Late Premium Payments and Insurance Contract Validity

This case brief examines a case involving a dispute between an insured party and an insurer regarding late premium payments and the validity of an insurance contract. The case explores the legal implications of deferred payment agreements, contract interpretation, and the responsibilities of both parties in maintaining the validity of an insurance policy.

Resource: https://www.viac.vn/thu-tuc-trong-tai/114-%7C-hop-dong-bao-hiem-khong-cham-dut-khi-cham-thanh-toan-phi-a257.html

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Case Facts

Facts: The insurance contract stipulated that the premium would be paid in three installments. The insured party was late in making payments for all three installments. When an insured event occurred, the insurer refused to pay the claim, arguing that the insurance contract had been terminated due to the late payments. The Arbitration Council, however, ruled in favor of the insured party.

1. **Contract Agreement**
   Insurance contract stipulated premium payment in three installments
2. **Late Payments**
   Insured party was late in making payments for all three installments
3. **Insured Event**
   An insured event occurred
4. **Claim Refusal**
   Insurer refused to pay the claim, arguing contract termination due to late payments
5. **Arbitration Ruling**
   Arbitration Council ruled in favor of the insured party

Legal Issue

Issue: Does the insurance contract remain valid, despite the late payment of premiums, allowing the insurer to be liable for the claim?

Court Holding

Holding: Yes, the insurance contract remains valid, and the insurer is liable for the claim. The insurer's failure to take timely action to terminate the contract and the agreed deferred payment terms allowed the contract to remain in effect at the time of the insured event.

Legal Reasoning

Reasoning:

1. Legal Provisions on Premium Payment: Under Clause 1, Article 15 of the Law on Insurance Business, insurance liability arises when the contract is signed and the premium is paid. Clause 2 of Article 15, however, allows for deferred payment agreements, which enable the contract to remain in effect despite delays in premium payments.
2. Contractual Agreement: In this case, the parties had agreed to deferred payment terms, as stated in Clause 32 of the Additional Terms. The third installment was to be paid by March 1, 2015, with a maximum grace period of three months, meaning the contract could only be unilaterally terminated after July 1, 2015. The insured event occurred in April 2015, before this deadline.
3. Ambiguity in Contract Terms: According to Article 21 of the Law on Insurance Business, ambiguous contract terms are interpreted in favor of the insured. The Arbitration Council ruled that the insurer's right to terminate the contract arose after the insured event occurred.
4. Lack of Action by Insurer: The insurer did not provide any notice or take action to terminate the contract before the insured event. This was interpreted as the insurer treating the contract as still valid.

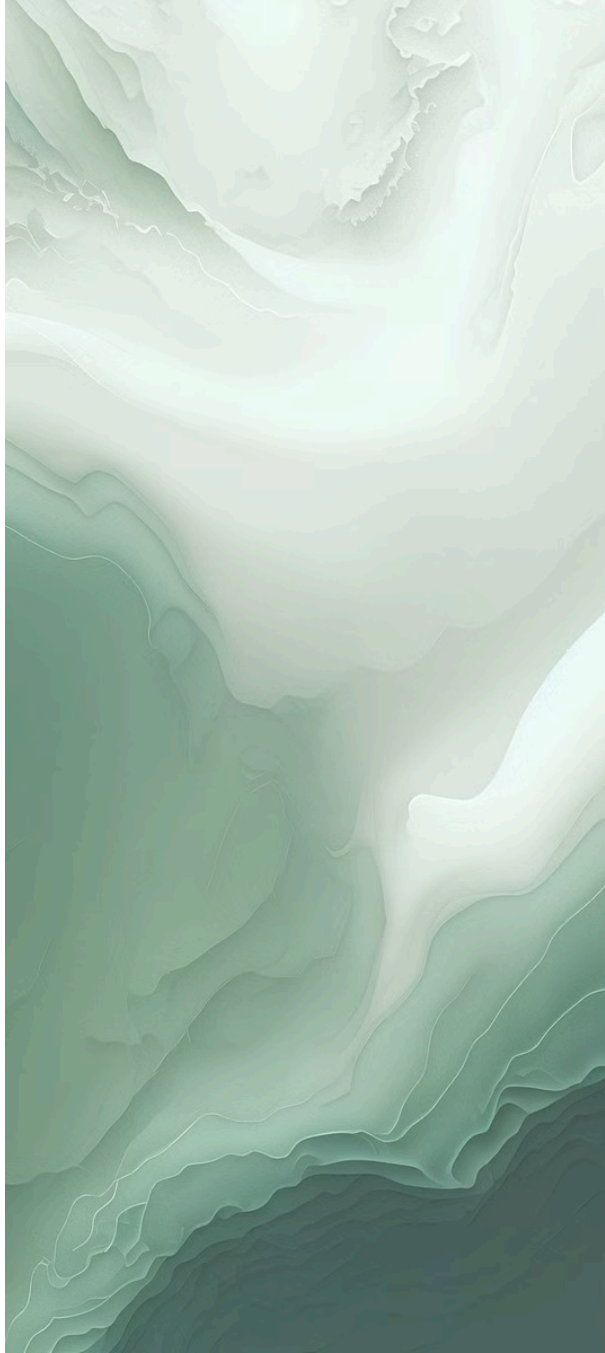
Legal Principles

Insurance Liability and Premium Payment

Insurance liability arises upon contract execution and payment of the premium, but deferred payment agreements allow for continued coverage even with late payments (Article 15 of the Law on Insurance Business).

Interpretation of Ambiguous Terms

Ambiguous contract terms are interpreted in favor of the insured (Article 21 of the Law on Insurance Business).



Lessons for Practice

1 **Deferred Payment Agreements**

Insurers and insured parties may agree on deferred payment terms, which can maintain contract validity despite delayed payments.

2 **Clear Contractual Language**

Insurers should ensure that contract terms regarding premium payments and contract termination are clear to avoid unfavorable interpretations in disputes.

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