

CHAPTER 26.1-24 THE INSURANCE PREMIUM

26.1-24-01. When premium payable.

An insurer is entitled to payment of the premium as soon as the thing insured is exposed to the peril insured against.

26.1-24-02. Receipt for premium in policy - Effect.

An acknowledgment in a policy of the receipt of premium is conclusive evidence of its payment so far as to make the policy binding, notwithstanding any stipulation in the policy that it is not binding until the premium actually is paid.

26.1-24-03. When insured entitled to return of premium.

A person insured is entitled to a return of premium, including all policy fees in excess of two dollars, on any one policy, and all other sums of money paid in consideration of the insurance policy, as follows:

1. To the whole premium, fee, or other sums if no part of the insured's interest in the thing insured is exposed to any of the perils insured against.
2. To the whole of the premium when the contract is voidable on account of the fraud or misrepresentation of the insurer or on account of facts of the existence of which the insured was ignorant without the insured's fault, or when by any default of the insured other than actual fraud, the insurer never incurred any liability under the policy.
3. Except as provided for in a policy form filed with and approved by the commissioner, when insurance other than life is made for a definite period of time and the insured surrenders the policy, to such proportion of the premium, fee, or other sum as corresponds with the unexpired time upon the amount of the policy remaining after deducting therefrom any claim for loss or damage under the policy which has accrued previously.

26.1-24-04. Premium return in cases of overinsurance.

In cases of overinsurance, the insured is entitled to a return of the premium as follows:

1. In overinsurance by several insurers, to a ratable return of premium proportioned to the amount by which the aggregate sum insured in all the policies exceeds the value of the thing at risk.
2. In overinsurance effected by simultaneous policies, the insurers contribute to the premium to be returned in proportion to the amount insured by their respective policies.
3. In overinsurance effected by successive policies, those only contribute to a return of the premium who are exonerated by prior insurance from the liability assumed by them and in proportion as the sum for which the premium was paid exceeds the amount for which, on account of prior insurance, they could be made liable.

26.1-24-05. Surrender of fire policy for cancellation - Return of premium - Short-term rates.

The holder of any insurance policy against loss or damage to property by fire or other casualty, notwithstanding any provision of the policy or contract to the contrary, may surrender the policy for cancellation at any time. Upon surrender, the company issuing the policy shall retain or receive such proportion, and not more, of the premium paid or agreed to be paid, including policy fees in excess of two dollars on any one policy and other sums of money paid or agreed to be paid in consideration of the insurance policy, as corresponds with the usual short rates upon term policies as adopted and maintained by the organization which promulgates rates for fire insurance on property situated in this state for the time the policy remained in force.

26.1-24-06. Earned premium.

If a peril insured against has existed and the insurer has been liable for any period, however short, the insured is not entitled to a return of premium so far as that particular risk is concerned unless the insurance was for a definite period of time, in which case the insured is entitled to a proportionate return under sections 26.1-24-03 and 26.1-24-05.

26.1-24-07. Forfeiture of policy for nonpayment of premium - Notice required.

An insurance policy may not be forfeited, suspended, or impaired, by virtue of any condition or provision of the policy, for nonpayment of any note or obligation taken for the premium, or any part of the premium, unless the insurer, not less than thirty days prior to the maturity of the premium, note, or obligation, mails, postage prepaid, to the insured at the insured's usual post-office address, a notice stating:

1. The date when the note or obligation will become due.
2. The amount of principal and interest that then will be due.
3. The effect of nonpayment upon the policy.
4. The right of the insured, at the insured's election, either to pay the premium in full and keep the policy in full force or to terminate the insurance by surrendering the policy and paying such part of the whole premium as it shall have earned.
5. The amount which the insured lawfully is required to pay or which, on account of previous payment, may be due the insured, in case of the insured's election to terminate the insurance on the day of the maturity of the premium, note, or obligation.

26.1-24-08. Security agreement to secure premium payment must be in separate instrument - Penalty.

It is unlawful for any insurance company, or any insurance producer therefor within this state, to take or procure to be taken upon the property to be insured, or upon any other property, a security agreement securing the payment of the premium due or to become due, including policy fees, or any part thereof, unless the security agreement is printed or written upon a paper which is separate and distinct from the application. Any security agreement given in violation of this section is void. Any insurance company violating this section is guilty of a class A misdemeanor and forfeits its right to do business in this state.

26.1-24-09. Sale or negotiation of premium note prohibited - Penalty.

A promissory note taken in settlement of the first premium on any life, health, or accident insurance policy may not be sold or negotiated in any manner prior to the applicant's medical examination, when one is required, nor a binding receipt for the premium signed by an authorized insurance producer of the insurance company has been delivered to the applicant, nor until the insurance company has received the application and medical examination. Any person violating this section is guilty of a class B misdemeanor.

26.1-24-10. Insurer's audit to determine premium - Time limitation.

An insurer providing commercial insurance may conduct an audit to determine the premium due or to be refunded only within one hundred eighty days after the expiration date of the policy unless the insured agrees in writing to extend that period of time.