

Binder Payment Policy

We require **a binder payment (equivalent to 1st month premium) to set up a new group**. Binder payment is to be included with all new group setup paperwork.

In practice, we can offer to omit the binder check from setup *if the group gives everything to us complete by the month end date*. In that case, we'll pull it on the 1st. Also, while they complete the PAD form for subsequent payments, we can use the bank account number from their binder check so they don't have to submit another void check.

Binder checks are preferably not post-dated. We will accept if the client has already written a check dated the 1st of the month to which their coverage is effective.

Notes for Manual:

We standardly require a binder check for new group setup. The amount would be the monthly premium on the sold quote. This way, our process is consistent for all our groups, we secure advanced first month's payment and it is a policy that we can refer to. This is standard with carriers – even when they offer PAD. Some carriers won't even set up a group without it (but of course, we will use common sense).

Requiring a binder check have always been part of BCCA's group setup process, but at some point, there may have been an assumption that PAD replaced the need for the binder check (not too sure). The thing is, binder check binds the agreement with advance premium payment, while PAD is a method of payment. Relying on PAD for the 1st month payment only works if the group is setup *prior* to running month end and we have a billed amount to pull on the 1st of the month, otherwise, we will not get payment until the month (or longer) *after* when coverage has already been effective. (For instance, if a group is set up on ISSI on March 29 for an April 1 effective date, PAD will not pull until May 1). Since we normally have no control over the timing of when the group comes on during the month, we cannot safely rely on the PAD process to collect the 1st month premium in a timely fashion and for the purpose that a binder check is intended to serve. This leaves us open to risk as we will be paying out-of-pocket to the insurer before getting "paid" ourselves.