

SB 16 By Senator Schedler

KEYWORD AND SUMMARY AS IT LEFT THE SENATE

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)

SUMMARY OF HOUSE AMENDMENTS TO THE SENATE BILL

1. Limits application of proposed law to settlement monies paid for damages resulting from hurricanes Katrina and Rita.
2. Clarifies that proposed law applies only to payments made to insured and mortgage holder, jointly.
3. Changes “security interest” to “mortgage”.
4. Defines “settlement proceeds” to mean amounts of \$25,000 or more paid for damage to residential property resulting from the hurricanes Katrina and Rita and which are held in an interest-bearing accounts for 60 days or more.
5. Provides for payment of monies into individual and custodial accounts.
6. Provides for compliance under Fannie Mae and Freddie Mac.
7. Requires that person holding security interest in property cooperate fully with the claimant and his insurer in releasing funds in timely manner to replace or repair the damaged property.

DIGEST OF THE SENATE BILL AS IT LEFT THE SENATE

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 if payment by an insurer made in settlement of a property damage claim, in which another holds a mortgage, is paid by check or draft of the insurer, made payable jointly to the claimant and the person holding a mortgage 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.

Proposed law 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 mortgage listed in the policy, to deposit the funds in an interest bearing account.

Proposed law provides that “settlement proceeds” means payment of \$25,000 or more and are held in the interest bearing account for 60 days or more. Interest bearing accounts may be individual accounts or custodial accounts.

Proposed law provides that compliance with Fannie Mae or Freddie Mac servicing guidelines constitutes compliance with the proposed law .

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.

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Insurance to the engrossed bill.

1. Deletes application of proposed law to “every” payment.
2. Applies only to payments made to insured and mortgage holder, jointly.
3. Changes “security interest” to “mortgage”.
5. Defines “settlement proceeds”.
6. Provides for individual and custodial accounts.
7. Provides for compliance under Fannie Mae and Freddie Mac.

Thomas L. Tyler
Deputy Chief of Staff