applied to the last installment.

Monthly Electronic Funds Transfer (EFT)

Monthly EFT requires 1/6th down for 6-month policies and 1/12th down for 12-month policies. The remaining premium is spread evenly over the remaining installments as whole dollars, with any difference, plus or minus, applied to the last installment. Installments will be billed monthly, starting with the policy effective month, and will be due 18 days after the billing date.

Full Payment by Electronic Funds Transfer (EFT)

Renewal premium is billed in full. Any subsequent additional premium endorsement(s) will be billed in full and will be due 18 days after the billing date.

EXAMPLE OF INSURED'S BILLING STATEMENT – INDIVIDUALLY BILLED POLICIES

| RETURN THIS PORTION | | Please make your check payable to Western National | | | | | | | | | | | | | | | | | |
|---|--|--|-----------------------|--------------------|--------------------|-----------------------|-----------------------|--------------------|-----------|----|--------|---------|--|--|--------|----------------------|----------------------------|---------------|--------|
| Policy Number | 01 PAP 40000243 | Amount Enclosed | _____ | | | | | | | | | | | | | | | | |
| Notice Date | MARCH 3, 2001 | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Payment Due</td> <td style="text-align: right;">03/21/01</td> </tr> <tr> <td>To Pay in Full</td> <td style="text-align: right;">\$ 312.00</td> </tr> <tr> <td>Minimum Due</td> <td style="text-align: right;">\$ 312.00</td> </tr> </table> | | Payment Due | 03/21/01 | To Pay in Full | \$ 312.00 | Minimum Due | \$ 312.00 | | | | | | | | | | |
| Payment Due | 03/21/01 | | | | | | | | | | | | | | | | | | |
| To Pay in Full | \$ 312.00 | | | | | | | | | | | | | | | | | | |
| Minimum Due | \$ 312.00 | | | | | | | | | | | | | | | | | | |
| Insured | WILLIAM JOHNSON | | | | | | | | | | | | | | | | | | |
| Payor | WILLIAM JOHNSON 4564 MILL LAKE ROAD MINNEAPOLIS MN 55403 | | | | | | | | | | | | | | | | | | |
| | | Installment | 1234567 | | | | | | | | | | | | | | | | |
| Insured's copy | | PREMIUM NOTICE | | | | | | | | | | | | | | | | | |
| | | Notice Date MARCH 3, 2001 | | | | | | | | | | | | | | | | | |
| WESTERN NATIONAL MUTUAL INS CO | | Page 1 of 1 | | | | | | | | | | | | | | | | | |
| Policy Number | 01 PAP 40000243 WILLIAM JOHNSON | | | | | | | | | | | | | | | | | | |
| Agent | WNI-000 ABC AGENCY 123 W MAIN ST MINNEAPOLIS MN 55435 | Phone (612) 831-1234 | | | | | | | | | | | | | | | | | |
| Type of Insurance | PERSONAL AUTO | Policy Period MARCH 1, 2001 to SEPTEMBER 1, 2001 | | | | | | | | | | | | | | | | | |
| | | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Policy Number</th> <th style="width: 30%;">Description</th> <th style="width: 20%;">Effective Date</th> <th style="width: 20%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Previous Balance</td> <td></td> <td></td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Payment</td> <td></td> <td></td> <td style="text-align: right;">82.00-</td> </tr> <tr> <td>PERSONAL AUTO</td> <td>01 PAP 40000243 NEW POLICY</td> <td>MARCH 1, 2001</td> <td style="text-align: right;">394.00</td> </tr> </tbody> </table> | | Policy Number | Description | Effective Date | Amount | Previous Balance | | | 0.00 | Payment | | | 82.00- | PERSONAL AUTO | 01 PAP 40000243 NEW POLICY | MARCH 1, 2001 | 394.00 |
| Policy Number | Description | Effective Date | Amount | | | | | | | | | | | | | | | | |
| Previous Balance | | | 0.00 | | | | | | | | | | | | | | | | |
| Payment | | | 82.00- | | | | | | | | | | | | | | | | |
| PERSONAL AUTO | 01 PAP 40000243 NEW POLICY | MARCH 1, 2001 | 394.00 | | | | | | | | | | | | | | | | |
| <p>Your business is appreciated. Please continue to contact your agent if you desire any changes to your present coverage.</p> | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Due Date</td> <td style="width: 25%;">Minimum Due</td> <td style="width: 10%;"></td> <td style="width: 40%;">To Pay in Full</td> </tr> <tr> <td style="text-align: center;">03/21/01</td> <td style="text-align: center;">312.00</td> <td style="text-align: center;">or</td> <td style="text-align: center;">312.00</td> </tr> </table> | | | | Due Date | Minimum Due | | To Pay in Full | 03/21/01 | 312.00 | or | 312.00 | | | | | | | | |
| Due Date | Minimum Due | | To Pay in Full | | | | | | | | | | | | | | | | |
| 03/21/01 | 312.00 | or | 312.00 | | | | | | | | | | | | | | | | |
| If you have questions on your bill, call (952) 921-9280 or (800) 862-6070 ext. 280 | | | | | | | | | | | | | | | | | | | |

EXAMPLE OF INSURED'S BILLING STATEMENT – ACCOUNT-BILLED POLICIES

| | | | |
|--|--|--|----------------|
| RETURN THIS PORTION | | Please make your check payable to Western National | |
| Account No. | 10030 | Amount Enclosed | _____ |
| Stmnt Date | AUGUST 1, 2001 | Payment Due | 08/19/01 |
| Insured | COMMERCIAL BUSINESS 4564 MILL LAKE ROAD MINNEAPOLIS MN 55403 | To Pay in Full | \$ 7,087.00 |
| | | Minimum Due | \$ 638.00 |
| | | Statement | 1234567 |
| Insured's copy | | ACCOUNT STATEMENT | |
| | | Notice Date AUGUST 1, 2001 | |
| | | WESTERN NATIONAL INSURANCE GROUP | |
| | | Page 1 of 1 | |
| Account No. | 10030 | Agent | WNI 000 |
| Insured | COMMERCIAL BUSINESS | Name | ABC AGENCY |
| | | Phone | (612) 831-1234 |
| Policy Number | | Description | |
| Effective Date | | Amount | |
| Previous Balance | | 8,543.00 | |
| Payment | | 1,461.00- | |
| STATEMENT FEE | | 5.00 | |
| <p>Your business is appreciated. Please continue to contact your agent if you desire any changes to your present coverage.</p> | | | |
| POLICY NUMBER | | TOTAL DUE | |
| MINIMUM DUE | | | |
| COMMERCIAL AUTO | 01 CA 300000013 | 1,255.00 | 50.00 |
| WORKERS COMPENSATION | 01 WC 300000011 | 5,827.00 | 583.00 |
| | STATEMENT FEE | 5.00 | 5.00 |
| Due Date | | Minimum Due | |
| 08/19/01 | | 638.00 | |
| | | or | |
| | | To Pay in Full | |
| | | 7,087.00 | |
| If you have questions on your bill, call (952) 921-9280 or (800) 862-6070 ext. 280 | | | |

Guidelines for Commercial Lines policies

ENDORSEMENTS

Additional premium endorsements will be spread across the current and remaining installments for the policy term. Return premium endorsements will be spread across any future installments for the policy.

LATE FEES

A late fee of \$5.00 will be charged for each policy if a midterm cancellation for non-payment of premium is generated.

RETURNED ITEMS

Any payments returned by the bank will result in a \$25.00 charge to the Insured's policy.

COMMISSIONS

Agent's full term commissions are paid when a policy is issued or renewed. Commissions will not be paid until the issue month or the term effective month, whichever is later. Cancellation of a new policy or non-payment of an installment will result in a debit to your commission.

PARTIAL PAYMENTS

If the Insured is anticipating a credit endorsement, but it has not been processed, it should not be deducted from the payment. The future installments will reflect these changes. If we receive a partial payment, the check will be returned to the Insured with a letter stating the correct payment must be paid by the due date in order to keep the policy in force.

REFUND CHECKS

Refund checks will be sent directly to the Insured whenever the account balance becomes a credit.

RENEWALS

The renewal will be billed on the insured's regular account statement. If the policy is billed to other than the insured (i.e., the mortgage company), the renewal will be sent directly to the payer listed on the policy.

If the renewal payment is not received by the due date, a cancellation notice will be issued by the billing system. The remittance portion of the notice may be returned with payment due and would be accepted if postmarked on or before the date indicated on the notice. If payment is not received, the renewal term will be canceled.

CANCELLATIONS

Legal notice of cancellation for non-payment of premium will be issued by the billing system. The remittance portion of the notice may be returned with the payment due and would be accepted if it is postmarked on or before the cancellation date. The Insured should pay the amount shown on the cancellation notice.

REINSTATEMENT

A reinstatement notice is issued if (1) payment is received and accepted after we have sent out a mid-term cancellation notice for non-payment of premium or (2) a return premium endorsement is processed and the credit for the current installment brings the installment balance to \$0.

PAY PLAN OPTIONS

Western National offers the following direct-bill payment plans for these lines of business. (Not all lines of business are available in all states.)

| | <i>Account Bill - Annual</i> | <i>Account Bill - Semi-Annual</i> | <i>Account Bill - Quarterly</i> | <i>Account Bill - Monthly</i> | <i>EFT - Annual</i> | <i>EFT - Semi-Annual</i> | <i>EFT - Quarterly</i> | <i>EFT - Monthly</i> | <i>Mortgagee Bill (Full Pay Only)</i> | <i>Bill Other (Full Pay Only)</i> |
|------------------------------|------------------------------|-----------------------------------|---------------------------------|-------------------------------|---------------------|--------------------------|------------------------|----------------------|---------------------------------------|-----------------------------------|
| Commercial Lines (All Lines) | X | X | X | X | X | X | X | X | X *** | X** |

An installment fee of \$5.00 will be added to each installment bill. Installment fees are not charged for EFT pay plans.

**Commercial Fire, Commercial Package, and Workers Compensation policies

***Commercial Fire and Commercial Package policies

BILLING SCHEDULE BY PAY PLAN

| Pay Plan | Installment Amount | Installment Due |
|-------------|------------------------------------|-----------------------------|
| Annual | 100% of term premium | Effective month |
| Semi-Annual | ½ of term premium | Effective month |
| | Remainder of term premium | Effective month + 6 months |
| Quarterly | ¼ of term premium | Effective month |
| | ¼ of term premium | Effective month + 3 months |
| | ¼ of term premium | Effective month + 6 months |
| | Remainder of term premium | Effective month + 9 months |
| Monthly | 1/12 th of term premium | Effective month |
| | 1/12 th of term premium | Effective month + 1 month |
| | 1/12 th of term premium | Effective month + 2 months |
| | 1/12 th of term premium | Effective month + 3 months |
| | 1/12 th of term premium | Effective month + 4 months |
| | 1/12 th of term premium | Effective month + 5 months |
| | 1/12 th of term premium | Effective month + 6 months |
| | 1/12 th of term premium | Effective month + 7 months |
| | 1/12 th of term premium | Effective month + 8 months |
| | 1/12 th of term premium | Effective month + 9 months |
| | 1/12 th of term premium | Effective month + 10 months |
| | Remainder of term premium | Effective month + 11 months |

EXAMPLE OF INSURED'S BILLING STATEMENT

Please remit to Western National Insurance Group, PO Box 59184, Minneapolis, MN 55459-6184

MARK X IN BOX FOR CHANGE OF ADDRESS. AMOUNT ENCLOSED \$ _____
 USE BLUE OR BLACK INK.

| Billing Account No. | Total Due | Minimum Due |
|---------------------|-------------|-------------|
| 1234567890 | \$ 1,605.00 | \$ 150.45 |

COMMERCIAL BUSINESS
 4564 MILL LAKE ROAD
 MINNEAPOLIS MN 55403

Your payment is due in our office by: 5-22-06

123 4567 890 5012006 2 6123456789000000 5

Account Statement

Western National Mutual Insurance Company
 5350 West 78th Street
 Edina, Minnesota 55439-3101
 www.wnins.com



| Billing Account No. | Total Due | Minimum Due |
|---------------------|-------------|-------------|
| 1234567890 | \$ 1,605.00 | \$ 150.45 |

Agent 000
 ABC AGENCY
 123 MAIN STREET
 MINNEAPOLIS MN 55403
 (612) 831-1234

Date of Billing May 12, 2008

| Date | Policy No. | Account Detail Activity Description | |
|------------------|---------------|-------------------------------------|-----------------|
| | | Prior Account Balance | 2,000.00 |
| 4/30/2008 | WC 1237897 00 | Payment | -400.00 |
| 5/01/2008 | | Service Charge | 5.00 |
| Total Due | | | 1,605.00 |

YOUR BUSINESS IS APPRECIATED. PLEASE CONTINUE TO CONTACT YOUR AGENT IF YOU DESIRE ANY CHANGES TO YOUR PRESENT COVERAGE.