

Premium Payment Application and Policy Cancellation Policy

We often receive payments which do not match billings for premiums due at the time of receipt. This circumstance may arise in a variety of situations including: Renewals of multiple policies, changes in coverage, addition of new coverages and/or insured properties and risks, to name a few. Our policy with respect to payments is as follows:

1. Premium payments will be applied to the extent possible as specifically indicated on the check or payment method.
2. Payments received without instructions as to application of funds will be applied to oldest billings first until premiums for the maximum coverage have been paid. Preference will be given to underlying coverages in favor of excess coverage where excess coverage requires that underlying coverage.
3. Where cancellation of a policy results in a refund of premium, the amount of the refund will be applied in the same manner as specified in 2, above, for a payment received.
4. Where an endorsement to a policy results in additional premium, failure to pay that additional premium will result in action under 4, below.
5. To the extent payment does not fully cover premium due on a specified policy or endorsement to a policy, after application of funds under 2, above, the payment will be returned with a notice so you will have an opportunity to make a correct payment. If you fail to do so, you will receive a notice of cancellation of that policy as required by law.
6. For further information see attached examples of various cases of payment discrepancy.

Scenario: No – Endorsements

Year 2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Invoice(\$)	100	100	100	100	100	100	100	100	100	100	100	100
Payment_recvd(\$)	0	0	0	0	0	0	0	0				

Case 1: No Payment received: If no payment is received on the property for any of the invoices generated so far

Billing Frequency	Solution
Monthly	Flat Cancel
Annual	Flat cancel

Note: From the above example the cancellation date should fall on Jan 01, 2018 irrespective of billing frequency

Year 2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Invoice(\$)	100	100	100	100	100	100	100	100	100	100	100	100
Payment_recvd(\$)	100	100	100	0	0	0	0					

Case 2: Payment received for few months: If payment on the property is received for few months and no payment is received after that

Billing Frequency	Solution
Monthly	Last paid date

Note: From the above example the cancellation date should fall on Mar 31, 2018

Year 2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Invoice(\$)	100	100	100	100	100	100	100	100	100	100	100	100
Payment_recvd\$(monthly)	100	100	50	75	0	0	0	0				
Payment_recvd\$(annual)	325	0	0	0								

Case 3: Partial payments: received partial payments on invoices for few months

Billing Frequency	Solution
Monthly	Pro-rated cancellation
Annual	Pro-rated cancellation

Note: From the above example the cancellation date should fall on Apr 7, 2018.

Year 2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Invoice(\$)	100	100	100	100	100	100	100	100	100	100	100	100
Payment_recvd(\$)	100	0	50	150	0	100	0	0	0	0		

Case 4: Random Payments: payments received on invoices with missing payments or with partial payments

Billing Frequency	Solution
Monthly	Pro-rated cancellation

Note: From the above example the cancellation date should fall on Apr 31, 2018 i.e., adjusting the payments to the most earliest invoices first

Scenario: Cert falls into 2 terms

Month	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Invoice(\$)		100	100	100	100	100	100	100	100	100	100	100	100
Payment_recvd(\$)	2017	100	100	100	100	100	100	100	100	100	100	100	0
Payment_recvd(\$)	2018	100	100	100	0	0	0	0					

Case 5: Missing payments: missed payments for the month of Dec 2017 but received payments on the invoice generated in the renewal term

Billing Frequency	Solution
Monthly	Pro-rated cancellation
Annual	Pro-rated cancellation

Note: From the above example the

- Cancellation date should fall on Jan 31, 2018 for a monthly account
- Cancellation will be processed on current term (2018) certificate
- Suppose if the payment is received in full for the renewal term then the cancellation date for
 - Monthly- Nov 30, 2018
 - Annual- Nov 30, 2018

Case 6: payments not received on the invoices from the last month of prior term (2017) to the current term (2018)

Billing Frequency	Solution
Monthly	Pro-rated cancellation
Annual	Pro-rated cancellation

Note: from the above example the cancellation date should fall on Nov 30, 2018 i.e prior term cert should be cancelled prorated and current term (2018) cert should be flat cancelled

Scenario: Endorsements – increase or decrease in coverage

Case 7: No payment received on any of invoices and endorsement is processed

Billing Frequency	Solution
Monthly	Flat cancel
Annual	Flat cancel

Note: from the above example the cancellation date should fall on Jan 01, 2018 (Flat Cancel)

Case 8: Payments received on the endorsement invoice for few months

Billing Frequency	Solution
Monthly	Last paid through date

Year 2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Invoice(\$)	100	150	150	150	100	100	100	100	100	100	100	100
Payment_recvd(\$)	100	150	150	150	0	0	0					

Note: from the above example the cancellation date should fall on Apr 31, 2018. The same logic applies to multiple endorsements

Case 9: Payments received on the endorsement invoices partially for few months

Billing Frequency	Solution
Monthly	Pro – rata

Note: from the above example the cancellation date should fall on Apr 21, 2018 [pro-rata]. The Same logic should applies to multiple endorsements

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Invoice(\$)	100	100	100	150	150	150	150	150	150	150	150	150
Payment_recvd(\$)	100	100	100	110	0	0	0	0	0	0	0	0
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Invoice(\$)	100	100	100	150	150	150	150	150	150	150	150	150
Payment_recvd(\$)	100	100	100	110	0	0	0	0	0	0	0	0