

Fact Sheet - Cancellations

Most policies contain language that make the Administrator legally responsible for cancelling the policy upon request by the consumer and to refund to the consumer the pro rata remaining portion of the purchase price of the policy less an administrative fee. The Administrator normally has a dealer agreement with the selling dealer which requires the dealer to process cancellations on the Administrator's behalf. The following step by step example will detail how a policy cancellation is processed for both a cash transaction and a premium financed transaction using The ZERO Plan™ which is canceled by Universal Lenders LLC. for non payment.

Example:

48month 48000 mile Service Contract Purchase price= \$1200.00 Cost of VSC = \$600.00 Cost of ZERO Plan = \$108.00 Dealer Profit = \$492.00.00 Cancellation fee= \$50.00

Refund Calculation Summary

Customer Requested Cancellation:

Customer requests a cancellation with 6000 miles on the vehicle and 6 months after delivery (12.5% pro rata usage). The Dealer calculates a consumer refund based on 87.5% prorated use equaling \$1050.00(1200.00 Sale Price x 87.5%). A 50.00 cancellation reduces the consumer refund to 1000.00. If the customer proves that the lien holder has been satisfied (Loan paid off) the dealer issues a check directly to the customer.

Universal Lenders LLC (Universal) Requested Cancellation due to non payment:

The method of calculating the refund amount is the same as the Customer Requested Cancellation above. When the customer defaults on his debt obligation to Universal then Universal will contact the Dealer and request a cancellation per the terms of the policy. The Dealer will issue a check made payable solely to Universal **for the amount of the customer balance owed to Universal.** The amount requested is always less then the calculated customer refund. The check will be sent to Universal (**not the customer**) to payoff the customer's delinquent account.

Cancellation Effect on Profit

After the Dealer has issued the customer or Universal the refund there will be a calculation made to determine what the **Administrator owes the Dealer** for the premium the Dealer paid to the Administrator to purchase the service contract. In the example above the dealer will seek from the Administrator 87.5% of the purchase cost of the service contract totaling \$525.00 less the cancellation fee they collected (<600.00 Cost x 87.5%> - 50.00). **The cancellation's effect on the dealer's original transaction is that the dealer retains 477.00.** (492.00 original profit - 540.00 refund to Universal + 525.00 received from Administrator)

Customer Refund Surplus:

Because in most cases Universal will request a refund check from the dealer **which is less** then the refund based on the policy calculation, it will be the dealership's decision on what to do with the surplus (Calculated Refund Amount Universal Requested Amount) based on their own state laws and regulations.