

Compliance Matters

News and Views from WNC's Compliance Department



Department of Business Regulation
Insurance Division
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Insurance Bulletin 2018-6

Lender Placed Insurance Tracking Fees and Corporate Tax Rate

Tracking Fees: Applicable to all lender placed property programs

Lender Placed Insurers shall not include any expenses reflecting expenses for "tracking" and/or monitoring services performed by an insurer on behalf of a lender in force-placed insurance rate filing. Such services, if performed by an insurer on behalf of a lender, are not the business of insurance, and shall not be passed on to insureds in rate setting. While an insurer may enter into an agreement to perform "tracking" and/or monitoring services on behalf of a lender, the lender is responsible for those costs. These costs shall not be passed on to the consumer in rate filings.

The Rhode Island Department of Business Regulation (DBR) has issued Insurance Bulletin 2018-6, the opening paragraph of which can be seen in the cutout above.

Lender Placed Insurance Tracking Fees

Bulletin 2018-6 advises that lender-placed Insurers may not include any expenses reflecting expenses for "tracking" and/or monitoring services performed by an insurer on behalf of a lender in the lender placed insurance rate filing. According to the DBR, these services, if performed by an insurer on behalf of a lender, are not the business of insurance, and may not be passed on to insureds in rate setting.

An insurer may enter into an agreement to perform "tracking" and/or monitoring services on behalf of a lender, but the lender is responsible for those costs. New York, Florida, and the FHFA have already affirmed this position.

Corporate Tax Rates (All Lines of Business)

In light of recent changes to the corporate tax rate from 35% to 21%, all rate filings submitted to the DBR must reflect the new corporate tax rate in calculating the profit provision used to determine rate level indications. This applies to all future rate filings and any pending filing that is currently under the DBR's review. We may see lower rates from our carriers, but only time will tell.

Conclusion

We may see similar action from other states who decide to follow Rhode Island's example. In any event, Lender Placed Insurance providers must always charge tracking fees based on the scope of the "tracking services" that they actually provide to a mortgage lender or servicer. Free or below cost services are a thing of the past.

At WNC, compliance matters. It is this type of regulation (along with regulations from NY, FL, and the FHFA, as well as nationwide class action suits), that make it imperative that insurance tracking fees are charged by service providers like WNC. While some debate the definition of "tracking services", it is clear that there must be a charge, and that it must be tied to the services performed.

For a copy of the DBR Insurance Bulletin 2108-6, please click here: <http://www.dbr.ri.gov/documents/news/insurance/InsuranceBulletin2018-6.pdf>

If you have questions about this article, please contact your WNC representative or you may contact the author, Jordan N. Gray, Esq., SVP Legal Affairs and General Counsel, WNC Insurance Services, Inc. at (626) 463-6472 or jgray@wncfirst.com.