

INSURING OREO PROPERTIES PROPERLY

Due to the devaluation of the real estate markets lately, we have noticed that a number of banks are starting to repossess properties, and other types of collateral. As insurance brokers to financial institutions, we have some concerns that these properties are being insured properly. Sometimes, **Force-Placed Insurance** may not be enough.

OREO properties are becoming a much more common occurrence. There is a way to handle the Property Insurance automatically without risking a gap in coverage. **Construction Defect Liability Insurance** must be secured when properties are improved by the bank.

WE at **FGIB**, specializing in insurance for financial institutions, with approximately 100 bank clients, most of which are in California, would like to recommend the following:

OREO Properties – To facilitate insuring repossessed real estate, we recommend a monthly reporting program which provides Property & Liability Insurance. By having a monthly reporting program, a gap in coverage is automatically eliminated.

If the OREO properties are construction loans that are not completed, and the bank chooses to finish or improve the property, you most likely **do not have construction defect coverage**. This could be a very expensive problem for up to 10 years. **We are working with carriers that will insure this exposure at competitive rates.**

We look forward to answering your questions, and **call us** if you need help.

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