

CALL KURTIS Call Kurtis Investigates: Escrow disaster leaves Antelope mom without full insurance after house fire

CBS News 13

Theresa Ingraham paid for her homeowners insurance each month through her mortgage payment but learned that after her house fire, her AAA bill went unpaid.

The mom of three is a fire dispatcher and overheard the call to fight the fire at her own home. Her children, under the age of 10, were home with the nanny.

“It was very, very scary,” she recalled.

It took a full twenty minutes for her to reach her family to learn everyone was safe. The fire left almost everything inside charred or damaged. Upstairs, you could see right out to the sky.

Her longtime insurer, AAA, denied her claim, saying her policy lapsed for non-payment. But she’s paid extra each month with her house payment to SchoolsFirst Federal Credit Union to cover her homeowners insurance.

AAA was supposed to invoice SchoolsFirst directly. Our investigation uncovered that AAA sent the invoices to the wrong Post Office box. We pulled title documents dating back to her 2021 refinance, where the title company furnished AAA with the correct address.

Schools First Federal Credit Union did furnish letters to Theresa they sent stating, “your hazard insurance is expiring. And because hazard insurance is required on your property, we plan to buy insurance for your property.”

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Source:

<https://uphelp.org/call-kurtis-call-kurtis-investigates-escrow-disaster-leaves-antelope-mom-without-full-insurance-after-house-fire/> Date: November 22, 2024

Theresa admitted that she did not realize hazard insurance was the same as homeowner insurance. She thought it was extra, for something like floods or other hazards.

“So, I thought, ‘OK, that’s fine. You sign me up for whatever I need,’ and I just let it go,” she said.

SchoolsFirst Federal Credit Union signed her up for a “forced” hazard insurance policy that essentially protected its interest in the property — not hers. Not her possessions, the cost to rebuild, or even a hotel room.

She and her kids had to move in with relatives.

“It’s set me back, you know, 15, 20 years,” she said. “Everything that I’ve had up until this point is basically gone.”

Calling it heartbreaking, Amy Bach with United Policyholders saw the confusion in the terms hazard versus homeowners. She thinks anyone referring to it as “hazard” insurance in a letter should add an “also known as homeowners insurance.”

“They shouldn’t be using terminology that the average person doesn’t understand when the stakes are that high,” Bach said.

SchoolsFirst Federal Credit Union released this statement:

“SchoolsFirst FCU empathizes with the severity of this tragic situation our Member and family are dealing with. This is a terrible loss that we would hope no one would be faced with. It underscores the importance of turning to your trusted advisor when you need help or may be confused or not understand something as important as your home.

We pride ourselves on advocating for our Members and helping them to the greatest extent possible. We not only followed the required regulations by issuing a lender-placed insurance policy to protect our Member, but also reached out to both our Member and their homeowners insurance company several times, with no response. Without the lender-placed

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insurance, our Member would have had no insurance covering their property and would have suffered even greater losses.

Insurance can be complex, especially the terminology used, which in many cases is prescribed by state and federal regulations. Feedback from our Members is important to us. We will review our communications while continuing to adhere to what is required by regulations.

Other lessons consumers can take away from this situation include:

- As a mortgage holder/homeowner, understand your responsibility to secure homeowners insurance and provide proof to your lender.
- Understand that you will need to repeat this process every year.
- Regularly review what your insurance covers and adjust as needed.
- To best be served by your financial institution or insurance provider, open all communications (mail/email) and return all calls.
- Ask questions if you don't understand something. It's always best to make sure you understand your finances.
- If you need help or don't understand something, get help from a trusted advisor."

AAA refused to answer our questions, saying "we do not discuss a customer's insurance policy details publicly."

Theresa paid off the loan on her destroyed house and just moved into a new house that is half the size, but twice the monthly payment. She has filed a claim with the Department of Insurance which indicated to me that it would investigate.

"I just have to go back to thinking everybody's OK," she said. "Nobody was hurt."

Department of Insurance Response to our Questions:

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“Initial thoughts when hearing this, and the confusion in terminology.

- We agree this can be confusing. Based on what you shared, this is terminology used by mortgage companies not insurers. Insurance companies are required to provide advance notice if a residential insurance policy is set to renew. For policies that are set to bill the mortgagee directly, the insurance companies bill the lender and also send renewal notice to the consumer identifying that the lender will be billed. In this situation, it appears the lender failed to pay the renewal premium. The consumer should file a complaint with the regulatory agency that oversees their specific lender.

Does the state have any regulations on easy-to-understand terminology to avoid confusion? If so, what is it. If not, any thoughts on working on universal language?

- Since this terminology is not used by the insurance industry, this question is best directed to the lending industry.

What if anything should she expect from her lender/insurance company/both at this point.

- If she obtains insurance coverage on her own, she should send a copy of the policy to the lender and request that they cancel the force placed coverage. Unless there is evidence that the insurance company failed to send the renewal notice and/or bill to the lender, there’s no obligation on the insurance company. She should also consider filing a complaint against the bank with the proper regulator to investigate and see if the fees imposed by the lender for the force-placed coverage could be reversed due to the bank’s error (assuming that is the case when they investigate).

Your best advice to anyone changing lenders or insurance companies when utilizing an escrow/impound account.

- Consumers should notify their insurance company as soon as the lender is changed so that they know who to bill. It’s a good idea to keep a close eye on your mortgage statements and any insurance bills so you can quickly identify if there are problems

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with your escrow account.

After our story aired, AAA released this statement.

“We are sorry to learn of this heartbreaking situation, and it is important to note that the CSAA Insurance Group policy had been canceled for more than a year before this loss occurred.”

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