

Litigation Alert: Governor Murphy Orders “Emergency Grace Period” for Insurance Premiums

Citing the economic impact of the COVID-19 pandemic and his own restrictions on New Jersey businesses and residents, on April 9, 2020, Governor Murphy issued **Executive Order 123**, effective immediately, to provide immediate relief to certain New Jersey insurance policyholders. The Executive Order and ensuing **directives** from the Commissioner of Banking and Insurance establish an “emergency grace period” during which certain insurers, including health insurers, dental insurers, and property and casualty insurers cannot cancel insurance policies for non-payment of premiums during the state of emergency.

The Executive Order does not cancel premiums or change any coverage provided. Instead, the Executive Order gives policyholders a break, allowing them to delay the payment of premiums for the “emergency grace period” without fear of losing their insurance or facing additional penalties. Thereafter, policyholders can pay the missed premium payments in installments over the next year.

Governor Murphy’s order makes the following changes:

No Cancellation, Late Charges, Reporting, or Premium Increase – During the “emergency grace period,” insurers cannot: (1) cancel policies for non-payment of premiums; (2) charge late fees and other penalties for non-payment; (3) report late payments to credit agencies; or (4) consider late payments in future premium calculations.

Extension of Grace Periods – The following grace periods for the payment of premiums for policies issued by the following types of insurance companies are established:

- Property and casualty insurance companies: 90 days
- Life insurance companies: 90 days
- Insurance premium finance companies: 90 days
- Health insurance companies: 60 days
- Health maintenance organizations: 60 days
- Health services corporations: 60 days
- Other health or dental plans: 60 days
- Employer-funded health plans: No grace period. (These policies are exclusively regulated by the federal government.)

Clear Notice – Insurers must provide each policyholder with an “easily readable written description” of the extended grace period and ensure that policyholders have the ability to make payments through alternatives to in-person payments.

Payment of Claims to Continue – Insurers will be required to pay any claim incurred during the emergency period that would be covered under the policy. Insurers cannot seek recoupment of any claims paid during the emergency grace period based upon non-payment of premiums.

Extended Period to Pay Missed Premiums – To avoid policyholders facing a lump sum premium payment at the end of the grace period, any unpaid premiums may be paid over the length of the remaining policy period or 12 months.

For additional information or questions about this alert, please contact:

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