

## Five Reasons Lenders Should Outsource Insurance Due Diligence Responsibilities

### 1. Customized Loan Requirements

RI Risk Management Services (RI-RMS) works with lenders to customize loan insurance requirements for each commercial borrower. Every borrower has its own unique business operation and potential exposure to loss.

Does the policy have endorsements providing *Loss Payee vs. Loss Lender Payee* and *Ordinance or Law coverage and limits*? Should it?

Is flood coverage ALWAYS required? If not, why not? And when is it?

### 2. Due Diligence Review

RI-RMS will review the potential borrower's policies and ensure they conform to the loan's requirements. Insurance Certificates do not provide all the facts or policy limitations and exclusions!

It is important to note that a certificate of insurance is only proof that insurance coverage was in effect at the time the certificate was issued; it is not an insurance policy nor does it convey any rights to the certificate holder. It is not foolproof and is provided as information only. Some insurance professionals refer to the certificate as providing "the illusion of protection."

### 3. Maintenance

RI-RMS will perform the job of not only securing updated Certificates of Insurance throughout the year but also will work with the client and their insurance broker to make sure renewal policies or replacement policies continue to meet the loan requirements as set out by the loan agreement.

### 4. Cost Savings

Avoid the expense of an in-house Insurance Department – and risk of the absence of such knowledge – while utilizing the expertise of a professional organization experienced in insurance policy review

### 5. Protection! Protection! Protection!

While not putting onerous insurance requirements on a borrower, the *proper* coverage will strengthen a loan officer's underwriting file by providing confidence that: (1) your borrower has proper coverage to help them remain a *Going Concern* in the event of a covered insurance claim; and (2) the lender's rights are protected.