

Payment of premiums and consequences of non-payment¹

<p>Austria</p>	<p>Several provisions of the VersVG define the obligation of the insurer. They are usually non mandatory, however, deviation is subject to unfair terms control (e.g., § 109 (hail insurance); § 116 para. 1 (insurance of animals); § 129 VersVG (transport insurance); § 14 general liability insurance); § 158j (legal expenses Insurance); § 178b (health insurance);</p> <p>Additional rules are contained in the Motor Vehicle Liability Insurance Act , especially but not limited to § 2</p>
<p>Bulgaria</p>	<p>The default general rule (art.192 Code for the Insurance) is that the whole premium, or the first instalment, shall be paid upon conclusion of the contract.</p> <p>Art.202 contains more detailed rules with regard to property insurance: Payments are due within the term agreed under the contract. In case of failure to pay the insurer may reduce the insurance amount, amend the contract or terminate it.</p> <p>Those remedies can be exercised no earlier than fifteen days from a written notification. The written notification is presumed to be served in case the insurer has explicitly specified in the insurance policy which of the remedies would be exercised upon expiry of the 15-day period.</p> <p>When an insured event has occurred prior to full payment of the premium, the insurer may deduct the amount of unpaid premium from the amount of insurance indemnity.</p> <p>When it has been agreed that the insurance cover shall commence before any payment the insurer shall be entitled to require payment, along with the legal interest from the date of delay.</p> <p>Art.202 is also applicable for third party insurance and for mandatory third party motor insurance.</p> <p>Art.236 is the special rule for life insurance: Where a due instalment is not paid, the insurer cannot claim payment before court. Instead the insurer is obliged to request payment in writing within at least one month from receipt of that request.</p> <p>If the premium due is still not paid the insurer may reduce the insurance amount to the value of the redemption payment, provided that the instalments have been paid for at least two years. Failing this, the insurer may terminate the contract. If the insurable event takes place before the insurance amount is reduced or before the contract is terminated as specified above, the insurance amount shall be considered to have been reduced or the contract to have been terminated.</p>
<p>Croatia</p>	<p>Pursuant to the definition of the insurance contract in Article 921 of the Civil Obligations Act (Official Gazette NN35/05) under the insurance contract, an insurer undertakes to a policyholder to pay the indemnity to the insured person or insurance beneficiary upon the occurrence of an insured event, while the policyholder undertakes to pay insurance premiums to the insurer. Pursuant to Article 936 of the Civil Obligations Act the policyholder shall pay the insurance premium and the insurer shall receive payment of the premium by</p>

¹ The information in this table is provided by insurance experts or insurance organisations from respective country. It does not contain a thorough review of all Member States' insurance contract laws and does not reflect the official opinion of the Commission.

	<p>any person who has a legal interest in such a payment. The policyholder shall pay the premium within the agreed time limits, and if it is to be paid as a lump-sum, the premium shall be paid on entering into contract. The place of the premium payment shall be the place where the policyholder is domiciled or resident, unless another place is stipulated in the contract.</p> <p>Cases where the contractual relationship in the field of insurance arises on the payment of the premium may be included in the terms and conditions of insurance (Art. 927 of the Civil Obligations Act).</p> <p>Consequences of non-payment differ depending on the kind of insurance contract signed. Pursuant to the provision from Article 937 of the Civil Obligations Act if a policyholder, or any other interested party, fails to pay the premium due after the conclusion of the contract on the due date, the insurance contract shall terminate, by operation of law, upon the lapse of 30 days following a delivery of the registered letter to the policyholder informing him of the premium due date. However, this time limit cannot lapse before the expiry of thirty days from the premium due date.</p> <p>In any case, the insurance contract shall terminate by operation of law, if the premium is not paid within one year following its due date.</p> <p>The provisions of this Article shall not apply to life insurance and accident insurance. Thus with contracts by which persons are insured pursuant to Article 969 of the Civil Obligations Act where a life insurance or accident insurance policyholder has failed to pay a premium on its due date, the insurer shall not have a right to require its collection in court proceedings.</p> <p>If a policyholder, upon an invitation by the insurer which must be served by registered mail, or any other interested party fails to pay the due premium within the time limit indicated in that letter, which may not be shorter than 30 days counting from the date when the letter has been served, the insurer may only communicate to the policyholder that the insured amount is reduced to the amount of the surrender value, provided that at least 3 annual premiums have been paid until that time, or, otherwise, that the contract is cancelled.</p>
<p>Estonia</p>	<p>§ 454 LOA: Payment of insurance premium</p> <p>(1) A policyholder shall pay the insurance premium or, in the event of an agreement to pay periodic insurance premiums, the first insurance <u>premium immediately after entry into the contract</u>.</p> <p>(2) If the policyholder is to be issued with a policy, the <u>policyholder may refuse to pay the insurance premium until the policy has been issued</u> to the policyholder.</p> <p>(3) It is presumed that the <u>beginning of each new period of insurance is the due date</u> for payment of the insurance premium for the subsequent period of insurance.</p> <p>§ 457 LOA: Delay in payment of first insurance premium</p> <p>(1) <u>If</u> a policyholder fails to pay a single premium or the first premium within 14 days after entry into the insurance contract, the insurer has the right, as long as the premium has not been paid, <u>to withdraw</u> from the contract. The insurer is presumed to have withdrawn from the contract if the insurer does not file an action to collect the insurance premium within three months after the premium becomes collectable.</p> <p>(2) <u>If</u> the insurance premium or first insurance premium which has become collectable has not been paid by the time the insured event occurs, the insurer shall be <u>released from its performance obligation</u>.</p> <p>(3) The insurer shall not rely on the provisions of subsections (1) and (2) of this section if the insurer did not <u>inform the policyholder of these consequences</u> prior to entry into the contract.</p>

	<p>§ 458. Delay in payment of subsequent insurance premiums</p> <p>(1) If the policyholder fails to pay the second or a subsequent premium in time, the insurer may, in a format which can be reproduced in writing, set a term of at least 2 weeks or, if a structure is insured, 1 month for the policyholder to pay. In the notice, the legal consequences resulting from the expiry of the term shall be indicated.</p> <p>(2) <u>If</u> the insurer has set an additional term for the payment of an insurance premium and the insured event occurs after the expiry of the term and if at the time of occurrence of the insured event the policyholder is in default with payment of the insurance premium, the insurer shall be <u>released from its performance obligation</u>, unless failure to pay the insurance premium was due to circumstances beyond the control of the policyholder.</p> <p>(3) <u>If</u> the insurer has set a term for payment specified in subsection (1) of this section and the policyholder fails to pay the insurance premium within the specified term, the insurer may <u>cancel the insurance contract without prior notice</u>. The insurer may state in the notice specified in subsection (1) of this section that it will consider the contract as having been cancelled upon expiry of the term if the policyholder fails to pay the premiums within the term.</p> <p>(4) <u>If</u> the policyholder pays the insurance premium within one month as of the cancellation of the contract or the expiry of the term for payment and the insured event does not occur before payment, the <u>contract shall not be deemed to have been cancelled</u> in the case specified in subsection (3) of this section.</p>
<p>Finland</p>	<p>There are very detailed provisions in sections 38 to 45 as to the payment of premiums and the consequences for non-payment.</p> <p>Insurance premiums are to be paid within a month after the insurer has sent the bill to the policyholder. The first payment does not need to be performed prior to beginning the insurer's liability, unless the payment is not precondition for the beginning of the insurer's liability under the insurance contract terms.</p> <p>If the policyholder has failed to pay the insurance premium within the prescribed period, the insurer has the right to terminate the insurance contract 14 days after the date on which the notice is sent. In the field of continuous non-life insurance the insurer does not have the right to terminate the contract.</p> <p>If it is stipulated in the contract terms that the insurer's liability does not expire before the end of the insurance period even though the payment regarding the insurance period is not completed in time, the insurer may charge interest for late payment and distraint/foreclose all due debts without the court order provided that the insurer has made a note to that in the bill.</p>
<p>France</p>	<p>(NON-LIFE) Article L113-2 Insurance Code: Modifié par Loi n°89-1014 du 31 décembre 1989 - art. 10 JORF 3 janvier 1990 en vigueur le 1er mai 1990</p> <p>The insured is obliged to:</p> <ul style="list-style-type: none"> - pay the premiums or the contributions at the agreed time; <p>[...]</p> <p>Article L113-3 Insurance Code: Modifié par Loi n°81-5 du 7 janvier 1981 - art. 31 JORF 8 janvier 1981 rectificatif JORF 8 février 1981</p> <p>(LIFE + NON LIFE) The premium shall be payable at the address of the insurer or of the representative that it appoints for this purpose. However, the premium may be payable at the address of the insured or at any other place agreed in the cases and terms restrictively set by decree in Conseil d'Etat.</p> <p>(NON LIFE) In the event of non-payment of a premium or a part of a premium within ten</p>

	<p>days as of its due date, and irrespective of the insurer's right to sue for performance of the contract, the cover may be suspended only thirty days after the insured has been served with formal notice. If the annual premium is payable by instalments, the suspension of the cover, in the event of non-payment of one premium instalments, shall be valid until the expiry of the annual period in question. The premium or premium instalment shall be payable at the insurer's premises in all events, after formal notice has been served on the insured.</p> <p>(NON LIFE) The insurer shall be entitled to terminate the contract ten days after expiry of the thirty day period referred to in the second paragraph of this Article.</p> <p>(NON LIFE) The contract that has not been terminated shall be revived for the future at noon on the day after the premium in arrears or, in the event of the annual premium payable by instalments, the premium instalments that were the subject of the formal notice and those to fall due during the suspension period as well as legal fees and collection charges, have been paid to the insurer or to the representative that it appointed for this purpose.</p> <p>(LIFE) Article L132-20 Insurance Code: Modifié par Loi n°92-665 du 16 juillet 1992 - art. 21 JORF 17 juillet 1992 Modifié par Loi n°92-665 du 16 juillet 1992 - art. 24 JORF 17 juillet 1992 Modifié par Loi n°92-665 du 16 juillet 1992 - art. 27 JORF 17 juillet 1992 Modifié par Loi n°92-665 du 16 juillet 1992 - art. 30 JORF 17 juillet 1992</p> <p>Insurance or a capitalisation firm may not bring an action to demand payment of premiums. When a premium or part of a premium is not paid within ten days of its due date, the insurer shall send the contracting party a registered letter in which it shall inform the insured that upon expiry of a forty day period as from the date of posting said letter, the non-payment to the insurer or its appointed representative of the premium or part of the premium due and any premiums to fall due during said period shall entail either the termination of the contract in the event of the absence of inadequacy of the surrender value or the reduction of the contract. The posting of the registered letter by the insurer renders the premium payable at the insurer's premises in any event.</p> <p>Non-payment of a contribution owed under a capitalisation contract may be penalised only by the suspension or pure and simple termination of the contract and, in the latter case, the surrender value that said contract has possibly</p> <p>Article L114-1 Insurance Code: Modifié par Loi n°2006-1640 du 21 décembre 2006 - art. 18 (V) JORF 22 décembre 2006</p> <p>All legal actions arising from an insurance contract shall be barred two years as from the event that gave rise to them. [...]</p> <p>PROCEDURAL REGULATIONS: Article R113-1 Insurance Code: Modifié par Décret n°92-1356 du 22 décembre 1992 - art. 4 (V) JORF 29 décembre 1992</p> <p>The notice of default of Article L 113-3 should be done sending a registered letter to the official address of the insured or of the person in charge of the premiums payments.</p> <p>Article R*113-4 Insurance Code: Every time a premium reaches its maturity, the insurer shall advise the insured or the person in charge of the payments on the due date and on the total amount that has to be paid.</p>
Germany	<p>§ 33 VVG: (1) The policyholder must pay a single premium or, where payment of recurrent premiums has been agreed, must pay the first premium without delay 14 days after receipt of the insurance policy. (2) If the insurer previously collected the premium, the policyholder shall not be obligated to</p>

	<p>transfer the premium until requested to do so in writing by the insurer.</p> <p>§ 37 VVG: If the single premium or the first premium is not paid on time, the insurer is entitled to terminate the contract, unless the policyholder is not responsible for the non-payment. The insurer is not obliged to pay when the insured event occurs before the payment of the premium, unless the policyholder is not responsible for the non-payment. However the insurer has to inform the policyholder of the legal consequence of non-payment of the premium in writing in a separate communication or by means of a conspicuous note in the insurance policy.</p> <p>§ 38 VVG: If a subsequent premium is not paid in due time, the insurer may set the policyholder a deadline of two weeks minimum at his expense and in writing. The setting of the deadline is only effective if it details the individual amounts of the premium which are in arrears, the interest and costs, as well as quoting the legal consequences associated. If the insured event occurs after the expiration of the deadline and if the policyholder has not yet paid the premium or the interest or costs, the insurer is obliged to effect payment. The insurer may, after the expiration of the deadline terminate the contract without prior notice. The termination becomes void if the policyholder pays the premium within one month after the termination of the contract or the expiration of the deadline. §§ 37, 38 VVG are semi-mandatory, § 42 VVG.</p>
Greece	<p><u>Art 6 of law 2496/97 in regard to insurance contract:</u></p> <p>The premium must be pre-paid in cash. By result, the cover does not begin before the premium; either the single premium or its first instalment is paid.</p> <p>In case the insured fails to pay subsequent instalment due, the insurer has the right to terminate the contract. The termination is made by a written notice sent to the insured which informs the latter that any further delay shall result, on the expiry of one month from the receipt of the notice, in the termination of the contract.</p>
Hungary	<p>(Ptk. 6:447.)² The first insurance premium shall be due at the time stipulated in the contract. Lack of such an agreement the insurance premium is due by the conclusion of the contract. Single premium shall be paid at the time when contract is concluded. Insurance period is 1 year.</p> <p>(Ptk. 6:449)] In case of non-payment, the insurer must call upon the client in written form to settle the payment within 30 days. If client does not meet this obligation, the contract shall be extinguished, unless the insurer file for court action regarding the premium payment. For life insurance with investment element, the consequence of non-payment is that insurer reduce the insurance amount, but the contract itself is not terminated.</p>

² The text below refers to the following Hungarian laws:

- **Ptk.** – Hungarian Civil Code; Act of V of 2013.
- **Bit.** – Act on Insurance Institutions and Insurance Business; Act of LX of 2003.

	<p>Ptk. 6:467</p> <p><i>[Partial payment of premium]</i></p> <p>(1) If only a part of the due premium is paid, and the insurance company's request - made in accordance with the provisions on non-payment of premium - to the contracting party for payment of the sum owed proved unsuccessful, the contract shall remain in force with the same amount of coverage for a term to which the premium paid corresponds.</p> <p>(2) If a contract is terminated for non-payment of the premium, the insurance company shall be entitled to demand repayment of the time-proportionate part of the term discount.</p> <p>Ptk. 6:481</p> <p><i>[Consequences of non-payment of premium]</i></p> <p>(1) The insurance company shall be entitled to bring action to enforce its claim for premium payments for the entire insurance period in the first year. The insurance company shall only be entitled to exercise this right after the first year if the contracting party makes any payment in that year, or if they agreed on deferred payments.</p> <p>(2) In the event of non-payment of premium, an ordinary life insurance policy other than term life insurance shall remain in effect with the premium reduced accordingly (hereinafter referred to as „premium-free reduction“). The contracting party shall have the option to terminate the contract by notice instead.</p> <p>(3) The contract may not be rendered premium-free if the surrender value has not been calculated at the time of premium-free reduction. In this case the contract shall be terminated in the absence of a settlement value.</p>
<p>Italy</p>	<p><u>NON-LIFE, Art. 1901 Civil Code:</u></p> <ul style="list-style-type: none"> - non-payment of the first premium: the insurance is suspended till the payment; - Non-payment of subsequent premium: the insurance is suspended from the 15th day after the payment date; no requirement of warning exists. <p><u>LIFE, art. 1924 Civil Code:</u></p> <ul style="list-style-type: none"> - non-payment of the first premium: the insurer may start an action for the payment by 6 months from the payment date; - other non-payments: automatic termination of the contract if they are not paid by the 20th day from the payment date <p>No period of grace exists.</p> <p>There exist formal requirements for the termination of the contract.</p>

Portugal

1. Articles 51 to 61 of the Legal Regime state for the general regime:

SECTION IV

PREMIUM

Subsection I

General provisions

Article 51

Concept

1. The premium is the consideration paid in respect of the cover granted and includes anything that may be payable under the contract by the policyholder, namely the costs of cover of the risk, the costs of acquisition, management, and collection and any charges relating to the issue of the policy.

2. The premium is accompanied by any fiscal and parafiscal charges to be borne by the policyholder.

Article 52

Features

1. Under freedom of contract, save as otherwise provided by law, the amount of the premium and the rules on calculation and determination thereof shall be stipulated in the contract of insurance.

2. In the event of failure to determine the premium or where the premium has been insufficiently determined by the parties, the premium must be adequate and proportional to the risks to be covered by the insurer and calculated having regard to the principles of the insurance business, without prejudice to any specific features of certain categories of insurance and concrete circumstances of the risks assumed.

3. The premium shall correspond to the period of duration of the contract and shall be payable in full, save as otherwise provided.

4. By agreement of the parties, payment of the premium may be effected in installments.

Article 53

Due dates

1. Save as otherwise agreed, the initial premium, or the initial instalment thereof, shall be payable on the date of conclusion of the contract.

2. Subsequent installments of the initial premium, premiums for subsequent years and successive installments thereof shall be payable on the dates established in the contract.

3. The variable portion of the premium relating to adjustment of the value, and, as the case may be, the portion of the premium corresponding to changes in the contract shall be payable on the dates indicated in the respective notices.

Article 54

Payment methods

1. The insurance premium may be paid in cash, by banker's draft, by bank transfer or postal order, by credit or debit card or by any other electronic means of payment.

2. Payment of the premium by cheque shall be subject to collection in full and, once this has occurred, payment shall be deemed to have been made on the date of receipt thereof.

3. Payment by debit to an account shall be subject to the debit not subsequently being cancelled as a result of retraction on the part of the payer within the framework of special legislation permitting such retraction.

4. Should the cheque fail to clear or should the debit be cancelled, this shall be deemed to constitute non-payment of the premium, without prejudice to the provisions of art.57(4).

5. The premium debt may also be extinguished by offset against a recognized, payable and liquid receivable up to the amount to be offset, by means of a declaration from one party to the other, provided that the other requirements of offsetting have been fulfilled.

6. In personal insurance, the parties may agree other means and arrangements for payment of the premium, provided they comply with the legal and regulatory provisions in force.

Article 55

Payment by a third party

1. The premium may be paid, pursuant to the provisions of the law or the contract, by a third party whether or not such third party has an interest in fulfillment of the obligation, and the insurer may not refuse to accept such payment.

2. The contract of insurance may provide that an interested third party, who is the holder of the rights set out in the contract, be granted the right to proceed with payment of any premium already having fallen due, provided such payment is made within a period no longer than 30 days following the date on which it fell due.

3. Payment of the premium under the provisions of the preceding paragraph shall give rise to the contract being brought back into force, and provision may be made to the effect that payment entails cover of the risk between the due date and the date of payment of the premium.

4. The insurer shall not cover a loss occurring between the due date and the date of payment of the premium of which the beneficiary was aware.

Article 56

Receipt and declaration of the existence of insurance

1. Once the premium has been received, the insurer shall issue the corresponding receipt and may, if necessary, issue a provisional receipt.

2. The receipt for a premium paid by cheque or debit to an account, as well as the declaration or certificate relating to proof of existence of the contract of insurance shall evidence effective payment of the premium, if the amount has been collected by the insurer.

Article 57

Delay

1. The policyholder shall fall into arrears if payment is not made on the due date.

2. Without prejudice to the general rules, the effects of non-payment of the premium are:

(a) For most insurances, those arising out of the provisions of arts 59 and 61.

(b) For those insurances indicated in art.58, those stipulated in the conditions of the contract.

3. Termination of the contract of insurance as a result of non-payment of the premium or part or an instalment thereof shall not exempt the policyholder from their obligation to pay the premium corresponding to the period during which the contract was in force, plus any delay interest payable.

4. In the event of any delay on the part of the insurer in relation to collection of the premium, payment will be deemed to have been made on the date on which the means for its payment were made available.

Subsection II

Special regime

Article 58

Scope

The provisions of arts 59-61 shall not apply to those insurances and operations regulated by the chapter concerning life insurance, crop and livestock insurance, mutual insurance in which the premium is paid with the proceeds from receipts and major risks cover insurance, save to the extent that such application arises out of a stipulation of the parties and the nature of the relationship does not rule this out.

Article 59

Cover

Cover of risks shall be subject to prior payment of the premium.

Article 60

Notice of payment

1. During the period of validity of the contract, the insurer must advise the policyholder in writing of the amount payable, as well as the method and place of payment, with a minimum period of notice of 30 days prior to the date on which the premium or premium instalment falls due.

2. The notice must provide legible information on the consequences of non-payment of the premium or premium installment.

3. In contracts of insurance in which payment of the premium in installments payable with a frequency of up to three months has been agreed, and in the related documentation the due dates of the successive premium installments and respective amounts payable are indicated, as well as the consequences of non-payment, the insurer may opt not to send the notice referred to in para. 1, and in such case, it shall be responsible for proving issue, acceptance and remittance to the policyholder of the contractual documentation referred to in that paragraph.

Article 61

Non-payment

1. Non-payment of the initial premium or the first premium installment on the due date shall give rise to automatic termination of the contract from the date of conclusion.

2. Non-payment of the premium for subsequent years or the first installment thereof, on the due date, shall give rise to the contract not being extended.

3. Non-payment on the due date of:

(a) an installment of the premium during a yearly period;

(b) an adjusting premium or part of a variable amount premium; and

(c) an additional premium arising out of an amendment to the contract based on an additional increase in the risk,

shall give rise to automatic termination of the contract.

4. Non-payment by the due date of any additional premium arising out of an amendment to the contract shall render the amendment null and void, and the contract shall remain in force with the scope and conditions in force before the intended amendment, unless it is impossible for the contract to remain in force, in which case it shall be deemed to have been terminated on the due date of the unpaid premium.

2. Article 80 states for the Group Insurance:

Article 80

Payment of the premium

1. Save where it has been agreed that the insured will pay the premium direct to the insurer, the obligation to pay the premium shall fall to the policyholder.

2. Non-payment of the premium by the policyholder shall have the consequences laid down in arts 59 and 61.

3. In contributory insurance in which the insured is to pay the premium direct to the insurer, the provisions of arts 59 and 61 shall apply only to the insured's cover.

3. Articles 202 to 204 state for Life Insurance:

Article 202

Payment of the premium

1. The policyholder must pay the premium on the dates and in the conditions stipulated in the contract.

2. The insurer must advise the policyholder with a period of notice of at least 30 days of the date on which the premium or an instalment thereof falls due, the amount payable and the method and place of payment.

Article 203

Non-payment of the premium

1. Non-payment of the premium on the due date shall entitle the insurer, depending on the situation and what has been agreed, to terminate the contract, with the consequent compulsory surrender, to reduce the contract or to transform the insurance into a contract without a premium.

2. The conditions of the policy shall state the maximum time period allowed for the policyholder to exercise their right to restore a reduced or terminated contract to its original position without a new medical examination and shall state that the period begins at the time the contract is reduced or terminated.

Article 204

Irrevocable beneficiary clause

1. In the event of non-payment of the premium on the due date, if the contract establishes an irrevocable payment in favor of a third party, the insurer must call said person within a period of 30 days to, if they so wish, make the aforementioned payment in place of the

	<p><u>policyholder.</u></p> <p><u>2. The insurer that has not called upon the beneficiary as provided for in the preceding paragraph may not rely against the beneficiary on the consequences agreed for non-payment of the premium.</u></p>
<p>Romania</p>	<p>Article 2206 of Civil Code states that:</p> <ul style="list-style-type: none"> - the insured is obliged to pay insurance premiums to the terms established in the contract. - the parties may agree that the payment of insurance premiums to make full or in instalments. Unless otherwise agreed, payment is made at the insurer or his representative. - the insured has to prove the payment of insurance premiums. - unless agreed otherwise, the insurer may terminate the contract if the insured did not pay the premium at the payment date stipulated in the insurance contract. - the insurer is obliged to inform the insured about the consequences of default in the payment of premiums and provide these consequences in the insurance contract. - the insurer is entitled to offset what is owed premiums by the end of insurance under any contract with any payment due the insured or beneficiary.
<p>Slovakia</p>	<p>§ 801 of CC</p> <p>Non-payment of first premium – Insurance becomes null and void if the premium is not paid within 3 months after the date of its maturity.</p> <p>Non-payment of premium for the next insurance period – Insurance becomes null and void if the premium for the next insurance period within the one month after the date of the delivery of the insurer’s call to pay premium with advice that insurance shall become null and void.</p> <p>Act No. 381/2001 Coll. On Compulsory MTPL insurance</p> <p>§ 9</p> <p>Non-payment of Premium – insurance becomes null and void if premium is not paid within 1 month after the date of its maturity. Liable person is then obliged to conclude a new contract with the same insurer for the rest of insurance period.</p>
<p>Spain</p>	<p><u>Payment of the premium</u></p> <p>The policyholder must pay the premium under the conditions laid down in the policy.</p>

	<p>If periodical premiums have been agreed, the first is required upon signature of the contract; for single premiums, the deadline is fixed by common consent between the parties.</p> <p>Unless there is an agreement to the contrary, payment of the premium (the first premium or the single premium depending on the case) is a prerequisite for entry into force of the guarantee. The parties may however agree on the entry into force of the cover on the day the contract is concluded or on the date and time of their choice.</p> <p>(Art. 15) If the first premium or the single premium has not been paid through the fault of the policyholder, the insurer is entitled to cancel the contract or require the payment of the premium by means of an enforcement procedure in accordance with the provisions in the policy. Unless there is an agreement to the contrary, the insurer is not bound by his obligation if the premium was unpaid at the time of the occurrence of the claim.</p> <p>In the event of non-payment of a subsequent premium, insurance cover is suspended one month after the deadline for the outstanding premium; the contract remains however in force. If the insurer does not claim the payment within six months of the deadline, the contract is deemed to have expired; the insurer may also cancel the contract during this period. At all events, if the contract is suspended, the insurer may only demand the payment of the corresponding premium for the current period and may not claim premiums due for the entire duration of the contract if the latter comprises several periods.</p>
<p>Sweden</p>	<p>Chapter 5, article 1(1), the Insurance Contract Act (2005:104), stipulates in respect of consumer insurance that the <i>initial premiums</i> must not be paid earlier than <i>fourteen days</i> from the day the Insurance Company sent a claim for payment to the Policyholder. This does, however, not apply where the insurance policy is contingent upon payment of the premium or where the insurance policy otherwise shall be valid only when the premium is paid prior to the commencement of the policy term.</p> <p>According to Chapter 5, article 1(2), the premium for a <i>subsequent premium period</i> need not be paid earlier than <i>one month</i> from the day the Insurance Company sent a claim for payment to the policyholder. Where the <i>premium period</i> does <i>not exceed one month</i>, the premium shall be paid on <i>the first day</i> of the policy term.</p> <p>Chapter 5, article 2(1), the Insurance Contract Act (2005:104) stipulates that where the premium is not paid timely, the Insurance Company may terminate the insurance policy unless the delay is insignificant. – According to Chapter 5, article 2(2), the termination becomes effective fourteen days after the day notice thereof was sent. A notification lacking information about the consequences of non-payment/late payment is without effect.</p> <p>Chapter 5, article 2 (3) extends the time limit for payment where the policyholder has been unable to pay the premium due to (i) serious illness, (ii) deprivation of liberty, (iii) non-payment of pension benefits or salary or similar causes. Under such circumstances the termination becomes effective at the earliest one week after the impediment ceased, but at the latest three months after the expiry of the time-limit.</p>
<p>United</p>	<p>The requirements for payment of a premium are made on a contractual basis. (Birds, p. 191)</p>

Kingdom

It is not necessary for premium actually to be paid - the contract may provide that the consideration is agreement to pay.

Generally requirements for payment of premium will be governed by the terms of the contract of insurance.

Effect of payment of premium to broker - A broker who is engaged by the insured has no authority from the insurer to collect premium, so payment to the broker will not constitute payment to the insurer, as a matter of English agency law (MacGillivray on Insurance Law, 12th edition 7-007).

However even where it is otherwise the agent of the insured, the broker may be held out by the insurer as authorised to accept premiums. Further, Client Asset Rules (CASS) made under the Financial Services & Markets Act 2000 require regulated insurance intermediaries either to agree risk transfer provisions with insurers, (under which a payment of premium to the intermediary will be deemed to have been made to the insurer), or to hold premiums and other client monies in a trust account, so that the insured's position will be protected in the event of intermediary insolvency.

Consequences of late payment of premium - An insurance contract may contain a premium warranty under which the insured warrants that premiums will be paid at given times. Such a provision will be given effect by the court as a warranty and default will bring the insurer's liability under the policy to an end, although the insured remains liable for the premium (*J A Chapman & Co Limited v Kadirga Denizcilik Ve Ticaret* [1998] Lloyd's rep IR 377).

Even without an express warranty an insurer may be able to repudiate a contract of insurance where there has been a failure to pay premium on the due date. *Figre Limited v Mander* [1999] Lloyd's Rep IR 193 is Commercial Court authority that an insurer could repudiate if: (a) time was stipulated to be of the essence; (b) circumstances of the contract or the nature of the subject matter showed that time was impliedly of the essence; or (c) where time was neither expressly nor impliedly of the essence, but the insured had been guilty of unreasonable delay, and the insurer had given notice requiring the premium to be paid within a reasonable time.

Broker's liability to insurer for premium - In the marine insurance market, the placing broker is directly responsible as principal to the underwriter for payment of premium pursuant to Section 53 (1) Marine Insurance Act 1906, which codified a long-standing market practice to this effect. The rule is said to reflect a legal fiction whereby, when the contract is concluded, the broker is deemed to have paid the premium and the insurer is deemed to have loaned the premium money back to the broker. Where the practice codified in Section 53(1) applies, the insurer will be unable to claim premium direct from the insured (*Universo Insurance Co of Milan v Merchants Marine Insurance Co Limited* [1897] 2QB 93).

However Section 53(1) and the legal fiction on which it said to be based will not prevent an insurer relying on a premium warranty if the broker has failed to pay the insurer (even if the insured has paid the broker) (*Heath Lambert v Sociedad de Corretaje de Seguros* [2004] Lloyd's Rep IR 905).

Because the broker is directly liable to the insurer for the premium as soon as it falls due, the broker has a corresponding right to an indemnity from the insured. The broker can sue the policy holder to recover the premium even if it has not made any payment to the insurer itself (*J A Chapman & Co Limited v Kadirga Denizcilik Ve Ticaret*).

Where insurance is placed by an insured's broker ("producing broker") instructing a sub-broker (a "placing broker") to place the risk with an insurer, the placing broker will be liable to the insurer for premium under Section 53 (1). He can look to the producing broker for an indemnity, but cannot bring a claim directly against the insured because there is no privity of contract (*Prentis Donegan & Partners Ltd -v- Leeds & Leeds Co Inc* [1998] 2 Lloyd's Rep 326).

Section 53(1) probably does not apply to non-marine insurance either outside Lloyd's (*Wilson v Avec Audio-visual Equipment Limited* [1974] 1 Lloyds rep 81), or within the Lloyd's market (*Pacific & General Insurance Company v Hazell* [1997] LRLR 65).

Broker's lien - Section 53 (2) Marine Insurance Act 1906 gives the broker a lien over the policy itself, and any policy proceeds it receives from the insurer, which allows the broker to recover from the insured premium it has paid, or is due to pay, to the insurer under its obligation in Section 53 (1). It is unclear whether this rule applies in non-marine insurance. Marine policies also often include a broker's cancellation clause entitling the broker to cancel the policy if the insured has failed to pay premium to the broker.

Grace periods - Grace periods are sometimes offered in respect of premium payments, where an insured is given a certain amount of time after the expiry of their current policy to pay their next premium. There are a number of ways this might work depending on the class of business:

- The insured might be given a temporary cover note where the insurer holds cover for a certain period, and provided the premium is paid within that period, cover will be backdated to the beginning of that period (or the expiry of the previous policy). The insurer is presumably able to revoke the cover note by notice before the premium has been paid. A cover note of this sort is commonly issued on expiry by motor insurers.

- Where there is no automatic right of renewal, the insurer might choose to offer a grace period where either the insurer has not yet decided whether or not to offer renewal terms, or where the insured has not yet decided whether to apply for renewal. In such cases, the effect of the grace period will depend upon the terms of any express contractual provisions and the construction of the policy as a whole. The insurer may be able to refuse premium tendered by the insured in the grace period with the effect that cover is treated as having terminated when the previous policy expired;

- Where there is an automatic right to renew and a grace period applies to extend cover until the last date of the grace period, the insured would remain covered during the days of grace and the insurer cannot refuse a renewal premium.

(Colinvaux's Law of Insurance, 9th edition p.379)

Grace periods in Life policies would fall into the final category as there is a long established insurance practice of issuing policies with a "period of grace" for payment of subsequent premiums.

(Principles of European Insurance Contract Law, p. 199 N2-N3)