



State of Utah

GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

NEAL T. GOOCH
Insurance Commissioner

Insurance Department

CONSUMER ALERT

Protecting An Investment: What Consumers Need to Know About Lender-Placed Insurance

Today, consumers use credit to purchase almost everything from appliances to cars. For smaller purchases, like a new TV or washing machine, most credit lenders do not insist that a consumer buy insurance coverage. But for major purchases like a new home or car the lender expects the consumer to insure the property against losses. However, many consumers do not realize that if they fail to purchase the necessary insurance, the lender can buy a policy on their behalf and charge them. This type of coverage is referred to as lender-placed insurance.

Lender-placed insurance is a group policy where an insurer issues certificates of insurance to a bank or mortgage servicer when the consumer's own insurance policy may have lapsed or the lender considers the consumers' insurance to be insufficient.

“Consumers need to be aware that these policies are expensive and have very limited coverage,” warned Commissioner Gooch. “Normally they do not cover personal items or liability but could include flood coverage if the home is in a flood plane as determined by the National Insurance Program. If the consumer, or borrower in this case, does not pay the premium on the lender-placed policy they will be at risk of foreclosure.”

Currently the National Association of Insurance Commissioners (NAIC), of which Commissioner Gooch is a member, is reviewing lender-placed insurance. The NAIC is governed by the chief insurance regulators from all 50 states, the District of Columbia and five U.S. territories. They are reviewing these insurance contracts because the consumer is forced to pay premium on a policy selected by a lender. And in this case the lender is not motivated to select the lowest price for coverage, thus driving up prices for the consumer.

To avoid lender-placed insurance consumers should purchase and maintain their own insurance coverage, make sure premiums are paid on time and all paperwork received from the insurance company and the lender is reviewed carefully.

Anyone wanting more information regarding this topic may view the consumer alert on the Insurance Department's website at <http://insurance.utah.gov/docs/NEWS/ALERT-Lender-PlacedIns8-2012.pdf> or call 801-538-3035

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Please note: Agency hours are 8am-5pm, Monday-Friday.

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The Utah Insurance Department is a state agency. Its mandate is to regulate insurance marketed and sold in Utah. Currently over 90,000 agents, agencies and insurers are licensed; domestic insurers are audited to verify financial stability and compliance with insurance laws; administrative action is taken against licensees found to be in violation of insurance laws; calls from consumers with questions or complaints are taken; and licensees and consumers are educated regarding insurance. For more information visit <http://www.insurance.utah.gov/> or call toll free in-state @ 1-800-439-3805 or locally @ 801-538-3077.

The National Association of Insurance Commissioners (NAIC) is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review and coordinate their regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S. For more information, visit www.naic.org.