

HB 1291 -- HOMEOWNERS' INSURANCE

SPONSOR: Pearce

COMMITTEE ACTION: Voted "do pass by consent" by the Committee on Financial Services by a vote of 17 to 0.

This bill prohibits a lender of a residential mortgage from requiring a borrower to purchase homeowners' insurance coverage in an amount exceeding the replacement value of the home and its contents.

FISCAL NOTE: No impact on state funds in FY 2005, FY 2006, and FY 2007.

PROPOSERS: Supporters say that the insurance on a home does not need to include the value of the land, only the replacement value in case of fire, but secondary lenders routinely require this higher coverage amount. The premiums on a home are higher because of this required over insurance. In addition, fraud is always a possibility when the insurance coverage on a property is artificially high. That's the reason 23 other states already have this prohibition.

Testifying for the bill were Representative Pearce; Missouri Insurance Coalition; Shelter Insurance; and Steve Henderson.

OPPOSERS: There was no opposition voiced to the committee.

Richard Smreker, Senior Legislative Analyst