

1 STATE OF OKLAHOMA

2 2nd Session of the 55th Legislature (2016)

3 HOUSE BILL 2434

By: Joyner

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6 AS INTRODUCED

7 An Act relating to insurance; requiring lenders to
8 provide certain notification to insured when lender
9 receives certain insurance proceeds; requiring
10 lenders to release proceeds or provide certain
11 notification when certain conditions are met;
12 providing penalty; requiring lienholder to endorse or
13 approve payment for insurance claim or provide
14 certain notification when certain conditions are met;
15 providing penalty; providing for codification; and
16 providing an effective date.

17 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

18 SECTION 1. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 6011 of Title 36, unless there
20 is created a duplication in numbering, reads as follows:

21 A. If a claim under an insurance policy for damage to
22 residential real property is paid to the insured and a lender, and
23 the lender holds all or part of the proceeds from the insurance
24 claim payment pending completion of all or part of the repairs to
the property, the lender shall notify the insured of each
requirement with which the insured must comply for the lender to

1 release the insurance proceeds not later than ten (10) days after
2 the date the lender receives payment of the insurance proceeds.

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

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

10 or

11 2. Provide notice to the insured that explains specifically:

12 a. the reason for the lender's refusal to release the
13 proceeds to the insured, and

14 b. each requirement with which the insured must comply
15 for the lender to release the proceeds.

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

1 section, as applicable. A lender is not required to pay interest on
2 insurance proceeds applied, in accordance with the terms and
3 conditions of a deed of trust or other security agreement, to reduce
4 a note.

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

11 1. The endorsement or approval; or

12 2. A written statement of the reason for denial of the
13 endorsement or approval to the person who requested the endorsement
14 or approval.

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

19 SECTION 2. This act shall become effective November 1, 2016.

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