



The insurance requirements on a construction-to-permanent loan are more complex than on a standard permanent loan. During the construction of the home, the borrower has additional risk that he or she doesn't normally have on a home that is already built. **Besides the standard Hazard Insurance that is required**, there are three other principal requirements with insurance on this type of loan.

**Course of  
Construction**

**Course of Construction Casualty Insurance** is in the form of an "all risk" policy with fire, extended coverage, builder's risk, replacement cost, vandalism and malicious mischief insurance coverage. The owner is named as insured with the insurable value equal to the replacement cost of the improvements or the loan amount, whichever is lower. The Lender is named as the mortgagee under the policy. Once the improvements are completed and the permanent phase begins, the course of construction policy is usually converted to a standard "all risk" homeowner's policy.

**Workers'  
Compensation**

**Workers' Compensation policy or endorsement.** Covering the contractor, subcontractors and others who will be working on the subject property. The contractor typically provides this policy, thus the contractor should be named as the insured. In states where workers' comp insurance is not required or the borrower is acting as his or her own general contractor, a waiver is required to be executed.

**General Liability**

**General Liability Insurance** in the form of a comprehensive general policy or included as a broad form liability endorsement. The borrower or the general contractor can provide this. If the borrower provides the insurance, a minimum amount of \$300,000 for each occurrence is required, extended to both property and personal injury. If the contractor is providing the insurance, a comprehensive general policy of at least \$1,000,000, or a policy including broad form liability endorsement is required.

**Flood Insurance**

**Flood insurance** is required if any of the property improvements lie in Flood Zone A or Flood Zone V. Flood insurance is not required if the subject property is in Flood Zone X, or if a letter is obtained from FEMA stating that the applicable maps have been amended such that the subject property no longer lies in a flood zone.

If your Insurance Agent is not familiar with insurance for Construction, Rehab or Construction-to-Perm transactions, contact your Pacifica South Bancorp Representative for a referral to a Insurance Broker in your area.

Pacifica South Bancorp is not a licensed insurance agent and does not warranty or endorse any insurance agency or brokerage.