

Collateral Protection Insurance Coverage Explanation

Date: [Insert Date]

To: [Recipient's Name]

[Recipient's Address]

[City, State, Zip Code]

Dear [Recipient's Name],

We are writing to provide you with an explanation of your collateral protection insurance (CPI) coverage. This coverage is designed to protect the lender's interest in the property you have financed in the event that you do not maintain adequate insurance coverage on the asset.

The key points of your CPI coverage are as follows:

- **Coverage Activation:** CPI will take effect when we determine that your primary insurance is insufficient or has lapsed.
- **Coverage Scope:** The policy will cover physical damage to the collateral as well as liability issues that may arise.
- **Premium Costs:** Premiums for CPI are typically higher than standard insurance, and the costs will be added to your existing loan balance.
- **Notification:** You will receive notification of any changes to your CPI coverage or premium costs.

It is essential that you maintain your own insurance coverage to avoid additional charges and ensure comprehensive protection for your asset. We encourage you to review your current policy to confirm that it meets the required coverage limits.

If you have any questions regarding your collateral protection insurance or need further assistance, please do not hesitate to contact us at [Your Contact Information].

Thank you for your attention to this important matter.

Sincerely,

[Your Name]

[Your Title]

[Your Company]

[Your Company Address]

[City, State, Zip Code]