

HCS SB 101 -- PROPERTY AND CASUALTY INSURANCE

This bill relates to property and casualty insurance.

PRIVATIZATION OF PUBLIC CORPORATIONS (Sections 287.690, 287.900, 287.902, 287.905, 287.907, 287.909, 287.910, 287.912, 287.915, 287.917, 287.919, 287.920, 375.1275, and B)

Currently, the Missouri Employers Mutual Insurance Company (MEM) is established as a public corporation for the purpose of insuring Missouri employers against liability for workers' compensation, occupational disease and employers' liability coverage.

This bill repeals the law establishing MEM as a public corporation and all connected statutes and specifies a process under which MEM may convert to a private mutual insurance corporation under the general insurance laws, authorized to write any lines of insurance permitted under Missouri law.

The company may continue to conduct business under its current name and will become the successor in interest to all assets and liabilities of the company as of the date of conversion. The state will not be liable for the expenses, liabilities, or debts of the private version of the company, the public corporation version of the company or a subsidiary or joint enterprise involving the private version of the company.

The bill contains a delayed effective date for these provisions.

AIRCRAFT INSURANCE (Section 379.316)

This bill exempts aircraft liability insurance, other than employers' liability, from certain regulations on insurance premium rates and rating plans.

LENDER-PLACED INSURANCE (Sections 379.1850, 379.1851, 379.1853, 379.1855, 379.1857, 379.1859, 379.1861, 379.1863, 379.1865, 379.1867, and 379.1869)

This bill enacts provisions relating to lender-placed insurance, as defined in the bill, with applicability as specified in the bill.

The bill specifies when lender-placed insurance will become effective and terminated, and when mortgagors may be charged for the policies.

Coverage amounts and premium amounts will be based upon the replacement cost value of the property, to be determined as specified in the bill. In the event of a covered loss, any

replacement cost coverage in excess of the unpaid principal balance on the mortgage will be paid to the mortgagor. No insurer can write lender-placed insurance for which the premium rate differs from that determined by the rate schedules on file with the Department of Commerce and Insurance as of the effective date of the policy.

The bill prohibits insurers and insurance producers from issuing lender-placed insurance if they or one of their affiliates owns, performs servicing for, or owns the servicing right to, the mortgaged property. The bill prohibits insurers and insurance producers from compensating lenders, insurers, investors, or servicers for lender-placed insurance policies issued by the insurer, and from sharing premiums or risk with the lender, investor, or servicer. The bill also prohibits payments dependent on profitability or loss ratios from being made in connection with lender-placed insurance and specifies that insurers cannot provide free or below-cost services or outsource their own functions at an above-cost basis. No insurer or insurance producer can make any payments for the purpose of securing lender-placed insurance business or related services.

The bill requires lender-placed insurance to be set forth in its own policy or certificate. Proof of coverage can be provided in person or by mail to the last known address of the mortgagor, and will include certain information specified in the bill.

Policy forms and certificates and premium rates must be filed with the Department of Commerce and Insurance, which must review the rates to determine whether they are excessive, inadequate, or unfairly discriminatory, and whether expenses included in the rate are appropriate. Rates must be filed at least once every four years, and all insurers will have separate rates for lender-placed insurance and voluntary insurance obtained by a mortgage servicer on real estate owned property, as specified in the bill. The bill requires insurers writing at least \$100,000 in lender-placed insurance to annually report certain financial information to the Department of Commerce and Insurance, and specifies that except in the case of lender-placed flood insurance, insurers experiencing an annual loss ratio of less than 35% for two consecutive years must re-file rates. Except as otherwise provided in the bill, rates and forms must be filed as required by law.

The Director of the Department of Commerce and Insurance will have authority to enforce the provisions of the bill, subject to judicial review. The bill should not be construed to create a private cause of action, or to extinguish any mortgagor rights otherwise available under state, federal, or common law.

Lastly, the bill specifies potential penalties for violations of the bill, including monetary penalties and suspension or revocation of an insurer's license.