



**Champion Advocacy
Associates**

March 12, 2024

The Honorable Joseph Solomon, Jr.
Chairman, House Corporations Committee
State House
Providence, RI 02903

Re: H.7507, An Act Relating to Insurance – Unfair Claims Settlement Practices

Dear Chairman Solomon and Members of the Committee:


The Rhode Island Mortgage Bankers Association (“RIMBA”) respectfully oppose H.7507, An Act Relating to Insurance – Unfair Claims Settlement Practices. The foregoing bill would require an insurance company to pay “the insured’s property damage benefit to the restoration company of the consumer’s choice,” so long as the restoration company is properly licensed. We understand that the bill tracks language relative to payments for rental car benefits available in connection with automobile insurance repairs, *see, e.g. Rhode Island General Laws §27-9.1-4(a)(18)*, but the rights arising in the context of damage to real property are different and, therefore, we counsel against adoption of the bill for the following reasons.

First and foremost, the bill ignores the rights of secured parties in the insurance policy. It requires payment upon direction given by the “insured, claimant, indicating that the insured or claimant wishes” to have payment made directly. Mortgagees (lenders) typically require that they be named as additional insured on the property insurance policies, and their interest in the policy is protected by issuing a claims payment check jointly to the insured homeowner and the mortgagee, so that the mortgagee can be sure that the money has been properly applied to retore the property and protect the mortgagee’s collateral value. The bill ignores this business reality. It is important to note that the provisions of Section 27-9.1(a)(18) apply only to direct payment of payments of rental car benefits and not to payment of amounts payable under the insurance policy for damage to the vehicle itself. We suspect that this is because auto finance lenders are additional insureds under the automobile insurance policies and would have an interest in the proceeds similar to that of mortgagees in a homeowners policy.

Moreover, it is unclear under the bill what is intended by the use of the word “claimant”. It may be that the comma between “insured” and “claimant” in line 2 of the bill, and the word “or” appearing between “insured” and “claimant” in line 3 of the bill are inadvertent, and what is intended is to give an “insured claimant” the right to direct payment of the proceeds. Similarly, the use of the word “consumer” in line 4 of the bill creates unnecessary ambiguity as well. From a drafting standpoint, the words “insured claimant” should be used in each instance. Nonetheless, unless the rights of mortgagees in the insurance proceeds are properly protected, RIMBA opposes adoption of H.7507.

RIMBA looks forward to working with the sponsor to clarify the language of the bill.

Sincerely,


Lenette Forry-Menard, Lobbyist
Rhode Island Mortgage Bankers Association

10 Lincoln Drive, North Smithfield RI 02896

tel. (401) 374-0456

fax (401) 597-5977

lenetteforry@gmail.com