



# PIANY moratorium Q&A

## **Q. What does the moratorium do?**

**A.** The moratorium prohibits the termination, cancellation or nonrenewal of any "covered policy," as that term is defined by Insurance Law Sections 3425(a), 3426(a) and policies issued under Articles 53 and 54 of the Insurance Law. In addition, any automatic policy renewal provision contained within a covered policy is not effective during the moratorium. During the period that the moratorium is in effect, insurers are prohibited from sending out notices of cancellation or nonrenewal.

## **Q. When will the moratorium expire and what counties will it affect?**

**A.** When the moratorium was first issued on Oct. 26, 2012, it was effective for the counties of New York, Bronx, Kings, Richmond, Queens, Nassau, Suffolk, Westchester, Rockland and Orange. These counties were all included in the New York State Department of Financial Services' second order extending the moratorium to Dec. 16, 2012.

The third DFS order extended the moratorium until Jan. 6, 2013. However, this extension only applied for the counties of New York, Bronx, Kings, Richmond, Queens, Nassau and Suffolk. The moratorium was thus lifted for the counties of Westchester, Rockland and Orange on Dec. 16, 2012. This means that in those three counties insurers were again permitted to cancel, nonrenew and terminate policies, as well as issue notices of cancellation/nonrenewal.

The fourth DFS order extended the moratorium until Jan. 16, 2013. This extension again included the counties of New York, Bronx, Kings, Richmond, Queens, Nassau and Suffolk.

The DFS [extended the moratorium for a fifth time](#) on Jan. 16, 2013; however, the extension was limited to certain designated ZIP codes within New York, Bronx, Kings, Richmond, Queens, Nassau and Suffolk counties. The extension was for an additional 14 days.

On Jan. 16, 2013, The DFS [extended the moratorium for a sixth time](#). Once again the extension was limited to ZIP codes; however, the number of ZIP codes covered by the extension was reduced from the fifth extension. This extension will be good for a period of 14 days after which point insurers will once again be allowed to cancel, terminate or nonrenew policies and send notices of cancellation/nonrenewal.

On Feb. 12, 2013, the DFS [extended the moratorium for a seventh time](#). The extension is again limited to ZIP codes. The ZIP codes covered by this extension have been further reduced from those covered in the fifth and sixth extensions. This extension will be good for a period of 14 days, after which point insurers will once again be allowed to cancel, terminate or nonrenew policies and send notices of cancellation/nonrenewal.

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**Q. What types of policies does the moratorium apply to?**

A. The moratorium applies to any "covered policy," as that term is defined by Insurance Law Sections 3425(a), 3426(a) and policies issued under Articles 53 and 54 of the Insurance Law that were in place prior to the moratorium's effective date of Oct. 26, 2012. Included in the term "covered policies" would be all personal- and commercial-lines policies where the insured risk or the insured's mailing address is located in the counties affected by the moratorium. (See the first Q&A above for details on which counties were affected by the moratorium.)

**Q. I have a policy that went into effect during the moratorium; will the moratorium still apply to this policy?**

A. No. The moratorium only applies to policies that were in place as of the initial effective date of the moratorium—Oct. 26, 2012.

**Q. How do I calculate the date of cancellation/nonrenewal on a policy where notice of cancellation/nonrenewal was mailed prior to the moratorium with an effective date within the moratorium?**

A. Think of the moratorium acting like a time out in sports. If a coach calls a time-out with five minutes left in the game, when play resumes five minutes still remain on the clock. The same idea applies to policies affected by the moratorium. Where a notice of cancellation or nonrenewal was mailed prior to the enactment of the moratorium, the cancellation/nonrenewal can occur the same number of days after the moratorium is lifted as the number of days the cancellation was suspended by the moratorium. For example, if a policy was set to cancel on Oct. 27, 2012, one day after the moratorium went into effect, the policy would cancel one day after the moratorium is lifted, in this case Jan. 17, 2013. If the policy was set to expire on Dec. 16, 2012, 50 days after the moratorium went into effect, the policy would cancel 50 days after the moratorium is lifted, which, in this case, would be March 7, 2013.

**Q. Do insureds have to send out new notices of nonrenewal/cancellation if notice was sent prior to the effective date of the moratorium?**

A. No. For those policies where notices of cancellation/nonrenewal were already sent, the DFS has stated that insurers are encouraged, but not required, to send out new notices of cancellation/nonrenewal. If an insurer does send a new notice, this will not act to reset the clock on the cancellation; instead, the notice can note that the clock picks up exactly where it left off.

**Q. If a policy's nonrenewal date came and passed during the moratorium, will the insurer be required to keep the policy for another term?**

A. No, while insurers have been prohibited from nonrenewing/canceling policies during the moratorium, no insurer will be required to provide any additional time than they would have provided prior to the moratorium. The policy remains in place for the period of the moratorium. After the moratorium is lifted, an insurer may exercise any of the rights it had prior to the effective date of the moratorium. In addition, carriers will be permitted to bill for the additional period of coverage required by the moratorium.

**Q. Can an insurer issue a conditional renewal during the moratorium?**

A. No. While there is no specific reference to "conditional renewal" in the moratorium the DFS has said that they expect no insurer to take action that changes the policyholder's coverage during the pendency of the moratorium. Further, the DFS order specifically states that "a moratorium exists ... prohibiting the termination, cancellation or nonrenewal of any "covered policy," as that term is defined by Insurance Law Sections 3425(a), 3426(a), and policies issued under Articles 53 and 54 of the Insurance Law." If an insurer was permitted to issue a notice of conditional renewal during the moratorium period you would have a situation where the only two outcomes of that conditional renewal, a change in coverage if the insured accepts the renewal or a termination if the insured does not, would be prohibited by the moratorium. Thus, insurers are not permitted to send notices of conditional renewal during the moratorium period.

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**Q. Does the moratorium apply to nonadmitted/excess-line companies?**

A. The moratorium only applies to excess-line carriers on personal-lines policies. Commercial policies written in the excess-line market are specifically excluded by New York state Insurance Law Section 3426(l)(2) and as such the moratorium does not apply to those policies.

**Q. The moratorium allows for an insured to request cancellation of a policy. Does this extend to the finance company cancellations as well, as a finance company cancellation is considered a request by the named insured?**

A. No. The DFS has confirmed that the moratorium extends to the premium-finance company cancellations, as well as cancellations from carriers.

**Q. I have a commercial insured that has multiple locations throughout New York state; some locations are in ZIP codes where the moratorium has been lifted. Can a carrier now issue notices of termination or nonrenewal for all locations?**

A. Maybe. The moratorium only applies to commercial policies where the headquarters or principal base of operations of the policyholder is located in one of the designated ZIP codes. If the insured has one policy covering all of the locations and the headquarters or principal base of operations of the business is located in a ZIP code still under the moratorium, then the remaining locations also would be covered by the moratorium regardless of if those locations were in ZIP codes where the moratorium had been lifted. Alternatively, if the insured has one policy covering all of the locations and the headquarters or principal base of operations is located in a ZIP code not covered by the moratorium, then the remaining locations would not be covered by the moratorium either.

If the policyholder has a separate policy for each individual location then each location will be treated as a separate entity for the moratorium's purpose. In these cases, you may have a situation where some of the locations are covered by the moratorium and some are not depending on which ZIP code each location is located.