



INSURANCE PROCEDURES

General Information

It is the policy of the Bank to require insurance coverage on all loans secured by real estate (commercial, mixed use, multi-family and residential). Such insurance is a covenant on all loans and proof of insurance is required prior to closing. The Loan Administration Dept. is responsible to ensure that all portfolio loans have sufficient insurance coverage, and that insurance is maintained throughout the time the loan is on the Bank's books.

An Insurance Renewal Letter or Hazard Insurance Authorization and Requirements document is signed at closing by the Borrower. These documents along with the Covenants Agreement state that the mortgagors may retain their initial insurance policies. The Bank will accrue for the payment of insurance premiums in the mortgagor's escrow account and will make payment upon receipt of an insurance bill/policy. Insurance from an insurance company acceptable to the Bank is required.

On a monthly basis, the "Insurance" report is generated from Horizon 360 and reviewed by the Loan Administration escrow team. An invoice and renewal policy is requested from the insurance broker, insurance company and/or the borrower prior to the insurance expiration date (usually 2-3 weeks before the current insurance expires). The request is done by telephone, fax, e-mail and/or by mail. After the invoice and renewal documentation is received, the new policy terms are reviewed for to make sure that:

- ❑ The new term is at least 12 months and will provide for continuous coverage from the previous term.
- ❑ The coverage amount is at least the lesser of the loan amount or replacement cost.
- ❑ Quontic Bank is listed as the mortgagee.
- ❑ All Borrower and collateral information is accurate.

Once the new policy and invoice are reviewed, the insurance is disbursed according to the escrow disbursement procedures. The new proof of insurance along with the invoice are saved to the designated loan administration shared drive. Acceptable proof of insurance is the Insurance Policy, Declaration Pages, Evidence of Property Insurance, or an Insurance Binder which is valid for up to 90 days from the issue date. If the date on the Binder is less than 90 days, the expiration date on the Binder is the valid date.

The Bank's loan servicing system is then updated with the new insurance information on the Insurance Escrow Screen

Flood Insurance

All real estate loans require a flood certification to be performed prior to closing. A Flood Certificate (Standard Flood Hazard Determination Form (SFHDF) is ordered prior to closing by the loan processor through the designated flood vendor. When a property securing a loan is located in a Special Flood Hazard Area (SFHA) in which flood insurance is available under the Flood Disaster Protection Act (FDPA), a Bank may not make, increase, extend or renew any mortgage loan unless that property is covered by flood insurance for the full term of the loan. All loans will be escrowed for flood insurance when flood insurance is required.

If it is determined that the property is located in a flood zone:

- 1) Flood Insurance is required prior to closing. The underwriter is responsible to ensure that all open conditions (including flood insurance) are satisfied prior to clearing the file for closing.
- 2) The underwriter obtains a copy of the flood policy, declaration pages, Accord 27, or Binder and verifies that the appropriate coverage amount is in force.

Either, the lesser amount of:

- a. The outstanding principal balance of the loan or
- b. The maximum amount of insurance available under the National Flood Insurance Program (NFIP) which is the lesser of:

The maximum limit available for the particular type of structure (\$250,000 for a residential structure with the exception of non-condominium residential buildings designed for use for five or more families, classified as "Other Residential Buildings" by the NFIP is \$500,000 (New coverage limits are available for new policies, policy renewals, or existing policies with change endorsements that are effective on or after June 1, 2014). The maximum contents coverage for all policies covering Other Residential Buildings will remain at \$100,000 per policy. If a financial institution (or its servicer) receives notification of the increased flood insurance limits available for an Other Residential Building securing a designated loan, the agencies expect the institutions they supervise to take any steps necessary to determine whether the property securing that loan requires increased flood insurance coverage; And \$500,000 for a non-residential structure or The "insurable value" of the structure.

- 3) The Loan Administration funding department checks that the flood certification along with flood insurance is available prior to funding the loan closing.

In both circumstances, flood will be monitored for the life of the loan through the Bank's flood vendor to ensure the property has not been rezoned and will be adversely affected by the change.

Force Place Insurance Procedures

If proof of insurance (hazard, liability, flood, etc.) is not provided to the Loan Administration escrow department. by the expiration date or if a cancellation notice is received, the escrow department will call the insurance agent/broker and/or the Borrower to inquire about the non-renewal. If non-renewal is due to non-payment then further investigation will be required. The Bank escrows for insurance and if not, proof of payment is requested from the Borrower. If non-renewal is for any other reason, a letter is mailed to the Borrower informing him that if the Bank does not receive renewal certificates before the insurance expiry date, the Bank will force place a policy on the property. The Loan Administration Dept. will also call, mail and/or email the Borrower as well as the Loan Officer regarding the non-renewal of his/her insurance.

If there is no response from the broker/agent on file or from the Borrower, the following steps are taken to force place a hazard or flood insurance:

- Go to the website: <https://intrex.leeandmason.com> and log in.
- Navigate to the "New Order" tab and enter the loan number.
- Fill out the required information.
- Hazard, Liability and/or Flood insurance must have QB as loss payee.
- Coverage must be equal to loan amount or full replacement cost.
- See Flood Insurance procedures for coverage amounts required.
- Obtain the new policy by navigating to "Search" tab and entering the loan number.
- Save a copy of the policy on the customer folder.



After insurance is force placed, a letter is mailed to the Borrower advising that insurance has been force placed due to a cancellation notice, and failure of a response by the Borrower and /or the broker/agent, after numerous attempts were made by the Bank. When an invoice is received by the Bank, the Borrower's escrow will be charged for the force placed coverage.

When sufficient proof of insurance is received by the Bank, the forced place coverage is removed by going to the designated website. All new insurance information is updated on the Bank's core operating system and scanned to the customer folder.