



MORTGAGE PROTECTION POLICY

Loss Examples

Mortgagee Interest –



Lender discovers fire damage to mortgaged property, attempts to report a claim to the borrower's insurance, discovers the insurance cancelled due to non-payment of premium. The borrower has no funds to repair the property and defaults on the mortgage. The lender may suffer a financial loss.



A flood occurs and real property which is the collateral for the mortgage suffers substantial damage. Borrower did maintain flood insurance but only a limited amount. Lender reported to the NFIP and the claim was paid but there was not enough insurance to cover the damages, the loan then defaults. Lender may suffer a financial loss.



Lender forecloses on mortgaged property and within 20 days a windstorm occurs, that damages the mortgaged property. Lender may suffer a financial loss.

Mortgagee Liability –



Lender discovered their system for tracking real estate taxes to be paid from escrow, experienced a critical error resulting in 50% of the real estate taxes were not paid on time. The borrowers joined forces against the lender. Defense costs and settlements will need to be paid. The lender may suffer a financial loss.



Lender fails to pay the hazard insurance from the escrow account and a fire loss occurs to mortgaged property. The borrower files a claim against the lender for damages to real property, contents, loss of use and inconvenience. Lender may suffer a financial loss.



Mortgaged property is in a special flood hazard area. The lender determines incorrectly that the property is in flood zone B and therefore does not require flood insurance. The local river floods and the mortgaged property suffers a loss wherein the building is considered a total loss. Lender may suffer a financial loss.

This document contains examples which are offered for illustrative purposes only. Only the insurance policy can give actual terms, coverage, amount, conditions and exclusions for an insured. Coverages, features and product availability may vary from state by state and is subject to change without notice.