

Over the years at [Clinard Insurance Group](#), helping people with their insurance needs, I have heard this question many times. It doesn't matter if they are talking about

[auto insurance](#),

[home insurance](#)

,

[general liability insurance](#)

or

[workers compensation insurance](#),

people still assume that there is some magical grace period that allows them to pay their insurance payment after the due date.

I'm not sure exactly where the terminology comes from but I think I have an idea where the concept arose.

In NC, if you don't pay your insurance policy when it is due, then the insurance company cannot just cancel your policy that day. The law requires that they give you a legal notice of cancellation.

The time frame for this notice varies by policy type but it is generally around 15 days.

So, if

your policy is due on the 5

th

of the month and you don't pay the bill on time, then somewhere around the 10

th

of the month or so, the insurance company will send out a notice of cancellation on your policy.

This notifies you that if your money is not received by a certain date (here is the legal notice time frame), then your coverage under that policy will cease.

I think this notice period is what has led some people to believe that there is a "grace period" which allows them to pay their premiums after the due date. But paying late and relying on this

legal notice time frame is a dangerous practice for several reasons.

First of all, the insurance company doesn't have to accept your money after the due date and they can let the cancellation stand. If you have had a loss during this time, you might not even be protected since in some cases (particularly on policy renewal dates) the notice of cancellation states that the effective date for when protection ends is the same as the original payment due date.

Secondly, there is a growing trend among insurance companies to charge hefty fees for payments that are late. Some companies charge as much as \$35 to reinstate your policy after a cancellation notice has been issued. These changes tell me that the insurance industry has decided that as times are hard and people are letting some bills slip a bit, they want to be first in line. So if you are having some cash flow issues and think you might want to pay your insurance bill a little late, be sure that you understand all of the late penalties and fees that will apply.

You might choose to prioritize the insurance bill closer to the top of the pile.

There is a sure fire solution to prevent a late payment on your insurance policy and thus prevent lapses in protection and costly late fees. Most all insurance companies can now take your payment on a monthly bank draft. This means that they will draft the money from your checking or savings account on the due date automatically.

Of course this will fail if there is not enough money in the account to pay the bill, but for protection from forgetting or misplacing an insurance bill, this one could save you a lot of money.

At

[Clinard Insurance Group in Winston Salem, NC](#)

we try and make this option available to any an all of our clients who might be interested.

If you would like to know more about the specific fees your company charges for late payments, or if you would like to have your policy set up on bank draft, please call our office or visit us on the web at

www.clinardinsurance.com

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