

October 7, 1976

SUBJECT: INSURANCE

CIRCULAR LETTER NO. 17 (1976)

TO: ALL PROPERTY INSURERS LICENSED IN NEW YORK STATE

The Insurance Department has been advised that certain insurance companies are failing to comply with the provision contained in New York Standard Mortgagee Clauses requiring written notice to the mortgagee upon the cancellation of the policy.

New York Standard Mortgagee Clauses create an independent contract of insurance between the insurer and the mortgagee, which the insurer agrees not to cancel without ten days' prior notice to the mortgagee. The clauses also state that no act of the insured shall invalidate the insurance as to the mortgagee, and provide the mortgagee with the option to maintain the insurance policy by paying premiums where cancellation of insurance is based on nonpayment of premium.

Accordingly, property insurers issuing policies containing New York Standard Mortgagee Clauses are directed to comply with the terms of the contracts and thus provide mortgagees with advance written notice pursuant to such clauses, whether the policy is cancelled by the insured or in the name of the insured by a premium finance agency pursuant to a power of attorney executed by the insured, or whether the policy is cancelled for any other reason.

Receipt of this letter should be acknowledged by a responsible officer of your company to:

Mr. Leonard Fondiller
Principal Insurance Examiner
Fire & Multi-Line Insurance Bureau
Two World Trade Center
New York, NY 10047

Very truly yours,

[SIGNATURE]

Thomas A. Harnett

Superintendent of Insurance