

# SENATE NO. 561

## **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 2002 Official Edition, is hereby  
2 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 when the  
4 tax or premium is due and there are sufficient escrow funds on deposit to pay the tax or premium, and  
5 if the property owner suffers a loss as a result of this failure, then the lender is liable for the loss;  
6 except, however, that with respect to any loss which would otherwise have been insured, the extent of  
7 the liability shall not exceed the coverage limits of any insurance policy which has lapsed.

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

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

16 SECTION 2. Section 99 of chapter 175 of the General Laws, as appearing in the 2002 Official  
17 Edition, is hereby amended by inserting in line 170 the following sentence:

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