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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

July 7, 1980

ADMINISTRATIVE LETTER 1980-9

TO: All Companies Writing Property Insurance
in the State of Virginia

RE: Certification of Insurance

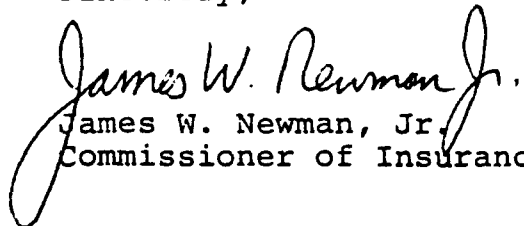
It has come to my attention that certain lending institutions are requiring insurance agents to sign a so-called "certificate of insurance" on behalf of the insurance company providing insurance on mortgaged property. This agreement requires that the agent on behalf of the insurance company notify the mortgage company should the insurance policy terminate for any reason. A copy of a sample certificate is attached.

The so-called "certificate of insurance" is in reality merely a certification that an insurance policy exists. However, by requiring the agent to agree to the terms of the certificate on behalf of the company, it appears that this certificate may be attempting to amend or endorse the policy listed on the form. In order to effectuate an endorsement or an amendment to the standard fire insurance policy provisions outlined in Section 38.1-366 of the Virginia Insurance Code, the proposed policy endorsement or amendment must be filed by the company and approved by the Bureau of Insurance in accordance with such code section. There is no indication in the records of the Bureau of Insurance that a policy endorsement requiring the insurer to notify the lending institution of the termination of coverage for any reason has ever been filed with and approved by the Bureau of Insurance. Consequently, the so-called "certificate of insurance" used by the lending institutions does not constitute a binding policy endorsement.

Further, it is possible that the refusal to accept property insurance contracts which are not accompanied by this so-called "certificate" might be a violation of the Unfair Trade Practices Act. Section 38.1-52(10a) prohibits the creditor from "unreasonably disapproving the insurance policy provided by a borrower for the protection of the property securing the credit or lien".

Companies should inform their personnel and agents of the contents of this bulletin.

Sincerely,


James W. Newman, Jr.
Commissioner of Insurance

JWNjr:gg

attachment

INSURANCE MEMORANDUM

NAME INSURED: _____
(Mortgagor)

PROPERTY ADDRESS: _____ MAIL ADDRESS: _____

This is to certify that Hazard Insurance, as described herein, is in force with a Mortgage Clause in favor of
Federal Savings & Loan Association.

INSURANCE COMPANY _____ INCEPTION DATE _____

BUILDING COVERAGE AMOUNT \$ _____ POLICY # _____

POLICY FORM

WITH FORMS ATTACHED:

- | | | | | |
|----|--------------------------|--------------|--------------------------|---------------------------|
| A. | <input type="checkbox"/> | Homeowners | <input type="checkbox"/> | HO 52 |
| B. | <input type="checkbox"/> | Homeowners | <input type="checkbox"/> | HO 206 plus ISO 206 |
| C. | <input type="checkbox"/> | Fire - E. C. | <input type="checkbox"/> | CONTINUOUS RENEWAL POLICY |
| D. | <input type="checkbox"/> | OTHER _____ | <input type="checkbox"/> | D-206 plus ISO 206 |

It is understood and agreed that on behalf of the Company designated and evidence by the agent signed below, that should the Insurance Protection specified above terminate for any reason, due notice thereof will be given all parties at interest.

Date _____ INSURANCE AGENCY _____

By: _____
Signature of Licensed Agent for Co. specified

MORTGAGE NUMBER _____