

AMENDED IN ASSEMBLY JULY 28, 1995
AMENDED IN ASSEMBLY JULY 6, 1995
AMENDED IN ASSEMBLY JUNE 19, 1995
AMENDED IN SENATE MAY 15, 1995
AMENDED IN SENATE MAY 1, 1995

SENATE BILL

No. 267

Introduced by Senator Rosenthal

February 8, 1995

An act to add Sections 771.01 and 771.02 to the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 267, as amended, Rosenthal. Insurance: lender requirements.

Existing law prohibits a person in the business of financing the purchase of real or personal property or lending money on the security of that property from requiring that the borrower negotiate any insurance through any particular agent, but provides that this provision does not prevent a person from approving or disapproving, for reasonable cause as determined by regulatory authority, of the insurer underwriting the insurance.

This bill would provide that no person making a loan of money on the security of residential real property shall reject or refuse to accept a policy of fire and casualty insurance underwritten by an insurer chosen by the borrower for any

reason that the lender would not impose on an insurer chosen by the lender when the borrower requests the lender to obtain the insurance.

The bill would also provide that when a lender or purchaser of a mortgage on real property has required and obtained a copy of the insurance policy covering that real property, the lender or purchaser shall provide a copy of the insurance policy *or other evidence of insurance acceptable to the purchaser* to a subsequent purchaser of the mortgage, servicing agent, or insurance tracking service with whom the lender or purchaser subsequently contracts, *as specified*.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 771.01 is added to the Insurance
2 Code, to read:

3 771.01. ~~(a)~~No person making a loan of money on the
4 security of residential real property shall reject or refuse
5 to accept a policy of fire and casualty insurance
6 underwritten by an insurer chosen by the borrower for
7 any reason that the lender would not impose on an
8 insurer chosen by the lender when the borrower requests
9 the lender to obtain the insurance. This section applies to
10 a lender’s rejection or refusal to accept a policy of fire and
11 casualty insurance due to, but not limited to, terms of
12 coverage, conditions of payment, or financial rating of the
13 insurer.

14 SEC. 2. Section 771.02 is added to the Insurance Code,
15 to read:

16 771.02. When a lender or purchaser of a mortgage on
17 real property has required and obtained a copy of the
18 insurance policy covering that real property, it shall be
19 responsible for providing a copy of that insurance policy
20 *or other evidence of insurance acceptable to the*
21 *purchaser* to a subsequent purchaser of the mortgage,
22 servicing agent, or insurance tracking service with whom
23 the lender or purchaser of the mortgage subsequently
24 contracts. A copy *of the policy or other evidence of*



1 *insurance* shall be provided so that the subsequent
2 purchaser, servicing agent, or insurance tracking service
3 may verify that the borrower has obtained or is
4 maintaining insurance required by the mortgage. This
5 section does not abrogate the responsibility of an insurer,
6 agent, or broker to provide annually, if requested, a copy
7 of the insurance policy directly to the lender or purchaser
8 of the mortgage named as an additional loss payee or
9 lienholder at an address provided by the lender or
10 purchaser of the mortgage.

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