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BULLETIN NO. 20-17

TO: **ALL INSURANCE PREMIUM FINANCE COMPANIES, INSUREDS, AND OTHER INTERESTED PARTIES**

FROM: **MARLENE CARIDE, COMMISSIONER**

RE: **90-DAY GRACE PERIOD TO CLIENTS OF INSURANCE PREMIUM FINANCE COMPANIES DUE TO THE DISRUPTION CAUSED BY COVID-19**

On March 9, 2020, Governor Phil Murphy declared a state of emergency and public health emergency through the issuance of Exec. Order No. 103 (March 21, 2020) ___ N.J.R. ___ ("EO 103") to contain the spread of the Coronavirus ("COVID-19") pandemic. Governor Murphy later directed New Jersey residents to remain in their homes unless leaving was essential through the issuance of Exec. Order No. 107 (March 21, 2020) ___ N.J.R. ___ ("EO 107"). These Executive Orders were issued to contain the spread of the COVID-19 pandemic. On April 9, 2020, Governor Murphy Issued Exec. Order No. 123 __ N.J.R. __ ("EO 123"). EO 123 directed insurance premium finance companies to refrain from cancelling any policy or contract for nonpayment for a period of time as directed by the Commissioner of the Department of Banking and Insurance ("Commissioner"), to exercise appropriate forbearances on collection documentation, amortizing any unpaid payments over the remainder of the policy term or a period of up to 12 months, as appropriate, as directed by the Commissioner, and to refrain from seeking recoupment of paid claims during the emergency grace period. The Department of Banking and Insurance ("Department") is issuing this Bulletin to direct all insurance premium finance companies licensed pursuant to N.J.S.A. 17:16D-1 to -16 ("Insurance Premium Finance Company Act") to extend a grace period for the payment of premiums to their clients as set forth herein.

Since the outbreak of the respiratory disease COVID-19, individuals and businesses in the State of New Jersey have been negatively impacted in a variety of ways. For example, small businesses in the travel, entertainment, hospitality, and food service industries, have been adversely impacted by significant drops in business activities resulting, for some entities, in dramatic declines in revenue. Employees of these industries will be impacted, which may include the failure to be paid their regular salary or receive reimbursements when normally due. This, in turn, can adversely affect the ability of these individuals or businesses to make payments for obligations, such as insurance coverage, when due.

Currently, an insurance premium finance company may cancel an insurance contract for failure to pay premium upon not less than 10 days' notice. In response to the disruption caused by COVID-19, all licensed insurance premium finance companies are directed to provide their clients who are experiencing a financial hardship due to COVID-19 with a 90-day grace period to pay for their insurance premiums so that insurance policies are not cancelled for nonpayment of premium during this challenging time due to circumstances beyond the control of the insured. A policyholder may elect this 90-day emergency grace period to begin retroactively on April 1, 2020 or opt for the grace period to begin on May 1, 2020. During this extended grace period, insurance premium finance companies shall not cancel any insurance policy for nonpayment of installment payments for the term of the insurance policy.

Insurance premium finance companies are also directed to:

- Waive late payment fees, finance charges, and delinquency charges otherwise due, and not report late payments to credit rating agencies, during the 90-day period;
- Allow premiums due but not paid during the 90-day period to be paid over either 12 months or the remainder of the current policy term, whichever is longer, except that a premium finance company may provide a longer repayment period; and
- Ensure that late payments during the 90-day period are not considered in any future premium calculations at any time.

The extended grace periods described above shall apply to policyholders that were in good standing with their insurance carrier on March 1, 2020. This grace period is intended to be applied to all installment payments, including renewal down payments, provided that the insured provides notice to the insurer that the insured wishes to continue coverage. If renewal is due during the term of the grace period, the contract can be renewed with the same terms with client approval, even if the client has not paid the installment during the grace period. The grace period is not intended to change the terms of the issued policy or be considered a forgiveness of installment payments. Rather, it is directed that the insurance premium finance company grant COVID-19 impacted clients an extended grace period for the payment of installments due without penalty or interest.

Insurance premium finance companies are further directed to, in addition to posting information on the its website, provide each policyholder with an easily readable written description of the terms of the extended grace period offered pursuant to this guidance, which shall be submitted to the Department at bliconline@dobi.nj.gov as an informational filing.

In addition, to eliminate the need for in person payment methods, in order to protect the safety of workers and customers, all agents, brokers, and other licensees who accept premium payments on behalf of insurers must take steps to ensure that customers able to make payments have the ability to make prompt insurance payments through alternate methods of payment, such as online payments.

The Department will monitor events as they develop to determine if this emergency grace period must be extended.

April 10, 2020
Date

Marlene Caride
Commissioner

Jd prem fin co grace pd Bul/COVID 19