

In Collaboration between
General Insurance Association of Singapore
and
Singapore Insurance Brokers Association

Premium Payment Framework

1 September 2016

Premium Payment Framework

1. Objective of the framework

To establish rules for premium payment management in general insurance.

2. Definitions

For ease of reference and clarity, the definitions of some important terms used in this paper are given below.

Personal Lines	Policies issued to any individual.
Commercial Lines	Policies issued for all classes of general insurance for businesses and commercial establishment (with the exception of marine cargo policies, marine hull policies, marine liabilities policies, aviation policies, bonds, trade credit policies, political risk policies and global/regional programmes).
Intermediaries	Refers to general insurance agents and insurance brokers as stipulated in the Insurance Act (Cap 142).
Global/Regional Programmes	<p>Refers to insurance programmes</p> <ul style="list-style-type: none">a) Emanating from Singapore and covering multiple countries (including Singapore) for each programme; orb) Where a Singapore insurer issues local policies as part of an insurance programme emanating from a country other than Singapore. <p>All Workmen's Compensation and Motor insurance policies are excluded from this definition, unless the terms of cover and issuance of these policies fall within the control of the Global/Regional Programme.</p>
Marine Cargo Policy	<p>Means a policy of insurance</p> <ul style="list-style-type: none">a) upon goods, merchandise or property of any description whatever on board vessels; orb) against transit risks (whether is by sea, inland water or air, or partly one and partly another) including risks incidental to the transit insured from the commencement of the transit to the ultimate

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destination covered by the insurance.

Marine Hull Policy Means a policy of insurance upon vessels or the machinery, tackle, furniture or equipment of vessels.

Marine Liabilities Policy Means a policy of insurance

- a) against damage arising out of or in connection with the use of vessels or aircraft, including third-party risks; or
- b) against risks incidental to the construction, repair or docking of vessels, including third-party risks.

3. Code of Practice for Premium Payment

All existing guidelines issued by the General Insurance Association of Singapore (GIA) and the Singapore Insurance Brokers Association (SIBA) to their members will now be codified under this **Premium Payment Framework**. This single set of code will jointly apply to insurers and intermediaries.

4. Premium Payment Warranty

To facilitate the collection of premiums from policyholders, 3 types of premium payment warranty will be incorporated into policies issued:

- 4.1 Payment Before Cover Warranty
- 4.2 Premium Payment Warranty
- 4.3 Premium Instalment Payment Warranty

4.1 Payment Before Cover Warranty

The Payment Before Cover Warranty will apply to the following:

- a. all Personal Lines policies; or
- b. all Bonds

The Payment Before Cover Warranty will apply for Bonds as banks or other principal organisations would generally require irrevocable demand bonds and would want to ensure that the Bonds do not carry any written qualification that allows it to be terminated during its currency.

A Personal Lines policy or a Bond shall not be in force unless premium is paid to the insurer or intermediary on or before the date of inception of the policy or Bond.

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4.1.1 Recommended Endorsement Wordings for Payment Before Cover Warranty

1. *The premium due must be paid to the Insurer (or the intermediary through whom this Policy or Bond was effected) on or before the inception date (“the inception date”) or the renewal date of the coverage. Payment shall be deemed to have been effected to the Insurer or the intermediary when one of the following acts takes place:*
 - a) *Cash or honoured cheque for the premium is handed over to the Insurer or the intermediary;*
 - b) *A credit or debit card transaction for the premium is approved by the issuing bank;*
 - c) *A payment through an electronic medium including the internet is approved by the relevant party;*
 - d) *A credit in favour of the Insurer or the intermediary is made through an electronic medium including the internet.*
2. *In the event that the total premium due is not paid to the Insurer (or the intermediary through whom this Policy or Bond was effected) on or before the inception date or the renewal date, then the insurance shall not attach and no benefits whatsoever shall be payable by the Insurer. Any payment received thereafter shall be of no effect whatsoever as cover has not attached.*
3. *In respect of insurance coverage with Free Look provision, the policyholder may return the original policy document to the Insurer or intermediary within the Free Look period if the policyholder decides to cancel the cover during the Free Look period. In such an event, the policyholder will receive a full refund of the premium paid to the Insurer provided that no claim has been made under the insurance and the cover shall be treated as if never put in place. Free Look provision does not apply to Bond.*

- 4.1.2 Should there be extenuating circumstances resulting in non-payment of premiums, and thereby a breach of the Warranty, insurers should consider the circumstances on a case-by-case basis and review the cover within a reasonable time to ensure a fair outcome.

4.2 Premium Payment Warranty

The Premium Payment Warranty will apply to policies issued for ALL classes of general insurance relating to Commercial Lines transacted by insurers or intermediaries.

Under the warranty, if the period of insurance is more than 60 days, the policyholder is required to pay the premium due under the policy in full within

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60 days from the date of inception of the policy. If this warranty is not complied with, then the policy is automatically terminated from the expiry of the 60-day period and the insurer will be entitled to a pro-rata premium for the 60-day period they have been on risk. If the period of insurance is less than 60 days, then the insured is required to pay the premium due under the policy in full within the period of insurance.

4.2.1 Recommended Endorsement Wording for Premium Payment Warranty

1. *Notwithstanding anything herein contained but subject to clause 2 hereof, it is hereby agreed and declared that if the period of insurance is 60 days or more, any premium due must be paid and actually received in full by the Insurer (or the intermediary through whom this Policy was effected) within 60 days of the inception date of the coverage under the Policy, Renewal Certificate or Cover Note.*
2. *In the event that any premium due is not paid and actually received in full by the Insurer (or the intermediary through whom this Policy was effected) within the 60-day period referred to above, then:*
 - (a) *the cover under the Policy, Renewal Certificate or Cover Note is automatically terminated immediately after the expiry of the said 60-day period;*
 - (b) *the automatic termination of the cover shall be without prejudice to any liability incurred within the said 60-day period; and*
 - (c) *the Insurer shall be entitled to a pro-rata time on risk premium subject to a minimum of S\$25.00.*
3. *If the period of insurance is less than 60 days, any premium due must be paid and actually received in full by the Insurer (or the intermediary through whom this Policy was effected) within the period of insurance.*

4.2.2 To bring about greater policyholder awareness and to enhance transparency, the tax invoices issued by insurers and/or debit notes issued by intermediaries must incorporate an Important Notice to highlight the application of the Premium Payment Warranty. If premiums are not received, the insurers (for direct accounts) or the intermediaries must also send a reminder to the policyholders at least 2 weeks before the expiry of the Premium Payment Warranty period.

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4.3 Premium Instalment Payment Warranty

The Premium Instalment Payment Warranty will apply to policies issued for ALL classes of general insurance relating to Commercial Lines business transacted by insurers or intermediaries.

Insurers are at liberty to schedule payments provided:

- The 1st instalment must be paid within 60 days from the commencement of the policy; and
- The remaining instalments shall be paid by the subsequent due dates.

4.3.1 Recommended Endorsement Wordings for Premium Instalment Payment Warranty

1. *Notwithstanding anything herein contained but subject to clauses 2 and 3 hereof, it is hereby agreed and declared that:*

- (i) the 1st instalment due must be paid and actually received in full by the Insurer (or the intermediary through whom this Policy was effected) within 60 days of the inception date of the coverage under the Policy, Renewal Certificate or Cover Note;*

AND

- (ii) the 2nd and subsequent instalments, if any, of the total premium due, in such amounts as specified by the Insurer for each instalment, must be paid and actually received in full by the Insurer (or the intermediary through whom this Policy was effected) on or before the respective due dates as specified by the Insurer.*

2. *In the event that the 1st instalment is not paid and actually received in full by the Insurer (or the intermediary through whom this Policy was effected) within the 60-day period referred to above, then:*

- (a) the cover under the Policy, Renewal Certificate or Cover Note is automatically terminated immediately after the expiry of the said 60-day period;*

- (b) the automatic termination of the cover shall be without prejudice to any liability incurred within the said 60-day period; and*

- (c) the Insurer shall be entitled to a pro-rata time on risk premium.*

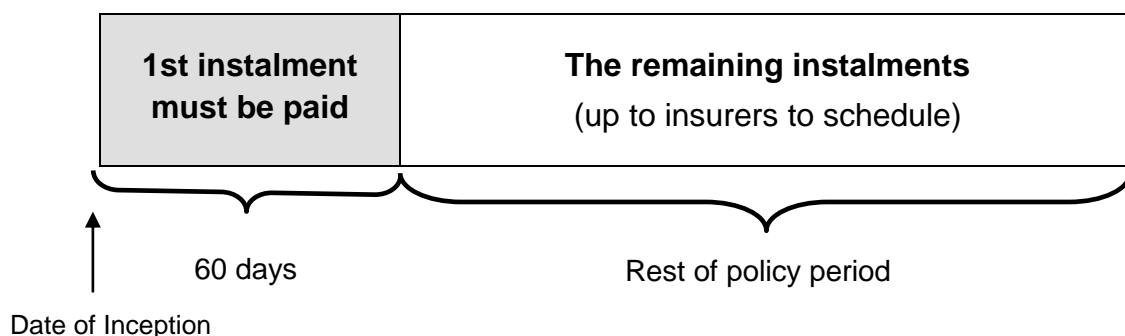
3. *In the event that the 2nd or any subsequent instalment of the total premium due is not paid and actually received in full by the Insurer (or the intermediary through whom this Policy was effected) on or before the respective due dates as specified by the Insurer, then:*

- a) the cover under the Policy, Renewal Certificate or Cover Note is automatically terminated immediately after the respective due date in respect of which the instalment has not been paid; and*

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b) *the automatic termination of the cover shall be without prejudice to any liability incurred within the period before the respective due date in respect of which the instalment has not been paid.*

4.3.2 Illustration of Instalment Payment Plan



5. **Terms of Settlement Between Intermediaries And Insurers**

Terms of settlement refer to the handing over of payments received by the intermediaries from the policyholders to the insurers.

i. **Agents**

The settlement terms of both Cash Agents and Credit Agents will be governed by their respective Agency Agreements and the General Insurance Agents Registration Regulations (GIARR).

ii. **Brokers**

Regardless of the types of policy, settlement terms of all Brokers are required to comply with the Insurance Broking Premium Accounts requirements established in the Insurance (Intermediaries) Regulations. Pursuant to Regulation 7 (14) of the Insurance (Intermediaries) Regulation, Brokers must pay all premiums received from the policyholder by the 90th day from the date of commencement of cover. The following illustration will help put settlement requirement for Brokers in perspective.

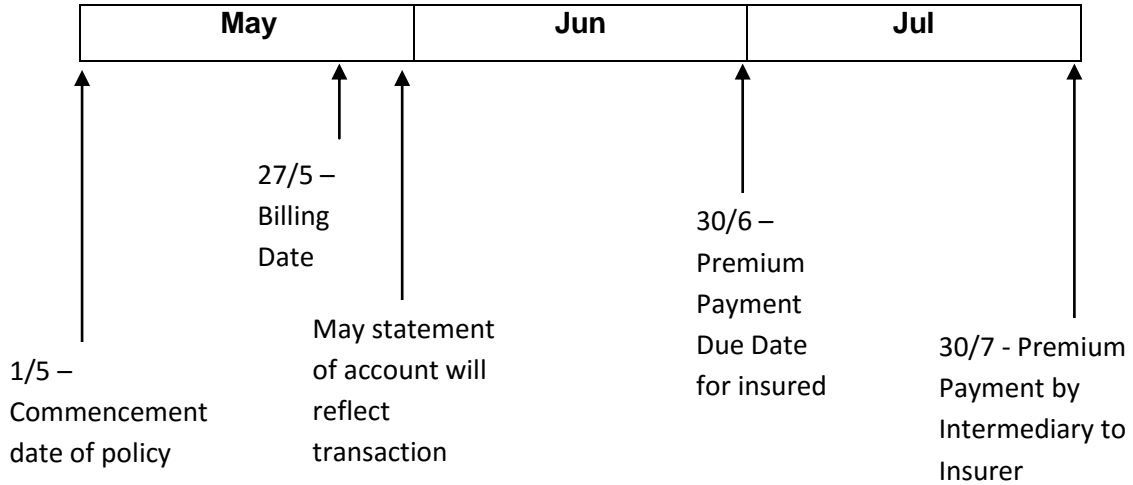
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5.1 An Illustration of the Settlement Requirements For Intermediaries and Policyholders

Scenario 1

Insurer A: Financial Closing Date - 31 May 2015

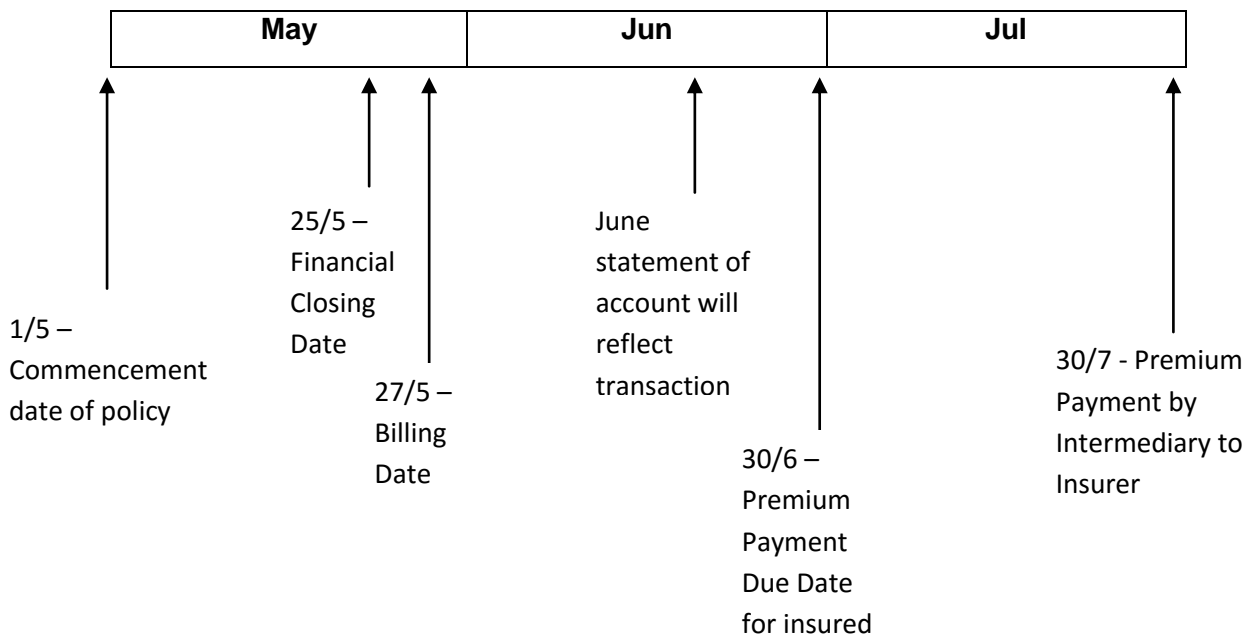
Bill date - 27 May 2015



Scenario 2

Insurer B: Financial Closing date - 25 May 2015

Bill Date - 27 May 2015



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6. Recommended Practice Applicable to Commercial Lines Business

6.1 New or Renewal Policy or Endorsement

The following will be adopted for New or Renewal policies or Endorsements where the insurers have yet to receive a complete set of the required information:

- i. Intermediaries have to present their closings to insurers on or prior to the inception date.
- ii. In the event that intermediaries issue hold covered instructions to insurers, the following shall apply:
 - (A) In respect of new business
 - i. Where the risk has been bound and the insurers have yet to receive a complete set of the required information, the insurers will proceed to issue the policy based on essential information received from the intermediaries (“the New Policy”).
 - ii. Insurers are to issue tax invoices and policy documents within 30 days after the inception date of the New Policy.
 - iii. Upon subsequent receipt of the required information, the insurers shall be entitled to issue endorsements to extend or amend the cover of the New Policy and issue tax invoices for these endorsements accordingly.
 - (B) In respect of renewal business
 - i. The insurers will proceed to renew based on the essential information received from the intermediaries or expiring sums insured/ wageroll/ limits (“the Renewal Policy”).
 - ii. Insurers are to issue tax invoices and policy documents within 30 days after the inception date.
 - iii. Upon subsequent receipt of further information, the insurers shall be entitled to issue endorsements to extend or amend the cover of the Renewal Policy and issue tax invoices for these endorsements accordingly.
 - (C) Collection of Premium
 - i. Intermediaries will be given 60 days from inception date of the New Policy, Renewal Policy or their respective endorsements, to collect the premium from their policyholders.

6.2 Overdue Premiums

If the intermediaries are unable to collect the premium from their policyholders within 60 days from inception of the New Policy, Renewal Policy or the applicable endorsement:

- i. The policy or endorsement will automatically terminate effective from the 61st day of cover.

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- ii. The intermediaries must notify the policyholders immediately by fax, email and/or mail, of the cessation of cover, copied to the insurers.
- iii. Whether the liability or claims is incurred or not by the insurers within the 60-day period, the policyholders are liable to pay time on risk premiums.
- iv. Intermediaries are required to notify the insurers of the policyholders who have breached the Premium Payment Warranty within 5 working days of the breach.
- v. If the intermediaries notify the insurers within 5 working days of the breach, the intermediaries will not be liable for the collection of the time on risk premiums.
- vi. If the intermediaries do not notify the insurers within 5 working days of the breach, then the intermediaries will be liable for the collection of the time on risk premiums.

6.3 Re-marketing after cancellation due to breach of Premium Payment Warranty

To avoid an abuse of the system by cancelling covers and placing through other intermediaries or with other insurers, all intermediaries and insurers (for direct accounts) shall insert the following declarations in the quotation slips and insurance policies to the effect that policies applied for have not been in whole or in part terminated by another insurer due to non-payment of premiums in the last 12 months.

If they declare a breach of premium payment warranty in the last 12 months, confirmation must have been first received from the insurer of the previous policy that time on risk premiums have been paid before cover incepts.

6.3.1 Recommended Wordings for Declaration in Quotation Slip

Quotation Slip

Condition Precedent

1. *The validity of this Quotation is subject to the condition precedent that:*
 - (a) *for the risk quoted, the proposed policyholder has never had any insurance terminated in the last twelve (12) months due solely or in part to a breach of any premium payment condition; or*
 - (b) *if the proposed policyholder has declared that it has breached any premium payment condition in respect of a previous policy taken up with another insurer in the last twelve (12) months:*

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- i. the proposed policyholder has fully paid all outstanding premium for time on risk calculated by the previous insurer based on the customary short period rate in respect of the previous policy; and*
- ii. a copy of the written confirmation from the previous insurer to this effect is first provided by the proposed policyholder to the Insurer before cover incepts.*

6.3.2 Recommended Endorsement Wordings for Policy

Insurance Policy

Condition Precedent

1. *The validity of this Policy is subject to the condition precedent that:*
 - (a) for the risk insured, the named policyholder has never had any insurance terminated in the last twelve (12) months due solely or in part to a breach of any premium payment condition; or*
 - (b) if the named policyholder has declared that it has breached any premium payment condition in respect of a previous policy taken up with another insurer in the last twelve (12) months:*
 - i. the named policyholder has fully paid all outstanding premium for time on risk calculated by the previous insurer based on the customary short period rate in respect of the previous policy; and*
 - ii. a copy of the written confirmation from the previous insurer to this effect is first provided by the named policyholder to the Insurer before cover incepts.*

6.4 Suspension and/or Reinstatement of Cover if Payment After Breach

When premium (including without limitation, the time on risk premium) is paid by the policyholder after the period or date allowed under the Premium Payment Warranty, cover must be suspended from the date of breach to date of payment.

Cover may be reinstated from the date of receipt of full payment to the original expiry date. This would serve to encourage the policyholder to remain with the same insurer.

Alternatively, the insurer can allow the policy to lapse and issue a fresh replacement policy.

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