

New law provides that if payment made under new law 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 must 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. Requires that the individual holding a mortgage listed in the policy or the mortgagee's loan servicing agent deposit the settlement proceeds in an interest-bearing account.

Requires that 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 be paid to the claimant together with all interest that accrued while the funds were in escrow. Requires that the person holding the security interest in the property cooperate fully with the claimant and the claimant's insurer in releasing funds in a timely manner to replace or repair the damaged property.

Defines "settlement proceeds" as funds paid on an insurance claim for damage to residential immovable property as a result of Hurricane Katrina or Hurricane Rita, and where the funds are in the amount of \$25,000 or more, and are held in an interest-bearing account for 60 days or more.

Provides that interest-bearing accounts required under new law may include separate individual accounts or custodial accounts. Compliance with Fannie Mae or Freddie Mac servicing guidelines for disposition of proceeds and maintaining funds in interest-bearing accounts constitutes compliance with new law.

Effective upon signature of the governor (December 6, 2005).

(Adds R.S. 10:9-211)