

SENATE BILL NO. 2354
(Second Reprint)

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 2354 (Second Reprint) with my recommendations for reconsideration.

This bill would authorize the Commissioner of Banking and Insurance ("Commissioner"), upon the declaration by the Governor of a public health emergency or state of emergency, or both, to issue a bulletin prohibiting insurers and premium finance companies from cancelling an insurance policy or insurance premium finance agreement for nonpayment of premium for a period of at least 60 days. The Commissioner would be authorized to issue the bulletin after determining, in consultation with the Governor, that the emergency or emergencies are of such duration and severity as to require these actions with respect to policies of insurance. The bulletin would apply to policies of insurance and insurance premium finance agreements issued to insureds in this State and subject to regulation by the Department of Banking and Insurance ("DOBI") only if the policyholder is an individual or a business with 50 or fewer employees.

I commend the bill's sponsors for recognizing the devastating impact that the Coronavirus Disease 2019 ("COVID-19") pandemic has had on our State's residents. Many New Jersey residents have lost their jobs or have seen reductions in income. Residents struggling during this difficult time to make insurance payments deserve additional protections with regards to the insurance policies that they rely upon to safeguard their health and property, and the financial well-being of their loved ones. This is particularly true in the case of health insurance, as the COVID-19 pandemic has not only made it more difficult for residents to pay their health insurance premiums, but also has increased the likelihood that residents will need to utilize their health insurance to cover medical treatment related to COVID-19.

To that end, I issued Executive Order No. 123 ("EO 123") on April 9, 2020, which extends the grace periods during which certain insurance companies, including health insurers, life insurers, and property and casualty insurers, and insurance premium finance companies are prohibited from cancelling policies for nonpayment of premium. EO 123 directs insurance companies to pay any claim incurred during the emergency grace period without regard to a policyholder's prior nonpayment of premium. EO 123 further prohibits insurance companies from seeking recoupment of any claims paid during the emergency grace period based on non-payment of premiums. To ensure that policyholders are not required to make a lump sum payment on unpaid premiums at the end of the emergency grace period, EO 123 requires that any unpaid premium be amortized over a period of time as directed by the Commissioner. Following the issuance of EO 123, DOBI issued a series of bulletins that set forth specific directions for the various industries that DOBI regulates. See DOBI Bulletin Nos. 20-11 (concerning the individual market); 20-12 (concerning small employer health and dental benefits plans); 20-13 (concerning large group employer health benefits plans); 20-14 (concerning Medicare Supplement plans); 20-15 (concerning property and casualty insurance carriers); 20-16 (concerning life insurance carriers); 20-17 (concerning insurance premium finance companies); and 20-27 (concerning other accident and health insurance carriers).

Senate Bill No. 2354 (Second Reprint) reaffirms many of the protections contained in EO 123, with one significant exception: the bill only applies to those policyholders that are individuals or businesses with 50 or fewer employees. This limitation would exclude, among others, the State's large group health insurers. Approximately 1.5 million New Jersey residents work for employers enrolled in large group plans. Many of these employees would be ineligible for the emergency grace period. The bill's limitation also would affect property and casualty group policies and group life insurance policies.

Because I believe the protections that I instituted in April should apply to all residents, including the 1.5 million New Jerseyans who work for employers enrolled in large group plans, I am recommending revisions to align the bill's purview with that of EO 123. This revision is particularly critical as it will ensure that those policyholders who have benefitted from the emergency grace periods established under EO 123 do not retroactively lose insurance coverage. I am also recommending a technical revision to ensure that the bill applies to the COVID-19 emergency as well as future states of emergencies and public health emergencies, as intended.

Therefore, I herewith return Senate Bill No. 2354 (Second Reprint) and recommend that it be amended as follows:

<u>Page 2, Title, Line 1:</u>	Delete "certain"
<u>Page 2, Section 1, Lines 27-30:</u>	Delete "The provisions of this section shall apply only to policies and contracts of insurance if the policyholder is an individual or a business with 50 or fewer employees."
<u>Page 2, Section 1, Lines 33-35:</u>	Delete "COVID-19 only if the policyholder is an individual or a business with 50 or fewer employees" and insert "the public health emergency or state of emergency"
<u>Page 2, Section 1, Line 36:</u>	Delete "minimum"
<u>Page 2, Section 1, Line 38:</u>	After "charges" insert ", waiving delinquency charges otherwise due"
<u>Page 2, Section 1, Line 44:</u>	Delete "minimum"
<u>Page 3, Section 1, Line 5:</u>	Delete "minimum"
<u>Page 3, Section 2, Lines 13-14:</u>	Delete "held by an individual or a business with 50 or fewer employees"

[seal]

Respectfully,

/s/ Philip D. Murphy

Governor

Attest:

/s/ Parimal Garg

Chief Counsel to the Governor