

**INSURANCE REQUIREMENTS
FOR CALIFORNIA HOUSING FINANCE AGENCY
SNHP/MHSA SHARED HOUSING RESIDENCES**

Borrower shall procure and maintain for the duration of the SNHP/MHSA Loan, insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the operation of the premises to which this contract applies. During the Loan Term, the Borrower, at its sole cost and expense, shall at all times keep the SNHP/MHSA financed Shared Housing Property insured in the minimum amounts listed below.

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by CalHFA. At the option of CalHFA, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects CalHFA, its officers, officials, employees and volunteers; or the Borrower shall provide a financial guarantee satisfactory to CalHFA guaranteeing payment of losses and related investigations, claim administration, and defense expenses.

Notwithstanding the foregoing, the Borrower may select deductibles no greater than \$10,000 per occurrence on Property & Casualty, and no greater than five percent (5%) of the values per building per location at the time and place of the loss per occurrence on flood coverages.

Policy Requirements

All insurance policies shall: (a) be issued by insurance companies with a policyholder rating of at least "A:VII" in the most recent version of A.M. Best's Key Rating Guide; or an S & P Rating of AA; (b) be written by companies authorized to do business in the State of California; (c) provide that they will not be cancelled on less than thirty (30) days prior written notice to CalHFA; (d) in the case of (i) liability policies, contain a named insured endorsement and name CalHFA as Lender as "additional named insured," and (ii) in the case of property and casualty insurance and rental loss and business interruption policies, name CalHFA as the Lender, as "loss payee". Borrower shall have the right to satisfy all or any portion of its insurance obligation under this Agreement by obtaining one or more blanket insurance policies which cover multiple SNHP/MHSA Shared Housing properties.

Verification of Coverage

Policies must be acquired at initial occupancy and a certificate of insurance must be submitted to the Agency for approval thirty (30) days prior to the anticipated SNHP/MHSA Loan Closing Date. Renewal insurance certificates must be submitted to CalHFA Asset Management staff thirty (30) days prior to the expiration date of any current certificate.

Impounds

In the event the insurance policies required above are not maintained in full force and effect,

CalHFA may, but shall not be obligated to, obtain such policies of insurance with such carriers and in such amounts as it or they may consider appropriate, and associated costs shall be reimbursed by the Borrower.

Minimum Limits of Insurance for the Borrower:

Coverage shall be at least as broad as:

1. Property & Casualty. Special Form Building Coverage in an amount not less than the insurable value on a full replacement costs basis with inflation and building code upgrade endorsements.
2. Business Interruption/Extra Expense/Rent Loss Insurance. Special Form in an amount not less an amount equal to one hundred percent (100%) of the annual rental income; and Extra Expense policy limits of no less than Twenty Five Thousand Dollars (\$25,000).
3. Flood. Flood (but only when the Improvements are located in whole or in part within a FEMA-designated 100-year flood plain area);
4. General Liability. Claims for bodily injury or property damage under a policy of commercial general liability insurance with policy limits of not less than One Million Dollars (\$1,000,000.00) combined single limit and Two Million Dollars (\$2,000,000.00) in the annual aggregate.
5. Workers Compensation Insurance. If the Borrower has any employees, workers compensation insurance, at the maximum statutory amount required by the State of California.

The Agency may waive or modify the foregoing requirements in its sole and absolute discretion.

