

Minimum Earned vs. Minimum & Deposit

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The terms “Minimum Earned” premium vs. “Minimum & Deposit” can be very confusing. These are two widely different terms that are very easily confused. It’s not uncommon for people to use the terms interchangeably when their meanings are completely different.

While these terms are industry standard in E&S, they may not be commonly seen in the admitted/standard market area.

Minimum Earned Premium (MEP) (may also say Minimum Retained Premium)

On non-admitted annual policies, this is typically 25%*. If a policy is canceled before the minimum is earned, then the minimum earned premium applies, not a pro/short-rate premium.

*Watch for this as some policies can show MEP as high as 35% or 50%. MEPs cannot be financed. They need to be collected upfront from the retail agent at the time of binding.

Example: A policy is effective 1-1-24 at 25% MEP. If this policy cancels anytime between 1-1-24 and 4-1-24 then the 25% MEP applies, and the carrier retains 25% of the annual premium. If the same policy cancels after 4-1-24, then a pro-rata or short rate factor would be applied to calculate the unearned return to the insured.

Special event policies or term policies are 100% MEP, meaning the premium is fully earned at the inception of the policy and no refunds are given if the policy is canceled or audited.

Minimum & Deposit (M&D)

A minimum & deposit premium is the annual “ratable” premium for a policy. If a policy is 100% M&D, then under no circumstances will the annual earned premium be LESS than the minimum premium at the end of the policy term. At audit, on a 100% M&D policy, no money will be returned if the rating basis is less than what the policy was rated on.

Example: We write GL for a roofing contractor with \$10M in sales. This policy is 100% M&D with an annual policy premium of \$80,411. At audit, if the sales for this account come in less than \$10M then we do not return any premium to the insured because the \$80,411 is the minimum. If the sales are over \$10M then the audit is calculated based on the number of sales over \$10M.

Where To Find This on Quotes

The MEP and M&D can be shown differently on carrier quotes – this is from “Carrier A”:

Minimum Term Premium: 100% \$106,610

Minimum Earned Premium at Inception: 25% \$26,653

This one is from “Carrier B”:

Premium	\$17,500	Minimum and Deposit Premium
Total Terrorism Premium	\$875	See attached Terrorism Disclosure AI08010115
Total Premium	\$18,375	
Minimum Retained Premium	Company to retain no less than 25% of the Minimum Term Premium if the Insured cancels.	

Our team of experienced brokers at Arlington/Roe are here to help you understand these differences. Give us a call, and let us help you find the right solution.