

Legacy SunTrust Bank/Truist Construction Loan Insurance Requirements

Important Note

- When referencing Truist designations in insurance documents, the document/policy must read: "Truist Bank, its successors and assigns, as their interests may appear."
- For property insurance policies, Truist Bank is to be listed as Mortgagee and Loss Payee.
- For liability insurance policies, Truist Bank is to be listed as Additional insured.
- Put the loan number on the policy documents: Loan Number_____.
- Any deviation from the above may delay the closing.

Truist requires delivery at least five business days prior to closing of evidence of insurance reflecting coverage for a period of at least twelve months. All insurance coverage must be provided by one or more carriers, each with an A.M. Best Guide rating of at least "A-." Such evidence of insurance may be (1) a copy of the policy; (2) a copy of the declarations page; or (3) insurance certificates (ACCORD Form 28 for property and rent loss coverage and on ACCORD Form 25 for general liability).

The requirements set forth below are minimum standards and Truist Bank may require additional coverage if deemed prudent by Truist.

All insurance documentation for construction loans must be included in the closing documentation sent to Truist Bank. If for any reason evidence of insurance for construction loans is not in the closing documentation package, it must be sent to:

Hazard Insurance Mortgagee Clause:

Truist Bank, Its Successors and/or Assigns,
As Their Interests May Apply (ISAOA/ATIMA)
As Mortgagee (*and Lender Loss Payee - as applicable*)
PO Box 200019
Kennesaw, GA 30156-9246

Flood Improved RE Mortgagee Clause:

Truist Bank, Its Successors and/or Assigns,
As Their Interests May Apply (ISAOA/ATIMA) as Mortgagee
PO Box 200019
Kennesaw, GA 30156-9246

- 1. Builder's Risk Insurance (Construction and Renovation Loans only):** Construction and renovation loans secured by the real property collateral for which Truist Bank provides financing must be covered by Builder's Risk Insurance. Builder's Risk Insurance should be written on a "Completed Value Special Cause of Loss Form" covering damage due to any cause (including the negligence of the insured) not otherwise expressly excluded. The policy must include endorsements for windstorm and all the extended coverage perils such as vandalism, malicious mischief, employee dishonesty, law and ordinance, and other broad form perils. The policy must provide the following:
 - a. The minimum amount of coverage provided by the policy must be the lesser of (1) the loan amount (preferred) or (2) project costs of construction (excluding land value). In some circumstances, the Bank's Real Estate Construction Administration Department (RECAD) may require the more conservative approach.
 - b. Provide for a deductible of not more than \$50,000 for transactions of \$2.5 million or less and a deductible of not more than \$100,000 for transactions greater than \$2.5 million.
 - c. Contain a Mortgagee clause in favor of Truist Bank, its successors and assigns, as their interests may appear, at the address designated above.
 - d. When construction is complete, the borrower must provide evidence of a permanent hazard insurance policy. It is possible that the Builder's Risk Insurance policy may be extended to continue property coverage for a period of time after completion; if this is the case, then this must be verified by the insurance agent in writing and accepted by Truist.
- 2. Liability Coverage:** Liability Insurance of \$1.0 million per occurrence and \$2.0 million aggregate is required for transactions greater than \$500,000. Truist Bank, its successors and assigns, as their interests may appear, must be designated as an Additional Insured under this coverage at the address designated above.
- 3. Cancellation Provision:** The policy cancellation provision must obligate the insurance carrier to provide Truist a 30-day notice of cancellation or material change (cancellation clause should not contain "endeavor to notify" language). Notice of cancellation or material changes of a policy must be sent to the Truist Bank, its successors and assigns, as their interests may appear, at the address designated above.
- 4. Protect Insured Interest in the Premises:** Insurance provisions in the Truist Security Instrument must allow Truist to force place a policy of property insurance on the Premises at Borrower expense if, at any time, Truist deems its collateral to be underinsured or uninsured. Guidance on this provision can be found in the sample security document provided to the documentation preparation and/or closing attorney.

5. **Flood Zone:** Special Flood Hazard Area Determinations are provided by Truist's third-party vendor. Flood Insurance will be required if any of the Premises is situated in Zone "A" or "V" as depicted in the most recently amended Federal Emergency Management Agency (FEMA) designation maps for Special Flood Hazard Areas. Furthermore, should FEMA reclassify the land on which the improvements are situated as a Zone "A" or "V" Special Flood Hazard Area, Truist will require the Borrower to purchase such coverage.

For the Regular Program (participating community), the required minimum amount of Flood Insurance is for the lesser of:

- All outstanding liens including the new loan, or
- The Insurable Value, i.e. the greater of Cost-Basis Appraisal or Hazard Insurance amount of the improvements, or
- The maximum of \$250,000 for a single family dwelling (contents coverage \$100,000); or
- The maximum of \$250,000 for other residential (includes apartment buildings), or
- The maximum of \$500,000 for non-residential buildings (contents coverage \$500,000).

Special Rules for Condominiums:

- The borrower must provide evidence that the governing body—the condominium association—has a flood insurance policy in place before Truist can close a loan to an individual owner.
- For low-rise or high-rise condominiums, the FEMA maximum insurance attainable for the structure is \$250,000 multiplied by the number of units in the structure, or 100% of the replacement cost of the entire building.
- If the Master Policy does not provide enough coverage for the individual unit, Truist can require the borrower to obtain additional insurance.

Truist, at its discretion, may require coverage if the improvements are situated in a FEMA Zone "B."

6. **Earthquake or Sinkhole Insurance:** Properties located in seismically active or areas prone to geologic instability and mini subsidence must be inspected by qualified structural or geological engineer satisfactory to Truist and at the Borrower's expense. The property must be structurally and geologically sound and capable of withstanding normal seismic activity or geological movement. Truist reserves the right to require earthquake insurance or mine subsidence insurance at its discretion.