

HCS HB 655 -- PROPERTY AND CASUALTY INSURANCE

SPONSOR: Knight

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Insurance Policy by a vote of 13 to 0. Voted "Do Pass" by the Standing Committee on Rules- Legislative Oversight by a vote of 7 to 0.

The following is a summary of the House Committee Substitute for HB 655.

Currently, the Director of the Division of Worker's Compensation must authorize five year loans to Missouri Employers Mutual Insurance Company in an amount up to \$5 million. This removes that requirement for the Division of Worker's Compensation (Section 287.690, RSMo).

Before January 1, 2025, the company known as the Missouri Employers Mutual Insurance Company shall file amended and restated Articles of Incorporation with the Missouri Department of Commerce and Industry (DCI) and the Secretary of State (SOS) converting the company from an independent public corporation to a private mutual insurance corporation.

Upon complying with the applicable provisions of Chapter 379, RSMo, the Director of the DCI shall issue an amended Certificate of Authority effective January 1, 2025, to the company, to operate as a private mutual insurance corporation that is authorized to write any lines of insurance. The SOS shall issue an amended Certificate of Incorporation effective January 1, 2025, as indicated in the bill.

The company may continue to conduct business using the name "Missouri Employers Mutual Insurance Company" or adopt a different name that complies with state law.

Beginning, January 1, 2025, the converted private mutual insurance corporation becomes the successor in interest to all assets and liabilities of the company without any conveyance or transfer and without any further act or deed and shall be vested by operation of law to all property of the company.

The State is not liable for any expenses, liabilities or debts of the converted private mutual insurance corporation, the company or subsidiary or joint enterprise of the converted private mutual insurance corporation or the company (Section 287.921).

This bill repeals Missouri Employers Mutual Insurance Company's enabling legislation. The repeal of the sections become effective on January 1, 2025 (Sections 287.900, 287.902, 287.905, 287.907, 287.909, 287.910, 287.912, 287.915, 287.917, 287.919, 287.920 and 375.1275).

Currently, insurers must file with the Director of the DCI, except for commercial property or commercial casualty insurance, every manual of classifications, rules, underwriting rules and rates, every rating plan and every modification of the foregoing which it uses and the policies and forms to which such rates are applied.

Insurance against loss of or damage to an aircraft is currently exempt from the rate plan filing requirements. This bill adds insurance against liability, other than employer's liability, arising out of the ownership, maintenance, or use of aircraft to the exemption (379.316).

The bill specifies when lender-placed insurance will become effective, terminate, and when mortgagors may be charged for the policies.

Lender-placed insurance shall become effective based on the lapse of insurance for the mortgaged property and subject to the terms of the mortgage agreement or state or federal law. Termination of lender-placed insurance is specified in the bill and includes when the mortgagor provides proof of acceptable insurance (379.1853).

Coverage amounts and premium amounts shall be based upon the replacement cost value of the property, to be determined as laid out in the bill. In the event of a covered loss, any replacement cost coverage in excess of the unpaid principal balance on the mortgage shall be paid to the mortgagor. No insurer shall write lender-placed insurance for which the premium rate differs from that determined by the rate schedules on file with the DCI as of the effective date of the policy (Section 379.1855).

The bill prohibits insurers and insurance producers from issuing lender-placed insurance if they or one of their affiliates owns, performs servicing for, or owns the servicing right to, the mortgaged property. The bill prohibits insurers and insurance producers from compensating lenders, insurers, investors, or servicers for lender-placed insurance policies issued by the insurer, and from sharing premiums or risk with the lender, investor, or servicer

The bill also prohibits payments dependent on profitability or loss ratios from being made in connection with lender-placed insurance, specifies that insurers shall not provide free or below-cost

services or outsource its own functions at an above-cost basis. No insurer or insurance producer shall make any payments for the purpose of securing lender-placed insurance business or related services (Section 379.1857).

The bill requires lender-placed insurance to be set forth in its own policy or certificate. Proof of coverage shall be provided in person or by mail to the last known address of the mortgagor, or in accordance with the Uniform Electronic Transactions Act, and shall include certain information laid out in the bill (Section 379.1861).

Policy forms and certificates and premium rates shall be filed with the DCI, which shall review the rates to determine whether they are excessive, inadequate, or unfairly discriminatory, and whether expenses included in the rate are appropriate. Rates shall be filed at least once every four years, and all insurers shall have separate rates for lender-placed insurance and voluntary insurance obtained by a mortgage servicer on real estate owned property, as defined in the bill. The bill requires insurers writing at least \$100,000 in lender-placed insurance to annually report certain financial information to the DCI, and specifies that except in the case of lender-placed flood insurance, insurers experiencing an annual loss ratio of less than 35% for two consecutive years shall re-file rates. Except as otherwise provided in the bill, rates and forms must be filed as required by law (Section 379.1863).

The Director of the DCI has authority to enforce the provisions of the bill, subject to judicial review as provided by law. The bill cannot be construed to create a private cause of action, or to extinguish any mortgagor rights otherwise available under state, federal, or common law (Section 379.1865).

Lastly, the bill specifies potential penalties for violations of the bill, including monetary penalties and suspension or revocation of an insurer's license (Section 379.1867).

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPOSERS: Supporters say that there is a needed protection for lenders and this bill solves that. This helps protect the lender's financial interest if the borrower fails to maintain insurance on a property.

Testifying in person for the bill were Representative Knight; Missouri Bankers Association; Missouri Insurance Coalition; and the American Property Casualty Insurance Association.

OPPONENTS: There was no in person opposition voiced to the committee.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.