

1 ENGROSSED HOUSE
2 BILL NO. 2434

By: Joyner of the House

and

3 Sharp of the Senate
4
5

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

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

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

20 A. If a claim under an insurance policy for damage to
21 residential real property is paid to the insured and a lender, and
22 the lender holds all or part of the proceeds from the insurance
23 claim payment pending completion of all or part of the repairs to
24 the property, the lender shall notify the insured of each
requirement with which the insured must comply for the lender to
release the insurance proceeds not later than ten (10) days after
the date the lender receives payment of the insurance proceeds.

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

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

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

10 a. the reason for the lender's refusal to release the
11 proceeds to the insured, and

12 b. each requirement with which the insured must comply
13 for the lender to release the proceeds.

14 C. A lender who fails to provide notice as required by
15 subsections A and B of this section or to release insurance proceeds
16 as required by subsection B of this section shall pay to the insured
17 interest at the rate of ten percent (10%) a year on the proceeds
18 held by the lender. Interest shall begin to accrue on the date the
19 lender receives sufficient evidence of the insured's compliance with
20 the requirements specified by the lender under subsection A or B of
21 this section for the release of proceeds. Interest stops accruing
22 on the date the lender complies with subsection A or B of this
23 section, as applicable. A lender is not required to pay interest on
24 insurance proceeds applied, in accordance with the terms and

1 conditions of a deed of trust or other security agreement, to reduce
2 a note.

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

9 1. The endorsement or approval; or

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

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

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

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1 Passed the House of Representatives the 9th day of March, 2016.

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4 Presiding Officer of the House
of Representatives

5 Passed the Senate the ____ day of _____, 2016.

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9 Presiding Officer of the Senate