# Insurance Compliance

McCracken continues to enhance Insurance Compliance to meet customer and market needs.

# Agenda

- NCB Insurance Story – Jennifer Brown
- Insurance Industry Trends – Russell Richardson
- Refresher on What's New in Release 20

# Insurance Compliance – A Customer's View

Jennifer Brown, National Cooperative Bank

Insurance Compliance Manager

# NCB Experience

- Why we implemented Insurance Compliance
- How NCB is using Insurance Compliance
- Advice for converting/using this system

# Working with NCB and OP

- Additional rules
- Expiration report
- Running Insurance Rules in dayend
- A report identifying missing coverage
- Sending a letter when missing coverage

OP Compliance LLC

KNOWLEDGE . SERVICE . VALUE

# Insurance Compliance – Industry Trends

Russell L. Richardson, JD, CMB, CCMS

# What We are Seeing Out There

## Liability

- Rates (excess / umbrella) still higher than anticipated
  - *(squeezing NOI on some deals; "commercially reasonable"?)*
- More exclusions of "standard" risks
  - *(e.g., claims related to firearms, drugs, sexual assault, dog bites)*
- More use of "Programs"
  - *(lack of visibility into shared limits, aggregates, carrier exposure, etc.)*

# What We are Seeing Out There

## Property

- Serious under-insurance, across the board
  - *(Agreed Amount does not cure insufficient limits)*
- IV "4% Inflation Factor" is insufficient
  - *In recent years seeing >15% in some markets*
- Agencies and some Lenders requiring annual IV updates
  - *Question: Is this the current "Servicing Standard"?*
- Hard Market = more E&S
  - *Watch for unexpected exclusions, sub-limits and deductibles*

# What We are Seeing Out There

## ACORDs

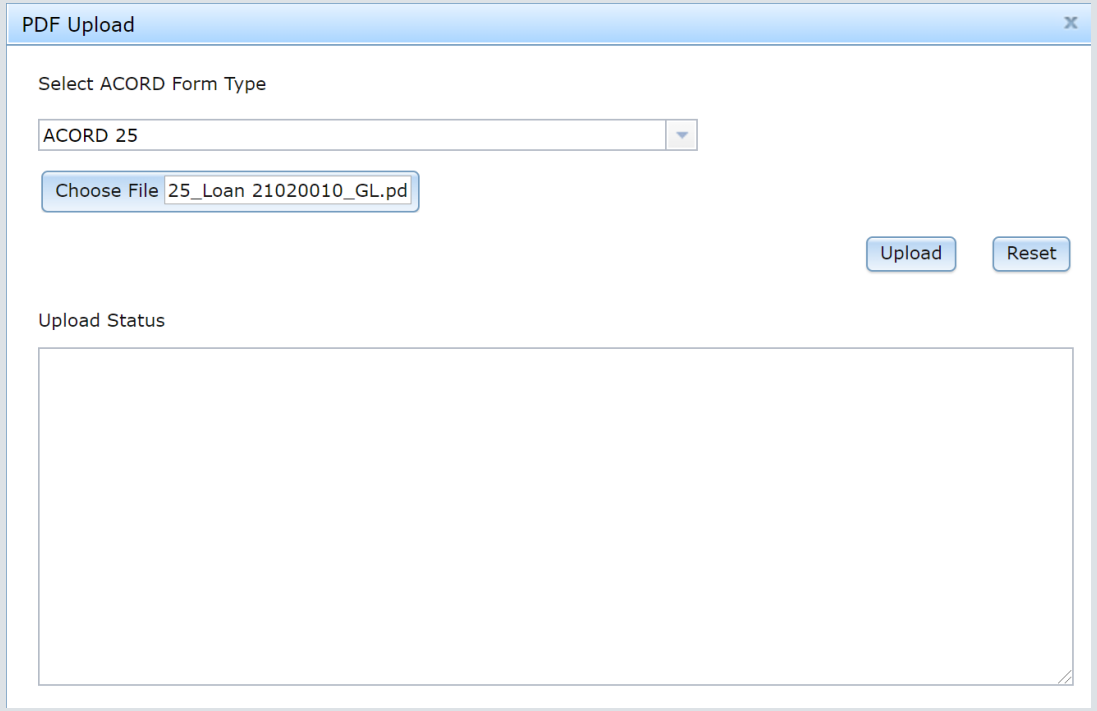
- Always Insufficient and Sometimes Misleading
  - *Question: Is it a Servicing Error to rely solely upon an ACORD?*
- "Commercial Property Coverage Amount"
  - *Building limit or TIV? Possible under-insurance (potentially misleading)*
- "Blanket Coverage"
  - *Blanket Policy or Blanket Limit? (potentially misleading)*
- Ord or Law "B" & "C" limits
  - *Individual? Combined? (potentially misleading)*

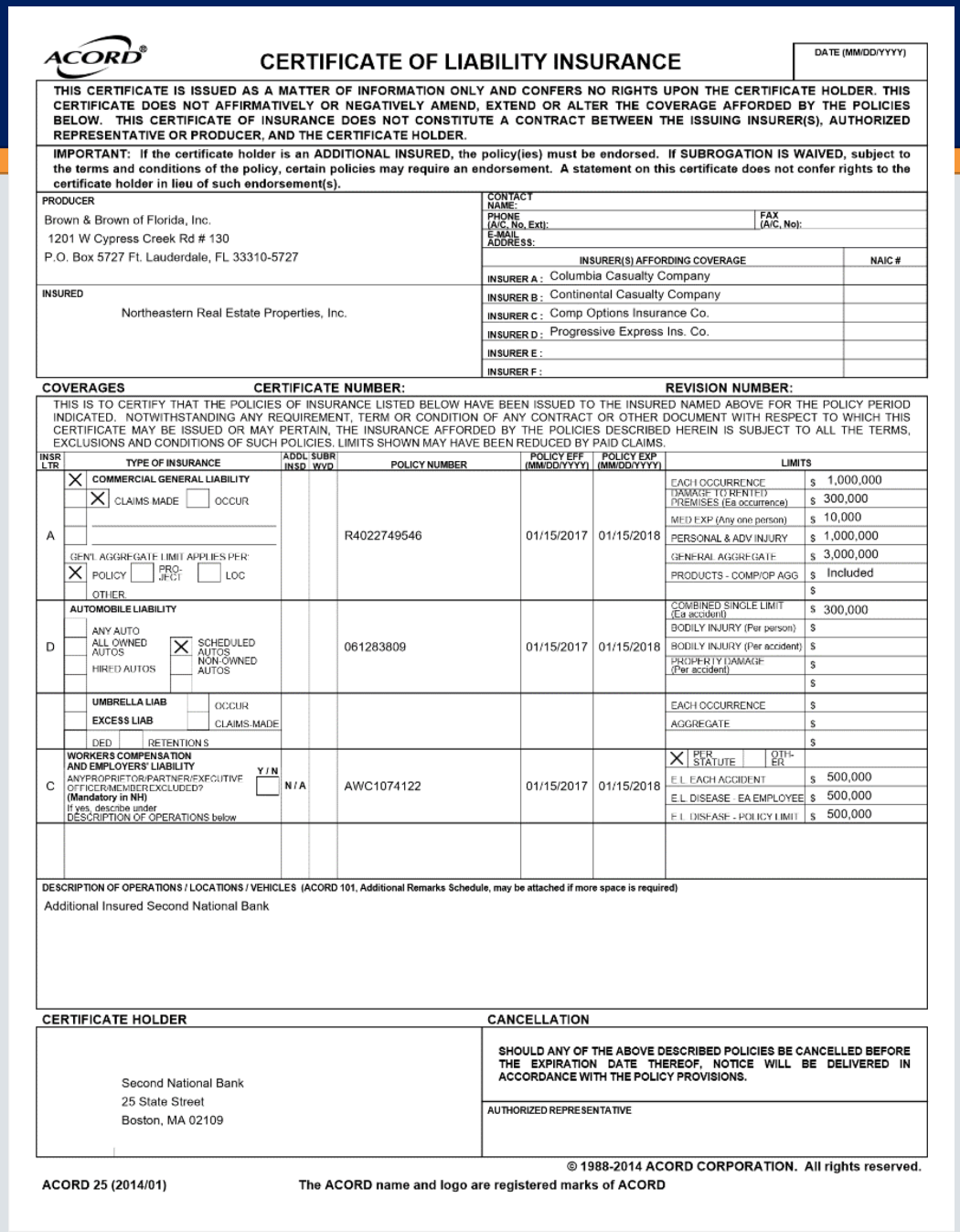
# Changes in Release 20

# PDF Reader

# Upload & Store Insurance Documents

- ACORD forms
- Insurance policies
- System stores Forms in Notes
  - Allows any form/document



ACORD

**CERTIFICATE OF LIABILITY INSURANCE**

DATE (MM/DD/YYYY)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Brown & Brown of Florida, Inc.
1201 W Cypress Creek Rd # 130
P.O. Box 5727 Ft. Lauderdale, FL 33310-5727

CONTACT NAME:
PHONE (A/C, No, Ext):
FAX (A/C, No):
E-MAIL ADDRESS:

| INSURER(S) AFFORDING COVERAGE | NAIC # |
|---|---|
| INSURER A : Columbia Casualty Company | |
| INSURER B : Continental Casualty Company | |
| INSURER C : Comp Options Insurance Co. | |
| INSURER D : Progressive Express Ins. Co. | |
| INSURER E : | |
| INSURER F : | |

INSURED
Northeastern Real Estate Properties, Inc.

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

| INSR LTR | TYPE OF INSURANCE | ADDL INSD | SUBR WVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS | |
|---|---|---|---|---|---|---|---|---|
| A | X COMMERCIAL GENERAL LIABILITY<br>X CLAIMS MADE ☐ OCCUR<br>GEN'L AGGREGATE LIMIT APPLIES PER:<br>X POLICY ☐ PRO-JECT ☐ LOC<br>OTHER: | | | R4022749546 | 01/15/2017 | 01/15/2018 | EACH OCCURRENCE<br>DAMAGE TO RENTED PREMISES (Ea occurrence)<br>MED EXP (Any one person)<br>PERSONAL & ADV INJURY<br>GENERAL AGGREGATE<br>PRODUCTS - COMP/OP AGG | $ 1,000,000<br>$ 300,000<br>$ 10,000<br>$ 1,000,000<br>$ 3,000,000<br>$ Included |
| D | AUTOMOBILE LIABILITY<br>ANY AUTO<br>ALL OWNED AUTOS<br>HIRED AUTOS<br>X SCHEDULED AUTOS<br>NON-OWNED AUTOS | | | 061283809 | 01/15/2017 | 01/15/2018 | COMBINED SINGLE LIMIT (Ea accident)<br>BODILY INJURY (Per person)<br>BODILY INJURY (Per accident)<br>PROPERTY DAMAGE (Per accident) | $ 300,000<br>$<br>$<br>$ |
| | UMBRELLA LIAB ☐ OCCUR<br>EXCESS LIAB ☐ CLAIMS-MADE<br>DED ☐ RETENTION $ | | | | | | EACH OCCURRENCE<br>AGGREGATE | $<br>$ |
| C | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY<br>ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) Y / N ☐ N / A<br>If yes, describe under DESCRIPTION OF OPERATIONS below | | | AWC1074122 | 01/15/2017 | 01/15/2018 | X PER STATUTE ☐ OTH-ER<br>E.L. EACH ACCIDENT<br>E.L. DISEASE - EA EMPLOYEE<br>E.L. DISEASE - POLICY LIMIT | $ 500,000<br>$ 500,000<br>$ 500,000 |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Additional Insured Second National Bank

CERTIFICATE HOLDER
Second National Bank
25 State Street
Boston, MA 02109

CANCELLATION
SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

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ACORD 25 (2014/01) The ACORD name and logo are registered marks of ACORD

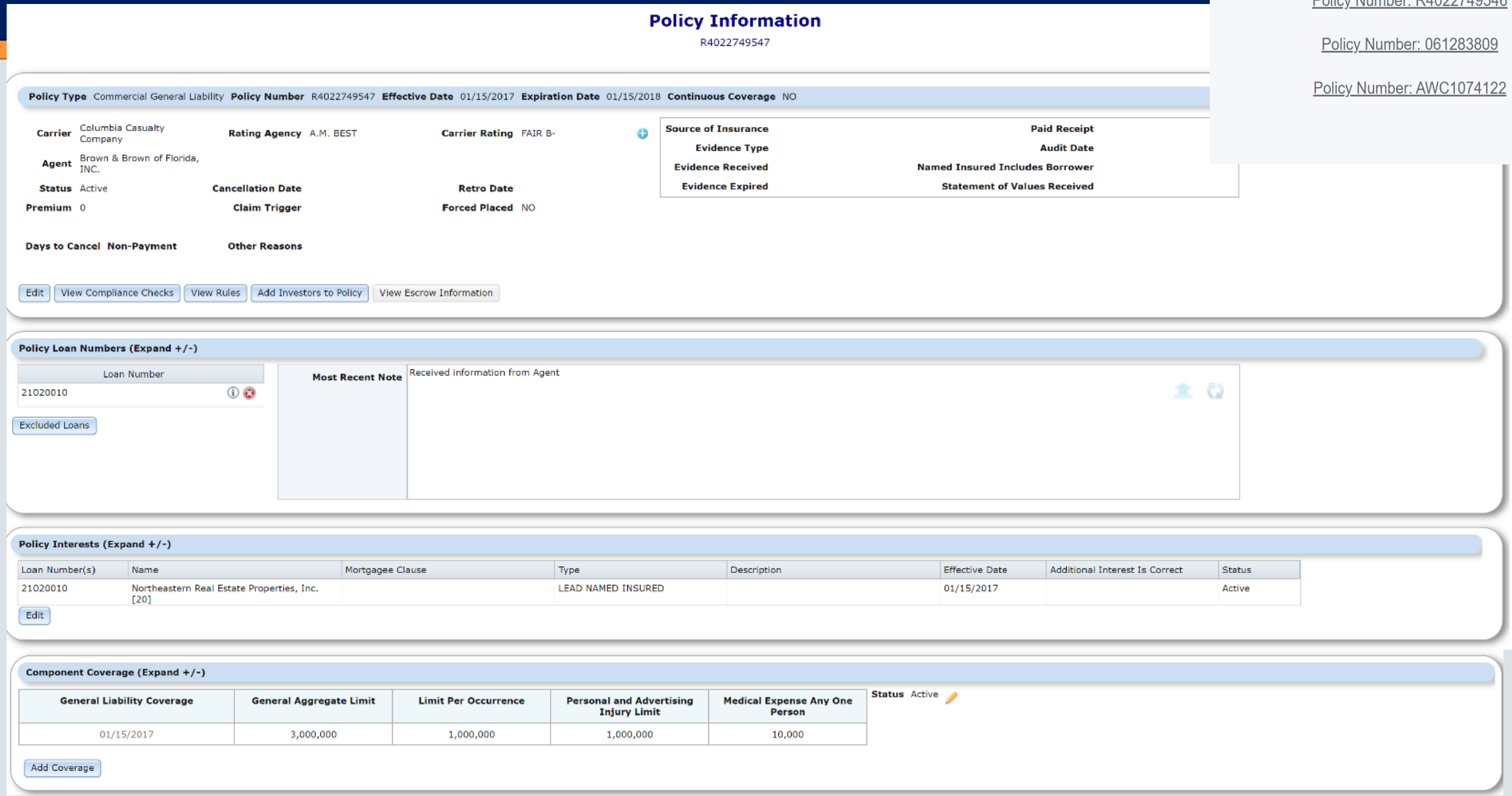
# Validate Uploaded Data

## New Policys

Policy Number: R4022749546

Policy Number: 061283809

Policy Number: AWC1074122



### Policy Information

R4022749547

**Policy Type** Commercial General Liability **Policy Number** R4022749547 **Effective Date** 01/15/2017 **Expiration Date** 01/15/2018 **Continuous Coverage** NO

| | | | | | |
|---|---|---|---|---|---|
| **Carrier** | Columbia Casualty Company | **Rating Agency** | A.M. BEST | **Carrier Rating** | FAIR B- |
| **Agent** | Brown & Brown of Florida, INC. | | | | |
| **Status** | Active | **Cancellation Date** | | **Retro Date** | |
| **Premium** | 0 | **Claim Trigger** | | **Forced Placed** | NO |
| **Days to Cancel** | **Non-Payment** | **Other Reasons** | | | |

| | | | |
|---|---|---|---|
| **Source of Insurance** | | **Paid Receipt** | |
| **Evidence Type** | | **Audit Date** | |
| **Evidence Received** | | **Named Insured Includes Borrower** | |
| **Evidence Expired** | | **Statement of Values Received** | |

Edit | View Compliance Checks | View Rules | Add Investors to Policy | View Escrow Information

**Policy Loan Numbers (Expand +/-)**

| Loan Number |
|---|
| 21020010 |

Excluded Loans

**Most Recent Note** Received information from Agent

**Policy Interests (Expand +/-)**

| Loan Number(s) | Name | Mortgagee Clause | Type | Description | Effective Date | Additional Interest Is Correct | Status |
|---|---|---|---|---|---|---|---|
| 21020010 | Northeastern Real Estate Properties, Inc. [20] | | LEAD NAMED INSURED | | 01/15/2017 | | Active |

Edit

**Component Coverage (Expand +/-)**

| General Liability Coverage | General Aggregate Limit | Limit Per Occurrence | Personal and Advertising Injury Limit | Medical Expense Any One Person |
|---|---|---|---|---|
| 01/15/2017 | 3,000,000 | 1,000,000 | 1,000,000 | 10,000 |

**Status** Active

Add Coverage

# Consolidated Compliance letters

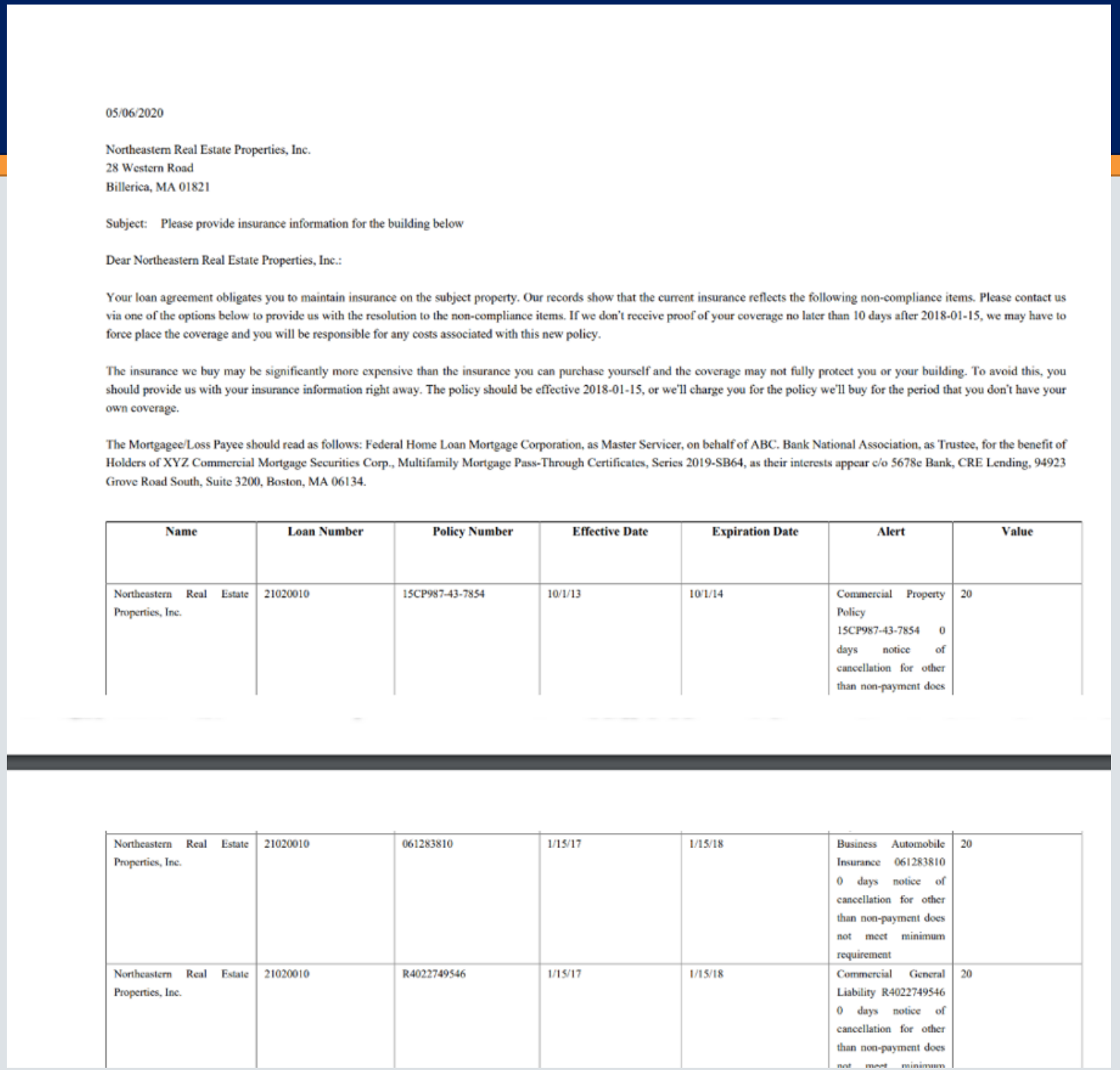
# Consolidated Compliance Letter

Customizable template

- Adjust wording
- Add logo

Downloaded for Review

Email to Borrower and/or Agent



05/06/2020

Northeastern Real Estate Properties, Inc.
28 Western Road
Billerica, MA 01821

Subject: Please provide insurance information for the building below

Dear Northeastern Real Estate Properties, Inc.:

Your loan agreement obligates you to maintain insurance on the subject property. Our records show that the current insurance reflects the following non-compliance items. Please contact us via one of the options below to provide us with the resolution to the non-compliance items. If we don't receive proof of your coverage no later than 10 days after 2018-01-15, we may have to force place the coverage and you will be responsible for any costs associated with this new policy.

The insurance we buy may be significantly more expensive than the insurance you can purchase yourself and the coverage may not fully protect you or your building. To avoid this, you should provide us with your insurance information right away. The policy should be effective 2018-01-15, or we'll charge you for the policy we'll buy for the period that you don't have your own coverage.

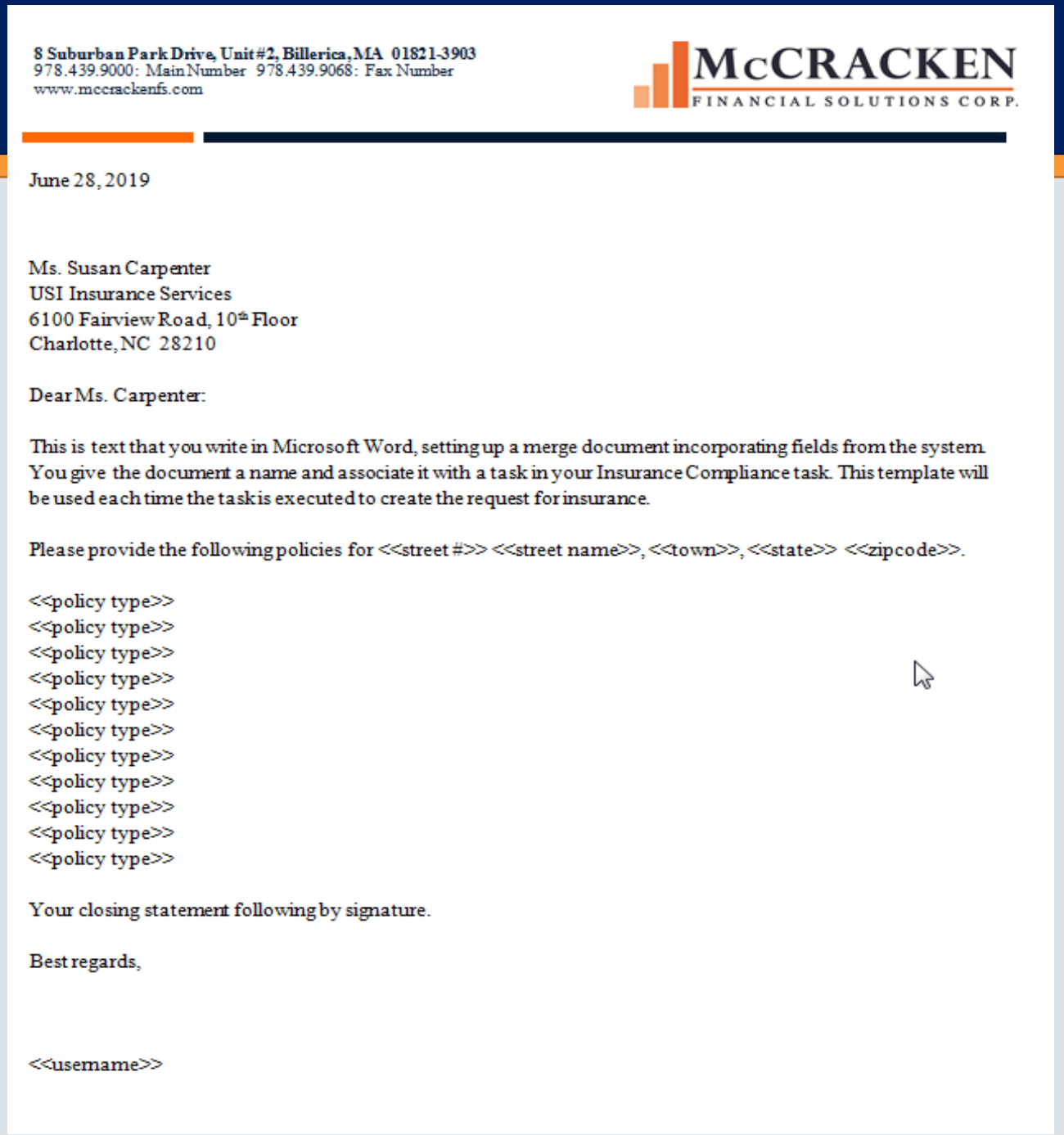
The Mortgagee/Loss Payee should read as follows: Federal Home Loan Mortgage Corporation, as Master Servicer, on behalf of ABC. Bank National Association, as Trustee, for the benefit of Holders of XYZ Commercial Mortgage Securities Corp., Multifamily Mortgage Pass-Through Certificates, Series 2019-SB64, as their interests appear c/o 5678e Bank, CRE Lending, 94923 Grove Road South, Suite 3200, Boston, MA 06134.

| Name | Loan Number | Policy Number | Effective Date | Expiration Date | Alert | Value |
|---|---|---|---|---|---|---|
| Northeastern Real Estate Properties, Inc. | 21020010 | 15CP987-43-7854 | 10/1/13 | 10/1/14 | Commercial Property Policy 15CP987-43-7854 0 days notice of cancellation for other than non-payment does | 20 |
| Northeastern Real Estate Properties, Inc. | 21020010 | 061283810 | 1/15/17 | 1/15/18 | Business Automobile Insurance 061283810 0 days notice of cancellation for other than non-payment does not meet minimum requirement | 20 |
| Northeastern Real Estate Properties, Inc. | 21020010 | R4022749546 | 1/15/17 | 1/15/18 | Commercial General Liability R4022749546 0 days notice of cancellation for other than non-payment does | 20 |

# Consolidated Request for Expired Insurance letters

# Create Expiration Letter

- Creates letter from template
- Displays all insurance policies required for loan



8 Suburban Park Drive, Unit #2, Billerica, MA 01821-3903
978.439.9000: Main Number 978.439.9068: Fax Number
www.mccrackenfs.com

McCRACKEN
FINANCIAL SOLUTIONS CORP.

June 28, 2019

Ms. Susan Carpenter
USI Insurance Services
6100 Fairview Road, 10th Floor
Charlotte, NC 28210

Dear Ms. Carpenter:

This is text that you write in Microsoft Word, setting up a merge document incorporating fields from the system. You give the document a name and associate it with a task in your Insurance Compliance task. This template will be used each time the task is executed to create the request for insurance.

Please provide the following policies for <<street #>> <<street name>>, <<town>>, <<state>> <<zipcode>>.

<<policy type>>
<<policy type>>
<<policy type>>
<<policy type>>
<<policy type>>
<<policy type>>
<<policy type>>
<<policy type>>
<<policy type>>
<<policy type>>
<<policy type>>

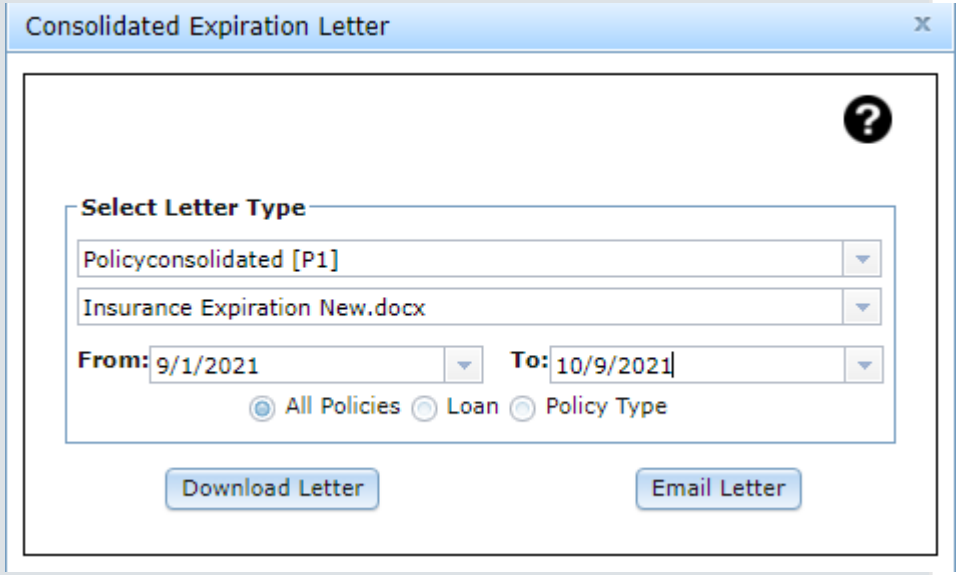
Your closing statement following by signature.

Best regards,

<<username>>

# Expiration Letter

- Generated by Date, Loan, Policy Type
- One letter per Loan
- Create Letter from template




05/06/2020

Eastern Real Estate Properties, Inc.

25 Western Road

Billerica, MA 01821

Loan Number: 10020001

Property:

25 Western Road

BILLERICA, MA MA, 01821

All certificates must have the following mortgagee clause:

This is the Mortgagee Clause for Investor 100. First National Bank.

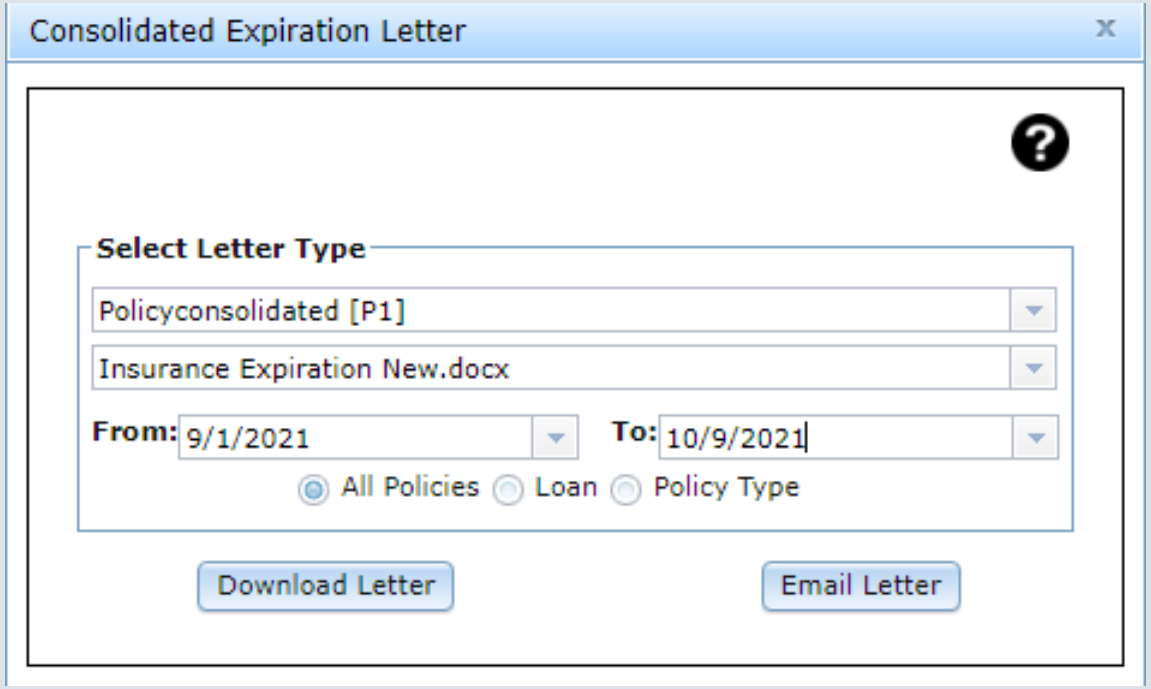
The following policies are expiring:

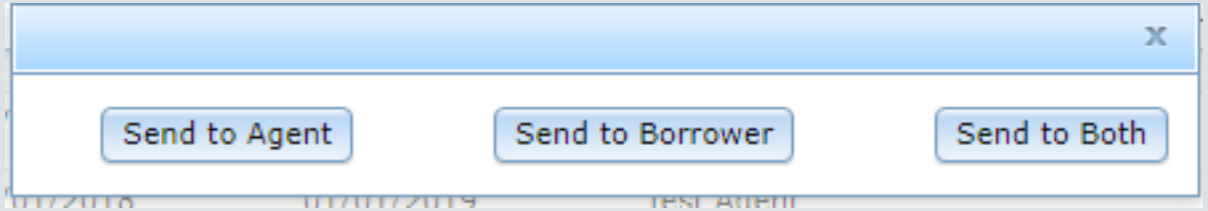
| | | |
|---|---|---|
| Boiler & Machinery | BL564763-05 | 2017-07-01 |
| Commercial Property Policy | 15CP987-43-7853TestLongDescrip | 2017-07-01 |

Sincerely,

TEST ANALYST 1

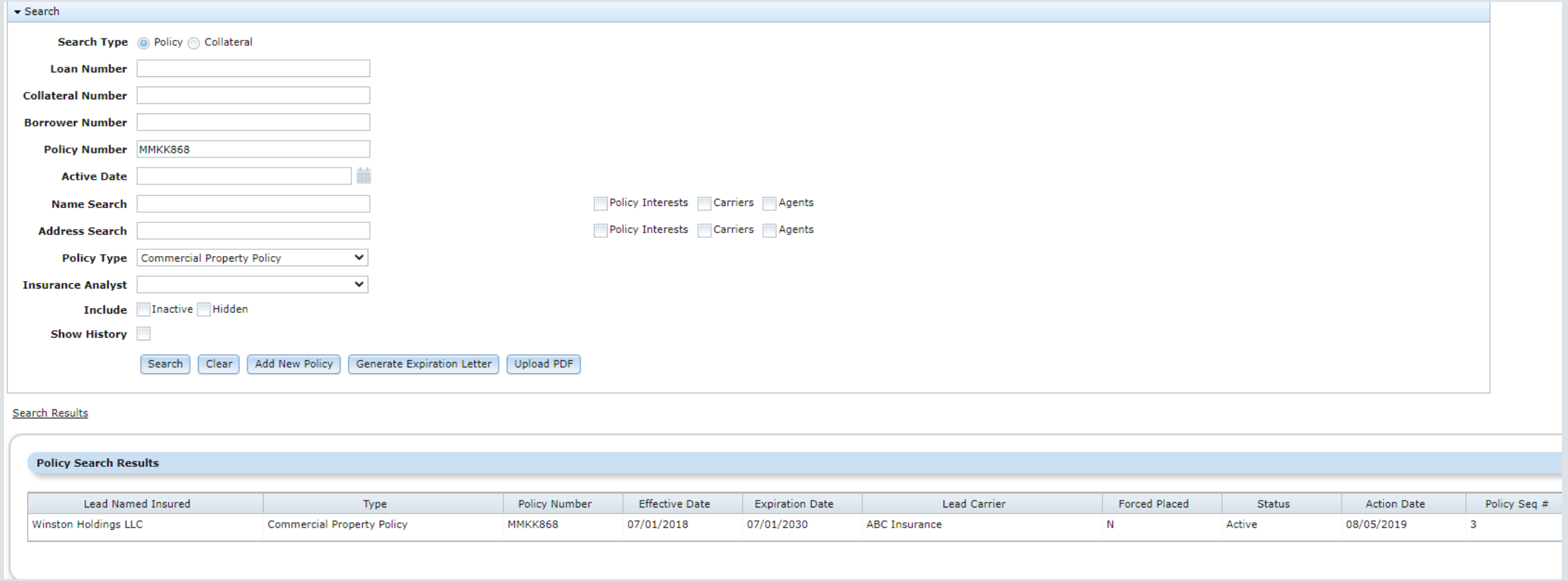
# How to Generate Expiration Letter



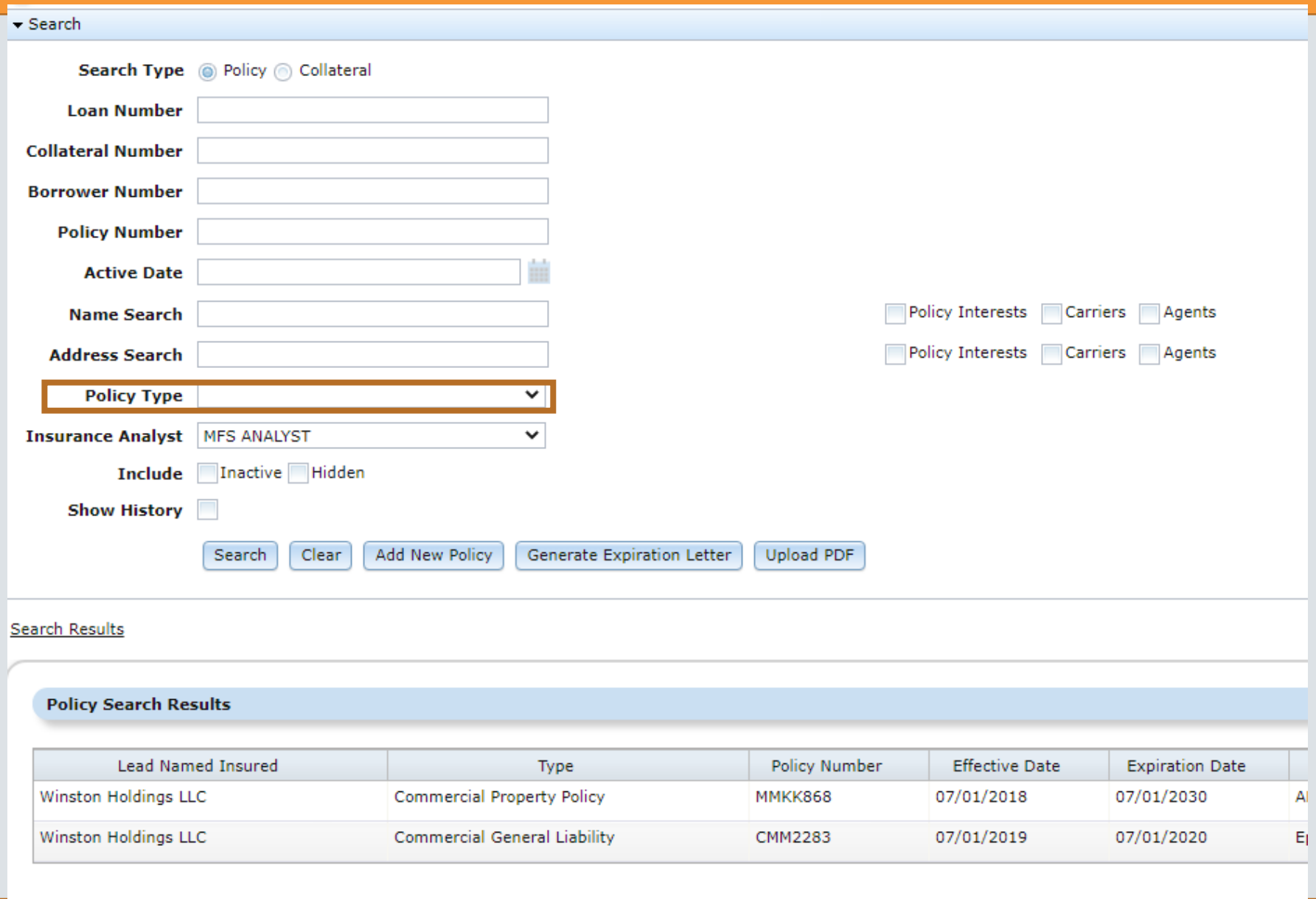
# Searching for Policies

# Policy Seq # has been add to the Search Window



# The Policy Seq has also been to  the Policy information window

# Search for Policies by Insurance Analyst



# More About the Insurance Analyst

- Insurance Analyst can be assigned to a loan in Master 2 Maintenance
- Insurance Analyst values are maintained in System Information
  - Table ID 3Z.
  - Codes are 3 characters long
- You can use the MaTi to load the Insurance Analyst with the Loan Master 2 Template
- Insurance Analyst can be used to create loan sets

# Compliance Checks (Rules)

# Compliance Checks (Rules)

Insurance requirements very by the following:

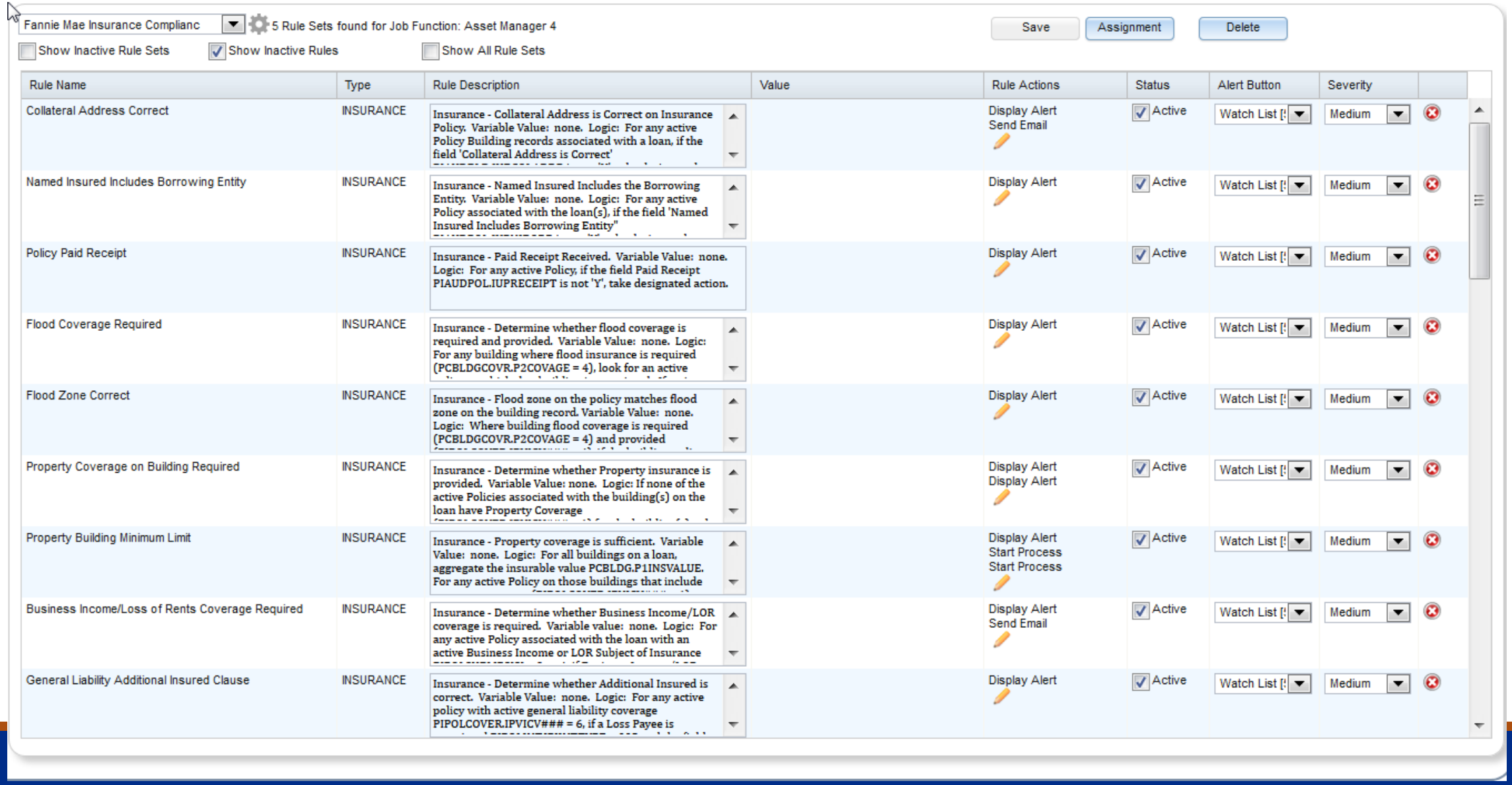
- By Policy Type
- By Coverage
- By Property Type
- By Balance
- By Building Characteristics

The rules take all these items into consideration when determining if the Insurance Certificate or Policy is in Compliance

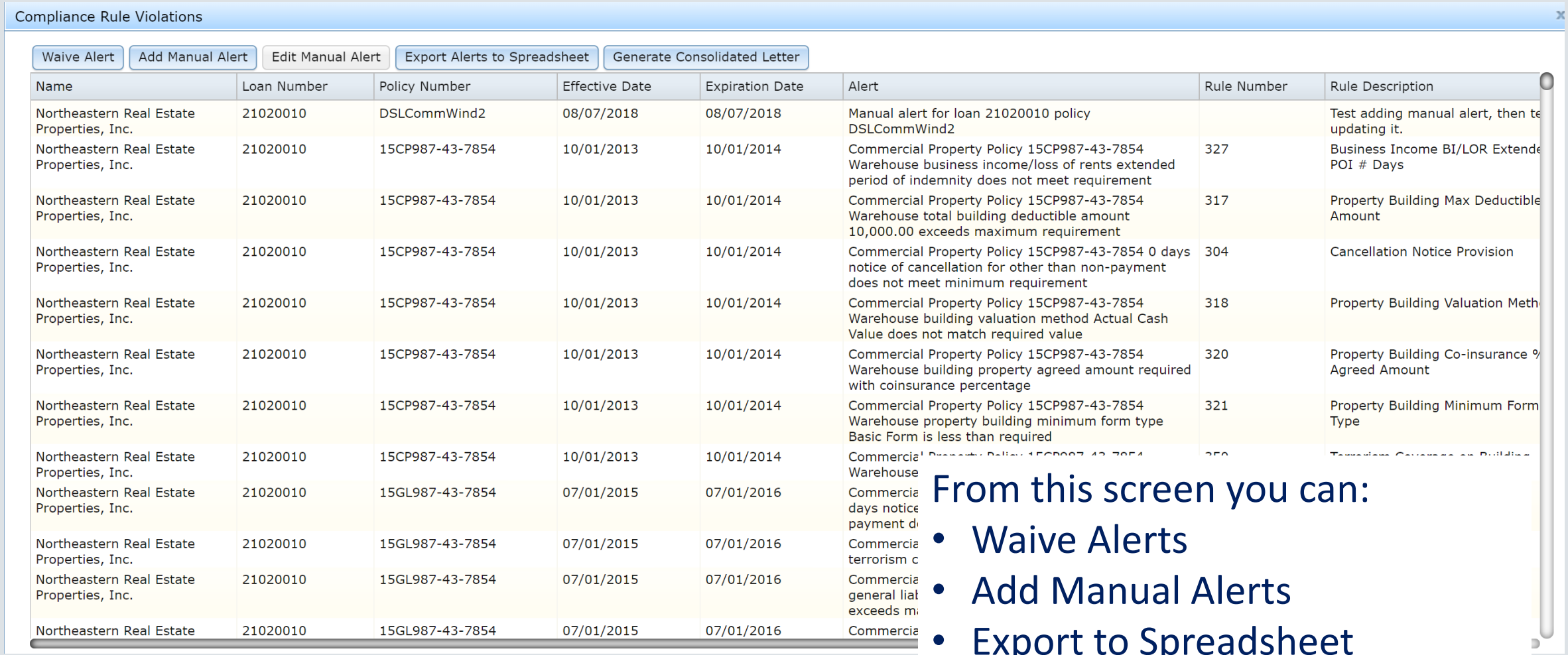
# Insurance Compliance Checks-Rules

- We worked with various customers on additional Freddie and Fannie insurance compliance checks (rules)
- The additional compliance checks involve some very specific requirements on theses types of policies:
  - Business income/Rental Income
  - Ordinance & Law
  - Property.

# Define Compliance Checks



# Check For Policy/Loan Compliance




| Name | Loan Number | Policy Number | Effective Date | Expiration Date | Alert | Rule Number | Rule Description |
|---|---|---|---|---|---|---|---|
| Northeastern Real Estate Properties, Inc. | 21020010 | DSLCommWind2 | 08/07/2018 | 08/07/2018 | Manual alert for loan 21020010 policy DSLCommWind2 | | Test adding manual alert, then te updating it. |
| Northeastern Real Estate Properties, Inc. | 21020010 | 15CP987-43-7854 | 10/01/2013 | 10/01/2014 | Commercial Property Policy 15CP987-43-7854 Warehouse business income/loss of rents extended period of indemnity does not meet requirement | 327 | Business Income BI/LOR Extende POI # Days |
| Northeastern Real Estate Properties, Inc. | 21020010 | 15CP987-43-7854 | 10/01/2013 | 10/01/2014 | Commercial Property Policy 15CP987-43-7854 Warehouse total building deductible amount 10,000.00 exceeds maximum requirement | 317 | Property Building Max Deductible Amount |
| Northeastern Real Estate Properties, Inc. | 21020010 | 15CP987-43-7854 | 10/01/2013 | 10/01/2014 | Commercial Property Policy 15CP987-43-7854 0 days notice of cancellation for other than non-payment does not meet minimum requirement | 304 | Cancellation Notice Provision |
| Northeastern Real Estate Properties, Inc. | 21020010 | 15CP987-43-7854 | 10/01/2013 | 10/01/2014 | Commercial Property Policy 15CP987-43-7854 Warehouse building valuation method Actual Cash Value does not match required value | 318 | Property Building Valuation Meth |
| Northeastern Real Estate Properties, Inc. | 21020010 | 15CP987-43-7854 | 10/01/2013 | 10/01/2014 | Commercial Property Policy 15CP987-43-7854 Warehouse building property agreed amount required with coinsurance percentage | 320 | Property Building Co-insurance % Agreed Amount |
| Northeastern Real Estate Properties, Inc. | 21020010 | 15CP987-43-7854 | 10/01/2013 | 10/01/2014 | Commercial Property Policy 15CP987-43-7854 Warehouse property building minimum form type Basic Form is less than required | 321 | Property Building Minimum Form Type |
| Northeastern Real Estate Properties, Inc. | 21020010 | 15CP987-43-7854 | 10/01/2013 | 10/01/2014 | Commercia Warehouse | | |
| Northeastern Real Estate Properties, Inc. | 21020010 | 15GL987-43-7854 | 07/01/2015 | 07/01/2016 | Commercia days notice payment d | | |
| Northeastern Real Estate Properties, Inc. | 21020010 | 15GL987-43-7854 | 07/01/2015 | 07/01/2016 | Commercia terrorism c | | |
| Northeastern Real Estate Properties, Inc. | 21020010 | 15GL987-43-7854 | 07/01/2015 | 07/01/2016 | Commercia general liab exceeds ma | | |
| Northeastern Real Estate | 21020010 | 15GL987-43-7854 | 07/01/2015 | 07/01/2016 | Commercia | | |

From this screen you can:

- Waive Alerts
- Add Manual Alerts
- Export to Spreadsheet
- Generate Consolidated

# Policy Status

# Possible Status Codes

- The following is a list of all possible statuses for policy-related data. Records in the insurance files are made inactive and a copy of the record is made with the new status applied.
  - A Active
  - U Updated
  - I Inactivated (by the subsequent row)
  - X Inactive (also cancelled as respects a policy)
  - R Reinstated (as respects a policy, reactivated as respects master files)
  - H Hidden (by subsequent row)
  - Z Hide
  - E Expired
  - N Non-renewed
  - L Renewed

# Expired Status Update

- A new program has been created to update the status of all Active status policies past their expiration dates to Expired status. This will exclude expired policy data from cross-policy compliance tests.
  - The program (CINSPOLEXP) will run once as part of the Release installation process and should be added to the day end job stream before the Rules Engine, to continuously review for expired policies.
  - The program (CINSPOLEXP) will select all active policies with expiration dates
    - a) equal to or earlier than the system date if run time is after noon or
    - b) equal to or earlier than the day before the system date if run before noon.
- Strategy currently allows ‘A’ Active polices to be renewed. Expired policies with a status ‘E’ Expired can be renewed as well.

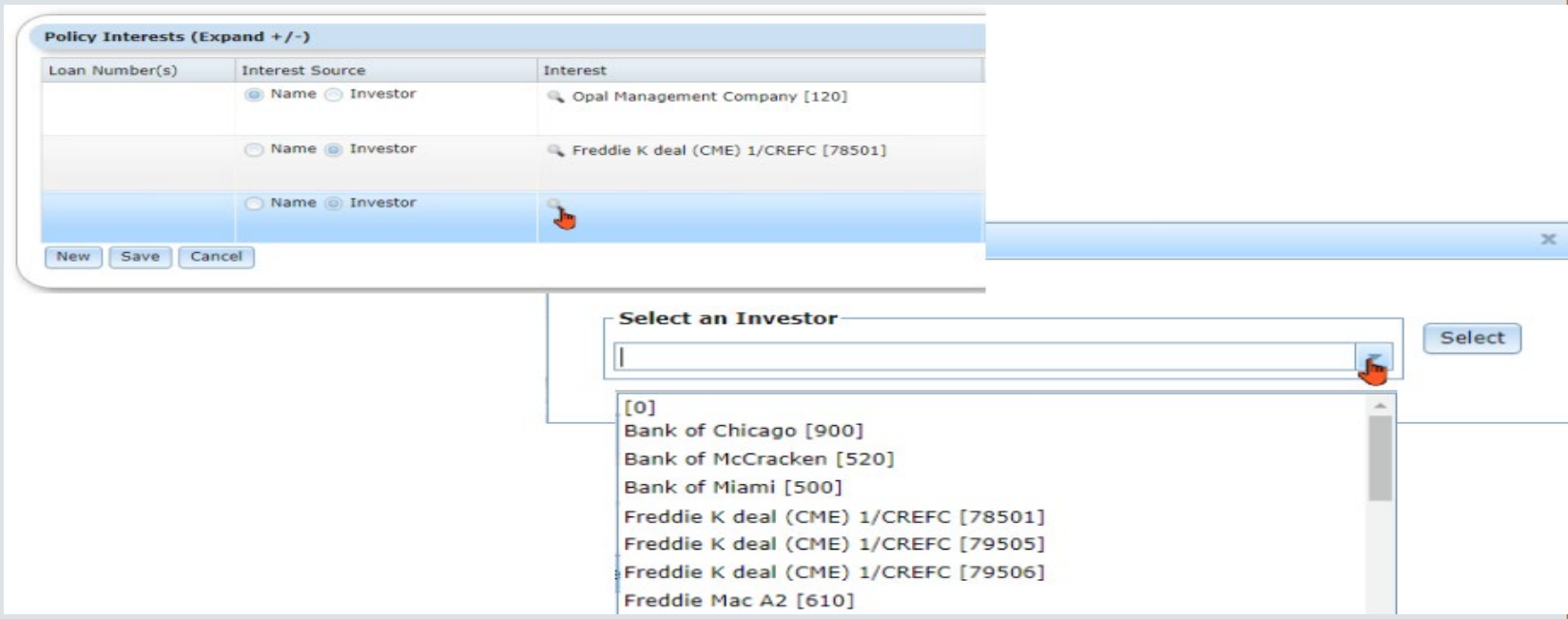
# Other Statuses

- Renewed Status-
  - A Renewed policy record, based on the original policy, will be added (status = ‘L’) for all policy files.
  - The Renewed policy file records will be created with the same sequence numbers as the original.
- Hidden Status-
  - Hides the policy from view, unless you select to include in search
- Cancelled Status- Policy that has been cancelled
- Reinstated Status- Reactivated a cancelled policy
- Non-renewed Status-
  - When the policy will never be renewed, and you want to remove it out of active or expired status

# Policy Updates

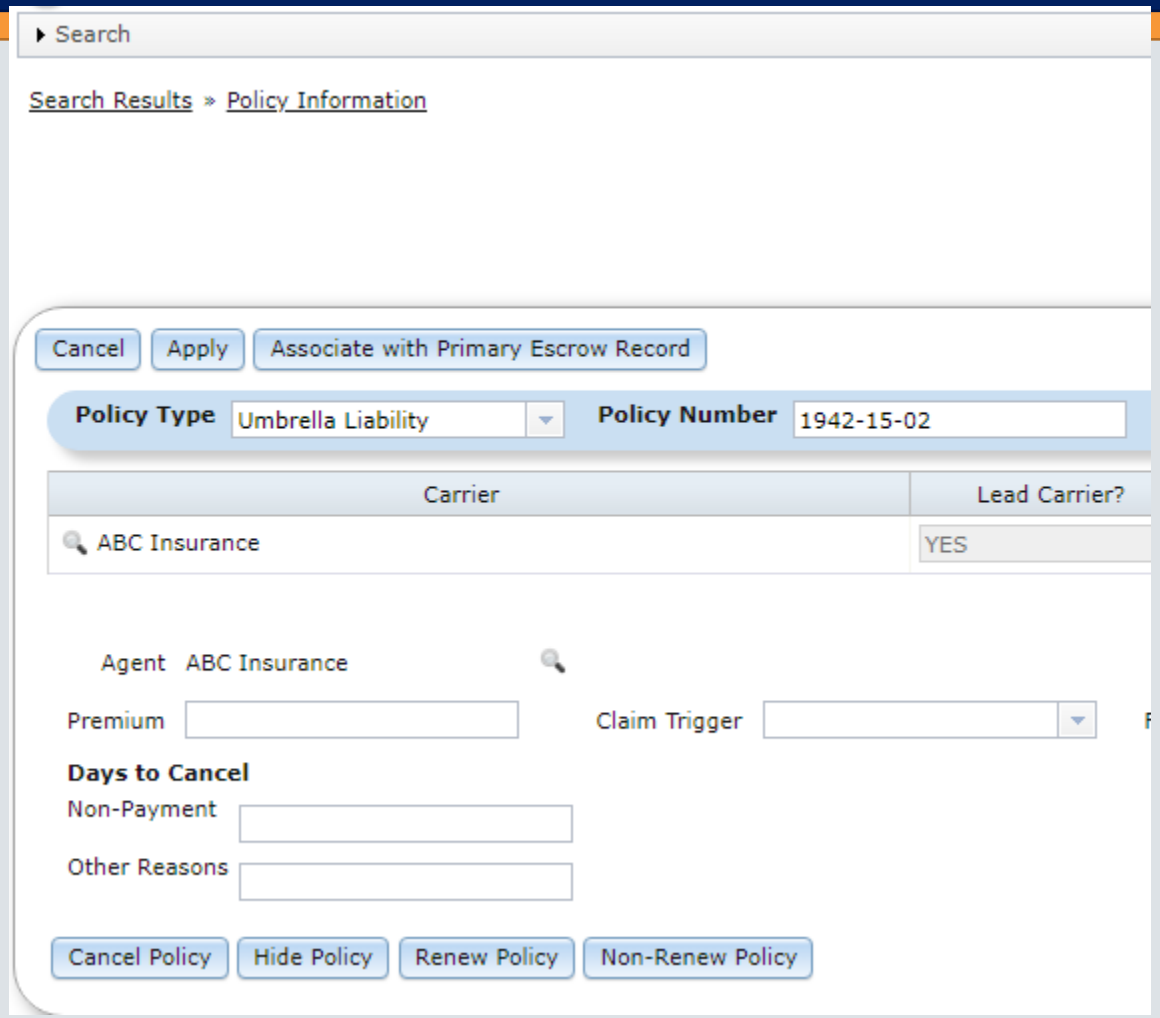
# Policy Interests

- Changes to Policy Interests - To improve the process for adding Interests to a Policy, Building or Blanketed Insurance, the Insurance widget has been enhanced to improve how Interests are selected and display when the Interest is an Investor.
- When searching for the correct Investor, the Search drop down now displays both the Investor Name and the Investor Number

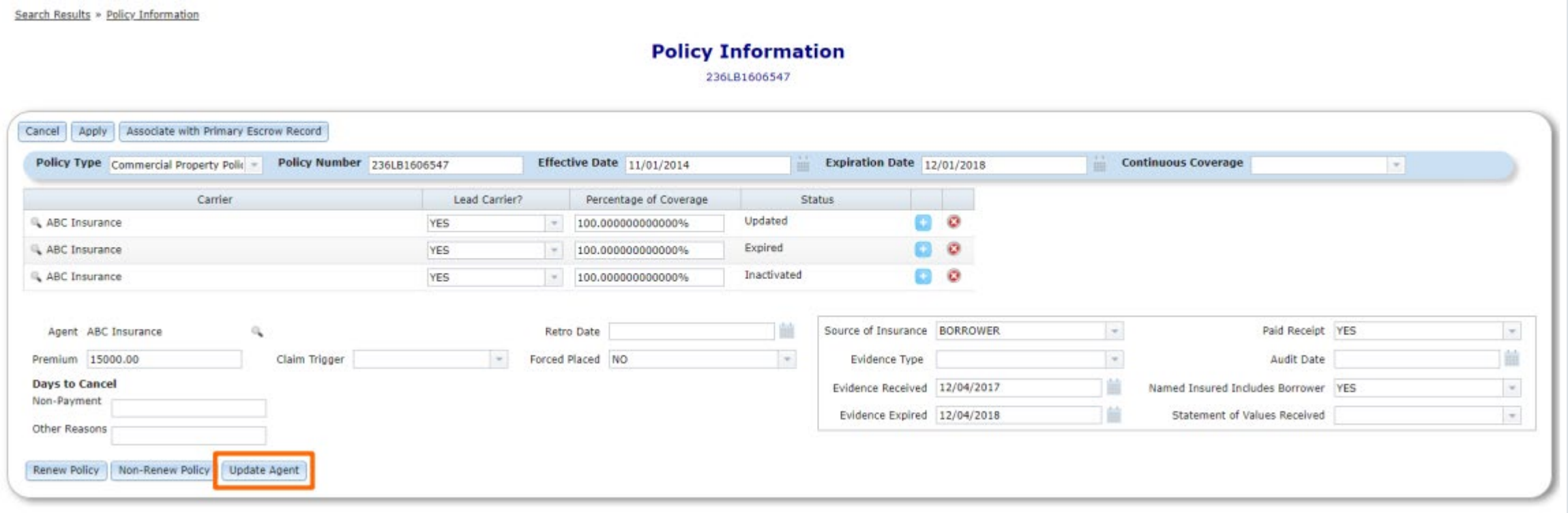


# Policy Information

- Non- Renew button
  - Structure of the policy has changed



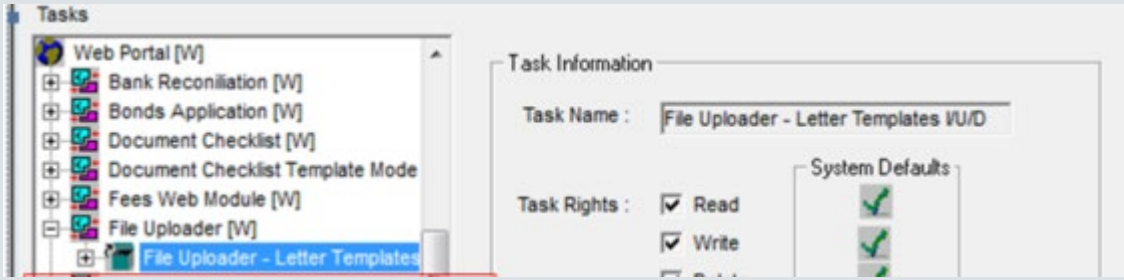
# Update Agents on Expired Policies (21982)



# Insurance Letters Setup

# Letter set-up

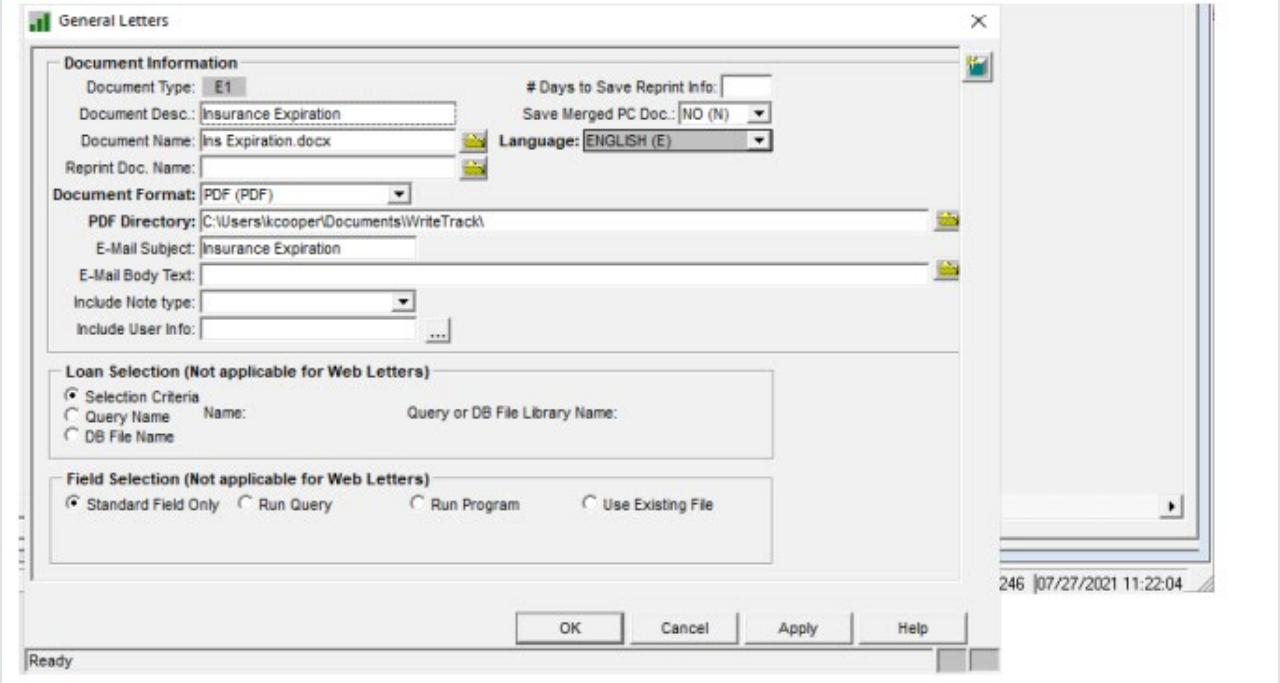
1.Security (one time set-up)




2.Create a new Doc Type (one time Set-up)

3.Open WriteTrack. Select the Setup tab. Select Doc. Type = General Letters. Click the add button and create a new Document Type.

- In CS, Select Tools, Maintenance> System Information> System Information Maintenance. Filter on “All” and open the “D1” PINFO code. Verify the new P2 code was added.



# Letter Format Example

1. Create you Letter template and save the letter to you network.( Create as many Letter templates as you need, you will need at least one letter)
   a. These are the fields available for expiration letters.

- ${currentDate}
- ${LKFMTAD1}
- ${LKFMTAD2}
- ${LKFMTAD3}
- ${LKFMTAD4}
- ${LKFMTAD5}

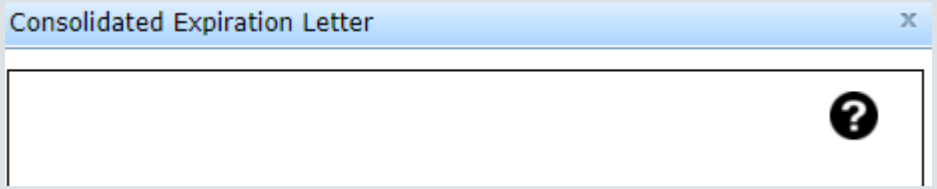
- Loan Number: ${CMLN}
- Property: ${PQNAME}
- ${PQHOS1} ${PQSTR1}
- ${PQVILG} ${PQSTAT}, ${PQZIP}
- Mortgagee clause:
- ${IVMTGECLS}

- The following policies are expiring:

| | | |
|---|---|---|
| $[@policy.IPTYPE] | $[@policy.IPNUMBER] | $[@policy.IPEXPD] |

# Fields available in the letter

- Click on the Question Mark




The Following Fields are available for use in the header. Please use the syntax as shown:

**${currentDate}**

**${LKFMTAD1}**

**${LKFMTAD2}**

**${LKFMTAD3}**

**${LKFMTAD4}**

**${LKFMTAD5}**

**${CMLN}**

**${PQNAME}**

**${PQHOS1}**

**${PQSTR1}**

**${PQHOS2}**

**${PQSTR2}**

**${PQVILG}**

**${PQTOWN}**

**${PQSTAT}**

**${PQZIP}**

**${IVMTGECLS}**

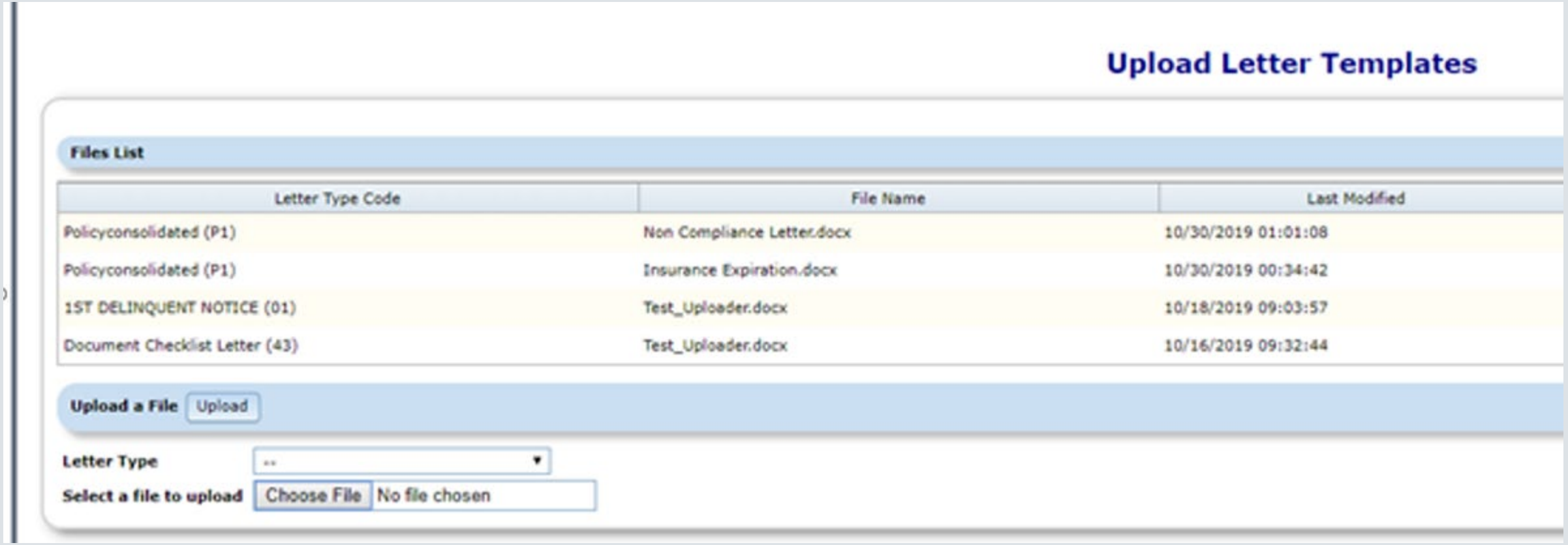
**${O5INSANYT}**

The Following Fields are available for use in the Policy Information Grid. Please use the syntax as shown:

**$[@policy.IPTYPE]**
**$[@policy.IPNUMBER]**
**$[@policy.IPEXPD]**

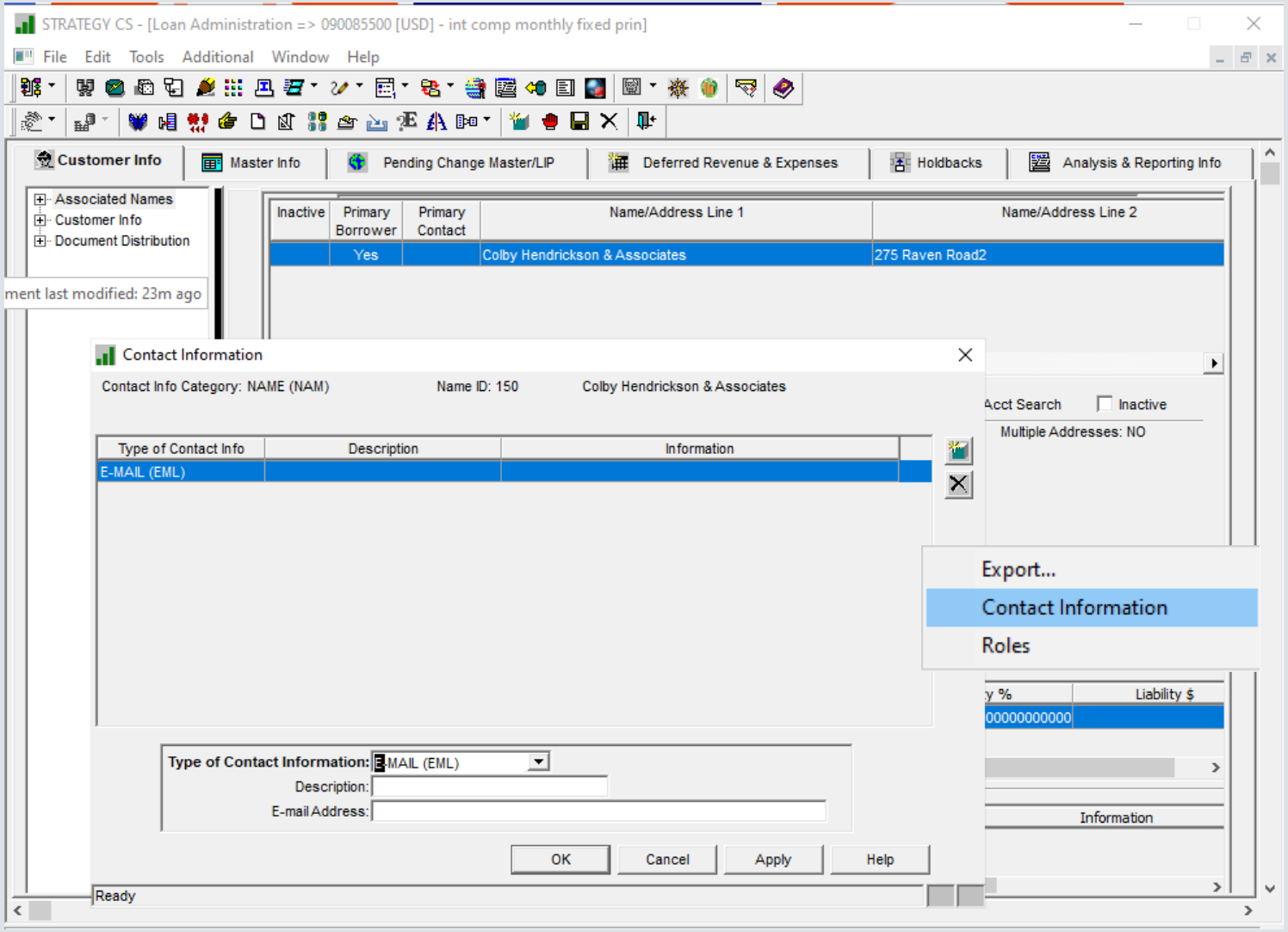
# File Uploader

1. The File Uploader assists with uploading templates
2. Selecting the Letter Type and the document to upload and make the template available for selection for the appropriate letter.

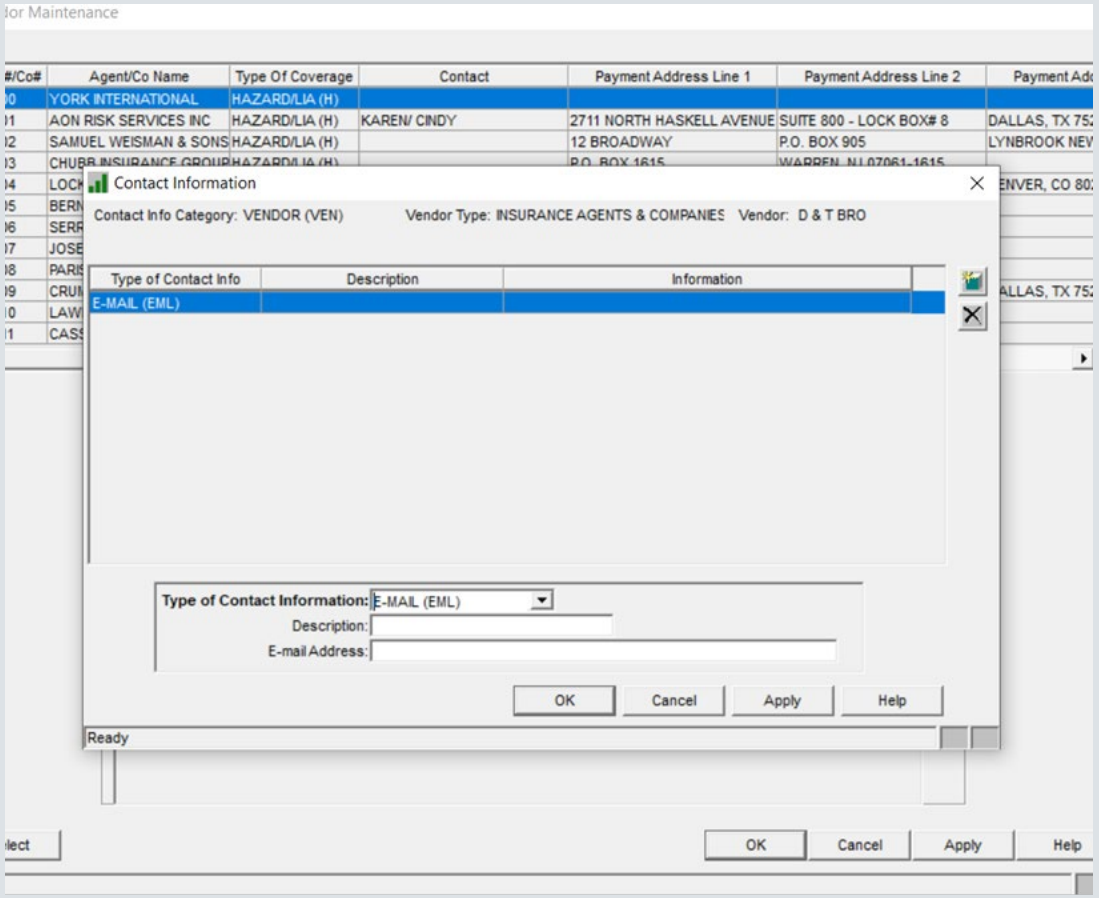


# Borrower's Email

For the borrower's email to be available for emails, use the right mouse option from the Associated Names panel to add a Contact Information record with the email address.



# Agent's Email




- Update the Contact Information for the Agent to include their email address

# Questions?