



Understanding Force Placed Insurance Policies

Force-placed insurance, also known as creditor-placed, lender-placed or collateral protection insurance is an insurance policy placed by a lender, bank or loan servicer on a home when the property owners' own insurance is cancelled, has lapsed or is deemed insufficient and the borrower does not secure a replacement policy. This insurance allows the lender to protect its financial interest in the property.

A lender may also force-place flood insurance on homes in flood zones that they believe do not have enough flood insurance to meet the legal minimum required to protect the property.

Force-placed insurance is usually a lot more expensive than what you can obtain by shopping for an insurance policy yourself. In addition, the lender-placed insurance policy may have limited coverage. For example, these policies generally do not cover personal items or owner liability.

Your mortgage company will always protect their investment. And they have every right to do so. Should your insurance policy lapse or not be reissued for any reason, your mortgage company will place into effect a forced policy. This policy differs dramatically from your typical homeowner's policy as it does NOT cover any of your personal property. Your dwelling is covered but usually only to the limit of your outstanding loan balance with the lender. They are protecting their property and not you.

Don't despair; at least you have some recovery. The policy is normally written to

cover the RCV of the property. Questions will arise whether an appliance is personal property or part of the dwelling. Each carrier has their own definition, and it is usually in their favor, not yours.

In any case, although you are still the property owner and settlements from this type of policy will go directly to the mortgage company, you will not have access to them unless you rebuild. Why get involved? In many cases the owner of the property may be considering going through foreclosure and may wish to walk away from the property...but wait, should Concordia Claims Managers get involved we will gain you the best settlement possible. You, the homeowner of record, still have options.

If you decide you want to take the settlement monies and apply them to the loan if the loss is large enough, you can leave the table with a free and clear property. Yes, it will not have a restored home on the property, but the land itself has value. Should you sell the improved lot, you can clear the proceeds and place the funds on a new down payment of another home elsewhere! Concordia Claims Managers will provide you with additional options that a staff or independent adjuster will not. Contact your Concordia Sr. Claims Manager to learn more about forced policies.