

As a convenience (and a way to earn more money for bankers) the insurance escrow system was set up many years ago. This technique of having your [home insurance policy](#) premiums paid by your mortgage servicing company looks like a great deal for the consumer but in fact there are several traps in this procedure that the smart consumer must avoid.

At

[Clinard Insurance Group, in Winston Salem, NC](#)

, we want all insurance buyers to be informed consumers so if you have an escrow account associated with your home mortgage, read this short article to make sure you stay out of these traps.

First of all, even though the escrow account seems like a real convenience for the consumer, keep in mind that the banks make money on these accounts and so they cost the consumer money. Sure, you have your insurance and taxes etc rolled up in your monthly house payment but remember that the bank has collected all of this money (usually 16 months or more of expenses) ahead of time. In other words, they are making interest on your money. In addition, if you have scheduled items on your [homeowners insurance policy](#) like jewelry, or fine arts, the bank is escrowing funds ahead of time on the premium associated with these items when these items, along with your personal contents inside the home, are not what you borrowed money against in the first place.

The real problem with your escrow account paying your homeowners insurance premium is that it puts your homeowners policy into "out of sight, out of mind" mode. This is dangerous for several reasons.

Most people, upon receiving their annual homeowners renewal policy don't even give it a sidelong glance, they just toss it in their insurance file. But, these same people, when forced to get the checkbook out and pay for that home insurance policy renewal bill, then take the time to look at

the bill and hopefully ask questions.

Questions like – “How does this renewal premium compare to what I paid last year?” and “How much coverage am I buying when I write the check to the insurance company for this renewal?”

This should eventually prompt a call to their insurance agent to get these questions answered.

At [Clinard Insurance Group](#) , we often find with our new clients coming to us to purchase homeowners insurance, that if their policy has been paid by escrow for many years, they are often paying far too much for their insurance coverage and in some cases they have too little protection because they haven't taken the time to review and update their policy each year.

If your homeowners insurance policy is paid each year by your escrow account, then it is important that you take the time to review your coverage with your personal agent each year to make sure that your rates are staying competitive and that your coverage amounts are appropriate for your situation.

If you

have any questions at all about your  
[homeowners insurance in North Carolina](#)  
, please call us toll free at 877-687-7557 or visit us on the web at  
<http://www.ClinardInsurance.com>

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