

CASE STUDIES



Please note that each matter is dealt with on its own merits and no precedent is created by the findings in these matters. The case studies are intended to provide guidance and insight into the manner in which OSTI deals with complaints.

grace period for payment of missed premiums

For first time policyholders who have not had to budget for an insurance premium and who are already burdened with car instalments, paying the monthly premium timeously may sometimes become a challenge.

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.

There is no obligation on an insurer to inform an insured when a premium has not been paid, although some insurers do so.

An insured approached OSTI for assistance following the rejection of his claim for an accident that occurred on the 11th of June. The insurer rejected the claim on the grounds that the insured had failed to make payment of his premium for the month of June.

As agreed, the insurer debited the insured's bank account on the 27th of May in order to collect the premium that was due for cover for the month of June. This debit was returned unpaid. The insurer again submitted a debit on the 12th of June, 15 days later, but again the debit was returned unpaid.

We were provided with copies of the insured's bank statements and it appeared that on both occasions that the insurer attempted to collect the premium, there were insufficient funds in the account.

The insured argued that had he not missed the payment of June's premium, his premium payments would have been up to date as he had never missed a premium before.

This office found that the insured was under an obligation to ensure that the premium was timeously paid every month in order to enjoy cover under the policy. The failure to make payment of the premium for one month would entitle the insurer to decline cover for that month.

The Policyholder Protection Rules provide a period of grace of not less than 15 days to enable insureds to make late payments of premiums. Outside of the 15 days, insurers are contractually entitled to reject a claim.

In the circumstances, OSTI could not take the insured's complaint further against the insurer and we proceeded to close our file.

