



NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Benjamin M. Lawsby  
Superintendent

**Insurance Circular Letter No. 6 (2012)  
July 3, 2012**

**TO: All Insurers Authorized to Write Force-Placed Insurance in New York State**

**RE: Proposed Amended Rates for Force-Placed Insurance**

**STATUTORY REFERENCES: Financial Services Law §§ 302(a); Insurance Law §§ 308, 2301, 2303, 2304 and 2316(a)(3)**

Summary

The purpose of this Circular Letter is to summarize the progress of the investigation by the Department of Financial Service (the “Department”) into force-placed insurance and to indicate that the Department expects insurers writing force-placed insurance (“insurers” or “force-placed insurers”, according to the context) to propose and justify amended rates in the near future.

Discussion

The Department has commenced an investigation pursuant to Financial Services Law §§ 306 and 404 and Insurance Law § 308 into practices related to force-placed insurance (*i.e.*, insurance coverage placed on a homeowner’s property when the homeowner has failed to maintain or renew insurance as required by the terms of the homeowner’s mortgage). The Department has conducted public hearings concerning force-placed insurance and has reviewed extensive evidence in the course of the investigation.

The Department’s investigation has raised questions and concerns regarding the rates force-placed insurers currently have on file with the Department, including whether the information provided in support of such rate filings was accurate. The loss ratios (*i.e.*, the percentage of premiums paid on claims) insurers have actually experienced for force-placed insurance have regularly been far below the expected loss ratios insurers filed with the Department. The Department’s investigation suggests that insurers’ rates for force-placed insurance may be excessive and destructive of competition.

The cooperative input of industry participants could inform a final determination by the Department with respect to rates. Such input should give further consideration of the foregoing and of what constitute appropriate expenses, profits and contingencies. Therefore, the Department expects all insurers currently authorized to write and writing force-placed insurance in New York to propose, with justification, amended rates for force-placed insurance based on factors including, but not limited to: commissions and brokerage; other acquisition expenses; general expenses; taxes, licenses and fees; and profit and contingencies. The Department expects to receive such proposals with justifications by July

24, 2012. Insurers that have force-placed insurance rates on file with the Department but are not currently writing force-placed insurance in New York should propose and justify amended rates before they write any force-placed business.

### Conclusion

In sum, all insurers currently writing force-placed insurance in New York are expected to propose and justify amended rates by July 24, 2012. Insurers that are not currently writing force-placed insurance are expected to propose and justify amended rates prior to writing any force-placed business.

Proposed rates and justifications should be submitted to Jean Marie Cho, Deputy Superintendent, Property/Casualty Insurance, with a copy to Brian Montgomery, Associate Counsel. Please address any technical questions regarding this Circular Letter to Ms. Cho by phone at (212) 480-5127 or by e-mail at [JeanMarie.Cho@dfs.ny.gov](mailto:JeanMarie.Cho@dfs.ny.gov). Please address any other questions regarding this Circular Letter to Mr. Montgomery by phone at (212) 480-2326 or by email at [Brian.Montgomery@dfs.ny.gov](mailto:Brian.Montgomery@dfs.ny.gov).

Very truly yours,

Benjamin M. Lawsky  
Superintendent of Financial Services