



K a n s a s I n s u r a n c e D e p a r t m e n t

Sandy Praeger COMMISSIONER OF INSURANCE

Bulletin 2004-3

TO: All Companies Writing Business in Kansas and Rating Organizations

FROM: Sandy Praeger, Commissioner of Insurance

DATE: April 12, 2004

RE: Lien holder payments

It has come to the attention of the Department that there have been incidents where lien holders of personal property, principally automobiles, have not been included as loss payees on drafts representing compensation for damages to property which is the subject of the lien. The result of this omission has been that the owner-insured of the property receives and keeps the money, the property is not repaired and results in a lessening of the value of the property without the knowledge of the lien holder.

Although lien holders are included as payees on payments for damages to the property in many contracts, the Insurance Code does not require such inclusion or endorsement. The department believes that the best practice is for the insuror to include any lien holder as a payee on payment for damage sustained to the property which is the subject of the lien.

This practice would at least provide notice to the lien holder of damage to the property, so they might take steps to protect their interest in that property.

If you have any questions regarding this Bulletin, please contact Jerry Wells at 420 SW 9th Street, Topeka, Kansas 66605, via phone at (785)296-7802 or via email at jwells@ksinsurance.org