

SENATE BILL NO. 16

BY SENATORS SCHEDLER, BARHAM, BOASSO, CAIN, DARDENNE, HOLLIS, KOSTELKA, LENTINI, MALONE, MICHOT, QUINN, ROMERO, SMITH AND THEUNISSEN AND REPRESENTATIVES ALEXANDER, BEARD, BOWLER, BRUNEAU, BURNS, CROWE, DOVE, DOWNS, ERDEY, GEYMAN, 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

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AN ACT

To enact R.S. 10:9-211, relative to settlement monies on claims arising under homeowners insurance policies; to require placement of monies into interest-bearing accounts with the interest payable to the homeowner; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 10:9-211 is hereby enacted to read as follows:

§9-211. Duty of secured party upon payment of insurance claim for damage to mortgaged property

(a) If payment made under this Section in settlement of a property damage claim in which another person holds a mortgage on the damaged property is paid by check or draft of the insurer, made payable jointly to the claimant and a person holding a mortgage that is listed on the policy in the damaged property, then settlement proceeds, as defined in Paragraph (3) of this Subsection, shall be placed in an interest-bearing escrow account and the interest on the proceeds of the funds deposited shall accrue to the benefit of the claimant. The individual holding a mortgage listed in the policy or the mortgagee's loan servicing agent shall deposit the settlement proceeds in an interest-bearing account.

(b) When the damaged property is replaced or otherwise repaired to the satisfaction of the person holding the mortgage on the property and the claimant, any remaining balance in the escrow account shall be paid to the

1 claimant together with all interest that accrued while the funds were in escrow.
 2 The person holding the security interest in the property shall cooperate fully
 3 with the claimant and the claimant's insurer in releasing funds in a timely
 4 manner to replace or repair the damaged property.

5 (c) As used in this Subsection, "settlement proceeds" means funds paid
 6 on an insurance claim for damage to residential immovable property as a result
 7 of Hurricane Katrina or Hurricane Rita, and where the funds are in the amount
 8 of twenty-five thousand dollars or more, and are held in an interest-bearing
 9 account for sixty days or more. Interest-bearing accounts required under the
 10 provisions of this Subsection may include separate individual accounts or
 11 custodial accounts. For purposes of this Subsection, compliance with Fannie
 12 Mae or Freddie Mac servicing guidelines for disposition of proceeds and
 13 maintaining funds in interest-bearing accounts constitutes compliance.

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

 PRESIDENT OF THE SENATE

 SPEAKER OF THE HOUSE OF REPRESENTATIVES

 GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____