

**HOUSE . . . . . No. 966**

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**The Commonwealth of Massachusetts**

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**In the Year Two Thousand Nine**  
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An Act relative to non-payment of insurance premiums from escrowed funds by lending institutions..

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Chapter 167E of the General laws, as appearing in the 2006 Official  
2 Edition, is hereby amended by inserting after section 16, the following section:

3 Section 17. (a) if the lender, as a result of neglect, fails to pay any tax or insurance  
4 premium when the tax or premium is due and there are sufficient escrow funds on deposit to pay  
5 the tax or premium, and if the property owner suffers a loss as a result of this failure, then the  
6 lender is liable for the loss; except, however, that with respect to any loss which would otherwise  
7 have been insured, the extent of the liability shall not exceed the coverage limits of any insurance  
8 policy which has lapsed.

9 (b) If the lender violated paragraph (a) and the premium payment is not more than 90  
10 days overdue, the insurer shall reinstate the insurance policy, retroactive to the date of  
11 cancellation, and the lender shall reimburse the property owner for any penalty or fees imposed  
12 by the insurer and paid by the property owner for purposes of reinstating the policy.

13           (c) If the lender violated paragraph (a) and the premium payment is more that 90 days  
14 overdue or if the insurer refuses to reinstate the insurance policy, the lender shall pay the  
15           difference between the cost of the previous insurance policy and a new, comparable  
16 insurance policy for a period of 2 years.

17           SECTION 2. Section 99 of chapter 175 of the General Laws, as appearing in the 2006  
18 Official Edition, is hereby amended by inserting in line 170 the following sentence:

19           An insurer that cancels a property insurance policy on property secured by a mortgage  
20 due to the failure of the lender to timely pay the premium when due shall reinstate the policy as  
21 required by section 17 of chapter 167E of the General Laws.