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FIRE INSURANCE LOSS ISSUES

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Overview of Insurance Policies

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- Newly acquired property provision
- Unscheduled personal property provision
- Economic loss provisions
- Monitor borrower activity

Lender Issues

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- Timing of proof of loss
- Duty to cooperate
- Timing of any potential legal action

Provisions of Deeds of Trust

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- ❑ Loss payee endorsement/additional named insured
- ❑ Right to policy proceeds limited to value of lender's interest in the real property
- ❑ Mixed collateral coverage
- ❑ Equitable liens
- ❑ When loan in default, timing of foreclosure sale
- ❑ Absence of provision in loan documents requiring insurance
- ❑ Condominiums

Provisions of Deeds of Trust

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- ❑ Payment of insurance proceeds
- ❑ Application of insurance proceeds
- ❑ Lender's right to control disbursement of insurance proceeds
- ❑ Proceeds used to rebuild or reduce debt
- ❑ Implied covenant of good faith and fair dealing
- ❑ Potential toxic contamination issues