

First Extraordinary Session, 2005

SENATE BILL NO. 16

BY SENATORS SCHEDLER, BARHAM, BOASSO, CAIN, DARDENNE, HOLLIS, KOSTELKA, LENTINI, MALONE, MICHOT, QUINN, ROMERO AND THEUNISSEN AND REPRESENTATIVES ALEXANDER, BEARD, BOWLER, BRUNEAU, BURNS, CROWE, DOVE, DOWNS, ERDEY, GEYMANN, GREENE, HUTTER, JOHNS, KATZ, KENNARD, KLECKLEY, LABRUZZO, LAMBERT, LANCASTER, MARTINY, MCVEA, MORRISH, PITRE, T. POWELL, M. POWELL, SCALISE, SCHNEIDER, SMILEY, JANE SMITH, STRAIN, TOOMY, TRAHAN, TUCKER, WADDELL, WALSWORTH, WHITE AND WINSTON

INSURERS. Requires that settlement monies on claims arising under homeowners insurance policies be placed in interest-earning escrow accounts with the interest accruing to the claimant under such policy. (gov sig)

1 AN ACT

2 To enact R.S. 22:658(E), relative to settlement monies on claims arising under homeowners
3 insurance policies; to require placement of monies into interesting-bearing accounts
4 with the interest payable to the homeowner; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 22:658(E) is hereby enacted to read as follows:

7 §658. Payment and adjustment of claims, policies other than life and health and
8 accident; personal vehicle damage claims; penalties; arson-related
9 claims suspension

10 * * *

11 **E.(1) Every payment made under this Section in settlement of a property**
12 **damage claim in which another person holds a security interest in the damaged**
13 **property shall be paid by check or draft of the insurer and made payable jointly**
14 **to the claimant and a person holding a security interest that is listed on the**
15 **policy in the damaged property, and the settlement proceeds shall be placed in**
16 **an interest-bearing escrow account and the interest on the proceeds of the funds**
17 **deposited shall accrue to the benefit of the claimant. The individual holding a**

1 security interest listed in the policy shall deposit the funds in an interest bearing
2 account.

3 (2) When the damaged property is replaced or otherwise repaired to the
4 satisfaction of the person holding the security interest in the property and the
5 claimant, any remaining balance in the escrow account shall be paid to the
6 claimant together with all interest that accrued while the funds were in escrow.

7 Section 2. This Act shall become effective upon signature by the governor or, if not
8 signed by the governor, upon expiration of the time for bills to become law without signature
9 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
10 vetoed by the governor and subsequently approved by the legislature, this Act shall become
11 effective on the day following such approval.

The original instrument was prepared by Thomas L. Tyler. The following digest, which does not constitute a part of the legislative instrument, was prepared by Carla S. Roberts.

DIGEST

Schedler (SB 16)

Proposed law requires that every payment by an insurer made in settlement of a property damage claim, in which another holds a security interest, be paid by check or draft of the insurer and be made payable jointly to the claimant and the person holding a security interest that is listed in the policy in the damaged property, and that the settlement proceeds be placed in an interest-bearing escrow account. Requires that the interest on the monies accrue to the benefit of the claimant. Requires that when the damaged property is replaced or otherwise repaired to the satisfaction of the person holding a security interest in the property and the claimant, then any remaining monies in the escrow account are to be paid to the claimant together with the interest that accrued.

Proposed law requires that the individual holding the security interest listed in the policy, to deposit the funds in an interest bearing account.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Adds R.S. 22:658(E))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Insurance to the original bill.

1. Clarifies that the security interest must be listed in the policy.
2. Requires the individual holding the security interest listed in the policy to invest the money in the interest bearing account.
3. Requires that the property be repaired to the satisfaction of the claimant as well as the holder of the security interest.