Comments from the Center for Economic Justice

To the NAIC Lender Place Insurance Model Act Working Group

November 3, 2020

The Center for Economic Justice (CEJ) offers the following comments on the draft NAIC Lender-Place Insurance Real Property Model Act.

I. Summary of Comments

There are four major problems with the exposure draft.

1. It fails to recognize and acknowledge the reverse-competition in lender-placed insurance (LPI) markets that has led to consumer abuses by LPI insurers and mortgage servicers[1] and that drives the need for enhanced consumer protections.

2. It fails to explicitly prohibit the inclusion of tracking expenses in LPI rates and premium charges. Insurance tracking activities and related expenses are the responsibility of the servicer for which the servicer is paid by the owner of the mortgage. By including tracking expenses in LPI rates, the entire costs of tracking for all borrowers is assessed on the small percentage of borrowers who are force-placed and massively inflates the premium through inclusion of expenses unrelated to the provision of insurance.

3. It fails to prohibit single-interest LPI for real property.

4. It establishes an absurdly low minimum loss ratio.

5. It includes an invitation to kickback abuse with inclusion of "implementation expenses."

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[1] Servicers are the entities who administer or service mortgage loans after the loan is originated. See Pinkowish, *Residential Mortgage Lending Principles and Practice,* Sixth Edition at page 501: After closing a mortgage loan, the next step in the residential lending process involves servicing . . . . All residential mortgage loans require servicing. Loan servicing includes the responsibilities, functions and day-to-day operations that an organization performs after the closing and over the term or repayment of loan."
In most cases, servicers are separate entities from the owners of mortgage loans. Some lenders originate, maintain ownership and service the loans they own, but most mortgages are owned by either investors (through mortgage-backed securities) or by federal agencies or quasi-public entities, like Fannie Mae, Freddie Mac, Ginnie Mae or the Veterans Administration and are serviced by others for a fee – the servicing fee.
In our comments, "servicers" refers to any entity that services a mortgage loan whether or not that entity is the owner of the mortgage.

The current draft does not reflect an objective review of the LPI product or market and is not supported by evidence or reason. We have previously submitted our suggested revisions in redline.

In October 2018, CEJ made a presentation to the Florida Office of Insurance Regulation (FL OIR) discussing the proposed NAIC LPI model. That presentation, attached, to these comments, is attached and documents the evidence in support of CEJ's positions.

We supplement that presentation by addressing comments raised during the October 19, 2020 call.

II. Tracking Expenses Must Be Excluded From LPI Rates

Servicers are responsible for, and are compensated by mortgage owners, for insurance tracking. Tracking expenses or insurance tracking refers to a variety of servicer responsibilities and related activities to ensure continuous insurance coverage of the property serving as collateral for the loan. Insurance tracking is part of the escrow administration function of servicing[2] and includes

- Initially entering insurance information obtained at closing into the mortgage servicing system of record – the database used to track a borrower's mortgage.

- As required by statute or regulation or requested by borrowers, establishing escrow accounts for borrowers to collect funds from mortgage payments for insurance and disburse those funds to the borrower's insurer for policy renewal.

- Gathering information from insurers, agents and borrowers regarding evidence of required insurance and updating the insurance information in the mortgage servicing system of record.

- Corresponding with borrowers regarding missing evidence of required insurance and warning of LPI placement if the evidence is not provided.

- Maintaining call and mail centers or other means to accept and respond to borrower questions and communications regarding required insurance and why insurance was force-placed.

While is it typical for servicers to contract out some or all of these insurance tracking functions, these functions are the servicer's responsibility, for which the servicer is compensated. This fact is supported by extensive evidence, including:

[2] Pinkowish at pages 507: "The *escrow administration function* ensures the protection of the security interest by determining whether adequate coverage is in place and is current with a mortgage-payable clause for required insurance or credit guarantees."

- Federal statutes and regulations;
- Fannie Mae and Freddie Mac servicing requirements;
- Texts on mortgage lending and mortgage servicing; and
- Common sense.

The FL OIR presentation quotes from the Fannie Mae Standard Mortgage contract to demonstrate that the need for insurance tracking follows from the mortgage contract requirement of the lender to maintain insurance.

The largest owners of mortgages – and the largest users of mortgage servicers – are the quasi-public agencies Fannie Mae and Freddie Mac. Fannie and Freddie contract with servicers to service the mortgages that Fannie and Freddie own and pay the servicers to do so. Fannie and Freddie have extensive servicing guides which set out the responsibilities of their mortgage servicers for insurance tracking. For example, the Fannie requirements are found at Section B-2-01[3] and B-6-01[4] of the Fannie Servicing Guide and are excerpted in the FL OIR presentation.

Federal law and regulations also specify the lender/servicer responsibility to ensure insurance is and remains in place. The FL OIR presentation cites the Flood Disaster Protect Act provisions requiring lenders to ensure flood insurance is in place and maintained for the term of the loan if the property is located in a designated flood hazard area. [5]

Regulation Z (12 CFR 1024.37), promulgated by the Consumer Financial Protection Bureau and excerpted in the FL OIR presentation describes the requirements for a servicer regarding force-placed insurance and clearly indicates that insurance tracking is the responsibility of the servicer. The regulation sets out requirements of the servicer for notifying a borrower regarding missing insurance and the various steps a servicer must take before the servicer can assess a charge for lender-placed insurance.[6]

The textbook *Residential Mortgage Lending Principles and Practice, Sixth Edition*, describes the responsibilities of mortgage servicers, how servicers are paid for activities and how insurance tracking is part of the escrow administration function of servicers.[7]

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[3] https://servicing-guide.fanniemae.com/THE-SERVICING-GUIDE/Part-B-Escrow-Taxes-Assessments-and-Insurance/Chapter-B-2-Property-Insurance-Requirements/B-2-01-Prop-Ins-Reqs-Applicable-to-all-Prop-Types/1040884241/B-2-01-Property-Insurance-Requirements-Applicable-to-All-Property-Types-12-12-2018.htm?touchpoint=guide

[4] https://servicing-guide.fanniemae.com/THE-SERVICING-GUIDE/Part-B-Escrow-Taxes-Assessments-and-Insurance/Chapter-B-6-Lender-Placed-Insurance/B-6-01-Lender-Placed-Insurance-Requirements/1041095611/B-6-01-Lender-Placed-Insurance-Requirements-10-14-2015.htm?touchpoint=guide

[5] 42 USC 4012(b)1

[6] https://www.consumerfinance.gov/policy-compliance/rulemaking/regulations/1024/37/

[7] See Pinkowish at pages 506 and 509. See also National Consumer Law Center, *Mortgage Servicing and Loan Modifications, First Edition.*

Common Sense

It is also common sense that insurance tracking is a servicer responsibility and the expenses for insurance tracking are not reasonably included in LPI rates and premium:

- By including tracking expenses in LPI rates and premium, the costs of tracking are assessed on the small percentage (1% to 4%) of borrowers who are force-placed. Yet the insurance tracking activities touch all borrowers in the portfolio.

- If all borrowers maintained required insurance, the servicer would still be required to perform insurance tracking to ensure the coverage was in place and to disburse escrow for premium renewal as needed. Yet, in this situation, there would be no premium for LPI because no coverage under the master policy would be required. And if the costs of insurance tracking were included in LPI rates, then the insurer would be on the hook to provide all these services without compensation.

- If insurance tracking is an insurance expense because it is necessary for the insurer to be able to provide LPI as claimed by industry, then there could be no blanket LPI coverage for which no tracking is performed. Yet, such blanket LPI products are common.

- If insurance tracking is an insurance expense because it is necessary for the insurer to be able to provide LPI as claimed by industry, then there could be no LPI coverage provided in New York or Rhode Island since both states have directed LPI insurers to exclude tracking expenses from LPI rates.

The cost of insurance tracking is significant. Permitting insurance tracking expenses in LPI rates dramatically inflates LPI rates and unfairly penalizes the most financially-vulnerable borrowers.

Servicers typically outsource insurance tracking to third parties – the LPI insurer or the LPI insurer's managing general agent. The insurers and MGAs providing the service typically charge a fee for that service. The fee is expressed as an amount per tracked loan per month. This fee charged by the LPI insurer or MGA is far below the actual cost of providing that service. The losses incurred for insurance tracking by the LPI insurer are recouped through inflated LPI rates. Stated differently, while the servicer may pay $X in LPI premium, the net cost to the servicer is a fraction of $X because the insurer has kicked back part of that premium in the form of below-cost services.

Attached to these comments is an affidavit in a LPI lawsuit in which the defendant lender's loan service manager states that the fee for insurance tracking paid to the LPI insurer is substantially less than the market cost of those services:

> 18. The OSC Agreement includes a comprehensive schedule of services and administrative functions that OSC agreed to provide the Bank with respect to its loan portfolio FPI processes. In consideration of these services, the OSC Agreement includes a fee schedule imposing (i) a monthly fee of $0.28 for each loan monitored within the portfolio; (ii) the actual cost of postage and delivery fees incurred in connection with borrower correspondence regarding an FPI event; and (iii) an hourly rate of $150.00 for tasks that require additional programming support.
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> 19. The Bank's loan portfolio subject to these loan monitoring services consists of approximately eighteen thousand (18,000) loans, although that figure fluctuates.
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> 20. Following the OSC Agreement Amendment, Affiant investigated the fees charged by comparable vendors as OSC. Affiant determined that the marketplace for insurance-portfolio tracking services can be broadly characterized into two tiers of service. In the higher tier, the tracking services are such that the Bank is not necessary for virtually any step of the process. From my investigation, a reasonable range of cost for higher tier services is approximately $0.80 to $0.90 per loan per month. In the lower tier, the services provided require substantial interaction and effort by bank employees. From my investigation, a reasonable range of cost for lower-tier services is approximately $0.40 to 0.50 per loan per month.

This affidavit not only documents one example of the LPI insurer kickback to the lender in the form of the below-cost provision of tracking services, but also acknowledges that tracking is a lender/servicer responsibility and that the lender/servicer can obtain those services from providers in the market separate from the provision of LPI.

The lender represented in the affidavit has a relatively small portfolio of serviced loans – around 18,000. In contrast, top mortgage servicers have servicing portfolios of hundreds of thousands or millions of loans. For perspective, there are over 50 million mortgage loans outstanding. In my experience, the fees charged for insurance tracking are far lower than $0.28 per loan per month for larger servicers. Testimony in the 2012 New York Department of Financial Services investigative hearing on LPI revealed insurance tracking fees of zero to a few cents per loan per month.

The table below shows the significant impact of the tracking kickback assuming:

- a loan portfolio size of one million;
- a tracking fee charge of $0.10 per loan per month;
- actual tracking costs of $0.50 and $0.90 per loan per month;
- an LPI placement rate of 1.56% -- the actual placement rate reported by Assurance in its second quarter 2020 earnings release supplement; and
- an average LPI premium of $1,500.00

Impact of Free or Below-Cost Tracking Services on LPI Costs to Force-Placed Borrowers

	Subsidized Tracking Impact on LPI Charges	Scenario 1	Scenario 2
1	Loans Tracked	1,000,000	1,000,000
2	Tracking Fee Charged per loan per month	$0.10	$0.10
3	True Cost of Tracking Services per loan per month	$0.90	$0.50
4	Subsidy/Kickback	$0.80	$0.40
5	Total Annual Kickback (line 1 x line 4 x 12 months)	$9,600,000	$4,800,000
6	Placement Rate -- 1.56% is Assurant's actual 20Q2 rate	1.56%	1.56%
7	Average LPI Premium	$1,500	$1,500
8	Total LPI Premium (line 1 x line 6 x line 7)	$23,400,000	$23,400,000
9	**Tracking Kickback as % of Premium (line 5 / line 8)**	41%	21%
10	**Tracking Cost borne by each LPI-placed borrower**	$615	$308

The calculations show that a subsidy of "just" 40 cents per loan per month represents from 21% to 41% or $308 to $608 of a $1,500 premium. Stated differently, these kickbacks unfairly inflate the charges to borrowers by 26% to 70%.

Insurers and Trades Have Provide No Evidence to Support Their Claims or To Justify Insurance Tracking as a Legitimate LPI Expense.

Industry has made the two principle arguments regarding tracking expenses without providing any evidence to support their arguments. First, they argue that tracking is an insurer, not a servicer responsibility, and that servicers are not compensated for insurance tracking activities. CEJ has provided extensive evidence to authoritatively refute these insurer claims. It is simply not feasible to objectively review the respective evidence provided by CEJ and industry and not dismiss these industry claims.

The second industry argument is that tracking is necessary for the insurers' risk and exposure management and, consequently, tracking expenses are reasonably included in LPI rates. Again, CEJ has provided evidence to refute these assertions.

First, the largest LPI insurer, Assurant, admits that the provision of LPI and insurance tracking are separate. On its website, Assurant describes "Lender-Placed Insurance & Related Services:[8]

[8] https://www.assurant.com/partner-with-us/lender-placed-insurance

> Assurant is the industry's leading provider of lender-placed hazard, flood, wind and REO insurance, and related services. Our core services provide insurance tracking and follow-up on behalf of our partners to ensure customers have current homeowners insurance. We offer inbound and outbound customer support, including easy self-service options. And, when necessary, we protect mortgage servicers interest with our lender-placed insurance products.

Second, the "exposure management" argument is a blatant misrepresentation to regulators. Insurers do not need individual tracking data – nor could they rely upon such data – to manage their exposure. Unlike voluntary insurance where today' insureds are a good proxy for the exposures in three or six months, that is not the case with LPI. With LPI, the cancellation rate is high – 50% or more – which means that today's exposures are going to be different from the insureds in six months.

LPI insurers underwrite, price and manage LPI exposures by evaluating characteristics of the loan portfolio – location of loans, size of loans, types of lenders, presence of escrow or not. It is by assessing characteristics of the loan portfolio that LPI insurers can estimate the placement rate of LPI. The evidence to support this is found in the schedule rating worksheets of LPI insurers, shown in the FL OIR presentation.

In the case of the Assurant Schedule Rating Plan, Assurant states, "in recognition of the unique risk characteristics of the mortgagee." The mortgagee is the lender/servicer and not the borrower. The Schedule Rating Plan factors are all related to characteristics of the loan portfolio – quality of loan underwriting, source of loans, delinquency rate, average loan to value, mix of fixed and variable loans, mix of government and conventional loans, percentage of loans escrowed for insurance – and nothing related to individual borrower's property characteristics or rating.

Again, common sense refutes this industry argument. If inclusion of insurance tracking expenses were necessary for exposure management, then it could not be possible for Assurant or any LPI insurer to offer LPI in New York or Rhode Island where tracking expenses must be excluded from LPI rates. Yet, Assurant and LPI insurer do offer LPI in New York and Rhode Island, demonstrating that inclusion of tracking expenses is in LPI rates for LPI insurers to manage their risk or exposure.

In addition, if insurance tracking and individual loan insurance information was required for exposure management, how could a LPI insurer ever be able to write new business or secure reinsurance since, in those situations, it would either not have individual loan insurance information or the information would rapidly change over a short period of time. But, in fact, LPI insurers do compete for and secure new business and do obtain reinsurance. This is possible because risk and exposure management are based on characteristics of the loan servicing portfolio and general economic conditions.

Prohibiting Tracking Expenses in LPI Rates Does Not Limit Regulators' Ability to Evaluate LPI Insurer Expenses

An argument has been put forth that including a provision in the model to prohibit the inclusion of insurance tracking expenses in LPI rates will somehow restrict a regulator's ability to assess the reasonableness of expense provisions proposed by LPI insurers in rate filing. Again, no evidence has been provided to support this claim.

It is unclear how prohibiting one type of expense limits a regulator's ability to examine proposed expense provisions in a LPI rate filing and no explanation or examples have been provided.

In fact, the exposure draft prohibits and permits a variety of different types of expenses. The draft prohibits certain compensation to a lender, insurer, investor or servicer. The draft prohibits contingent commission and profit-sharing to any person affiliated with the servicer or the insurer. The draft prohibits the provision of free-or below-cost outsourced services. The draft permits implementation expenses.

All of these provisions assume the regulator has the ability to identify different types of LPI insurer expenses and permit or exclude those expenses in approved LPI rates. Consequently, there is no basis for the claim that a regulator could not identify one type of expenses – insurance tracking – and require the insurer to exclude that expense from approved rates.

The Omission of Any Disclosure Requirements in the Exposure Draft Confirms That Insurance Tracking is a Servicer Responsibility

Unlike the current Creditor-Placed Insurance Model Act which includes a section for "Disclosures to the Debtor," the LPI Model Act exposure draft includes no disclosure provisions. Clearly, consumer disclosures – such as those in Regulation Z, cited above – regarding missing evidence of required insurance and possible LPI placement and charges are part of insurance tracking. If insurance tracking was, in fact, an insurer responsibility, then it would be the insurer, not the servicer, who is responsible for providing these consumer disclosures. The fact that industry has argued against including disclosure provisions in the NAIC model contradicts the argument that tracking is an insurer responsibility and expense.

III. Prohibit Single Interest Coverage

The model fails to require that LPI policies provide dual interest coverage. While dual interest coverage is most common, there remain instances of single interest LPI home insurance. Such single interest coverage eliminates any borrower rights in the event of a LPI claim.

It is critical for LPI to provide dual interest coverage – in which the borrower is an additional insured on the coverage – to give the borrower important rights in the event of a LPI claim. It is important because the interests of the borrower and servicer do not align. The servicer may only have interest in obtaining a claim settlement sufficient to pay off the loan, while the borrower has an interest in repairing the property.

Requiring dual interest coverage is a basic consumer protection and should not be controversial.

IV. Loss Ratio Standard

The proposed loss ratio standard of 35% is far, far too low and fails to reflect the cost structure of LPI. The table below highlights some of the key differences affecting sales, underwriting and administrative expenses for LPI versus homeowners insurance. LPI is a group master policy issues to a servicer covering all properties automatically as needed if a borrower's voluntary coverage lapses. A single LPI policy may provide coverage for hundreds of thousands of loans and thousands of individual property coverages.

LPI	Homeowners
Group Policy Covering All Loans in Servicer's Portfolio Regardless of Location or Condition	Individual Policy Per Property
No Individual Property Underwriting	Individual Property Underwriting
No Individual Borrower Underwriting	Individual Policyholder Underwriting
Automatic Coverage At Moment of Lapse, Whether or Not Servicer is Aware of Lapse at That Time	Insurer May Decline Coverage
Automated Coverage Issuance Based on Servicer's Tracking Data and Instructions	Coverage Issued Specifically for Underwritten Policyholder and Property
Servicer is Named Insured, Servicer Pays Premium to Insurer	Consumer is Named Insured, Consumer Pays Premium to Insurer

Every non-claim aspect and expense category is less expensive as a percentage of premium than for homeowners insurance. There is no mass marketing of LPI. LPI is marketed to tens or hundreds of lenders/servicers, not to tens of millions of consumers. There is no detailed underwriting or complex pricing algorithms for LPI as there is for homeowners insurance because of the lack of underwriting of individual properties for LPI. Rather, LPI is underwritten on the basis of loan servicing portfolio characteristics.

Given the characteristics of LPI, non-claim expenses for LPI should be significantly less as a percentage of premium than non-claim expenses for homeowners – and LPI loss ratios should be higher than homeowners loss ratios. Yet, the opposite has occurred and continues to occur – LPI loss ratios are half those of homeowners insurance and LPI expense ratios are two or more times greater than those of homeowners.

Because of reverse competition in LPI markets, LPI insurers seek the high rates to compete for the servicer's business by providing considerations to the servicer to secure that business. An insurance regulator can minimize the harm of this reverse competition by approving only those rates sufficient to cover expected loss and loss settlement costs, a reasonable profit and the reasonable expenses for sale and administration of LPI. The characteristics of LPI – the long history of kickbacks by LPI insurers to servicers – clearly indicate that LPI loss ratios should be higher and not lower than those for homeowners insurance.

The proposed 35% is absurdly low on its face and no support or explanation has been provided for that value. Such a low minimum standard would lead to even higher LPI rates because typical LPI rate filings propose expected loss ratios greater than 35% -- even with inflated expenses.

Given that varying catastrophe risk exposure across the states, this minimum loss ratio provision should be deleted and replaced with a maximum expense provision. Failing that, a minimum 60% loss ratio provision should be used, consistent with other NAIC credit-related insurance model loss ratio standards. Failing that, the minimum loss ratio standard provision should be removed and rate review should default to a standard prior approval review to ensure rates are not excessive, not inadequate and not unfairly discriminatory.

V. Implementation Expense

The provision to permit "implementation expenses" should be deleted for a number of reasons. First, the implementation expense issue is being addressed at the Innovation and Technology Task Force through its work to review the anti-rebating provisions in the NAIC Unfair Trade Practices Act. True "implementation expense" issues should be addressed in that forum.

Second, the proposed provision undercuts the general anti-kickback provision by permitting the insurer to provide a consideration to the lender/servicer in exchange for the lender/servicer selecting the LPI vendor. We are puzzled by this provision since paying a lender/servicer for "implementation expense" is clearly a consideration and a kickback as the LPI vendor is rebating something of value to the insured in exchange for securing the business.

Third, in addition to being a glaring kickback, this provision promotes unfair competition because the largest LPI vendor has the greatest ability to provide the greatest "implementation expense reimbursement."

Fourth, the fact that Assurant was able to convince a number of regulators to include this gaping kickback loophole in the regulatory settlement agreement is powerful evidence of the need for an absolute ban on any consideration by the insurer to the servicer other than the protection of the property servicing as collateral for the loan. Permitting things like "implementation expenses" if they can be satisfactorily explained will lead to consumer abuse and unreasonable rates and charges -- the insurer will always explain or shade the explanation in an effort to make any expense seem in compliance with statutory requirements and they are in the cat bird seat of information asymmetry -- they know all the details and how to frame things to get by the regulator, while the regulators, particularly in states where the insurance regulator is separate from the banking regulator, have limited knowledge of mortgage servicing and limited time and resources to do forensic accounting for each rate filing.

Fifth, an exception for "implementation expenses" – or tracking expenses – will lead to a lack of uniformity across the states, based in large part on the size and resources of the state to understand and review justifications provided by the LPI insurer. While there are many reasons for rate filing considerations to vary by state – catastrophe exposure, underwriting restrictions – differences in what constitutes a reasonable general, administrative or sales expense for insurance typically sold through countrywide agreements is surely not an expense that should vary by state.

VI. Reverse Competition

LPI markets are characterized by reverse competition, which means that the insurers compete for the lender's or servicer's business because these entities have the market power to steer the ultimate consumer to the insurer. In a reverse-competitive market, the insurers compete for the lender's or servicer's business by offering a variety of considerations to the lender, the cost of which drives up the cost of the insurance to the ultimate consumer.

Evidence from regulatory and journalist investigations, class action lawsuits and regulatory settlements indicates that the LPI premium charges from LPI insurers to mortgage servicers are inflated far above the reasonable cost of providing LPI coverage to protect the properties serving as collateral for the mortgage loans. A significant amount of the inflated LPI premiums charged by the LPI insurer to the mortgage servicer is kicked back to the mortgage servicer through a variety of mechanisms, including the provision of free or below-cost services. The mortgage servicer typically charges borrowers the same amount for LPI as the mortgage servicer paid in premium to the LPI insurer, thereby causing borrowers to pay for the kickbacks.

The NAIC recognized reverse competition in credit-related insurance markets. The Credit Personal Property Insurance Model Act includes, as one of its purposes, to "address the problems arising from reverse competition in credit insurance markets." LPI is a credit –related insurance product. The NAIC model also defines and explains reverse competition:[9]

> "Reverse competition" means competition among insurers that regularly takes the form of insurers vying with other for the favor of persons who control, or may control, the placement of the insurance with insurers. Reverse competition tends to increase premiums or prevent the lowering of premiums in order that greater compensation may be paid to persons for such business as a means of obtaining the placement of business. In these situations, the competitive pressure to obtain business by paying higher compensation to the persons overwhelms any downward pressure consumers may exert on the price of insurance, thus causing prices to rise and remain higher than they would otherwise."

From 2011 to 2013, the New York State Department of Financial Services conducted an investigation of LPI providers and markets. Among other things, the NYDFS investigation revealed:

- The premiums charged to homeowners for force-placed insurance are two to ten times higher than premiums for voluntary insurance, even though the scope of the coverage is more limited.

- The loss ratios for force-placed insurance seldom exceed 25 percent. Nevertheless, rate filings made by insurers with NYDFS reflected loss ratio estimates of 55 to 58 percent.

- Insurers and banks have built a network of relationships and financial arrangements that have driven premium rates to inappropriately high levels ultimately paid for by consumers and investors.

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[9] https://content.naic.org/sites/default/files/inline-files/MDL-365.pdf

- Force-placed insurers have competed for business from banks and mortgage servicers through "reverse competition": i.e., rather than competing for business by offering lower prices, insurers have created incentives for banks and mortgage servicers to buy force-placed insurance with high premiums by enabling banks and mortgage services, through complex arrangements, to share in the profits associated with the higher prices.

In addition to regulatory settlements with LPI insurers to stop the consumer abuses, the NY DFS has promulgated a regulation which, among other consumer protections, prohibits the inclusion of insurance tracking expenses in LPI rates.

Based on the above, it is important and reasonable to include in the LPI model a purpose to address problems arising from reverse competition, the definition of reverse competition and provisions which, in fact, protect consumers from reverse competition.