



# National Client Protection Organization

[www.ncpo.org](http://www.ncpo.org)

Washington State Office of Insurance Commissioner  
Commissioner Mike Kreidler  
c/o Jim Tompkins  
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Olympia, WA 98504-0258

April 2016

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RE: Requiring notice to third party claimants of settlement payments by insurers  
(R 2015-06) NCPO's letter in support of the proposed regulation.

Dear Commissioner Kreidler:

I write on behalf of the National Client Protection Organization in full support of proposed Regulation R-2015-06 requiring notice to third party claimants of settlement payments by insurers.

The National Client Protection Organization, Inc. (NCPO) is a not-for-profit membership corporation which was organized in May 1998. NCPO is foremost an educational resource for the exchange of information among law client protection funds throughout the United States and Canada. NCPO's purposes include providing help and support to protection funds and programs to protect legal consumers from dishonest conduct in the practice of law.

In the context of client protection, there is nothing more devastating to a law client than the theft of a personal injury settlement by that client's attorney. These victims who have already suffered physical harm are left to deal with further financial injury.

In 1988, to detect and prevent these losses, the Trustees of the New York Lawyers' Fund for Client Protection recommended the adoption of a payee notification rule codified as Insurance Department 'Regulation 64' notice. This requires liability insurers and their agents to provide law clients with written notice of payment whenever a third-party liability claim is settled for \$5,000 or more. (11 NYCRR 216.9). Regulation 64 detects and prevents losses involving the theft of personal injury settlements and shifts liability for forgery losses to banks that improperly honor forged indorsements on negotiable instruments.

New York's Regulation 64 was approved as a Model Rule for attorney disciplinary systems by the American Bar Association. Variations of this payee notice rule have now been adopted in the Canadian Province of New Brunswick and in the following sixteen states: Arkansas, California, Connecticut, Delaware, Georgia, Hawaii, Maryland, Massachusetts, Nebraska, Nevada, New Jersey, New York, Pennsylvania, Rhode Island, Texas and Virginia.

In 2006, the NCPO issued its Standards for Evaluating Lawyers' Funds for Client Protection. In September 2013, these standards were adopted by the National Conference of Chief Justices (NCCJ). Standard 2.7 directs Funds to seek implementation of appropriate loss prevention mechanisms for the protection of law



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clients. Foremost among these loss prevention and detection measures is insurance payee notification.

We strongly believe that insurance payee notification remains an effective and desired client protection device to inform and alert law clients of a third-party settlement payment as well as to protect legal consumers from becoming victims of dishonest conduct in the practice of law.

On behalf to the NCPO, I wish to thank you for your consideration and courtesy. I am available should you have any further questions.

Very truly yours,

Michael J. Knight, Sr., President  
National Client Protection Organization, Inc.