CANCELLATION



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# **Basics of Cancellation**

# **Cancellation**

It is the cancellation of a contract (Insurance) by insurer or insured if the contract do not satisfy certain conditions.

**Types of cancellation**

1. B3U Cancellation
2. SVU Cancellation

# **B3U Cancellation**

This is the cancellation via insurer due non - payment of 2 instalments in continuation.

**Reasons for Non Payment of Premium**

1. **Dishonour** - If there is insufficient amount in Bank Account/Card.
2. **Fatal Dishonour** - If the Card/Bank details entered are invalid.
3. **Error 304** - If no Card/Bank details added.

Examples of Cancellation via insurer

Policy Start Date - 1/1/2018

Policy End Date – 1/1/2019

|  |  |  |
| --- | --- | --- |
| **Instalments** | **Amount** | **Status** |
| 2018-01-01 | 100 | Dishonour 1 |
| 2018-02-01 | 100 | Dishonour 2 |
| 2018-03-01 | 100 |  |
| 2018-04-01 | 100 |  |
| 2018-05-01 | 100 |  |
| 2018-06-01 | 100 |  |
| 2018-07-01 | 100 |  |
| 2018-08-01 | 100 |  |
| 2018-09-01 | 100 |  |
| 2018-10-01 | 100 |  |
| 2018-11-01 | 100 |  |
| 2018-12-01 | 100 |  |
| **Total Premium** | **1200** |  |

If two instalments get dishonoured continuously than Policy will get cancelled after “Second Dishonoured Instalment Date +14 days”

**System Working in case of Dishonour**

1. **First Dishonour in Policy**

If due to any of the 3 reasons any of the instalment is not paid than User have the option to pay the given instalment via OTP.

OTP – The mail for dishonour is sent to Broker containing “One Time Payment Link”. Broker can make the Payment by instantly adding Payment details.

OTP is valid till the next instalment date.

E.g.

Policy Start Date - 1/1/2018

Policy End Date – 1/1/2019

|  |  |  |
| --- | --- | --- |
| **Instalments** | **Amount** | **Status** |
| 2018-01-01 | 100 | Dishonour 1 |
| 2018-02-01 | 100 |  |
| 2018-03-01 | 100 |  |
| 2018-04-01 | 100 |  |
| 2018-05-01 | 100 |  |
| 2018-06-01 | 100 |  |
| 2018-07-01 | 100 |  |
| 2018-08-01 | 100 |  |
| 2018-09-01 | 100 |  |
| 2018-10-01 | 100 |  |
| 2018-11-01 | 100 |  |
| 2018-12-01 | 100 |  |
| **Total Premium** | **1200** |  |

1. **2nd Dishonour in Policy**

If due to any of the reasons, 2 instalments are not paid in continuation than client have the option to pay the given instalment via OTP.

**OTP** - The mail for 2ND dishonour is sent to Broker containing “One Time Payment Link”. Broker can make the Payment instantly by providing Payment details.

OTP is valid till “2nd Dishonour Date + 14 days”

1. **Cancellation Due to Dishonour**

If the 2nd Dishonour Payment is not made via OTP than system will cancel the policy after “2nd Dishonour Date +14 days”

**NOC** - the “Notice of cancellation mail” will be sent on “2nd Dishonour Date +15 days”

1. Policy gets cancelled in Customer log table
2. All the schedules in PolicycoverageInstallmentSchedule table gets inactive.

**COC** - the “Confirmation of Cancellation” mail is sent on “2nd Dishonour Date +28 days”

**Note:-**COC is not sent for policies in which no payment has received and they are cancelled back to inception.

Only Notice of cancellation mail is sent for those policies after 2nd dishonour Instalment date + 14 days.

E.g.

Policy Start Date - 1/1/2018

Policy End Date – 1/1/2019

|  |  |  |
| --- | --- | --- |
| **Instalments** | **Amount** | **Status** |
| 2018-01-01 | 100 | Dishonour 1 |
| 2018-02-01 | 200 | Dishonour 2 |
| 2018-03-01 | 100 |  |
| 2018-04-01 | 100 |  |
| 2018-05-01 | 100 |  |
| 2018-06-01 | 100 |  |
| 2018-07-01 | 100 |  |
| 2018-08-01 | 100 |  |
| 2018-09-01 | 100 |  |
| 2018-10-01 | 100 |  |
| 2018-11-01 | 100 |  |
| 2018-12-01 | 100 |  |
| **Total Premium** | **1200** |  |

**Please refer to attached sheet for structure of entries in Payment Log Table**

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# **SVU Cancellation**

If user does the cancellation through SVU portal than it is known as SVU Cancellation.

## 2.1 Cycle of cancellation

1. **Cancellation Quote -** It is a process of cancelling the already issued policy
2. **Cancellation Bind Request**- Cancellation Bind is a process where the user is agreeing to bind the already provided cancellation quote
3. **Cancellation Close Request**- Cancellation Close is a functionality where the user agrees to close (SVU specific) the cancellation request

## 2.2 Reasons for SVU Cancellation

There are 7 reason for cancellation

1. Insured Request - If insured wants to cancel the policy.
2. Cancelled by underwriter - If Underwriter wants to cancel the policy
3. Total Loss - If the property is totally lost (In this case refund is always 0)
4. Duplicate Coverage - if similar coverage is already there.
5. Premium not paid - If premium is not paid.
6. Others
7. Cancelled at request of financed company - If financed company wants to cancel the policy.

## 2.3 SVU Cancellation Refund Calculation

**Refund/Add Payment Calculation**

1. **Paid Instalments** - All the instalments which are on /or before Cancellation Effective Date are considered as paid
2. **Burnt Amount** - Amount of premium utilised till cancellation effective date.

**Formula** - ((Cancellation Effective Date – Inception Date) \* Total Premium Excluding broker fee)/No. of days of Policy

1. Refund/Add Payment Calculation - (Burnt – Paid)
2. – ve = We have to refund amount to client
3. + ve = we have to take payment from client
4. **Refund Date** - Date on which refund/Add Payment is processed.

**Refund date calculation Logic**

**Condition**                                                                                 **Refund Date**

1. Quote Creation Date=Effective Date                          2 Days + Quote Creation Date

2. Quote Creation Date > Effective Date                        2 Days + Quote Creation Date

3. Quote Creation Date < Effective Date

Refund Date = Max( Effective Date , Quote Creation Date +2)

**Example**

New Business Start Date - 1/1/2018

New Business End Date - 1/1/2018

Cancellation Quote Creation Date - 1/2/2018

Cancellation Effective Date – 1/7/2018

|  |  |
| --- | --- |
| **Instalments** | **Amount** |
| 2018-01-01 | 100 |
| 2018-02-01 | 100 |
| 2018-03-01 | 100 |
| 2018-04-01 | 100 |
| 2018-05-01 | 100 |
| 2018-06-01 | 100 |
| 2018-07-01 | 100 |
| 2018-08-01 | 100 |
| 2018-09-01 | 100 |
| 2018-10-01 | 100 |
| 2018-11-01 | 100 |
| 2018-12-01 | 100 |
| **Total Premium** | **1200** |

Paid Amount – 700

Burnt – 181\*1200/365= 595 (Approx.)

Refund/Add Payment = 595 – 700 = -105 (We have to refund this amount to client)

Please refer to attached sheet for cancellation examples & Special Cases



## 2.4 Refund Log Job

Refund Log Job run 1 day before the refund date and recalculates the refund/Add payment again on the basis of how much amount has actually been paid.

## 2.5 Cancellation criteria at the time of second Dishonour

1. Cancellation Effective Date

A) 2nd dishonoured Instalment Date + 28 days (When there has been at least one successful payment in the policy)

B) Policy start date if no successful payments have been received on the policy

2. OTP Expiry Date

2nd dishonoured Instalment Date + 14 days

3. Notice of cancellation email should be sent on 2nd dishonoured Instalment Date + 14 days.

4. Confirmation of cancellation email should be sent 2nd dishonoured Instalment Date + 28 days.

5. No Endorsement from 2nd Dishonoured instalment date +14 days.

6. No Cancellation from “2nd Dishonoured instalment date” + 14 days to “2nd Dishonoured instalment date + 14 days +14 days”. Please refer to attached sheet for System Behaviour.



## 2.6 Cancellation after Last Instalment Functionality

Please refer to attached sheet for functionality



## Tables Used for Cancellation

These tables used in case of cancellation

1. Refund Log – keeps the amount ,Date and status of refund
2. Payment Log – Keeps the amount, Date and status of payment to be done.
3. PolicyCoverageInstallmentSchedule – Keeps the entries of payments to be done.