



Missed a premium payment? Here is what you should know

If, for any reason, policyholders find themselves unable to pay their insurance premiums, we recommend contacting their insurers to discuss any options that they may have available to assist their policyholders.

To prepare for the discussion with the insurer, the policyholder should first check the policy to familiarise him/herself with the policy requirements and provisions relating to the payment of the premium and missed premiums.

The policyholder should also familiarise him/herself with the provisions contained in the Policyholder Protection Rules.

Rules 11.6.6. and 11.6.7 of the Policyholder Protection Rules, which came into effect on 1 January 2019, require the insurer to give the policyholder written notice that it did not receive the premium within 15 days of the insurer becoming aware of the non-payment of the premium.

Rule 15.1 of the Policyholder Protection Rules states that policies must contain a provision for a period of grace within which to make payment of a premium after the due date. This period of grace must not be less than 15 days and only applies from the second month of the policy.

Here are few examples of the different provisions in policies relating to the payment of premium, the grace period and the lapsing of policies due to unpaid premiums:

1. "If the premium for your policy is not received timeously, you will not have cover for the period for which you did not pay. From the second month's due payment you will be allowed a 15 day period of grace, for the payment of the premium. If we do not receive the premium for two months in a row, the Policy will be cancelled."

While this clause mentions the 15-day grace period, required by the Policyholder Protection Rules, it

is silent on how payment of the premium should be made within the grace period. In this case the policyholder should check the policy wording for guidance. OSTI also recommends that the policyholder contact the insurer to establish what method of payment is accepted by the insurer.

2. "I will have 15 days' grace from the collection date to make arrangements for funds to be collected from my chosen bank account, provided that the reason for the non-payment of premium was not as a result of a deliberate act by me. For monthly policies this grace period will only apply from the second month of cover onwards.

During the grace period I will still be covered, on condition that the unpaid premium is paid within the time period provided."

This provision makes it clear that the policyholder must contact the insurer to arrange for payment to be made via debit order within the 15-day grace period.

Other policies may place the duty on the insurer to debit the policyholder's account again on or immediately after the 15-day grace period.

3. "Premiums are payable by means of a monthly debit order which will be presented on the date stated in the schedule and the policy will automatically be renewed for the same month. If the debit order is dishonoured by Your bank:

- i) as a result of Your instruction to the bank to stop payment of the debit order, the policy will lapse from the last day of the month for which premium was received;*
- ii) for any other reason, the following month a debit will be submitted to the bank for two months premium. If this debit is also returned unpaid, the policy will lapse from the last day of the month for which premium was received."*

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Policyholders are often unaware that certain policies consider the cancellation or reversal of a debit order by a policyholder to be an indication that the policyholder no longer wishes to be bound by the policy. Therefore, in the event of a policyholder cancelling or reversing a debit order, the policy lapses with effect from the last day of the month for which premium was received by the insurer.

Certain policies will state that, if a debit order is not successful, for any reason other than a cancellation or reversal by the policyholder, the insurer will double debit the premium the following month. This means that the policyholder benefits from a longer grace period. However, the policyholder must ensure that there are sufficient funds in his/her bank account to satisfy the payment of two premiums when the next debit date arrives.

4. We have also seen policies which stipulate that payment of the premium is due in advance on the 1st day of every month. However, the policyholder is given the option to choose the date on which the premium is debited from his/her bank account.

The policyholder may choose one of three dates on

which the premium may be debited. For example, the 1st, 8th or 15th day of the month.

The policy states, for example:

1. *"The monthly premium will be collected on your chosen Debit Day listed below*
2. *If your chosen Debit Day is the 1st or the 8th, and the Debit Order is returned unpaid by your bank, another collection will be attempted on the 15th.*
3. *If this second debit is also returned, there will be NO COVER for that month.*
4. *If your chosen Debit Day is listed as the 15th, and the Debit Order is returned unpaid by your bank, there will be no further collection attempt and there will be NO COVER for that month.*
5. *Should this happen for two months in a row, your policy will be cancelled.*
6. *Should your premium not be paid by the 15th of the month, and you choose to make a cash payment, please note that a Claim will ONLY be entertained if it occurs AFTER the payment date. Your Policy will also then remain in force.*

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7. *Should you have elected Cash as your Payment Method, please note that above Conditions 5 and 6 apply.*
8. *NB : Your chosen Debit Day is NOT the Premium Due Date (which is always the 1st of each month), but it is rather your chosen payment date, and falls within the 15 day grace period allowed for Premium payment."*

"The Premium Due Date is the 1st of each month, and the premium must always be paid on or before the 15th of each month, no matter what the Payment Method is."

The effect of the above provisions is that, although the premium remains due on the 1st day of the month, the policyholder may choose a later payment date which is inclusive of the grace period. If the payment is missed, there is no further opportunity to make up for it.

Remember, the insurer chooses the way premiums are paid and most insurers do not have the facility to accept payment by means of a cash deposit.

It is advisable to avoid allowing policies to lapse due to the non-payment of premium. If a policy lapses, it will have to be reissued and the underwriting process will need to be carried out afresh. This may have an effect on the premium. The policyholder may also be subject to waiting periods before cover actually commences.

When applying for cover with another insurer, the cancellation of a previous policy due to the non-payment of premiums will have to be disclosed to the prospective insurer.

What happens if there is a claim during the grace period?

A claim can be submitted during the grace period. However, most policies will contain a suspensive condition, such as the one in paragraph 2 on page 8. If the premium is not received within the grace period, the loss will not be covered.

When dealing with a claim that was rejected based on the non-payment of premium, depending on the circumstances of the case and the terms of the policy, consideration may be given to rule 17.12.1 of the Policyholder Protection Rules which reads:

"17.12 Claims received during periods of grace

17.12.1 If a claimant submits a valid claim in respect of an event that occurred during the period referred to in rule 15, the value of the claim may be reduced by the sum of the unpaid premium."

