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## Premium Refund at Foreclosure

Since insurance policies are contracts between the insurance company and the policyholder, State Farm takes the position that actions affecting the contractual agreement should not be made without policyholder involvement. In practice this means:

\*Only the policyholder may initiate a cancellation.

\* Refund of unearned premiums will be to the policyholder unless the policyholder directs otherwise.

\* State Farm insurance policies are not assignable without State Farm permission.

Texas properties are the exception. Texas law permits the mortgagee to initiate cancellation, receive a refund of unearned premiums and receive policy rights as a mortgagee through the remainder of the policy term if the property is in foreclosure.

As always, we are willing to review mortgage documents in use to discern if they contain agreements giving rights to unearned premiums to the mortgage holder. Mortgage documents signed by the policyholder/mortgagor that grant permission to refund the premium to the mortgage company in case of a foreclosure will be honored. FHA forms and the Fannie Mae/Freddie Mac universal mortgage instrument meet this criteria.

If these documents are in use, please forward them to us with a request for unearned premium. A complete copy of the mortgage document is not required; a page of the document with the insured's name and the type of mortgage document used (usually on the bottom of the page) will suffice.

Receipt of this documentation will not obligate State Farm to refund the unearned premium if already disbursed to another party.