

STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

THOMAS S. NARDO
FIRST DEPUTY COMMISSIONER

COMMONWEALTH OF VIRGINIA



Box 1157
RICHMOND, VA 23209
TELEPHONE (804) 786-3741

STATE CORPORATION COMMISSION BUREAU OF INSURANCE

May 6, 1987

LETTER

WITHDRAWN

**By Administrative
Letter 1988-12**

**ADMINISTRATIVE LETTER
1987-8**

TO: ALL COMPANIES LICENSED TO WRITE PROPERTY
AND CASUALTY INSURANCE IN VIRGINIA

RE: Prohibited Practices of Lienholders
Section 38.2-513.A.2.a of the Code of Virginia

It has come to our attention that certain lienholders disapprove policies underwritten by insurers who are not rated by A.M. Best and Company.

Subsection A.2.a. of Section 38.2-513 of the Code of Virginia requires that a lienholder's disapproval of a policy provided by a borrower or debtor be based solely on reasonable standards uniformly applied regarding the extent of coverage required and the financial soundness and the services of the insurer. The fact that an insurer is not rated by A.M. Best and Company does not necessarily indicate that an insurer is financially unsound.

Therefore, a lienholder who refuses to accept an insurer's policy because of the absence of a Best rating, without further consideration of the insurer's financial soundness, has unreasonably disapproved such policy and would be in violation of the above captioned statute.

If your company is aware of any lienholders who appear to be in violation of subsection A.2.a. of Section 38.2-513, please notify this office in writing and such allegations will be investigated.

Sincerely,

Steven T. Foster
Commissioner of Insurance

STF:dw