

HCS HB 407 -- CERTIFICATE OF INSURANCE FOR PROPERTY AND CASUALTY
INSURANCE COVERAGE

SPONSOR: Nance (Wieland)

COMMITTEE ACTION: Voted "do pass" by the Committee on Insurance
Policy by a vote of 10 to 0.

This substitute prohibits a person from preparing, issuing, or requesting the issuance of a certificate of insurance form unless it has been filed with the Director of the Department of Insurance, Financial Institutions and Professional Registration and from altering or modifying a filed certificate of insurance form. A certificate of insurance is not a policy of insurance and cannot confer to a policyholder new or additional policy rights beyond what the referenced insurance policy expressly provides and cannot contain references or opinions on the effect of any other contract. Only a certificate holder has the legal right to cancel, non-renew, or change a policy of insurance with proper notice. A certificate of insurance cannot create or alter the terms and conditions of the notice, including the required timing of the notice. An insurance producer can charge a reasonable fee for issuing a certificate of insurance to a policyholder or certificate holder. Any person violating these provisions will be subject to an administrative order and the imposition of any authorized penalty or remedy from the department director. No person, wherever located, can demand or request the issuance or knowingly prepare or issue a certificate that contains any false or misleading information. No person can prepare, issue, or request an opinion letter or other document that is inconsistent with these provisions, but an insurer or insurance producer may issue an addendum to a certificate that lists the forms and endorsements by an insurance policy. These provisions apply to all certificate holders, policyholders, insurers, insurance producers, and certificate of insurance forms issued as a statement of coverage on property operations or risks located in this state regardless of where the holder or producer is located.

Any lender requesting use of an evidence of commercial property insurance, which has not been approved for use by the insurer issuing the insurance policy, and the insurance producer has advised the lender in writing that the insurance provider has not been authorized to use the requested evidence of commercial insurance will have no cause of action against an insurance producer except for acts of intentional misrepresentation or fraud.

FISCAL NOTE: No impact on state funds in FY 2012, FY 2013, and FY 2014.

PROPONENTS: Supporters say that there is no standardized and uniform way to produce a certificate of insurance. The bill will codify current business practices and allow an annual fee to be assessed for a certificate. The fee will mostly benefit general contractors, but homeowners will also benefit. The practices in the bill will not create any additional expenses that could be passed down to the consumer. As insurance coverage has evolved, certificates of insurance have become more difficult to facilitate. The substitute bill will return the certificate to its original purpose, to be a small statement of coverage. The current certificate has exceeded the original intent and needs to return to being a short summary of the policy and not a copy of the policy.

Testifying for the bill were Representative Wieland; Missouri Association of Insurance Agents; and American Family Insurance Group.

OPPONENTS: Those who oppose the bill say that there are unintended consequence of the bill. It will eliminate a lender's ability to have proof of insurance on a commercial property and limit the ability to lend in this state or provide coverage renewals. By adding the statement on the certificate that it is for informational purposes only makes the certificate worthless. As the bill relates to large commercial lenders, it will codify an informational only filing which will not benefit the federal requirements for lending which will greatly impact commercial lending in the state.

Testifying against the bill were Catherine Rodewald, Prudential; Metlife; Bank of America; American Council of Life Insurers; and Life Insurance Association of Missouri.