

## Consultant Advises on Insurance 'Gap'

**Harbor Group Consulting** has unveiled what it describes as a more-accurate way for lenders to ensure that borrowers have adequate insurance to cover the cost of rebuilding after a storm.

Lenders often use the same firm to obtain both property appraisals and calculations of the amount of insurance needed to replace or repair properties damaged by wind, flooding, earthquakes or other natural disasters. But, according to Miami-based Harbor, often little in-depth analysis is used to determine the latter figure, resulting in inadequate insurance that leaves the lender exposed.

The insurance consultant's service, offered via a new affiliate called **High Street Valuations**, uses complex algorithms and Harbor's proprietary property database to calculate the so-called "insurable value" of real estate.

The firm argues that it's especially important to have adequate coverage at a time when property prices are rising, because the gap in sizes between the larger resulting mortgages and insurable values increases, leaving lenders more exposed. "When you're in a hot market, with values going up, the problem gets exacerbated," said chief executive **Michael Liebowitz**.

Once High Street calculates the insurable value of a property, the lender then makes sure the borrower has that amount of coverage. If a claim is filed, the payout can be controlled by the lender, which can either use the money to extinguish the loan or hold it as collateral while the property owner rebuilds, possibly using construction financing. If the insurance payout is held in collateral, the property owner would use payouts from business-interruption insurance to cover monthly payments on the original loan, which the borrower would



refinance once the property is repaired or rebuilt.

Harbor, which was founded in 1995, provides insurance advice on property, corporate-finance and other types of transactions. Its clients include commercial MBS lenders, balance-sheet lenders, agency lenders, property owners and investment banks. ❖

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