

2022 Regular Session

HOUSE BILL NO. 805

BY REPRESENTATIVE GREEN

FINANCIAL INSTITUTIONS: Provides for insurance proceeds disbursement plans

1 AN ACT

2 To enact R.S. 6:339, relative to insurance claim proceeds paid to a mortgage lender; to
3 require mortgage lenders to have policy for disbursement of insurance claim
4 proceeds; to provide for interest accrued on insurance proceeds; to provide for the
5 use of insurance proceeds; to provide for an appeal process; to provide liability for
6 mortgagors acting in bad faith; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 6:339 is hereby enacted to read as follows:

9 §339. Insurance proceeds disbursement plan

10 A. A mortgage lender doing business in this state shall have a clear policy
11 outlining the process for disbursement of funds received from an insurer as a result
12 of a major claim on property for which the mortgagor hold a mortgage. A copy of
13 the plan shall be signed by a mortgagee as part of the mortgage application. A copy
14 of the plan shall be provided to the mortgagee upon request for such.

15 B. A plan for disbursement of funds required pursuant to this Section shall
16 include the following:

17 (1) A provision providing for the transfer of any interest earned on the funds
18 while in the possession of the mortgagor to the mortgagee.

19 (2) A point of contact for the mortgagee to contact regarding an insurance
20 claim.

1 (3) A provision providing that all claim proceeds will be used for the repair
2 of the damaged property.

3 (4) A provision providing that claim proceeds will not be used to make
4 payment toward the principal, interest, or fees associated with the mortgage, unless
5 the mortgagee requests such in writing.

6 (5) A process through which the mortgagee can appeal a decision of the
7 mortgagor that is preventing or delaying the mortgagee from making repairs to the
8 property in a timely manner.

9 (6) A provision wherein the mortgagor accepts and admits liability for any
10 damages caused by the mortgagor withholding insurance claim proceeds, if the
11 mortgagor withholds the proceeds in bad faith.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 805 Original

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Green

Abstract: Provides for insurance proceeds disbursement plans.

Proposed law provides that a mortgage lender doing business in this state shall have a clear plan outlining the process for disbursement of funds received from an insurer as a result of a major claim on property for which the mortgagor hold a mortgage.

Proposed law provides that a copy of the insurance claim proceeds disbursement plan shall be signed by a mortgagee as part of the mortgage application. Proposed law further provides that a copy of the plan shall be provided to the mortgagee upon request for such.

Proposed law provides that a plan for disbursement of funds required pursuant to proposed law shall include the following:

- (1) A provision providing for the transfer of any interest earned on the funds while in the possession of the mortgagor to the mortgagee.
- (2) A point of contact for the mortgagee to contact regarding an insurance claim.
- (3) A provision providing that all claim proceeds will be used for the repair of the damaged property.
- (4) A provision providing that claim proceeds will not be used to make payment toward the principal, interest, or fees associated with the mortgage, unless the mortgagee requests such in writing.

- (5) A process through which the mortgagee can appeal a decision of the mortgagor that is preventing or delaying the mortgagee from making repairs to the property in a timely manner.
- (6) A provision wherein the mortgagor accepts and admits liability for any damages caused by the mortgagor withholding insurance claim proceeds, if the mortgagor withholds the proceeds in bad faith.

(Adds R.S. 6:339)