

HCS HB 3328 -- HOMEOWNER'S INSURANCE

SPONSOR: Casteel

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Insurance by a vote of 9 to 0.

The following is a summary of the House Committee Substitute for HB 3328.

TRANSFER OF FUNDS TO MISSOURI'S STRONGER HOMES FUND (Section 33.080)

Currently, \$10 million must be transferred from the Insurance Dedicated Fund and placed to the credit of the Rebuild Damaged Infrastructure Fund.

This bill provides that \$12 million must be transferred from the Insurance Dedicated Fund and placed to the credit of the newly created Missouri's Stronger Homes Fund on July 1, 2027. Funds will be placed on an annual basis commencing July 1, 2028 and ending on July 30, 2037, in amounts as specified in the bill.

PUBLIC ADJUSTERS (Sections 325.052 to 325.055)

This bill provides that a public adjuster may receive a commission for services provided consisting of an hourly fee, a flat fee, or a reasonable percentage of the total amount paid by an insurer to resolve a claim.

A public adjuster cannot receive a fee or commission based on a percentage of the total amount paid by an insurer to settle a claim if, within 10 days of reporting the loss, the insurer either pays or commits in writing to pay the insured the policy limits.

A public adjuster is entitled to reasonable compensation from the insured for services provided by a public adjuster on behalf of the insured, based on the actual time spent on a claim that is subject to this section and expenses incurred by a public adjuster, until the claim is paid or the insured receives a written commitment to pay from the insurer.

Notwithstanding any authorization, contract, or agreement the insured may have given to a public adjuster, a public adjuster shall not sign or endorse any payment draft or check on behalf of an insured. Additionally, a public adjuster cannot represent

himself or herself in any communication as the insured. All communications from a public adjuster shall clearly identify himself or herself as a public adjuster.

The bill requires all contracts with a public adjuster to include the disclaimer specified in the bill.

Currently, public adjusters are prohibited from providing services to repair or replace damaged property when engaged in the adjustment or settlement of the claim. This bill clarifies that the public adjuster cannot do the work even if he or she is a licensed contractor.

This bill prohibits public adjusters from advertising, marketing, offering, contracting, or otherwise representing that he or she can unjustifiably increase or inflate the value of an insurance claim or to waive, absorb, refund, rebate, pay, or not collect the deductible amount agreed to under or imposed by the terms of the insurance policy.

FRAUDULENT INSURANCE ACTS (Section 375.991)

This bill specifies that a fraudulent insurance act includes, the false billing practice of "inflating", as defined in the bill. The Department of Commerce and Insurance may issue an order to cease and desist, or issue a curative or summary order as set forth in current law.

POST LOSS ASSIGNMENTS (Section 379.135)

When an insurer pays any part of a claimant's property damage claim, legal title automatically transfers to the insurer to the extent of the payment. The claimant keeps title only to the unpaid portion. The insurer does not need an assignment or any action by the claimant to enforce its rights.

This bill prohibits the solicitation or offering of any instrument by which post-loss benefits under any policy of insurance covering property including any right of action against the insurer or any proceeds acquired from the insurer are assigned, transferred, or acquired in any other manner, in whole or in part, to or from a person who:

(1) Is providing services including, but not limited to, communicating with an insurer or on an insured's behalf; or

(2) Is inspecting, estimating, protecting, repairing, restoring, or replacing the property or mitigating against further damage to the property.

Any such instrument is against public policy, null and void, and unenforceable.

The provisions of this subsection shall not apply to:

(1) An assignment, transfer, pledge, or conveyance granted to a financial institution, mortgagee, lienholder, or a subsequent purchaser of the property; and

(2) Any covenant not to execute or contract to limit recovery under Section 537.065, RSMo.

Nothing in this section shall be construed to prohibit an insured from authorizing or directing payment to, or paying a person for services, materials, or any other thing which may be, or is, covered under an insurance policy. Insurers shall issue payment directly to a person for services, materials, and other items that are covered under an insurance policy, when the insured agrees that any person providing such services should be paid directly, subject to applicable liens.

INSURANCE AS IT PERTAINS TO ROOFING (Sections 379.162 to 379.163)

For homeowners' policies on or after July 1, 2027, this bill prohibits an insurer from refusing, canceling, or refusing to renew a homeowner's insurance policy on a residential structure with a roof less than 15 years old solely because of the age of the roof. For roofs over the age of 15 years, a homeowner may have an inspection done at their own expense before an insurer requires replacement of the roof as a condition of issuing, continuing, or renewing a homeowner's policy. After this inspection, an insurer cannot refuse to issue, cancel, or refuse to renew a homeowner's policy solely because of roof age if the inspection indicates the roof has five years or more of useful life remaining. Calculation of a roof's age is outlined in the bill.

An insurer's ability to refuse to issue, cancel, or refuse to renew any homeowner's policy still applies to situations including, but not limited to, structures that do not otherwise meet underwriting criteria applicable to replacement cost, law and ordinance coverage, or for other reasons not prohibited by Missouri law. Insurers will not be prohibited from limiting

their liability through a deductible or to direct physical loss caused by a covered peril.

A policyholder cannot assign, in whole or in part, any post-loss insurance benefit under any residential property insurance policy or any commercial property insurance policy issued or renewed after January 1, 2027. Any attempt to assign these benefits is void, invalid, and unenforceable.

Until an insurer receives reasonable proof of payment by the policyholder of any deductible applicable to the roof claim, the insurer may refuse to pay a claim for withheld recoverable appreciation or a replacement cost holdback.

MISSOURI DISASTER MEDIATION ACT (Sections 379.3000 to 379.3055)

This bill establishes the "Missouri Disaster Mediation Act". The alternative dispute resolution program handles claims arising out of damage to a residential property caused by an event for which a state of disaster is declared within 60 days of the event.

The alternative dispute resolution program is available to Missouri residents who carry first-party insurance and the home damaged is the primary dwelling of the resident. The alternative dispute resolution program is not available to commercial insurance, property insurance covering multiple family dwellings, motor vehicle insurance, or liability coverage contained within property insurance policies.

The alternative dispute resolution program must remain available until the Director of the Department of Commerce and Insurance makes the determination that the need for the Program has decreased due to sufficient progress of recovery efforts and issues an order terminating the Program.

Insurers are required to give written notice by electronic mail or written mail to insureds in the state of Missouri who have claimed damage to their residential properties. This notice must be given within five days of the time the insured or the administrator notifies the insurer of a dispute of the insured's claim. This provision applies to all disputed claims including instances where partial or full payment has been issued by the insurer to the insured.

If an insurer has not been notified of a disputed claim before the insurer notifies the insured that a claim has been denied in whole or in part, the insurer must mail a notice of the right to

mediate to the insured to the same mailing address as the denial. An insurer is not required to send a notice of the right to mediate if a claim is denied because the amount of the claim is less than the insured's deductible.

Specified language of the notice and information required to be attached to the notice are specified in the bill.

Failure to request mediation within the 60 day time period will only bar the right to demand mediation. It will not prejudice any other legal right or remedy of the insured nor will it prohibit the insurer from voluntarily accepting the request for mediation.

If an insurer receives a request for mediation, the insurer has three business days to electronically transmit the request to the administrator. If the Director receives any request for mediation, the Director has three business days to electronically transmit the request to the administrator. The administrator must notify the insurer within three business days of receipt of the request that has been filed with the Director.

The Director may contract with qualified administrators to oversee the mediation program. This may be done by means of a formal bid process, or if a state of emergency has been declared, without a formal bid process. All bid processes must comply with current law.

Expenses and fees of the mediator and of the administrator will be incurred by the insurer. All other mediation costs, fees, or expenses will be incurred by the party incurring such costs, fees, or expenses unless otherwise provided in the settlement agreement.

The Director will establish fee schedules for moneys to be paid directly to the administrator by the insurer for the services of the administrator, the mediator, and for cancellation. Fee schedules will be established through promulgation of emergency rules to be in effect no later than January 1, 2027.

The administrator will select a mediator and schedule the mediation conference. The mediator must have appropriate training or equivalent experience in alternative dispute resolutions, as specified in the bill.

The mediator is required to advise the parties of the mediation process and their rights and duties in the process. The

mediation will terminate if the mediator determines that either party is unable or unwilling to participate meaningfully in the process or upon mutual agreement by the parties.

A party may move to disqualify a mediator for good cause prior to the conference. Good cause consists of conflict of interest, inability of the mediator to handle the mediation competently, or other reasons that might impair the mediation conference.

Within five business days after the conclusion of the mediation conference, the mediator must file a mediator's status report indicating whether the parties reached a settlement. Within those five days, if a settlement is reached, the insurer must disburse the funds in accordance with the settlement agreement.

A settlement agreement may be rescinded if the insured has not received the settlement funds by electronic means or has not cashed or deposited any check or draft disbursed to the insured in payment of the settlement funds. If a settlement agreement is reached, and not rescinded, all specific claims that were presented in the mediation conference shall be released.

If a settlement agreement is not reached, the insured may choose to proceed by other legal means under the appraisal process set forth in the insurance policy, litigation, or by any other dispute resolution procedure available under Missouri law.

Should a settlement agreement be rescinded by the insured, the Director may review the settlement agreement to determine its fairness. If the Director determines the settlement agreement was fair, the Director has 10 business days from notice of the rescission to give notice to the insured that the settlement agreement was fair. Upon notice from the Director of the fairness, the insured has five business days to withdraw the rescission, and the settlement agreement is reinstated as if no rescission had taken place.

All statements made and documents produced at mediation are confidential settlement communications. All documents and records produced prior to or during the mediation will be considered closed records under the Missouri Sunshine Law. No person who serves as administrator or mediator, nor any agent or employee of that person, will be subpoenaed or otherwise compelled to disclose any matter disclosed in the process of setting up or conducting the mediation.

The provisions in this portion of the bill are effective on January 1, 2027, and will expire June 30, 2038.

MISSOURI STRONGER HOMES ACT (Sections 379.3100 to 379.3140)

This bill establishes the "Missouri Stronger Homes Act" and the "Missouri Stronger Homes Program" within the Department of Commerce and Insurance. These provisions do not create an entitlement for property owners to obligate this State to fund the inspection, construction, or retrofitting of residential property in this State. Grant moneys provided in the bill will be provided to assist Missouri residents retrofitting or constructing insurable properties to resist loss due to tornado, other catastrophic windstorm events, or hail.

Implementation of this Program is subject to receipt of grants or funds. The Department of Commerce and Insurance must use its best efforts to obtain grants or funds from the Federal government or other sources. The Program may make grants to nonprofit organizations to construct or retrofit insurable residential properties to resist loss due to tornado, other catastrophic windstorm events, or hail.

The Director must establish a maximum grant award amount by rule and adjust the award amount to reflect changes in construction costs. The maximum amount of any grant awarded to an individual cannot exceed \$15,000.

This bill creates the "The Missouri Stronger Homes Fund". This Fund consists of moneys deposited to the Fund from receipt of Federal grants or funds, or from other sources of grants or funds. The Department of Commerce and Insurance may budget and expend the funds for the purpose of assisting the Missouri Stronger Homes Program in its duties.

Moneys collected cannot be redistributed or transferred to the Insurance Examination Fund or general revenue. Moneys in this fund will not lapse unless otherwise specified under Federal funding or federal grant, or other sources from which funding is received.

Twelve million dollars will be transferred from the Insurance Dedicated Fund and placed to the credit of the Missouri Stronger Homes Fund on July 1, 2027. Beginning July 1, 2028, and annually thereafter until July 1, 2037, up to 20% of the remaining balance in the Insurance Dedicated Fund as of June 13th of the preceding fiscal year, in an amount not to exceed \$2 million in any one

year, will be transferred to and placed to the credit of the Missouri Stronger Homes Fund.

The provisions creating the Fund will expire on June 30, 2038. Any moneys remaining in the Missouri Stronger Homes Fund upon expiration of the Fund, will be transferred to the Insurance Dedicated Fund.

To be eligible for a grant, residential property owners must meet the eligibility requirements set forth by the Director by rule for each grant type and as described in this bill.

Applications for grants must be filed electronically with the Department, along with any transaction fees. Grant applications, materials, and other information submitted are closed records under the Missouri Sunshine Law. Applications are approved on a first-come first-served basis. Priority is given to lower-income applicants, applicants who live in locations that, based on historical data, have a higher susceptibility to catastrophic weather events, and applicants meeting any other criteria the Director determines is appropriate to meet the purpose of the Program.

Retrofit projects should be completed within six months of the date the residential property owner receives notice of the grant approval. New construction must be completed within the time frame approved by the Director. Failure to complete the project within the prescribed time frames may result in forfeiture of the grant.

Residential property owners using moneys from the grant must hire a certified contractor who is capable of performing work that satisfies the standards specified by this bill. The residential property owner is responsible for any amount owed to a contractor that exceeds awarded grant moneys. Contractor and evaluator eligibility standards are outlined in the bill.

For homeowner's insurance policies issued, continued, or renewed on or after January 1, 2027, insurers must provide a premium discount or insurance rate reduction to insureds who retrofit the insurable property located in this State. Insurers will be required to offer a premium discount or rate reduction only when the insurer has deemed the adjustments to be actuarially justified and there is significant and credible evidence of cost savings.

To be eligible for a premium discount, rate reduction, or other adjustment, a property must be retrofitted to the risk reduction standards, as defined in the bill. An eligible property can only be certified as conforming to the standards after evaluation and certification by an evaluator certified pursuant to the Standards.

An insured claiming a premium discount, rate reduction, or other adjustment must maintain sufficient certification records, construction records, and receipts from contractors and for materials. The insured must present to the insurer copies of the certification and construction records prior to the premium discount, rate reduction, or other adjustment becoming effective.

Insurers that write homeowner's insurance policies that are subject to the premium discount or rate reduction must submit rating plans as provided under current law. A premium discount, rate reduction, or other adjustment will only apply to policies that provide wind or hail coverage. If an insurer already offers an actuarially justified hail resistance discount, that hail-resistance discount will be deemed as having met the requirements of this bill and no additional hail-related discount or rate reduction will be required. The same pertains to actuarially justified discounts for risk reduction standard already offered by an insurer.

Insurers can apply the premium discount, rate reduction, or other adjustment to the premium at the policy renewal that follows submission of the certification to the insurer. At the time of policy renewal for which the premium discount, rate reduction, or other adjustment have previously been applied, the insurer may request documentation or recertification that the risk reduction standards continue to be met.

The provisions of this portion of the bill expire on June 30, 2038.

This bill is similar to SB 1543 (2026).

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPOSERS: Supporters say that the claim inflation language has been used in several other states and has cut down on fraud. Other states have also put limits on fees charged by public adjusters. Programs like the Stronger Homes Act in the bill have

helped reduce claims significantly in states with similar programs.

Testifying in person for the bill were Representative Casteel; Steven Marion , Department of Commerce And Insurance; Missouri Insurance Coalition; National Association of Mutual Insurance Companies (NAMIC); and National Insurance Crime Bureau.

OPPONENTS: Those who oppose the bill say that they are opposed to the cap on fees for public adjusters to be able to charge. The fortified roofing standard language would disqualify certain reputable companies in Missouri from qualifying for the Stronger Homes program.

Testifying in person against the bill was Certainteed and American Association Of Public Insurance Adjusters.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.