

April 17, 2017

Louisiana House Insurance Committee
Louisiana State Capitol
Baton Rouge, Louisiana

Via email

RE: NAMIC opposition to HB 287

Members of the House Insurance Committee:

The National Association of Mutual Insurance Companies (NAMIC) appreciates the opportunity to register its comments regarding HB 287.

NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC members represent 40 percent of the total property/casualty insurance market, serve more than 170 million policyholders, and write nearly \$225 billion in annual premiums. In Louisiana, 128 member companies do business here, comprising a market share of 40%.

HB 287 presents some logistical challenges to insurers which we believe will ultimately result in consumer frustration.

First, with regards to the proposed changes to R.S. 22:41(11), we would point out that the current statute pertains to premium finance companies. We can appreciate those finance companies would want to be refunded premiums they had paid on behalf of a consumer.

The changes to subsection 11, however, would affect premiums paid directly by consumers. Unlike premium finance companies, a mortgagee would only be paying the premium in one of two circumstances:

- The policyholder/homeowner pays the premium through escrow as part of their monthly mortgage payment, or
- The mortgagee has taken out a "forced place" policy in which the lender is paying the premium and then charging the homeowner through whatever contractual arrangement the mortgagee has with the homeowner.

In the first scenario, the refund of unearned premium dollars would be the policyholder's money, paid in advance, that is being refunded. These would not be funds paid by the lender. We can foresee many consumers being upset at having to negotiate a check made co-payable to them and their lender for monies paid solely by the policyholder.

The second scenario, involving forced placed coverage, may very well necessitate a co-payable check. We are less concerned about this scenario than we are about the situation where escrowed funds are paid out.

The proposed changes to R.S. 22:1892(A)(1), while not as problematic as the unearned premium refund, should be clarified to include that:

- any claims payment made co-payable to the policyholder and mortgagee satisfies this provision, and
- any claims payment below the threshold set by the mortgagee for being included as a co-payee on a claims payment need not be reported to the mortgagee. By way of example, if the Lender does not require payments under \$2,000 to be made co-payable, the insurer should not have to report that it made a payment under \$2,000 to the policyholder.

We appreciate the opportunity to share these concerns. Please contact me if you have questions or comments about our position.

Sincerely,

A handwritten signature in black ink that reads "Paul Martin". The signature is written in a cursive style with a large initial "P" and "M".

Paul Martin
Director – State Affairs
Southwest Region