

**CALIFORNIA HOUSING FINANCE AGENCY
INSURANCE REQUIREMENTS - CONSTRUCTION RISK
MHSA SHARED HOUSING RESIDENCES**

Prior to construction loan closing, the Borrower shall procure, maintain, and provide proof of, all required insurance coverage during the term of the construction loan. Such insurance shall provide coverage against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Borrower, its agents, representatives, employees, contractors or subcontractors. All required evidence of insurance coverage must be in the form of a certificate of insurance and policy endorsements acceptable to the California Housing Finance Agency ("CalHFA").

All insurance certificates must include the following:

- NAIC Number for each insurer affording coverage
- Project Name
- Project Address
- Insurance Contact Information, including name and telephone number
- Assigned Policy Number
- Exact name of the operating entity that legally owns the Project listed as the "Named Insured".
- If the "Named Insured" on any insurance policy is different from the name of the Project, then the Certificate of Insurance/Evidence of Property should state, in the "Description" section, both (1) the name of the Project; and (2) the name of the operating entity that legally owns the Project.
- CalHFA Number

The insurance information referenced above must be sent to CalHFA at the following address:

CalHFA, Multifamily Programs
P.O. Box 4034 / MS 1460
Sacramento, CA 95812

Acceptability of Insurers

Insurance must be placed with insurers with a current A.M. Best rating of no less than **A-:VII**. In the event the insurer's A.M. Best rating declines below A-:VII, Borrower is required to provide a replacement policy from another acceptable insurer within 10 business days.

Insurance policies shall be produced by companies licensed to do business in the State of California.

MINIMUM SCOPE OF INSURANCE AND MINIMUM LIMITS OF INSURANCE

Borrower's Insurance Requirements

Borrower's insurance shall include all contractors as insureds under its policies or shall furnish separate certificates and endorsements for the general contractor to CalHFA for review and approval. Borrower shall have insurance coverage that shall be at least as broad as:

1. Commercial General Liability Insurance - Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001 12 07).

General Liability: **\$1,000,000** per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

CalHFA to be named as both additional insured (provide endorsement) and as a certificate holder (ACORD 25),

2. Business Automobile Liability Insurance - Insurance Services Office Form Number CA 0001, or its equivalent, covering Automobile Liability Symbol 1 (any auto), if the entity owns automobiles. An entity without autos should have "non owned and hired" coverage, covered auto Symbols 8 & 9. Automobile Liability: **\$1,000,000** combined single limit for bodily injury and property damage.

CalHFA to be named as both additional insured (provide endorsement) and as a certificate holder (ACORD 25).

3. Workers' Compensation Insurance - Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

Workers' Compensation: Statutory Limits

Employer's Liability: **\$1,000,000** per accident for bodily injury or disease. Any entity without employees needs to provide written statement stating that they do not have any employees.

CalHFA to be named as a certificate holder (either on ACORD 25 or CA State Compensation Insurance Fund certificate).

4. Course of Construction/Builder's Risk Insurance (evidence of insurance presented on an executed ACORD 28 or equal specificity). Course of Construction insurance covering "Special Form" perils (all risks of loss less policy exclusions) on the structure, materials on and offsite, and materials in transit. Builders Risk insurance shall be provided on a Completed value form (reporting forms unacceptable without prior written approval from CalHFA); coinsurance penalty provisions shall be waived for Builders Risk policy protecting the project.

Course of Construction/Builder's Risk Insurance must be provided on a "Special Form" perils ("all risk") basis insuring the interests of CalHFA, the Borrower and contractors. The Borrower and (or the General Contractor, if so designated) shall be responsible for any loss within the deductible amount of the insurance.

Course of Construction policies shall contain the following provisions:

- A. CalHFA shall be named as Loss Payee with a "Lender's Loss Payable endorsement, at least as broad as form 438 BFU NS. This endorsement, specifically naming CalHFA, shall be effective immediately and be provided in hard copy within 30 days of project funding.

- B. The insurer shall waive all rights of subrogation against CalHFA.
- C. A "Permit to Occupy" endorsement shall be provided prior to any occupancy and before the property receives its substantial notice of completion. Otherwise, permanent property coverage shall be in place prior to either occupancy or substantial completion, whichever is earlier. This endorsement shall not be required if the borrower provides evidence that the insurer has consented to continuance of occupancy during construction under its policy.

If the project does not involve new or major reconstruction, at the option of CalHFA, an Installation Floater may be acceptable. For such projects, a Property Installation Floater shall be obtained that provides for the improvement, remodel, modification, alteration, conversion or adjustment to existing buildings, structures, processes, machinery and equipment. The Property Installation Floater shall provide property damage coverage for any building, structure, machinery or equipment damaged, impaired, broken, or destroyed during the performance of the Work, including during transit, installation, and testing at the entity's site. Notwithstanding the foregoing, Fire insurance protecting the existing structure(s) (improvements) shall still be provided for "Special Form" perils and for actual cash valuation.

Where renovation work is less than \$100,000 and subject to adequate representation from borrower's insurance company that the scope of work is acceptable and covered within the provisions of the borrower's Property Insurance policy, no additional Special Form or Installation Floater provisions are required.

Contractor's Insurance Requirement

All coverages for Contractors shall be subject to all of the same requirements as the Borrower for the following insurance requirements:

1. Commercial General Liability Insurance - Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001) or its equivalent.

General Liability: **\$1,000,000** per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

Coverage for products and completed operations must remain in force for at least twelve (12) months following acceptance of the work by CalHFA.

CalHFA to be named as both additional insured (provide endorsement) and as a certificate holder (ACORD 25).

2. Business Automobile Liability Insurance - Insurance Services Office Form Number CA 0001, or its equivalent, covering Automobile Liability Symbol 1 (any auto), if the Contractor owns automobiles. If the Contractor does not own automobiles, the Contractor shall provide "non owned and hired" automobile coverage, covered auto Symbols 8 & 9.

Automobile Liability: **\$1,000,000** per accident for bodily injury and property damage. An entity without autos shall provide proof of "non owned and hired" coverage.

CalHFA to be named as both additional insured (provide endorsement) and as a certificate holder (ACORD 25).

3. Workers' Compensation Insurance - Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance. Workers' Compensation: Statutory Limits; Employers Liability: not less than \$1,000,000 each accident or disease.

Any entity without employees needs to provide written statement stating that they do not have any employees.

CalHFA to be named as a certificate holder (either on ACORD 25 or CA State Compensation Insurance Fund certificate).

4. Professional Liability (required if plans and specifications are being recommended by Contractor or is Design/Build), with limits no less than \$1,000,000 per occurrence or claim and in the annual aggregate.

Architect, Engineer and Other Licensed Professionals Insurance Requirements

All Architects, Engineers and other licensed professionals shall be registered to practice within the State of California. A California licensed Architect is required on all projects with 16 apartment units or more. For smaller developments, a licensed Engineer may be acceptable.

1. Architects and Engineer's Professional Liability (Errors & Omissions) Insurance in an amount not less than **\$1,000,000** per occurrence. If professional liability is provided on a "claims made" policy form, such policy form shall maintain a "retroactive date" no later than the date services begin and shall be maintained for at least one year following notice of substantial completion of the project.
2. Commercial General Liability Insurance - Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001 or equivalent).

General Liability: **\$1,000,000** per occurrence for bodily injury, personal injury and property damage and completed operations. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

CalHFA to be named as both additional insured (provide endorsement) and as a certificate holder (ACORD 25).

3. Business Automobile Liability Insurance - Insurance Services Office Form Number CA 0001, or its equivalent, covering Automobile Liability Symbol 1 (any auto), if the entity owns automobiles. An entity without autos should have "non owned and hired" coverage, covered auto Symbols 8 & 9. Automobile Liability: **\$1,000,000** combined single limit for bodily injury and property damage.

CalHFA to be named as both additional insured (provide endorsement) and as a certificate holder (ACORD 25).

4. Workers' Compensation Insurance - Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance. Workers' Compensation: Statutory Limits; Employers Liability : not less than \$1,000,000 each accident or disease.

Any entity without employees shall provide written statement stating that they do not have any employees.

CalHFA is to be named as a certificate holder (either on ACORD 25 or CA State Compensation Insurance Fund certificate).

Deductibles and Self-Insured Retentions

Any deductibles in excess of \$5,000 must be declared and approved by CalHFA. Projects which will have a completed value (replacement value new) of \$5,000,000 or greater may utilize a property deductible of up to \$10,000.

Verification of Coverage

Borrower shall provide CalHFA with original certificates and amendatory endorsements for all required insurance coverage, in a form and substance acceptable to CalHFA prior to the closing of the construction loan and prior to the commencement of construction. CalHFA reserves the right to require complete, original copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time. Such coverage will be required until the final retention payment is released and permanent property insurance is in place.

Other Insurance Provisions

The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. CalHFA, its officers, officials, employees, and volunteers are to be covered as insureds with respect to liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of the Borrower; and with respect to liability arising out of work or operations performed by or on behalf of the Borrower including materials, parts or equipment furnished in connection with such work or operations.
2. For any claims related to this project, the Borrower's insurance coverage shall be primary insurance as respects CalHFA, its officers, officials, employees, and volunteers.
3. Each insurance policy required by this clause shall be endorsed, if available from underwriters, to state that coverage shall not be canceled except after thirty (30) days' prior written notice by U.S. mail has been given to CalHFA.
4. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code.

Railroad Protective Liability Insurance

Any exclusion or reduction in coverage due to the project's location at or near a railroad must be removed, or the Borrower shall obtain a separate Railroad Protective Liability policy acceptable to CalHFA. Required if property is within 50 ft. of railroad tracks.

Pollution Legal Liability Insurance

If Pollution Legal Liability coverage is required, Borrower shall obtain for the duration of the contract and for 24 months following acceptance by CalHFA, Pollution Legal Liability Insurance as respects services or operations under this agreement. Extended discovery period must be no less than 24 months.

Flood Coverage

If CalHFA determines that Flood insurance is required, Borrower shall obtain such coverage for the duration of the contract in an amount equivalent to the lesser of:

- the completed value of the project,
- the maximum amount allowed for the property under the National Flood Insurance Program (NFIP), or
- the outstanding balance of the loan.