

1 HB139
2 196580-2
3 By Representative Brown (K)
4 RFD: Insurance
5 First Read: 19-MAR-19

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8 SYNOPSIS: Under existing law, when issuing a payment
9 for an insurance claim, an insurance company may
10 release all or a portion of the payment to the
11 lender or the insured, or both. The lender
12 generally has an interest in the property and the
13 property's condition, and may withhold payment for
14 a period of time to ensure that the insured uses
15 the insurance payment to repair the property to its
16 pre-loss condition.

17 This bill would provide that if the lender
18 holds all or part of the payment for an insurance
19 claim, the lender shall notify the insured of each
20 requirement with which the insured must comply for
21 the lender to release the payment and would require
22 the lender to issue the notice within a certain
23 amount of time.

24 This bill would require the lender, upon
25 receipt of a request by an insured for an insurance
26 payment held by a lender, to either issue the
27 payment to the insured or provide a detailed notice

1 of why the payment is being withheld and the steps
2 the insured needs to take in order for the lender
3 to release the payment.

4 This bill would provide that upon a lender's
5 failure to issue the payment or provide a detailed
6 notice of why payment is being withheld, the lender
7 shall pay the insured interest on the withheld
8 payment at a specified rate.

9
10 A BILL
11 TO BE ENTITLED
12 AN ACT

13
14 Relating to insurance; to require a lender to
15 provide notice to an insured when an insurance payment is
16 withheld and the conditions for release of the insurance
17 payment; to require a lender to release an insurance payment
18 or provide the detailed conditions for release of the payment
19 upon request of the payment by an insured; and to charge a
20 lender interest on the insurance payment for failure to
21 properly release an insurance payment or provide the detailed
22 conditions for release.

23 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

24 Section 1. As used in this act, the following terms
25 shall have the following meanings:

26 (1) LENDER. A person who holds a mortgage, lien,
27 deed of trust, or other security interest in property. The

1 term includes an assignee, receiver, or other transferee of
2 the interest.

3 (2) RESIDENTIAL REAL PROPERTY. Any of the following:

4 a. A single-family house.

5 b. A duplex, triplex, or quadraplex.

6 c. A unit in a multi-unit residential structure in
7 which title to an individual unit is transferred to the owner
8 of the unit under a condominium or cooperative system.

9 Section 2. (a) If a claim under an insurance policy
10 for damage to residential real property is paid to the insured
11 and a lender, and the lender holds all or part of the proceeds
12 from the insurance claim payment pending completion of all or
13 part of the repairs to the property, the lender shall notify
14 the insured of each requirement with which the insured must
15 comply for the lender to release the insurance proceeds.

16 (b) The notice required under this section must be
17 provided no later than 10 days after the date the lender
18 receives payment of the insurance proceeds.

19 Section 3. Not later than 10 days after the date a
20 lender receives from the insured a request for release of all
21 or part of the insurance proceeds held by the lender, the
22 lender shall do either of the following:

23 (1) If the lender has received sufficient evidence
24 of the insured's compliance with the requirements specified by
25 the lender under Section 2 for release of the proceeds, the
26 lender shall release to the insured, as requested, all or part
27 of the proceeds.

1 (2) Provide notice to the insured that explains
2 specifically both of the following:

3 a. The reason for the lender's refusal to release
4 the proceeds to the insured.

5 b. Each requirement with which the insured must
6 comply for the lender to release the proceeds.

7 Section 4. A lender who fails to provide notice as
8 required by Section 2 or Section 3 or to release insurance
9 proceeds as required by Section 3 shall pay to the insured
10 interest at the rate of 20 percent per year on the proceeds
11 held by the lender.

12 Section 5. (a) If a lender fails to provide notice
13 as required by Section 2 or Section 3, interest begins to
14 accrue on the date the lender received the insurance proceeds.

15 (b) If a lender fails to release insurance proceeds
16 as required by Section 3, interest begins to accrue on the
17 date the lender receives sufficient evidence of the insured's
18 compliance with the requirements specified by the lender
19 under Section 2 or Section 3 for release of the proceeds.

20 (c) Interest stops accruing on the date the lender
21 complies with Section 2 or Section 3, as applicable.

22 Section 6. This act shall become effective on the
23 first day of the third month following its passage and
24 approval by the Governor, or its otherwise becoming law.