5. A borrower cannot and does not renew or purchase a force-placed policy directly.

Do You Know How To Avoid Being Force-Placed?

- To avoid being included on the lender's force-placed master policy, the borrower must timely present the lender proof of the borrower having purchased his own policy.
- Pay insurance premiums on time and provide the lender proof of insurance coverage on a timely basis.
- Use escrow or premium financing to pay for homeowners insurance premiums.
- If changing insurance companies, it is important that there is no interruption between policies. It is also a good idea to notify the lender of any change in insurance company and provide proof of coverage directly to the lender, instead of waiting for a copy to be mailed from the new insurance company.

Be sufficiently Insured...
whether you have a mortgage or not.
Protect your investment!

For More Information:

Please contact the Division of Banking, Insurance and Financial Regulation on

St. Croix
1131 King Street, Suite 101, 3rd Floor
Christiansted, V.I. 00820
Tel: (340) 773-6459
Fax: (340) 719-3801

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St. Thomas
5049 Kongens Gade
St. Thomas, V.I. 00802
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Fax: (340) 774-9458

Business Hours
8:00am to 5:00pm
Monday to Friday

Visit our website regularly to learn about Banking, Insurance and Financial Regulation services in the Territory.

Website: ltg.gov.vi

Preparation Through Education Is Less Costly
Than Learning Through Tragedy
-Max Mayfield, Director
National Hurricane Center

WHAT U.S. VIRGIN ISLANDS CONSUMERS NEED TO KNOW ABOUT

FORCE-PLACED INSURANCE

UNITED STATES VIRGIN ISLANDS
OFFICE OF THE LIEUTENANT GOVERNOR
DIVISION OF BANKING, INSURANCE AND FINANCIAL REGULATION

THE HONORABLE TREGENZA A. ROACH, ESQ.
LIEUTENANT GOVERNOR
COMMISSIONER OF INSURANCE

GWENDOLYN HALL BRADY
DIRECTOR

Did You Know You Must Have Homeowners Insurance as Long as You have a Mortgage?

* You, as the borrower sign and enter into a mortgage agreement when you buy a new home. The mortgage agreement makes you responsible for maintaining insurance on the property (which is collateral for the mortgage loan) until you pay off the mortgage loan in full.

* If you fail to insure your home in the amounts and for the periods the lender requires, the mortgage agreement allows your bank/lender to protect its collateral and force-place you. The lender buys a master (or group) policy on behalf of you and others who have an outstanding mortgage but did not buy insurance to protect your mortgaged property.

* The mortgage agreement may require you, the borrower, to maintain both a homeowners insurance policy AND a separate flood insurance policy (for a home located in a National Flood Insurance Program Special Flood Hazard Area). You, therefore, can be force-placed for both homeowners and flood insurance, if you fail to provide proof of coverage of each.

* A borrower has options to pay for his or her own homeowners insurance, by either escrowing the insurance payments along with property tax payments, OR by using premium financing. Premium finance companies are also licensed by the Commissioner of Insurance.

Do You Know What Force-Placed Insurance is?

* Force-placed insurance is insurance on your property placed by your bank/lender. The bank/lender force-placed you:

  a) When you failed to provide proof of insurance;

  b) When the insurance that initially covered the property was canceled or lapsed; or

  c) When the insurance covering the property was not sufficient.

Do You Know Your Lender's Responsibilities?

1. The Federal Dodd-Frank Act requires a lender to provide no less than two notices annually to its force-placed customers, encouraging them to purchase their own homeowners insurance policy and once done, to provide the lender evidence of such coverage.

2. The lender is under no obligation to purchase any particular type or amount of coverage.

Did You Know that Force-Placed Insurance Has the Following Limitations?

1. The borrower does NOT own a force-placed policy. A force-placed policy is owned by the lender, and it covers ONLY the balance of the mortgage loan the borrower owes to the lender.

2. Force-placed insurance is a form of **UNDERINSURANCE** because:

   a) it covers only the balance owed to your lender and not the Replacement Cost Value;

   b) it covers only the dwelling, and not your contents, other structures and loss of use.

   c) if your property is underinsured, you do not have complete financial protection in the event of a catastrophe/natural disaster. Therefore, if you file a claim, you will receive a limited settlement amount and may have to apply for a loan to restore your property. Depending upon the amount of this loan, you will likely be required to purchase homeowners insurance.

3. Consumers are billed by the lender for the cost of force-placed coverage. Force-placed insurance is NOT free.

4. Force-placed insurance premiums are generally higher than the homeowners insurance a borrower can purchase on his or her own.