

NOTICE TO BORROWERS AND INSURANCE AGENTS

Multifamily Division

THE DEED OF TRUST REQUIRES THAT YOU PROVIDE AND MAINTAIN INSURANCE THAT MEETS UMPQUA BANK'S (THE "BANK") REQUIREMENTS. BANK REQUIRES THAT BORROWER OR TRUSTOR BE NAMED AS INSURED AND WILL ACCEPT NAMED AS ADDITIONAL INSURED WITH ANY OTHER PARTY. OUR GENERAL REQUIREMENTS ARE OUTLINED BELOW. PLEASE REVIEW THESE REQUIREMENTS WITH YOUR INSURANCE

The insurance requirements stated below do not modify any provisions of the loan documents regarding insurance. They represent the minimum requirements of the Bank and specific insurance requirements for your loan may vary and are subject to the Bank's receipt of the appraisal and, if applicable, environmental, property condition, or seismic reports.

- **ACCEPTABLE INSURANCE CARRIERS:**

Minimum general policyholder's rating of "B++, Class VII" or better in most recent A.M. Best's Key Rating Guide. Each insurance carrier must be admitted to do business in the state where the mortgage property is located.

- **SPECIAL ENDORSEMENTS:**

All policies, except liability insurance, are to contain a standard non-contributory mortgagee clause commonly accepted by private institutional investors, as appropriate for the type of coverage, and reflect the mortgagee as "Umpqua Bank, its successors and/or Assigns." A Lender's Loss Payable endorsement (form CP 12 18 or 438 BFU NS) in favor of "Umpqua Bank, ISAOA" is required. The policy must provide that the insurer notify the Bank and its assigns at least thirty (30) days in advance for any material change or reduction to the policy, non-renewal, termination, or cancellation and at least ten (10) days in advance for non-payment of premium.

- **INSURANCE COVERAGE:**

Special Extended Coverage (Causes of Loss-Special Form) - Special Form Extended Coverage (Causes of Loss - Special Form CP 10 30 06 07 or its equivalent) is required for all properties, and must include insuring against loss or damage sustained by reason of fire, vandalism, malicious mischief, sprinkler leakage, water damage, collapse, including but not limited to, lightning, windstorm, hail, explosion, aircraft, vehicles, smoke, riot, strike, and civil commotion. Terrorism coverage must not be excluded from coverage for non-residential properties or for multifamily properties with fifty or more units. Mold must be included on any mortgage property when mold issues are identified in the appraisal or the mortgaged property is located in a high mold region. The insurance coverage must provide for claims to be settled on 100% replacement cost basis without deduction for depreciation. The amount of the Special Extended Coverage insurance shall be equal to or greater than the lesser of (1) 100% of the full replacement cost of all improvements to the mortgaged property, or (2) the amount of the mortgage loan plus the amount owing on any senior liens. Co-insurance, or any provision in the policy providing a loss payment less than 100% of replacement cost, without deduction for depreciation, is expressly prohibited.

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Loss of Income Coverage - Insurance coverage against loss of rents from any cause, without exclusion, is required for all properties. Rent loss insurance (also known as business interruption insurance) must be in a minimum amount equal to the aggregate annual amount of all rents and additional rents payable by all of the tenants under the leases (whether or not such leases are terminable in the event of a fire or casualty). The deductible cannot be greater than the maximum deductible applied to the property coverage.

Boiler and Machinery Coverage - **A general boiler and machinery insurance coverage is required if the property has more than eight rental units and steam boilers, pipes, turbines, engines, and/or other pressure vessels are in operation at the property. Such coverage must be in a minimum amount equal to 100% of the full replacement cost (without deduction for depreciation) for the buildings housing the equipment and insure against loss or damage from: (i) leakage of the sprinkler systems; and (ii) explosion of steam boilers, air conditioning equipment, high pressure piping, machinery and equipment, pressure vessels or similar apparatus. A rider to include electrical machinery, equipment, air conditioning, refrigeration, and mechanical objects should be obtained. A joint loss clause must be included if boiler and machinery coverage is provided under a separate policy. Claims are made on an accident basis.**

Ordinance and Law Coverage - If the appraisal has identified the property as being a legal but non-conforming use to current zoning, the Bank may require Ordinance and Law Coverage. Ordinance and Law Coverage consists of Demolition Coverage, Increased Cost of Construction and Contingent Liability from Operation of Building Laws (Loss to the Undamaged Portion of the Building). The standard ISO endorsement is CP 0405 for Commercial policies. Any endorsements other than CP 0405, or its equivalent, **must have prior approval from the Bank.**

Business Contents Coverage - If Bank is taking a security interest in business assets, Business Contents Coverage is required.

Builders Risk Coverage - All mortgaged properties under construction require Builder's Risk insurance coverage. During the period of any new construction on the mortgage property, "Builder's All Risk Completed Value" or "Course of Construction" insurance coverage is required for any improvements under construction, including without limitation, for demolition and increased cost of construction or completion, including "soft cost" coverage, and Worker's Compensation insurance covering all persons engaged in such construction, in an amount at least equal to the minimum required by law. In addition, each contractor and subcontractor may be required to provide the Bank with a certificate of insurance evidencing (i) Worker's Compensation insurance covering all persons engaged by such contractor or subcontractor in the construction of the mortgage property in an amount at least equal to the minimum required by law, (ii) general liability insurance showing minimum limits of at least \$500,000, including coverage for products and completed operations, and (iii) the borrower and the Bank as additional insured parties.

Workers Compensation and/or Employee Liability Coverage - may be required if the mortgagor/borrower has any employees on site at the mortgaged property.

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- **FLOOD INSURANCE:**

Flood insurance is required for each building and its contents if any portion of the mortgaged property is located in an area identified by the Federal Emergency Management Agency ("FEMA") as an area having special flood hazards under the National Flood Insurance Act of 1968, as amended. Minimum coverage is the lesser of the loan amount or the maximum limits established under the National Flood Insurance Program ("NIFP"). The maximum limits set by NFIP are \$500,000 for each non-residential building and \$250,000 for each residential building (1-4 units). Each building on the mortgaged property must be insured separately with an amount allotted for flood coverage. Each freestanding carport, garage, laundry room, utility room, pool house and club house with at least 3 walls and a roof must be insured separately. Flood insurance is required on personal property contents: washers, dryers, curtains, pool equipment, portable equipment: air conditioners, microwave ovens, food freezers and dishwashers. The maximum deductible is the greater of \$10,000.00 or 1% of the loan amount; unless a greater deductible is required by law. All other requirements as outlined for Special Form coverage.

The Bank will accept as evidence either 1) the flood insurance policy declaration pages indicating an effective date on or before the initial disbursement of loan proceeds, or, 2) a completed, signed flood insurance application and proof of payment of premium. Evidence of payment for flood insurance must be provided to Bank in the form of a cancelled check, copy of a bank statement (screen shot of an online banking statement or account activity reflecting a debit charge to the account), or a copy of a credit card receipt. The documentation evidencing effective flood insurance must also reflect the hazard zone.

- **GENERAL LIABILITY INSURANCE:**

Commercial General Liability insurance (Broad Form) is required for all properties. Deductibles and self-retentions are generally unacceptable and require prior approval by the Bank. Such insurance policy shall have an aggregate limit for bodily injury or death in an amount not less than \$2,000,000, and a limit for bodily injury or death in any one accident or occurrence or for property damage in an amount not less than \$1,000,000. Claims are to be made on an occurrence basis. Coverage must list Borrower as Name Insured and the Bank as an Additional Insured. An Additional Insured endorsement in favor of the Bank must be attached to the policy and reflected on any ACORD 25 form provided to the Bank.

- **DEDUCTIBLES:**

Excluding earthquake insurance, the maximum deductible allowed is the greater of \$10,000 or 1% of the loan amount, unless a greater deductible is required by law.

- **TERM:**

For purchase transactions, the policy must be written for a term of one year from issuance. On a refinance loan, the current policy may be acceptable providing a minimum of three (3) months coverage beyond the loan funding date remains before expiration.

- **EFFECTIVE DATE:**

The policy must be effective on or prior to the date of loan closing (excluding flood coverage, which must be in effect prior to the date the borrower signs the loan documents).



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• **POLICY/CERTIFICATE REQUIREMENTS:**

1. Prior to the loan closing, Bank must be in possession of an evidence of insurance (ACORD 28). The ACORD Form 28 must contain the signature of the insurance agent. If a certificate of insurance form is provided in lieu of a certified copy of the policy, copies of lender loss payable endorsement must be attached to the certificate. Insurance binders (including ACORD Form 25) are not acceptable as evidence of property coverage. The ACORD Form 25 is acceptable, however, for evidence of liability insurance coverage.
2. For loan amounts of \$2,500,000 or greater, the original policy, or a certified copy (certified by the insurance agent to be complete and correct), must be in the Bank's possession no later than sixty (60) days after the loan has funded.
3. Each property coverage policy must contain the **Standard Mortgagee Clause and the Lender's Loss Payable endorsement (Form CP 12 18 or 438 BFU NS), in favor of "Umpqua Bank, its subsidiary or its affiliate, ISAOA, P.O. Box 1580, Roseburg, OR 97470-0367.**
4. The Named Insured on all policies must be identical to the borrowing entity's name, or the borrowing entity must be included as an Additional Insured.
5. Must show the policy number and the Bank's loan number.
6. The property address of each building must be listed in the policy/certificate.
7. Excluding earthquake insurance, the maximum deductible allowed for property insurance coverage is the greater of \$10,000 or 1% of the loan amount, unless a greater deductible is required by law.
8. The initial, first year's policy premium must be paid in full prior to loan funding and may not be financed. Paid receipts must be provided for the premiums on all policies.
9. Must show the Bank as Certificate Holder and as an Additional on the certificate of liability insurance submitted to Bank.

The above requirements were designed to protect UMPQUA BANK'S security interest in the property. To ensure that your property is fully protected, you should consult with your agent. If there are any questions regarding these requirements, please contact our offices at (800) 286-4949.

I/We have read the forgoing Hazard Insurance Requirements and understand that I/We must be in compliance with such requirements prior to the date of the loan funding as well as throughout the term of the loan.

Borrower: _____

Date: _____

Borrower: _____

Date: _____

Borrower: _____

Date: _____

