

## **Insurance Requirements**

Owner shall procure and maintain for the duration of the loan, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the ownership, operation or use of the premises to which this contract applies. At closing, the sponsor must provide Asset Management with a copy of a certificate of insurance evidencing the coverage required by this agreement along with policy endorsements which name CalHFA as Loss Payee for property covers and as an Additional Insured for liability coverages.

### **Minimum Scope of Insurance**

Coverage shall be at least as broad as:

1. Property insurance written on a Special Form basis covering real property and business income (rents).
2. Property insurance against the perils of earthquake and flood for both real property and business income (rents). This insurance coverage may be purchased through CalHFA as part of a master program insuring the property subject to this loan, and other properties for which CalHFA has loans outstanding.

With respect to property insurance required above, 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. The Loss Payee endorsement is to be provided with an Evidence of Property Insurance.

3. Insurance Services Office Commercial General Liability coverage (occurrence Form CG 00 01).
4. Standard form Equipment Breakdown (Boiler & Machinery).
5. Automobile Liability: Insurance Services Office Form Number CA 0001 covering any auto (Code 1).

### **Minimum Limits of Insurance**

Owner shall maintain limits no less than:

1. Property Insurance:  
Special Form, Full replacement cost for real property and at least the annual gross potential rental income or Actual loss sustained, on the project for business income (rents) coverage.
2. 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 at least \$2,000,000.

### **3. With Respect to Earthquake and Flood Perils**

- A. Limit as provided through participation in the CalHFA Earthquake and Flood Coverage Program offered through CalHFA, or
- B. For new proposed projects (new construction only), an application to the Multifamily Program 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 business income (rents) with no coinsurance provision).

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

4. Equipment Breakdown Coverage: \$1,000,000.
5. Automobile Liability: \$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, the Owner shall have any unacceptable deductibles or self-insured retentions reduced or eliminated 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 property "Special form" ("all risk") perils, 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 perils. For general liability and automobile liability coverage's, any deductible shall not exceed \$10,000.

## **Other Insurance Provisions**

Crime Coverage: CalHFA recommends, but does not require, Owner to carry insurance covering money or other securities 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. 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. The additional insured endorsement must be provided with a Certificate of Liability Insurance.

## **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**

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 15 days prior to the expiration date of any current certificate. Complete copies of policies must be furnished upon request.

## **Policy Cancellation and Notice of Non-Renewal**

Owner shall provide to CalHFA's project asset manager within two (2) business days following receipt by Owner a copy of any notice of cancellation or non-renewal of insurance required by the loan. At the option of CalHFA coverage for the subject property may be placed by CalHFA with the full cost of such coverage being charged to the property.