

HOUSE No. 966

The Commonwealth of Massachusetts

PRESENTED BY:

Ronald Mariano

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

An Act relative to non-payment of insurance premiums from escrowed funds by lending institutions.

PETITION OF:

NAME:

Ronald Mariano

DISTRICT/ADDRESS:

3rd Norfolk

The Commonwealth of Massachusetts

In the Year Two Thousand and Nine

AN ACT RELATIVE TO NON-PAYMENT OF INSURANCE PREMIUMS FROM ESCROWED FUNDS BY LENDING INSTITUTIONS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 167E of the General laws, as appearing in the 2006 Official Edition, is
2 hereby amended by inserting after section 16, the following section:

3 Section 17. (a) if the lender, as a result of neglect, fails to pay any tax or insurance premium
4 when the tax or premium is due and there are sufficient escrow funds on deposit to pay the tax or
5 premium, and if the property owner suffers a loss as a result of this failure, then the lender is
6 liable for the loss; except, however, that with respect to any loss which would otherwise have
7 been insured, the extent of the liability shall not exceed the coverage limits of any insurance
8 policy which has lapsed.

9 (b) If the lender violated paragraph (a) and the premium payment is not more than 90 days
10 overdue, the insurer shall reinstate the insurance policy, retroactive to the date of cancellation,
11 and the lender shall reimburse the property owner for any penalty or fees imposed by the insurer
12 and paid by the property owner for purposes of reinstating the policy.

13 (c) If the lender violated paragraph (a) and the premium payment is more than 90 days overdue or
14 if the insurer refuses to reinstate the insurance policy, the lender shall pay the
15 difference between the cost of the previous insurance policy and a new, comparable insurance
16 policy for a period of 2 years.

17 SECTION 2. Section 99 of chapter 175 of the General Laws, as appearing in the 2006 Official
18 Edition, is hereby amended by inserting in line 170 the following sentence:

19 An insurer that cancels a property insurance policy on property secured by a mortgage due to the
20 failure of the lender to timely pay the premium when due shall reinstate the policy as required by
21 section 17 of chapter 167E of the General Laws.