

HB 655 -- LENDER-PLACED INSURANCE

SPONSOR: Knight

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, RSMo).

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 Department of Commerce and Insurance (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 4 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).

This bill is similar to SB 101 (2023).