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For Consumers

Frequently asked questions about Emergency Order 2020-03

Answers to frequently asked questions about [Insurance Commissioner Mike Kreidler's Emergency Order 20-03 \(PDF, 332KB\)](#) to all property and casualty insurers to allow policyholders a grace period for payments and protect them from policy cancellations.

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What if the cancellation notice was issued prior to the effective date of Emergency Order 20-03, but the cancellation date falls within the order's 45-day time period?

As stated in Emergency Order 20-03, the insurance company shall not cancel the policy for nonpayment of premium during the order's duration, unless directed to by the insured.

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How long is the grace period?

The grace period is the length of Emergency Order 20-03, currently set to expire on May 9.

Does Emergency Order 20-03 apply to policies that cover locations in Washington state but with a mailing address outside Washington state?

Yes, the order covers all policies that are under the authority of the Washington state insurance commissioner. Policies that have a covered property or activity located in Washington state must comply with Emergency Order 20-03.

Does Emergency Order 20-03 apply to policies that cover locations outside Washington state but with mailing addresses inside Washington state?

Likely, but it will depend on the individual policy and insurance transaction.

Under RCW 48.01.020, the Insurance Commissioner has authority over “All insurance and insurance transactions in this state, or affecting subjects located wholly or in part or to be performed within this state, and all persons having to do therewith.” An insurance transaction, as defined in RCW 48.01.060 “includes any: (1) Solicitation. (2) Negotiations preliminary to execution. (3) Execution of an insurance contract. (4) Transaction of matters subsequent to execution of the contract and arising out of it. (5) Insuring.”

Therefore, if any of the insurance transaction occurred in the state, or if it covers risk at least in part in the state or is to be performed in the state, then the commissioner has authority and Emergency Order 20-03 applies.



How does Emergency Order 20-03 apply to surplus line companies and to their brokers?

As a regulated entity under RCW 48.15, excess & surplus line companies and brokers are bound to Part A of the order, which requires grace periods and waiving otherwise applicable charges and fees associated with nonpayment of premium, such as late fees and reinstatement fees, for the duration of the order.



How does Emergency Order 20-03 affect premium finance companies?

As a regulated entity under RCW 48.56, premium finance companies are bound to Part A of the order, which requires grace periods and waiving otherwise applicable charges and fees associated with nonpayment of premium, such as late fees and reinstatement fees, for the duration of the order.

How does this order affect life insurance policies?

This order applies to only property and casualty insurance and therefore does not apply to life insurance.



You are only talking about property and casualty insurance. What about health, life, and long-term care insurances?

Commissioner Kreidler issued [Emergency Orders 20-01 and 20-02 addressing health insurance](#). Emergency order 20-03 only addresses property and casualty insurance.



Is there an order for carriers to work with clients on pricing? I have a carrier that has agreed to drop the CGL down to Premises Liability and exclude the Operations that cannot open right now, but they are refusing to amend the Excess as they said the premium for the 04/01/2020 renewal is a "Flat Premium" of \$1,575, even though the policy has a Minimum Premium endorsement that shows \$35.

The order doesn't address pricing. Each company's rate filing contains pricing information.

Most carriers, admitted and non-admitted, require a down payment on a new or renewal policy. Does the new order eliminate that requirement?

The emergency order is related to grace periods for active policies. If premium is required to issue a policy, that requirement is not changed by the order.

Can property & casualty carriers still cancel for underwriting reasons during this period of time?

The emergency order requires grace periods on property and casualty policies. The order does not affect cancellations due to reasons other than nonpayment. If cancellation is for a valid reason not related to nonpayment - such as misstatement on an application - that is not subject to the order.

- If a retail agent requests binding of a non-admitted policy, either new business or renewal, they are usually responsible to the managing general agency for the usual 25% of the premium plus taxes and fees. So, if the policy is cancelled mid-term and the agent did not collect a down payment, then the agent is out the money. How would this work with the order on cancelling of policies?

- The emergency order is related to grace periods on active policies. If premium is required to issue a policy, that requirement is not changed by the order.

- What will the insurance commissioner's office do to protect small Washington insurers, who will have policyholders walk away from the deferred payments they owe following your emergency order - and just leave to go get insurance elsewhere, walking away from debt after coverage was granted and claims paid for them, during this time of premium deferral. We have at least two insurers domiciled in Washington who don't have the national and endless bank accounts of other national insurers. Losing tens of millions of dollars for policyholders who walk away from deferred premium owed, could be catastrophic. What will you do to protect them?

The order is in effect until May 9, 2020. It does not waive the payment of premiums permanently. It only delays when premiums are required to be paid and prohibits the charging of late fees or other fees for nonpayment during the grace period.

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We have a couple of clients that cancelled for nonpayment after the order went into effect but with a cancellation effective date prior to the order date. The effective date of cancellation would have been the date of cancellation regardless of the order, but I am wondering about the timing.

- If the clients are consumers, this is allowed. If the clients are regulated entities, it is not allowed, as regulated entities are not allowed to retroactively set the effective date to avoid the order's effect.

Will the extra expenses and bad debt incurred by insurers as a result of state-mandated prohibition against cancellations be reimbursed by the



OIC or by the state of Washington and, if not, how is such a mandate not in violation of Constitutional rights (e.g., sanctity of private contracts and property rights)?

Emergency Order 20-03 was issued based on the Governor's proclamation of an emergency. There is not a provision in the order for reimbursement.

How does the Emergency Order affect a policy renewing between March 25, 2020, and May 9, 2020, and the Insurance Company (which is the same carrier as expiring) is requiring a down payment to bind the renewal coverage?



The order is specific to grace periods for non-payment of premium. A policy has to be in-force for grace periods to be offered.

Is there a link to show what other states are requiring or putting in place, such as Washington has done?

The National Association of Insurance Commissioners (NAIC) is [compiling information from all states](#).

Is there a grace period to pay small business insurance premiums?

If your small business insurance is property and casualty coverage, there is a grace period for paying premiums until May 9 under Emergency Order 20-03.



With respect to Emergency Order 20-03, does the OIC take the same position as Texas on canceling back to the date of equity where deferred payment plans have not been honored (excluding those with claims)? TDI is allowing insurers that set up deferred payment plans to retroactively cancel back to equity date if the insured does not make their deferred payments. Will insurers be able to do that in Washington?



No. During the timeframe outlined in the order, P&C carriers must provide a grace period, not cancel policies for nonpayment and must waive all late fees and other fees. The date of equity has no importance.

Under OIC Emergency Order 20-03, may insurers subject to the order deduct unpaid premium from a claim payment on a first-party loss ?

No. During the timeframe outlined in the order, P&C carriers must provide a grace period, not cancel policies for nonpayment and must waive all late fees and other fees. There is nothing that allows an insurer to deduct unpaid premium from a claim payment.



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