

Be Careful Before You Extend Group Health Insurance Premium Payments

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On April 9, 2020, Governor Phil Murphy signed [Executive Order No. 123](#), extending grace periods during which certain insurance companies, including health insurers, life insurers, and property and casualty insurers doing business in NJ, will not be able to cancel policies for nonpayment of premiums. This is much needed relief in some circumstances, however for companies that have or will be taking a Paycheck Protection Program (“PPP”) loan be careful. The payment for group health care and retirement benefits are included in the PPP’s definition of Payroll. The PPP loan could be deemed forgiven if the loan proceeds are used to fund Payroll, among a few other items, during the 8-week period from the date the loan originated. If you extend the payment of health care premiums for more than 8-weeks post loan origination, then it appears that you will be giving up the ability to include such premium payment in the calculation to determine PPP loan forgiveness. In essence, you would go from having the government paying for your group healthcare now to you having to pay for it but at a later date.

Governor Murphy’s Executive Order makes the following changes effective immediately:

Extends minimum grace periods:

- A minimum 60-day grace period for health and dental insurance policies, and
- 90-day grace period will be required for life insurance, insurance premium-financing arrangements, and property and casualty insurance, which includes auto, homeowners, and renters insurance.

Insurance companies are required to notify policyholders of the following:

- Insurance companies must notify policyholders of this emergency grace period and to waive certain late fees, interest, or other charges associated with delays in premium payments.

- Insurers are required to provide each policyholder with an easily readable written description of the terms of the extended grace period.

Requires insurance companies to pay claims during the grace period:

- Insurance companies will be required to pay any claim incurred during the emergency grace period that would be covered under the policy.
- The Order prohibits insurance companies from seeking to recoup any claims paid during the emergency grace period based on non-payment of premiums.

Ensures that unpaid premiums are made payable over a lengthy period:

- Policyholders can pay off any unpaid premium over the remainder of the policy term or a period of up to 12 months.

For more information:

[New Jersey Executive Order No. 123](#)

PPP Small Business Guide &

Checklist https://www.uschamber.com/sites/default/files/023595_comm_corona_virus_smallbiz_loan_final.pdf

NPPG COVID-19 Resource

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