

# Your Place or Force Place

If a buyer has not purchased insurance to protect their property ("your place") before the closing, the bank or lending company will place insurance ("force place") to protect their investment and add the cost to the mortgage payment. The annual cost of the insurance is then broken down into equal monthly installments to be paid by the buyer. The insurance premium will be less than that provided for a homeowner policy, only because the amount of insurance provided is so much less than one would have to purchase to properly protect the home.

Buyers who have not done their homework may fail to realize that although the apparent lower cost of "force place" may seem like a bargain, the insurance provided only covers the amount of the loan. The premiums are revised annually, as the loan balance is reduced, and the home owner may be content to watch his "insurance" payments lower as years pass. However, that feeling of contentment can change to a rude awakening.

In the event of a hurricane, earthquake or fire, the bank or mortgage company will be

paid. If the mortgage balance has been reduced over the years by payments, there will be a wide discrepancy between the amount of the loss incurred through damage and the loan amount. The bank will be satisfied, but the home owner will receive nothing to be used toward repairs.

**A wise homeowner consults with several insurance agencies before making a final decision on a policy and studies carefully the specifics of the coverage.**

In addition, the "force place" policy does not include coverage for personal possessions of the home owner nor does it provide any liability protection. If you have an apartment on your property and a tenant or guest gets hurt, you will not have any coverage for a claim from them. Most insurance companies also protect you if your dog bites someone (although some restrict the type of breed that is covered), or if a large tree branch from your property falls and injury or damage is sustained, or someone trips down a flight of stairs, or many other common accidents or incidence.

A wise homeowner consults with several insurance agencies before making a final decision on a policy and studies carefully the specifics of the coverage. Many differences exist in prices, coverage and deductibles for windstorms and earthquakes. Look carefully and compare quotes: cost vs. amount of coverage and the deductibles. Be sure that you are not comparing apples to oranges. Also, inquire about the level of coverage that is needed to satisfy the financial institution: premiums may be lower with higher deductibles, but the lender may not accept them.

If you are buying your own policy you will need to provide proof that the insurance is in place at the time of closing. You may be able to arrange to have the first year's premium included in the closing costs and subsequent years covered by an escrow account.

The time invested in securing "your place" will be well worth the effort when an accident occurs or disaster strikes.

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