

LEGAL STATUS OF INSURANCE BINDERS

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To help resolve any conflict between insurance agents and lending institutions that loan money upon the security of a mortgage upon real property, the Indiana Department of Insurance states its position regarding the legal status of an insurance binder as follows:

An insurance binder is deemed to include all the terms of the insurance policy that such binder designates, except that such binder may, by its express provisions, supersede policy terms that specify when the insurance shall commence. When an insurance binder has been executed by an authorized insurance agent and the purchaser(s) of the insurance coverage that such binder designates, such binder is a valid contract of insurance which obligates the insurer that issued such binder to provide insurance coverage, according to the terms of such binder, to the insured named in such binder.

Therefore, for purposes of closing a purchase of real property when the financing of such purchase involves a mortgage, the mortgagee should accept a duly authorized and properly executed insurance binder as conclusive proof of insurance coverage required as a condition of the financing of such purchase, provided that the coverage designated by such binder is adequate to satisfy such coverage requirement.

John F. Mortell
Insurance Commissioner