

CHAPTER 15. PAYMENT OF INSURANCE PREMIUMS

15-1. COVERAGE WRITTEN THROUGH AGENTS/BROKERS.

- a. A HA should not remit the full premium to the agent/broker until the actual policy is received. It is not uncommon for policies to be issued 60 or 90 days after their effective date. Binders are issued by the agent/broker confirming coverage during the interim period. If the full premium is paid up-front considerable leverage may be lost in hastening' the issuance of the policy.
- b. Once a PHA/IHA requests that the coverage be placed in effect, the premium is earned by the insurance company from that day forward. Therefore, a HA should remit the earned premium to the agent on a monthly basis until the policy is received and then pay the balance due.  
Example: A policy with a \$365,000 annual premium, earns premium at the rate of \$1,000 per day. Payment in 530,000 increments every 30 days will keep the coverage in force and give the HA advantage of the "float" on the unpaid balance until the policy is received.

NOTE: If an agent/broker does not agree with this payment schedule and will cancel the coverage for non-payment of the total annual premium, the HA should contact their state insurance department to determine if cancellation would be permitted under these circumstances.

15-2. COVERAGE WRITTEN THROUGH FAIR PLANS OR ASSIGNED RISK PLANS.

The majority of states require that a deposit premium be paid at time of application and a full premium be paid within 30 days of the effective date.

15-3. FLOOD INSURANCE.

The NFIP requires that full payment be remitted at the time application is made.

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15-4. COUNTERSIGNATURE FEES AND SURPLUS LINES TAXES.

- a. The majority of state insurance regulations and statutes prohibit "fees" for services being added to the policy invoice by the agent/broker. All such fees should be included in the policy premium and subject to the same rules regarding cancellation of the policy and return of the unearned premium. If the agent has included a fee for services as a separate item in the bid or invoice for

payment, the HA should contact their state insurance department to see if this practice is permitted.

- b. When coverage is written with a surplus lines insurance company the agent/broker is required to show the surplus lines tax and in some states a stamping fee as a separate item in a bid and/or invoice for payment. The amount of the tax and/or fee is set by the state and may run from a low of one percent of the annual premium to a high of six percent. If the policy is cancelled during term the tax/fee applying to the unearned premium must be returned to the insured.