

MAY 15<sup>th</sup>, 2020

## COVID 19

### EXCEPTIONAL RÉGIME REGARDING INSURANCE CONTRACTS

Decree-Law 20-F/2020, of May the 12th, came into force on May the 13th, 2020, and establishes exceptional and temporary rules for insurance contracts and for the payment of their premiums, within the scope of the COVID-19 pandemic.

This decree-law allows the insurance contracts rules to be more flexible, establishing exceptional rules regarding:

- The payment of the insurance premiums;
- Policyholders who have had their activity suspended or have suffered a significant reduction in activity due to measures taken in the context of the pandemic.

#### INSURANCE PREMIUMS

Regarding the payment of the insurance premiums, this Decree-Law allows the parties to, through an agreement, establish more favorable conditions for the policyholder, regarding the payment of his insurance premium.

Namely, the parties may agree:

- (i) That the payment of the insurance premium will occur at a later date;
- (ii) To the withdrawal of automatic termination or non-extension clauses in the contract, in the event of non-payment;
- (iii) To the payment of the insurance premium through installments;
- (iv) To a temporary suspension of payment of the insurance premium;
- (v) To a temporary reduction of the insurance premium.

In the case of mandatory insurance, if there is no agreement between the parties regarding the revision of the premium payment conditions and the premium is not been paid on its due date, the contract will still remain valid, and is automatically extended for an additional period of 60 days.

This extension does not exempt the policy holder from the payment of the premiums corresponding to the period in which the contract has been in force. If not paid, the insurer

may, deduct the due amount from any sums he owes to the policyholder, namely due to the occurrence of an insurance claim, during the contract.

## **EXCEPTIONAL RULES REGARDING SIGNIFICANT ACTIVITY REDUCTION**

The Decree-Law further establishes that policyholders who:

- Develop activities which are suspended or whose establishments are still closed due to the COVID-19 exceptional measures; or
- Develop activities that have been subject to a substantial reduction, and are in a situation of business crisis, due to the direct impact of the COVID-19 exceptional measures,

may, due to the reduction of the existing risk, request that their insurance premium be correspondently reduced and / or, request that its payment be made in installments, without any additional costs (as long as their insurance is not related to large exposure).

If the policyholder is in one of the above-mentioned situations and has requested the reduction of its premium but has already paid the full amount of the annuity, then the insurer is bound to apply the mentioned reduction to the subsequent annuity. If the insurance contract is not renovated or does not extend to another year, then the insurer must pay the reduction amount to the policy holder, within 10 business days before the term of the contract.

Any contractual changes resulting from the aforementioned rules must be written down in additional minutes, or in a particular condition, to be sent from the insurer to the policyholder within 10 working days after the date of the agreement or the exercise of the right by the policyholder.

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**PARES | Advogados** is able to provide any information regarding these or other issues suiting the information to each client, namely regarding any issues with insurance contracts and their renegotiation.

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