STATE OF NEW YORK

9368

IN SENATE

March 5, 2026

Introduced by Sen. BAILEY -- read twice and ordered printed, and when printed to be committed to the Committee on Insurance

AN ACT to amend the insurance law, in relation to enacting the "New York property rehabilitation protection act"

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. This act shall be known and may be cited as the "New York property rehabilitation protection act".

§ 2. Legislative findings and determinations. 1. The legislature hereby finds and determines that it has become apparent that unscrupulous rehabilitation contractors have been using the mechanism of assignment of benefit agreements to defraud and take advantage of residential property owners and their insurance companies.

2. The legislature further finds and determines that these unscrupulous rehabilitation contractors, who most often operate in the wake of natural disasters, fires, or other catastrophic events, have been found to use these assignment of benefit agreements, to sign up impacted home owners, for inadequate, inordinately expensive, insufficient or unreliable home rehabilitation services, without appropriate consumer protections, express contractual provisions outlining what actual construction work will be performed and at what cost, based upon a fraudulent and/or misleading promise that all costs of such services will be paid for by such home owners' insurance company.

3. The legislature further finds and determines that these unscrupulous rehabilitation contractors, and their unreliable and often misleading assignment of benefit agreements, can result in homeowners not receiving quality rehabilitation services, and/or ultimately becoming responsible for enormous rehabilitation costs, without the benefit of the necessary rehabilitation work.

4. The legislature further finds and determines that this problem, of the misuse of such assignment of benefit agreements, has not only happened in New York, but in many other states as well, causing such other states to limit or preclude the execution of such assignment of

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

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benefit agreements, and mandating consumer protection for such destressed homeowners.

5. The legislature further finds and determines, that in order to provide consumer protection for such distressed homeowners in New York state, as well as their insurance companies that collect premiums to provide property insurance coverage for such homeowners, that similar limits and preclusions on the unscrupulous use of such assignment of benefit agreements, must become a part of New York state law, and that in order to accomplish such consumer protection, this New York property rehabilitation protection act is sought to be enacted to address limitations with respect to assignment of benefit agreements executed prior to January 1, 2027, and to expressly prohibit the use of such agreements after January 1, 2027.

6. The legislature further finds and determines that this New York property rehabilitation protection act will bring New York state and its homeowners and insurers in conformance with similar protections and preclusions that have been enacted in other states, and that have provided such consumer protection to their homeowners and insurance companies.

§ 3. The insurance law is amended by adding a new section 3463 to read as follows:

§ 3463. New York property rehabilitation protection act. (a) Definitions. As used in this section, the following terms shall have the following meanings:

(1) "Assignee" shall mean a person who is assigned post-loss benefits through an assignment agreement.

(2) "Assignment agreement" shall mean any instrument by which post-loss benefits under a residential property insurance policy or commercial property insurance policy, which are assigned or transferred, or acquired in any manner, in whole or in part, to or from a person providing services, including, but not limited to, inspecting, protecting, repairing, restoring, or replacing the property or mitigating against further damage to the property. "Assignment agreement" shall not include fees collected by a public or independent adjuster as defined in section two thousand one hundred eight of this chapter.

(3) "Assignor" means a person who assigns post-loss benefits under a residential property insurance policy or commercial property insurance policy to another person through an assignment agreement.

(4) "Commercial property insurance" shall mean a contract of insurance which is limited to coverage of commercial risks, excluding windstorm coverage, flood insurance, federal crop insurance, crop hail insurance and other federal governmental pools and associations, in accordance with section three thousand four hundred twenty-five of this article.

(5) "Residential property insurance" shall mean insurance issued for delivery in this state, on a risk located or resident in this state, insuring loss of or damage to real property used predominantly for residential purposes and that consists of not more than four dwelling units, other than hotels and motels, in accordance with section three thousand four hundred twenty-five of this article.

(6) "Pre-suit settlement demand" means the demand made by the assignee in the written notice of intent to initiate litigation.

(7) "Pre-suit settlement offer" means the offer made by the insurer in its written response to the notice of intent to initiate litigation.

(b) Assignment agreements. (1) All assignment agreements shall:

(A) be executed under a residential property insurance policy or under a commercial property insurance policy prior to January first, two thousand twenty-seven;

(B) be deemed invalid, unlawful and of no legal effect, if executed on or after January first, two thousand twenty-seven;

(C) be in writing and executed by and between the assignor and the assignee;

(D) be deemed to allow the assignor to rescind the assignment agreement without a penalty or fee by submitting a written notice of rescission signed by the assignor to the assignee within fourteen days after the execution of the agreement, at least thirty days after the date work on the property is scheduled to commence if the assignee has not substantially performed, or at least thirty days after the execution of the agreement if the agreement does not contain a commencement date and the assignee has not begun substantial work on the property;

(E) be deemed to require the assignee to provide a copy of the executed assignment agreement to the insurer within three business days after the date on which the assignment agreement is executed or the date on which work begins, whichever is earlier. Delivery of the copy of the assignment agreement to the insurer may be made:

(i) by personal service, overnight delivery, or electronic transmission, with evidence of delivery in the form of a receipt or other paper or electronic acknowledgment by the insurer; or

(ii) to the location designated for receipt of such agreements as specified in the policy;

(F) be deemed to require a separate, written, itemized, per-unit cost estimate of the services to be performed by the assignee;

(G) be deemed to relate only to work to be performed by the assignee for services to protect, repair, restore, or replace a dwelling or structure or to mitigate against further damage to such property;

(H) contain the following notice in 18-point uppercase and boldfaced type as follows:

"PLEASE KNOW THAT BY SIGNING THIS AGREEMENT YOU ARE AGREEING TO GIVE UP CERTAIN RIGHTS YOU HAVE UNDER YOUR INSURANCE POLICY TO A THIRD PARTY, WHICH MAY RESULT IN LITIGATION AGAINST YOU AND/OR YOUR INSURER.

PLEASE READ AND UNDERSTAND THIS AGREEMENT THOROUGHLY BEFORE SIGNING IT.

PLEASE FURTHER KNOW THAT YOU HAVE THE RIGHT TO CANCEL THIS AGREEMENT WITHOUT PENALTY WITHIN 14 DAYS AFTER THE DATE THIS AGREEMENT IS EXECUTED, AT LEAST 30 DAYS AFTER THE DATE WORK ON THE PROPERTY IS SCHEDULED TO COMMENCE IF THE ASSIGNEE HAS NOT SUBSTANTIALLY PERFORMED, OR AT LEAST 30 DAYS AFTER THE EXECUTION OF THE AGREEMENT IF THE AGREEMENT DOES NOT CONTAIN A COMMENCEMENT DATE AND THE ASSIGNEE HAS NOT BEGUN SUBSTANTIAL WORK ON THE PROPERTY.

PLEASE ALSO KNOW THAT YOU FURTHER HAVE THE RIGHT TO CONSULT AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT.

BY SIGNING THIS AGREEMENT, YOU SHOULD BE AWARE, THAT YOU WILL BE OBLIGATED FOR PAYMENT OF ANY CONTRACTED WORK PERFORMED BEFORE THE AGREEMENT IS RESCINDED.

YOU SHOULD FURTHER BE AWARE, THAT THIS AGREEMENT DOES NOT CHANGE ANY OBLIGATION YOU MAY HAVE TO PERFORM THE DUTIES REQUIRED UNDER YOUR PROPERTY INSURANCE POLICY.";

(I) contain a provision requiring the assignee to indemnify and hold harmless the assignor from all liabilities, damages, losses, and costs, including, but not limited to, attorney fees; and

(J) not contain any provision providing for:

(i) any penalty or fee for rescission;
(ii) any check or mortgage processing fee;
(iii) any penalty or fee for cancellation of the agreement; or
(iv) any administrative fee.
(2) Any assignment agreement containing any prohibited provision itemized in subparagraph (J) of paragraph one of this subsection shall be deemed unlawful, and shall be afforded no legal effect.
(3) If an assignor acts under an urgent or emergency circumstance to protect property from damage and executes an assignment agreement to protect, repair, restore, or replace property or to mitigate against further damage to the property, an assignee may not receive an assignment of post-loss benefits under a residential property insurance policy in excess of the greater of three thousand dollars or one percent of the limit under such policy. For purposes of this paragraph, the term "urgent or emergency circumstance" shall mean a situation in which a loss to property, if not addressed immediately, shall result in additional damage until measures are completed to prevent such damage.
(4) Any assignment agreement that does not comply with this section shall be deemed invalid and unenforceable.
(c) Assignment agreement claims. (1) In any claim arising under an assignment agreement, an assignee shall have the burden to demonstrate that the insurer is not prejudiced by the assignee's failure to:
(A) maintain all records, including but not limited to all photographs of damaged areas taken upon inspection of the damage prior to any rehabilitation efforts, as well as all pre-rehabilitation moisture readings, all mitigation logs, all detailed determinations regarding scope of work performed or to be performed, all itemized estimates, and all estimated and actual timelines, of all services provided under the assignment agreement;
(B) cooperate with the insurer in the claim investigation;
(C) provide the insurer with requested records and documents related to the services provided, and permit the insurer to make copies of such records and documents; and
(D) deliver a copy of the executed assignment agreement to the insurer within three business days after executing the assignment agreement or work has begun, whichever is earlier.
(2) In any claim arising under an assignment agreement, an assignee shall:
(A) provide the assignor with accurate and up-to-date revised estimates of the scope of work to be performed as supplemental or additional repairs are required;
(B) perform the work in accordance with generally accepted industry standards, as well as all building codes and local planning and zoning regulations;
(C) not seek payment from the assignor exceeding the applicable deductible under the policy unless the assignor has chosen to have additional work performed at the assignor's own expense;
(D) as a condition precedent to filing suit under the policy, and, if required by the insurer, submit to examinations under oath and recorded statements conducted by the insurer or the insurer's representative that are reasonably necessary, based on the scope of the work and the complexity of the claim, which such examinations and recorded statements shall be limited to matters related to the services provided, the cost of the services, and the assignment agreement; and
(E) as a condition precedent to filing suit under the policy, and, if required by the insurer, participate in appraisal or other alternative

dispute resolution methods in accordance with the terms of the insurance policy under which the claim is filed.

(d) Defenses under assignment agreements. An assignment agreement and the provisions of this section shall not be deemed to modify or eliminate any term, condition, or defense relating to any managed repair arrangement provided under any insurance policy.

(e) Transfer of authority. No assignment agreement shall be deemed to transfer or create any authority to adjust, negotiate, or settle any portion of a claim to a person or entity not authorized to adjust, negotiate, or settle a claim on behalf of an assignor or a claimant, in accordance with any provision of this chapter.

(f) Exclusivity of assignment agreement. (1) Notwithstanding any other provision of law to the contrary, the acceptance by an assignee of an assignment agreement shall be deemed a waiver by the assignee, as well as its subcontractors, of any and all claims against a named insured for payments arising from the assignment agreement.

(2) The assignee, as well as its subcontractors, may not collect or attempt to collect any money from an insured, maintain any action at law against an insured, claim a lien on the real property of an insured, or report an insured to a credit agency for payments arising from the assignment agreement.

(3) The assignment agreement shall be deemed a waiver to any additional payments due to the assignee, and such waiver shall be deemed to remain in effect after the assignment agreement is rescinded by the assignor or after a determination has been made that the assignment agreement is invalid.

(4) Under an assignment agreement, the named insured shall be deemed responsible for the payment of all of the following:

(A) any deductible amount due under the policy;

(B) any betterment ordered and performed that is approved by the named insured; and

(C) any contracted work performed before the assignment agreement is rescinded.

(g) Additional responsibilities of assignee. (1) Under an assignment agreement, the assignee shall be deemed responsible to indemnify and hold harmless the assignor from all liabilities, damages, losses, and costs, including, but not limited to, attorney fees.

(2) Under an assignment agreement, the assignee shall provide the named insured, the insurer, and the assignor, if not the named insured, a written notice of intent to initiate litigation before filing suit under the policy. Such notice shall be served at least ten business days before filing suit, but not before the insurer has made a determination of coverage. Such notice shall be served by certified mail, with a return receipt requested, to the name and mailing address designated by the insurer in the policy forms. Such notice shall further specify the damages in dispute, the amount claimed, and include a pre-suit settlement demand. Concurrent with such notice, and as a precondition to filing suit, the assignee shall provide the named insured, the insurer, and the assignor with a detailed written invoice or estimate of services, including itemized information on equipment, materials, and supplies used, the number of labor hours expended, and, in the case of work performed, proof that such work has been performed in accordance with generally accepted industry standards, as well as all building codes and local planning and zoning regulations.

(3) An insurer shall respond in writing to such notice within ten business days after receiving the notice specified in paragraph two of

this subsection by making a pre-suit settlement offer or requiring the assignee to participate in an appraisal or other method of alternative dispute resolution under the insurance policy under which the claim is filed. An insurer shall further have a procedure for the prompt investigation, review, and evaluation of the dispute stated in the notice and shall investigate each claim contained in the notice in accordance with the provisions of this chapter.

(4) Notwithstanding any other provision of law to the contrary, in a suit related to an assignment agreement for post-loss claims arising under a residential or commercial property insurance policy, attorney fees and costs may be recovered by an assignee only if such attorney fees and costs are expressly allowable in accordance with the assignment agreement.

(5) If an assignee commences an action in any court of this state based upon or including the same claim against the same adverse party that such assignee has previously voluntarily dismissed in a court of this state, the court may order the assignee to pay the attorney fees and costs of the adverse party resulting from the action previously voluntarily dismissed. The court shall further stay the proceedings in the subsequent action until the assignee has complied with the order.

(h) Exclusions. This section shall not apply to:

(1) an assignment, transfer, or conveyance granted to a subsequent purchaser of a property with an insurable interest in such property following a loss;

(2) a power of attorney executed in full accordance with the provisions of the estates, powers and trusts law, which grants to a management company, family member, guardian, or similarly situated person of an insured the authority to act on behalf of the insured as it relates to a property insurance claim;

(3) any assignment of benefit agreement made in accordance with a policy of automobile insurance, including no fault coverage, or a policy of health or life insurance; or

(4) liability coverage under a property insurance policy.

(i) Prohibition on assignment of any post-loss insurance benefit. Except as provided in this section, a policyholder shall not assign, in whole or in part, any post-loss insurance benefit under any residential property insurance policy or under any commercial property insurance policy that is issued on or after January first, two thousand twenty-seven. Any attempt to assign such post-loss property insurance benefits under such a policy shall be deemed unlawful, void, invalid, and unenforceable.

§ 4. This act shall take effect on the one hundred twentieth day after it shall have become a law.