New Jersey Executive Order 123 Provides Grace Period for Insurance Premium Payments

April 16, 2020

By: Charles Stoia

Porzio Client Alert

On April 9, 2020, New Jersey Governor Phil Murphy issued Executive Order 123 to provide immediate relief to insureds by prohibiting all New Jersey property and casualty insurance companies, life insurance companies, insurance premium finance companies, health insurance companies, health maintenance organizations, health service corporations and other entities issuing health or dental plans from cancelling policies or contracts for non-payment of premiums over a 60-90 day grace period. Policyholders should review and consult Executive Order 123 and Bulletins from the Commissioner of Banking and Insurance. Premiums are not cancelled or forgiven, just pushed down the road, so policyholders should calendar and track when the payments are due. The Governor also has ordered that insurers cannot penalize policyholders (i.e., no late fees, interest or other charges for delayed payments due to COVID-19). The grace period is not mutually beneficial—insurance carriers received no relief and have to pay claims during the State Emergency.

Executive Order 123 summarizes the Governor's previous Executive Orders on how the COVID-19 pandemic has impacted the State and its residents and the Commissioner's Bulletins to insurance carriers to justify the premium relief: to "assist persons affected by the COVID-19 outbreak by relaxing due dates, extending grace periods, and waiving late fees in a manner “consistent with safe-and-sound banking practices[.]” Building from there, Executive Order 123 establishes grace periods for the payment of policy premiums for:

90 Days

- Property and casualty insurance companies
- Life insurance companies
- Insurance premium finance companies

60 Days

- Health insurance companies
- Health maintenance organizations
- Health services corporations
- Other entities issuing health or dental plans

The Executive Order grants the Commissioner the authority and discretion to further extend the grace period to "protect the interests of policyholders, beneficiaries, and the public," and requires insurance carriers to notify policyholders of these extended grace periods.