

Public Hearing
Lender-Placed Insurance
NAIC C & D Committees
August 9, 2012: Atlanta GA

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Assumptions:

- Lenders have a legitimate need for Lender-Placed Insurance (LPI)
- In some instances, insuring the home means additional risks, but these risks are quantifiable just as the industry calculates far more complex risks
- LPI also carries significant *reduced* exposure – liability, personal contents and living expenses not included

Risk assumptions need to be carefully evaluated

“Commissions”

- Commissions far in excess of work/service that is provided or necessary
- LPI market dominated by two insurers – agents are not “vetting and selecting” LPI insurers as they do for typical Personal and Commercial Lines policies
- Commissions – marketing/financial mechanism to encourage lenders to use the LPI insurer.

Progress: Fannie Mae (Freddie soon?) restructuring arrangements, Chase Ins. Agency discontinuing receipt

Maintaining Coverage with the Voluntary Insurer An Alternative that is Under-Examined Advantages

- HO rates competitive in most markets, allows existing rate regulatory structure to function
- Insurer knows the risk and the homeowner and may have underwritten them for years
- Homeowner could maintain existing coverages
- Eliminates Commission problems and abuses

**Maintaining Coverage with the Voluntary Insurer
An Alternative that is Under-Examined Challenges**

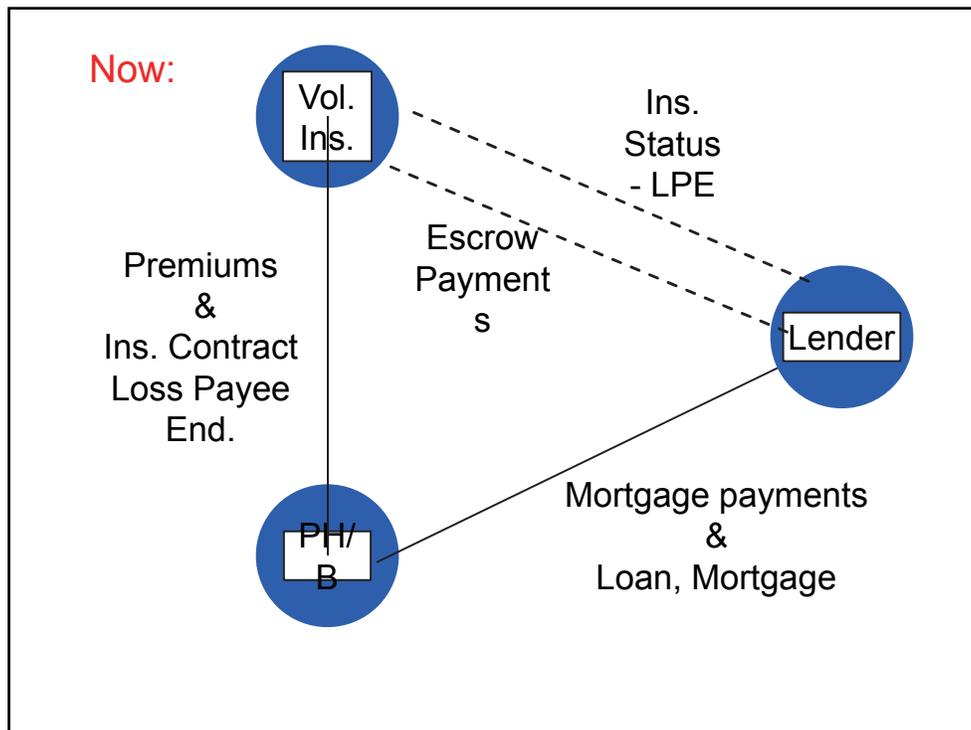
- Risk profile may change – vacant homes, homeowner not maintaining residence due to financial problems

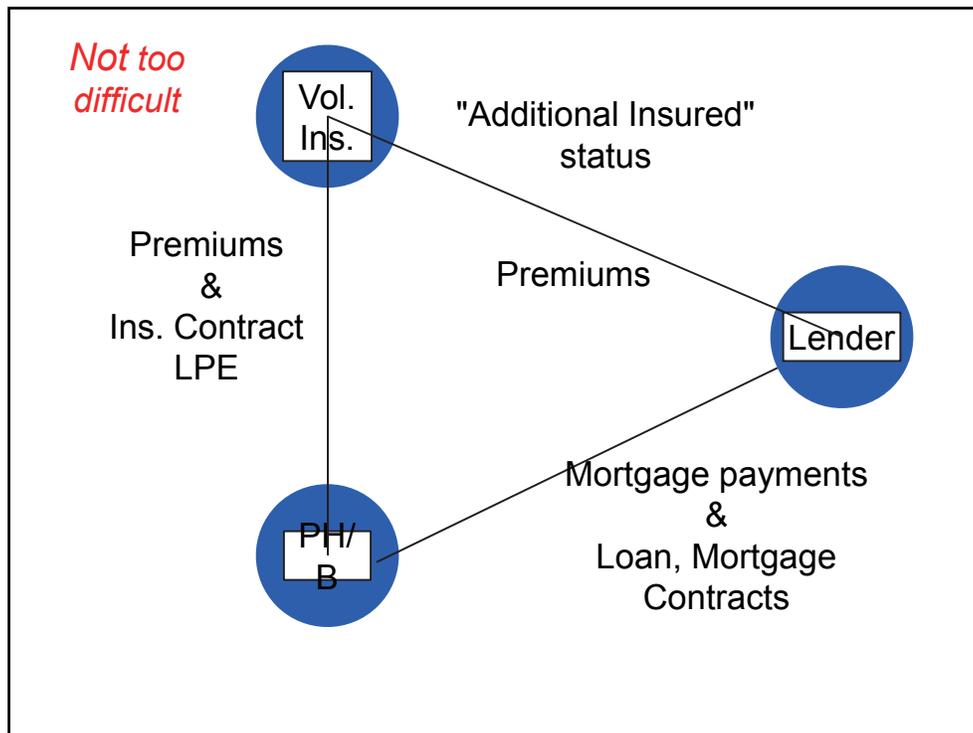
But: these risks can be measured and accounted for

- LPI group coverage may protect lenders from risks standard HO policies do not

Maybe: then exclude or price appropriately

- Lenders don't have Contractual Rights to just continue the borrower's policy





State Insurance Departments & the NAIC are best suited to:

- ◆ State insurance regulators are the best, if not only, regulatory bodies that have the expertise and regulatory authority to: (a) determine, (b) set, and (c) enforce, fair rates, coverages and commissions
- ◆ Please test the statements and assumptions you are being provided by LPI insurers, lenders and servicers.
- ◆ The federal government (and state A.G.s) are tackling this problem – state insurance departments and the NAIC should not be late to the table
- ◆ Who Pays for LPI? - Homeowners, Investors, and all of us as Taxpayers who help back Fannie Mae and Freddie Mac