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[Christie Administration Takes Action to Protect Storm-Impacted New Jersey Homeowners from Higher Insurance Deductibles]

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Trenton, NJ – Taking action to save homeowners money following Hurricane Sandy, Governor Chris Christie signed Executive Order 107, prohibiting insurance companies from imposing costly hurricane deductibles on New Jersey homeowners. An important part of the recovery of New Jersey will be the influx of funds that occurs when insurers settle claims by New Jersey homeowners. This action will increase the total size of the payments made by the insurance industry, helping residents rebuild their homes and speed New Jersey's path to recovery. "We need to ensure that homeowners are not forced to pay higher out of pocket costs than required as they begin the rebuilding and repair process," said Governor Christie. "While Hurricane Sandy was a devastating storm, it did not meet the regulatory threshold to trigger the application of hurricane deductibles by insurance companies in New Jersey. This executive order makes it clear that consumers do not have to pay these unusually large and often unexpected amounts." A hurricane deductible typically can be in the amount of two to five percent of a property's insured value. Thus a $500,000 house with a four percent hurricane deductible would result in a homeowner being responsible for a $20,000 deductible, rather than a more standard deductible in the $500-2,000 range. The deductible is the amount the policyholder must pay before the insurer would start covering the loss. Insurers are permitted to charge hurricane deductibles in certain circumstances. However, as the National Weather Service classified Hurricane Sandy as a post-tropical storm prior to landfall in New Jersey, the storm did not meet the first regulatory threshold required to apply a hurricane deductible. Separately, the executive order also directed insurers and other regulated entities to exercise appropriate forbearances on collection and cancellation activities, to relax documentation and other requirements, and to reduce insurance burdens on healthcare providers and patients. For example, the order directs the easing of insurer requirements for notifications of hospital admissions; prior authorization requirements; and limitations on prescription refills. It also directs insurers to be flexible on due dates for claim filings and premium payments; and lenders to be flexible on due dates for loan payments, and on late fees. Such flexibility is appropriate due to the difficulty that many individuals continue to face following the devastation of Sandy. Finally, the executive order permits insurance companies to begin paying certain claims out via pre-paid debit cards or other alternative payment methods rather than via checks or drafts. This will allow residents to more quickly receive emergency funds to begin temporary repairs or cover alternate living expenses in the immediate aftermath of Sandy, if they cannot access their financial institutions in order to cash checks. The Department of Banking and Insurance was in the process of proposing rules to formally adopt this process; however, in light of the massive scope of Sandy, the executive order allows insurers to take advantage of this option now. To protect consumers, insurers may only issue payments through these alternate methods if: Residents opt in to receiving the payment methods;The payment method is not subject to any fees that will diminish the full amount of the claim payment;The claimant can convert the remaining value of the card to cash; andThe claimant is made aware of all applicable terms and conditions.