

## **H. Insurance Requirements**

Owner shall procure and maintain for the duration of the loan, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the owners operation of the premises to which this contract applies. At closing, the sponsor must provide Asset Management with a copy of the insurance policy for both hazard and liability coverage with CalHFA named as additional insured.

### **Minimum Scope of Insurance**

Coverage shall be at least as broad as:

1. Project insurance written on a special form including theft basis covering real property and business income (rents).
2. Project insurance against the perils of earthquake and flood for both real property and business income (rents). This insurance coverage may be purchased through CalHFA.
3. With respect to hazard insurance on the project including Earthquake and Flood, CalHFA's interest shall be protected by a Lenders Loss Payable Endorsement naming CalHFA as "Loss Payee per form 438BFU or its equivalent.
4. Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001).

### **Minimum Limits of Insurance**

Owner shall maintain limits no less than:

1. Project Insurance: Full replacement cost with no coinsurance penalty provision for real property, and at least the annual gross potential rental income for the project for business or Actual loss sustained for the project for business income (rents) coverage.
2. General Liability: (Including premises, operations, products and completed operations.) **\$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 \$2,000,000.

### **Earthquake and Flood**

- A. Limit as provided through participation in the CalHFA Earthquake and Flood Coverage Program offered through the Agency, or

- B. For new proposed projects (new construction only), an application to the Agency's Multifamily Programs underwriting must be submitted for a waiver.
- C. For projects not covered by the CalHFA Program or granted a waiver, total replacement value (building replacement cost plus 12 months income (rents) with no coinsurance provision.

"Blanket" earthquake insurance policy programs will be considered on a case by case basis.

- 3. Equipment Breakdown Coverage: **\$1,000,000.**

### **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 owner shall provide a financial guarantee satisfactory to CalHFA guaranteeing payment of losses and related investigations, claim administration, and defense expenses.

Notwithstanding the foregoing, the owner may select deductibles no greater than \$10,000 per occurrence on and no greater than 5% of the values per building per location at the time and place of the loss per occurrence on Earthquake and Flood coverage.

### **Other Insurance Provisions**

Crime Coverage: CalHFA recommends, but does not require, Owner to carry insurance covering money or other property against burglary, robbery or theft.

Directors and Officers: CalHFA recommends, but does not require, liability insurance for directors and officers of non-profit boards.

The general liability policy is to contain, or be endorsed to contain, the following provisions:

- 1. The Owner's insurance coverage shall be primary insurance. Any insurance or self-insurance maintained by CalHFA shall be excess of the Owner's insurance and shall not contribute with it.
- 2. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled, reduced or modified except after thirty (30) days' prior written notice has been given to CalHFA.

3. CalHFA, its officers, officials, employees and volunteers are to be covered as additional insured with respect to liability arising out of ownership, maintenance or use of the premises.

#### **Acceptability of Insurers**

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII or an S&P rating of AA.

#### **Verification of Coverage**

Policies must be acquired at initial occupancy and a certificate of insurance must be submitted to the Agency for approval 45 days prior to permanent loan recordation. Renewal insurance certificates must be submitted 30 days prior to the expiration date of any current certificate.