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**NCOIL ADOPTS INSURANCE BINDER MODEL,
RESPONDS TO LENDERS' NEED FOR PROOF OF COVERAGE**

Burlington, Vermont, July 15, 2012—Following hours of debate, NCOIL legislators overwhelmingly adopted a model law to protect lenders from risks associated with inadequate or non-existent insurance coverage. The *Model Act Regarding Use of Insurance Binders as Evidence of Coverage*, adopted by the Executive Committee on July 15, would keep insurance binders in force until a policy is issued or cancelled by an insurer. Adoption of the model—an outgrowth of NCOIL discussion over certificates of insurance—cleared the way for debate on new certificates language that aims to curb fraud and misuse.

According to Property-Casualty Insurance Committee Chair Rep. Steve Riggs (KY):

Today we cleared a major hurdle in our effort to ensure that certificates of insurance are used fairly and appropriately. We drafted the binder model because we think that lenders have valid concerns with proposed certificates of insurance legislation that would deem all certificates to be 'for informational purposes.' Lenders certainly do need more than an informational certificate, especially since they may not see a policy for many months.

Rep. Matt Lehman (IN), sponsor of the binder model, said that "A series of conference calls and special sessions got us to the point where we could pass a model that's a good way to deal with lenders' predicament. It became clear that until we addressed lenders' 'info only' objections, we could not move forward with what began the debate in the first place—a certificates of insurance reform bill."

Key issues debated by the P-C Committee at the Burlington Summer Meeting included 1) whether a binder should lose its effect when the policy is issued or when it's delivered to a lender, 2) whether to focus the bill on commercial property insurance or on all types of coverage, 3) whether a binder should indicate limits, sublimits, exclusions, and deductibles, 4) whether to include lender obligations in the model, and 5) whether to rely in the future on a proposed ACORD 875 form that would combine certain ACORD certificate and binder forms.

The proposed *Certificates of Insurance Model Act*, sponsored for discussion by Rep. Riggs, would ban changes to certificate forms and would assert that certificates are not insurance policies and don't provide different or extra coverage than the policy does. The model—which is a proposed substitute to language that the Committee set aside on a May 11 conference call—currently would not include a specific "info only" disclosure requirement.

After hearing lender concerns with the proposed certificates model, the Committee on July 15 asked interested parties to submit amendments for the Committee to debate via conference call prior to the Annual Meeting 30-day deadline.

The substitute certificates model reflects participation of the American Insurance Association (AIA), Independent Insurance Agents & Brokers of America (IIABA), National Association of Mutual Insurance Companies (NAMIC), National Association of Professional Insurance Agents (PIA), and Property Casualty Insurers Association of America (PCI).

Interested parties at NCOIL have included lender and p-c agent and insurer representatives.

NCOIL is an organization of state legislators whose main area of public policy interest is insurance legislation and regulation. Most legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

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