

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

1 ENGROSSED

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4 A BILL
5 TO BE ENTITLED
6 AN ACT
7

8 Relating to insurance; to require a lender to
9 provide notice to an insured when an insurance payment is
10 withheld and the conditions for release of the insurance
11 payment; to require a lender to release an insurance payment
12 or provide the detailed conditions for release of the payment
13 upon request of the payment by an insured; and to charge a
14 lender interest on the insurance payment for failure to
15 properly release an insurance payment or provide the detailed
16 conditions for release.

17 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

20 (1) LENDER. A person who holds a mortgage, lien,
21 deed of trust, or other security interest in property. The
22 term includes an assignee, receiver, or other transferee of
23 the interest.

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

25 a. A single-family house.

26 b. A duplex, triplex, or quadraplex.

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

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

11 (b) The notice required under this section must be
12 provided no later than ~~10~~ 14 days after the date the lender
13 receives payment of the insurance proceeds.

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

18 (1) If the lender has received sufficient evidence
19 of the insured's compliance with the requirements specified by
20 the lender under Section 2 for release of the proceeds, the
21 lender shall release to the insured, as requested, all or part
22 of the proceeds.

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

25 a. The reason for the lender's refusal to release
26 the proceeds to the insured.

1 b. Each requirement with which the insured must
2 comply for the lender to release the proceeds.

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

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

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

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

18 Section 6. Nothing in this act shall impact any
19 rights of a lender, whether provided by law or by an agreement
20 with a borrower or mortgagor.

21 Section 7. This act shall become effective on the
22 first day of the third month following its passage and
23 approval by the Governor, or its otherwise becoming law.

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House of Representatives

Read for the first time and re-
ferred to the House of Representa-
tives committee on Insurance 19-MAR-19

Read for the second time and placed
on the calendar 1 amendment 11-APR-19

Read for the third time and passed
as amended..... 25-APR-19

Yeas 99, Nays 0, Abstains 0

Jeff Woodard
Clerk