

**LEXINGTON NATIONAL
INSURANCE CORPORATION**

200 EAST LEXINGTON ST • SUITE 501 • BALTIMORE, MD 21202
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(410) 625-0865 - FAX (888) 888-BAIL - TOLL FREE

January 5, 2009

Re: Change in Bail Premium/Rebating

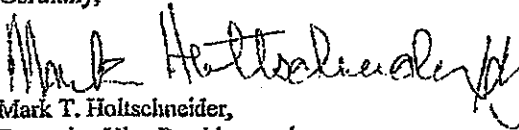
Based on recent California legal opinions that bail bond commissions may be rebated, we have concluded that there is no need for an 8% rate. Therefore, effective January 1, 2009, Lexington National is abandoning its 8% rate program for state bail bonds. Lexington National will have only one rate on state bail bonds - 10% plus \$10.00. (Our rate on federal bail bonds and immigration bonds will remain at 12% plus \$10.00.) However, because you can rebate a portion of your commission to the consumer, the net amount paid by the consumer can be less than our filed rate. The decision to rebate commission is made by you, on a case by case basis.

Prior to 1988, California law prohibited the payment of rebates in connection with the sale of insurance, including bail bonds. This prohibition was repealed by Proposition 103. Litigation and various legal opinions have concluded that bail bond commissions may be rebated. Further, as a practical matter, many bondsmen in California are regularly and openly rebating commission.

To illustrate how to properly reflect rebating, assume a defendant is charged with domestic violence and bail is set at \$50,000. The premium due would be \$5,010 ($\$50,000 \times 10\% = \$5,000 + \10). Depending on factors such as indemnitors, collateral, prior criminal history, work history, competition, etc., you may decide that no rebate is warranted and require payment of the full \$5,010 premium. Those factors, however, may lead you to agree to rebate \$1,000 (or some other amount) of your commission and thus collect less than the full \$5,010. It is important that the premium receipt show that the full 10% plus \$10.00 rate was charged to the customer and that you are giving a rebate credit. While we do not have a definitive ruling from the Department of Insurance on the receipt issue, your failure to show full premium charged and a rebate credit could result in sanctions from the Department of Insurance. Enclosed is a sample premium receipt showing a commission rebate.

Finally, please make sure to circulate a copy of this letter to all of your agents, sub-agents, and employees. If you have any questions regarding this matter, please contact me.

Cordially,



Mark T. Holschneider,
Executive Vice-President and
General Counsel

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