



Compliance Alert California Policies



March 19, 2020

California Grants a 60-Day Grace Period to Pay Insurance Premiums

The California State Insurance Commissioner is requiring insurance carriers in the state of California to provide a minimum 60-day grace period to employers to pay their insurance premiums as a result of the COVID-19 outbreak.

On March 18, 2020, and pursuant to Governor Newsom's Executive Order declaring a state of emergency, Insurance Commissioner Ricardo Lara, proceeded to issue a [notice](#) to all admitted and non-admitted insurance companies in the state of California. The notice requires that insurance companies provide no less than a 60-day grace period to employers/insureds to pay premiums. The notice extends to all lines of insurance including life, health (medical, dental, vision, disability, AD&D, EAP, BTA, etc.), auto, property, casualty and other forms of insurance.

The notice would allow employers to request additional time to pay their insurance premiums if they have experienced disruptions due to the COVID-19 outbreak. The notice prohibits carriers from terminating coverage due to non-payment of premiums, prior to the expiration of the 60-day grace period. The notice also requires entities such as agents, brokers and licensees, who receive premium payments on behalf of insureds, to pursue on-line payment options, to eliminate the need of in-person payments.

This notice is welcome relief for CA employers, as many are experiencing reductions in workforce and earnings as a result of COVID-19. Please note that this notice only provides a 60-day grace period to employers with CA insurance policies. Policies issued outside of the state of CA will not be subject to the grace period. Please consult with your out-of-state insurance carrier, to determine if a similar arrangement will be honored.

Employee Benefit Implications

Please note that the grace period will be extended only to insured plans issued in the state of California. If a California employer covers employees in other states via an out-of-state insurance plan, the grace period will not apply. However, if the policy is a CA policy that covers employees in other states, the grace period will apply. Also note that the grace period will not extend to self-insured plans, as they are exempt from state law. If you sponsor a self-insured medical plan, please discuss if the stop-loss contract you purchased (if applicable) is regulated by the state of CA. If the contract is issued in California, the grace period will apply. If the stop-loss contract is issued in another state, ask if the carrier will be willing to extend a similar grace period to pay premiums. Also note that third party administrators and prescription benefit managers are not required to honor the 60-day grace period, therefore we recommend you contact them to discuss if a grace period will be granted for the payment of administrative fees.

We will continue to monitor developments surrounding COVID-19 and efforts to control the outbreak, and provide comments on how they impact employers and their group health plans. If you have questions regarding this bulletin, please contact your HUB representative.



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