

Acceptable Providers

The policy must be written by a carrier that meets the following rating requirements:

- Carriers rated by the A.M Best Company, Inc. must have either:
 - A “B” or better Financial Strength Rating in *Best’s Insurance Reports* or
 - An “A” or better Financial Strength Rating and a Financial Size Category of “VIII” or greater in *Best’s Insurance Reports Non-US Edition*.
- Carriers rated by Demotech, Inc. must have an “A” or better rating in *Demotech’s Hazard Insurance Financial Stability Ratings*.
- Carriers rated by Standard and Poor’s must have a “BBB” or Insurer Financial Strength Rating in *Standard and Poor’s Ratings Direct Insurance Service*.

The insurer must be licensed or authorized to conduct business in the jurisdiction where the property is located.

For properties located in Florida, FLCBank will not accept mortgages with property insurance provided by an insurer participating in the Temporary Market Stabilization Arrangement (TMSA).

1-4 Unit Single Family Residence

Amount of Coverage

- 100% of the insurable value of the improvements—as established by the property insurer, **or**
- Guaranteed Replacement Cost Endorsement, which provides that the insurer agrees to replace the insurable property, regardless of the cost or the Replacement Cost Endorsement, **or**
- The unpaid principal balance of the mortgage, as long as it equals the minimum amount (80%) of the insurable value (total appraised value minus the estimated site value) required to compensate for damage or loss calculated on a replacement cost basis.

If the hazard insurance is not equal to at least one of the above minimum coverage amounts, then additional hazard coverage that meets the minimum coverage amounts must be obtained.

If the estimated site value, opinion site value, or an appraisal addendum signed by the appraiser is not available on the appraisal, the documents below are acceptable in the following order:

1. Insurance value from the insurance agency
2. Third party vendor (Marshall and Swift example: Data Quick.)
3. If the site value is not noted, the tax assessor value from the title policy/commitment or tax assessment form may be used for the calculation.

Claims must be settled on a replacement cost basis. Insurance policies that provide for claims to be settled at actual cash value or limit, depreciate, reduce or otherwise settle losses for less than a replacement cost basis **on any component within the project are** not eligible.

Property insurance policies must protect the property against loss or damage from fire and other perils covered within the scope of standard extended coverage. Policies that limit or exclude any required perils that are normally included under extended coverage endorsement, such as: windstorm, hurricane, hail, **smoke, riots and/or civil disturbances, aircraft and/or vehicle** damage or any other perils that normally are included under an extended coverage endorsement are not acceptable unless the borrowers are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril.

Evidence of Insurance

A Declarations Page or Insurance Binder that includes the following information is required:

- Policy/Binder number
- Borrower(s) name(s)
- Property address
- Agent's name, address, and phone number
- Proper Mortgagee Clause
- Purchase Loans: Policy must extend for a minimum of 12 months from the effective date of the policy
- Refinance Loans: Existing policy is acceptable provided the expiration date of the policy is clearly stated and the existing coverage extends a minimum of 60 days beyond the funding/disbursement date
- Paid receipt for premium amount reflected on the hazard policy or binder; or the premium amount reflected on the policy/binder must be collected at closing.

If the dwelling coverage listed on the policy/binder does not cover the loan amount or is less than the total cost new as determined by the appraiser, a copy of the cost estimate from the insurer will be required.

An insurance quote or completed application for hazard insurance is only acceptable to generate the early Closing Disclosure (CD) and will not be acceptable as the final form.

Deductible

Homeowner's policy deductibles cannot exceed 5% of the dwelling coverage.

Windstorm, Hail, and/or Hurricane coverage deductibles (whether included in the homeowner's policy or written under a separate policy) cannot exceed 5% of the dwelling coverage, unless a higher deductible is required by state law.

Condominiums

If the legal documents for a project allow for unit insurance policies carried by the individual homeowner, FLCBank will accept the individual unit insurance policy that meets the requirements required for 1–4-unit properties as described above. Evidence of a master policy for the common areas in the development is always required.

The condominium owner's association must an insurance policy written on a "special" coverage form or equivalent. **At a minimum, the coverage must include perils covered by a commercial "broad" coverage form.** The insurance policy must cover common elements and residential structures including the following:

- General and limited common elements within the condominium
- Fixtures, machinery, equipment and supplies maintained for the service of the condominium
- Fixtures, improvements, alterations and equipment within the individual units

Coverage must be for 100% of the insurable value of the common elements or property described above and provide for loss or damage settlement on a replacement cost basis.

Important: Policies that limit, depreciate, reduce or otherwise settle losses at anything other than a replacement cost basis are also not acceptable.

Amount of Coverage

- 100% of the insurable replacement cost of the project improvements, including the individual units;
- Policy to state coverage includes “Walls-in”, “all-in” or “all-inclusive” otherwise an HO-6 policy obtained by the homeowner will be required.
- The coverage term must have 60 days remaining as of date of closing or statement from agent that renewal policy is not available will be required.

The coverage must not exclude any required perils as listed below:

- Fire
- Lightning
- Explosion
- Windstorm (including named storms designated by the US National Weather Service or the National Oceanic and Atmospheric Administration)
- Hail
- Smoke
- Aircraft or vehicles
- Riot or civil commotion
- Vandalism
- Sprinkler leakage
- Sinkhole collapse
- Volcanic action
- Falling objects
- Weight of snow, ice or sleet
- Water damage

Please note: The nationwide average cost to replace condominium building shell only is over \$80 a square foot per International Code Council. Policies not meeting this will be asked to provide documentation including but not limited to the exact total square footage of the project based on legal documentation and/or insurance valuation showing enough replacement cost.

Evidence of Insurance

A Master or blanket policy with an existing Policy Number must contain all of the following:

- Borrower’s name(s) and address including the Unit #
- Policy inception and expiration dates must be clearly indicated
- Insurance carrier and agent must be clearly indicated with contact information including address and phone number

Deductible

The maximum deductible is 5% of the face amount (the dwelling coverage) of the policy. Funds for such deductibles must be included in the associations' reserves.

If the deductible exceeds the 5% maximum due to a per unit deductible for named perils specific to a geographic area (i.e. ice damming), the Mortgage is eligible if the individual is covered by the unit owner HO-6 policy. The unit owner policy must include the same perils as the condominium associations’ homeowner’s policy, cover master policy assessments levied on the unit owner and carry a sufficient coverage amount to cover the per unit amount over the permissible 5% limit.

Note: Fire, water and wind coverage are not considered geographic perils and must be within the 5% limit.

Special Endorsements

- Building Ordinance or Law Endorsement, if the enforcement of any building, zoning or land-use results in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.)
- Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. (This endorsement should provide for the insurer's minimum liability per accident to at least equal the lesser of \$2 million or the insurable value of the building(s) housing the boiler or machinery.) In lieu of obtaining this endorsement to the commercial package policy, the project may purchase separate standalone boiler and machinery coverage.
- Inflation Guard Coverage (FNMA Loans); whereas Inflation Guard Coverage is not required by FHLMC if the coverage is Guaranteed Replacement Cost (GRC).
- Building Ordinance or Law Endorsement and Inflation Guard Coverage are not required if it is not obtainable in the insurance market available to the association as documented by the insurance agent (FNMA Loans). Note that FHLMC does not require Building Ordinance or Law Endorsement Coverage if the building meets all current building codes/zoning regulations.

General Liability Insurance

General Liability Insurance is required as part of the review of a condo project except when the condo project is reviewed under the Limited Review process. Each project for which Liability Insurance is required must have \$1,000,000 business liability insurance coverage for the entire project with the HOA named as the insured.

The General Liability Insurance policy must include a separation of insureds or severability of interests provision in its terms. If the policy does not include separation of insureds or severability of interests in its terms, a specific endorsement precluding the insurer's denial of a unit owner's claim because of negligent acts of the HOA or co-op corporation or of other unit owners.

Fidelity Bond (Employee Dishonesty) Insurance

Fidelity/crime insurance listing the HOA as the insured in an amount equal to at least 3 months of HOA assessments on all units in the project is required for all condo projects with the following exceptions:

- Condo projects reviewed under the Limited Review process
- Condo projects consisting of 20 units or less
- Condo projects requiring insurance coverage of \$5,000 or less

Site Condos

Coverage for site (detached) condominiums is determined under the same requirements as 1 to 4 family properties.

HO-6 (Walls-in coverage)

If interior improvements to individual condominium or PUD units are not included in the terms of the master insurance policy for that association, the borrower is required to obtain an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event. The HO-6 policy will insure the betterments and improvements made by the homeowner to the interior of their unit.

Amount of Coverage

- An amount sufficient to repair the condo unit to its condition prior to a loss, as determined by the insurer (documentation from the insurer such as a replacement cost estimator, cost approach or opinion of value will be required)
- A Guaranteed Replacement Cost endorsement ensures full insurable value replacement cost coverage

Evidence of Insurance

The HO-6 evidence follows the same requirements as a policy for a 1 to 4 family property. See that section above for details.

Deductible

- The maximum deductible is 5% of the face amount (the dwelling coverage) of the policy.

NOTE: An HO-6 policy is hazard insurance; therefore, standard escrow/impound account requirements apply.

Planned Unit Developments (PUD's)

Insurance requirements for a PUD project depend on the Association in charge of the project.

The association documents can either:

- Allow units to be insured by the homeowner in full. In this scenario, following the 1-4 family insurance requirements is acceptable.
- Insure units via Master Policy. Evidence of sufficient insurance coverage for both the common elements and residential structures is required.

Amount of Coverage

- 100% of the insurable replacement cost of the project improvements, including the individual units; an insurance policy that includes either **Guaranteed Replacement Cost**, **Extended Replacement Cost** or **Replacement Cost** coverage ensures full insurable value replacement cost coverage.
- Policy to state coverage includes "Walls-in", "all-in" or "all-inclusive" otherwise an HO-6 policy obtained by the homeowner will be required.
- Coverage term must have 60 days remaining as of date of closing or statement from agent that renewal policy is not available will be required.

Evidence of Insurance

A Master or blanket policy with an existing Policy Number must contain all the following:

- Borrower’s name(s) and address including the Unit #
- Policy inception and expiration dates must be clearly indicated.
- Insurance carrier and agent must be clearly indicated with contact information including address and phone number.

Deductible

The maximum deductible is 5% of the face amount (the dwelling coverage) of the policy.

Fidelity Bond Insurance is not required on a PUD.

A Building Ordinance or Law Endorsement for project policies is not required if it is not applicable; nor is it required if it is not obtainable in the insurance market available to the association.

USDA

The deductible on a USDA loan should not exceed:

- 1% of the policy coverage, or
- The minimum deductible offered by the borrower’s chosen insurance carrier.

If the borrower is unable to find a policy with either deductible above, on a case-by-case basis, it may be acceptable to consider a policy where the deductible is 5% of the total coverage amount so long the lender documents the applicant’s repayment ability based on the deductible selected is reasonable and will not cause undue hardship on the applicant.

Escrows

Effective immediately, FLCBank will not accept escrows for any elective insurance. Elective insurance is any coverage not required by state law or Agency guidelines.

HELOC/CLOSED END MORTGAGE

A mortgagee clause is required for each lien which should include the mortgagee information and loan number for each lien.

PIGGYBACK HELOC/CLOSED END SECOND MORTGAGE LIEN

There must be a Second Mortgagee Clause Form which should include the mortgagee information and loan number for both loans.

Mortgagee

Broker

Florida Capital Bank, N.A.
ISAOA ATIMA
P.O. Box 551390
Jacksonville, FL 32255-1390

Correspondent

Lender’s name as reflected on
the Note/Security Instrument
ISAOA ATIMA
(Lender’s address)

OR

Florida Capital Bank, N.A.
ISAOA ATIMA
P.O. Box 551390
Jacksonville, FL 32255-1390