

The New York Department of Financial Services is investigating whether two insurers, Assurant and QBE Insurance, which control about 90 percent of the market for **force-placed insurance**, obtained their dominant market positions by paying improper kickbacks to banks. The department is considering whether the illicit relationships between banks and the insurers should be outlawed and whether homeowners who were saddled with costly force-placed insurance should receive rebates. Investigation has revealed that the insurers are paying less than 25 cents in claims for every dollar of premium received, an extraordinarily low "loss ratio."

All lenders require homeowners to carry homeowner's insurance to protect the lender's collateral. Most mortgage contracts allow the lender to "force-place" the homeowner's insurance if there is a lapse in the policy obtained by the homeowner/borrower. Consumer advocates and regulatory authorities have observed that lenders are taking advantage of their position by hand-picking insurers for the force-placed insurance which charge as much as 10 times the cost of homeowner's insurance available on the open market. Lenders are paying excessive rates for homeowner's insurance because they either own the insurer that issues the force-placed insurance or they receive kickbacks from those insurers. Consumer advocates and regulators maintain that force-placed insurers should be required to charge premiums that are in line with their cost of doing business and that they should be prohibited from gouging distressed homeowners.

The investigation by the N.Y. Department of Financial Services was recently reported in the [New York Times](#).
