



1 the property, the lender shall notify the insured of each  
2 requirement with which the insured must comply for the lender to  
3 release the insurance proceeds not later than ten (10) days after  
4 the date the lender receives payment of the insurance proceeds.

5 B. Not later than ten (10) days after the date the lender  
6 receives from the insured a request for release of all or part of  
7 the insurance proceeds held by the lender, the lender shall:

8 1. If the lender has received sufficient evidence of the  
9 insured's compliance with the requirements specified by the lender  
10 under subsection A of this section for release of the proceeds,  
11 release to the insured, as requested, all or part of the proceeds;  
12 or

13 2. Provide notice to the insured that explains specifically:  
14 a. the reason for the lender's refusal to release the  
15 proceeds to the insured, and  
16 b. each requirement with which the insured must comply  
17 for the lender to release the proceeds.

18 C. A lender who fails to provide notice as required by  
19 subsections A and B of this section or to release insurance proceeds  
20 as required by subsection B of this section shall pay to the insured  
21 interest at the rate of ten percent (10%) a year on the proceeds  
22 held by the lender. Interest will begin to accrue on the date the  
23 lender receives sufficient evidence of the insured's compliance with  
24 the requirements specified by the lender under subsection A or B of

1 this section for the release of proceeds. Interest stops accruing  
2 on the date the lender complies with subsection A or B of this  
3 section, as applicable. A lender is not required to pay interest on  
4 insurance proceeds applied, in accordance with the terms and  
5 conditions of a deed of trust or other security agreement, to reduce  
6 a note.

7 D. If payment of an insurance claim relating to personal  
8 property requires the endorsement of a check or draft by a holder of  
9 a lien on the property or otherwise requires approval of the  
10 lienholder, not later than the fourteenth business day after the  
11 date the lienholder receives a request for the endorsement or other  
12 approval, the lienholder shall provide:

- 13 1. The endorsement or approval; or
- 14 2. A written statement of the reason for denial of the  
15 endorsement or approval to the person who requested the endorsement  
16 or approval.

17 E. A lienholder who violates subsection D of this section is  
18 liable for a civil penalty not to exceed Five Hundred Dollars  
19 (\$500.00) for each violation. The Attorney General may bring an  
20 action to collect a civil penalty under this subsection.

21 SECTION 2. This act shall become effective November 1, 2013.

22  
23 COMMITTEE REPORT BY: COMMITTEE ON INSURANCE, dated 02/14/2013 - DO  
24 PASS, As Coauthored.