

SAMPLE COMPLAINT:

Insured's Name
Insured's Address
Insured's City, State, Zip

Mr. Charles W. Turnbaugh, Commissioner
Office of Commissioner of Financial Regulations
Maryland State Department of Labor, Licensing and Regulation
500 N. Calvert Street, Suite 402
Baltimore, MD. 21202

RE: Policy/Binder # _____
Insurance Carrier: _____
Bank: _____
Account # _____

We were recently advised by the above indicated financial institution that we would be required to purchase insurance to loan value in the amount of \$_____.
Our insurance company, also indicated above, determined that the replacement cost value of our home is \$_____, which they recommended as the limit of coverage.

We understand that Maryland law, §12-124, prohibits the practice of insuring for more than the replacement cost of the dwelling. For this reason, we are formally filing a complaint.

We are filing this complaint with the assistance of our insurance agent:

Agency: _____
Address: _____
City, State, Zip: _____
Telephone: _____ Fax: _____

Sincerely,

Insured's/Agent's Signature _____
Date:

Fax 410-333-3866 or 410-333-0475
Email: finreg@dllr.state.md.us



LOAN VALUE

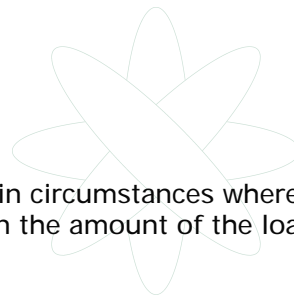
VS.

REPLACEMENT COST

IIAM, in an attempt to curb the many abuses to existing law §12-124, with the assistance of Delegate Susan Kullen, introduced HB 1288. HB1288 strengthened existing law by adding key definitions, such as 'replacement cost' and 'improvements'. The bill passed the House on March 31, with a vote of 138-1 and the Senate on April 10, with a vote of 46-0. Our thanks to Delegate Kullen, the Maryland Insurance Administration, our agents who provided testimony to the House Economic Matters Committee and the Senate Finance Committee, John Darlington and Ron Smith, and to our members, who for three months called, emailed, wrote and faxed their legislators.

Thanks to you....the political process worked!





This paper is intended to assist in circumstances where mortgage lenders/banks require your client to obtain insurance in the amount of the loan, regardless of the replacement cost.

The Problem: Many of our member agents have been confronted by mortgage lenders/banks, usually on or very close to settlement date, that are requiring the insured to purchase insurance equal to the full value of the loan. There have also been circumstances where the agent, unable to bind with the higher limit, has lost the insured and insurance has been provided by the bank's affiliate or subsidiary insurance agency. Agents should be aware of and inform the mortgage lender of the following Maryland law:

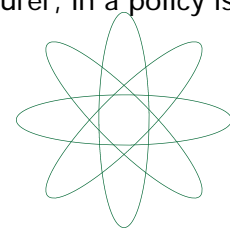
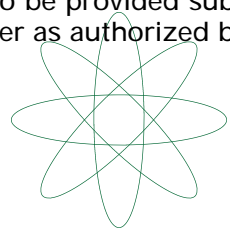
§ 12-124. Property insurance coverage

1. In this section the following words have the meanings indicated:
 - (II) "Flood Insurance coverage" means flood insurance against losses caused by flooding that are covered under a policy issued by:
 1. The Federal Government; or
 2. An insurer.
 - (III) "Improvements" means buildings or structures erected upon or affixed to real property that enhance the value of the real property.
 - (IV) "Property Insurance Coverage" means property insurance against losses caused by perils that commonly are covered in insurance policies described with the terms similar to 'Standard Fire' or 'Standard Fire with Extended Coverage'.
 - (V)
 1. "Replacement Cost" means the amount needed to repair damage to or rebuild improvements on real property to restore the improvements to their 'pre-loss condition'.
 2. "Replacement Cost" does not include the value of the land.
- (2) A lender may not require a borrower, as a condition to receiving or maintaining a loan secured by a first mortgage or first deed of trust to provide or purchase property insurance coverage against risks to any improvements on any real property in an amount exceeding the replacement cost of the improvements on the real property.
- (3) A lender may not require a borrower, as a condition to receiving or maintaining a loan secured by a first mortgage or first deed of trust to provide or purchase flood insurance coverage in an amount exceeding the replacement cost of the improvements on real property.
- (4) In determining the replacement cost of the improvements on real property, the lender may:
 - (i) Accept the value placed on the improvements by the insurer; or
 - (ii) Use the value placed on the improvement by the lender's appraisal of the improvements.

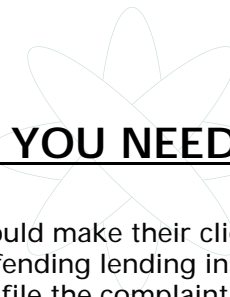
§12-410 Same wording applicable to secondary mortgages
§12-909 Same wording applicable to credit grantors & liens

§27-216

Agents should also be aware of the following Maryland Insurance Law, Unfair Trade Practices, §27-216, which states: a) *Insurance not provided.*- A person may not willfully collect a premium or charge for insurance if the insurance is not then provided, or is not in due course to be provided subject to acceptance of the risk by the insurer, in a policy issued by an insurer as authorized by this article.



WHAT YOU NEED TO DO



Agents who encounter this situation should make their client aware of the law. The law provides recourse and the ability to report the offending lending institution. Prior to 1288, the agent could inform their client, but the client had to file the complaint. During the 2006 Legislative Session, IIAM met with Banking Commissioner Charles Turnbaugh, who stated that agents MAY file the complaint on behalf of their insured.

If you feel your client is being/has been forced to purchase more insurance than necessary, a complaint should be filed. To do this a letter must come from the insured/agent. The letter should be limited to one page; state only the facts; include the account number, insured's name, insured's address and phone number. A sample for is attached. Typically, complaints to this department are resolved within 45 days.

Complaints may be filed after the fact: Complaints may be made after settlement. Speaking to your insured in plain dollars & cents may be all they need to file the complaint.

Complaints should be made to:

Mr. Charles W. Turnbaugh, Commissioner
Office of Commissioner of Financial Regulations
Maryland State Department of Labor, Licensing and Regulation
500 N. Calvert Street, Suite 402
Baltimore, MD. 21202
1-888-784-0138
1-410-230-6100
1-410-333-0475 (fax)

Errors & Omissions Prevention:

We also feel that, in order to protect the agent, the attached disclaimer should be used when this situation occurs. The disclaimer should be used for 'any' new business homeowners accounts, whether the insured files the complaint or does not file the complaint.

ACKNOWLEDGEMENT OF POTENTIAL OVER-INSURANCE

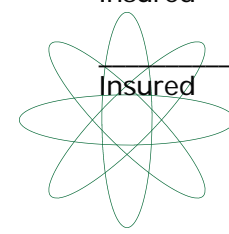
I/We are aware that the dwelling amount requested on the application for insurance exceeds that dwelling replacement cost calculated on the cost estimator and attached to the application.

I/We understand that in the event of a loss, I/we MAY NOT be eligible for the full amount of insurance shown on the application/declarations page for insurance if the value of the dwelling/home does not warrant this coverage.

I/We understand that Market Value and Loan Value are completely separate and often different from the actual Replacement cost of the dwelling.

Insured

Date



Date

