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CALIFORNIA HOUSING FINANCE AGENCY INSURANCE REQUIREMENTS MULTIFAMILY LENDING

Prior to acquisition or construction loan closing, the Borrower shall procure and 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 damages to property which may arise from or in connection with the performance of the work hereunder by the Borrower, their 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 Loan Number

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

CalHFA, Multifamily Programs
500 Capital Mall, Ste. 1400
Sacramento, CA 95814

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 an **A:VII** rating, Borrower is required to provide a replacement policy from another acceptable insurer within 10 business days.

Insurance policies shall be written by companies licensed to do business in the State of California or authorized to transact insurance by the Department of Insurance for the state in which the project is located.

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 and 9. If the entity does not have any employees, hired and non-owned automobile liability requirement may be satisfied by evidencing this protection for the Managing General Partner (Developer).

Business 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. Commercial Property (aka Course of Construction or Builder's Risk) insurance (evidence of property insurance presented on an executed ACORD 28 or ACORD 27 with 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. Such property insurance shall be provided on a

completed value (reporting forms are unacceptable without prior written approval from CalHFA); coinsurance penalty provisions shall be waived by the insurer for such property insurance 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 the General Contractor shall be responsible for any loss within the deductible amount of the insurance.

Commercial property insurance for an occupied rehab or rehab of an existing structure may be provided by a combination of standard commercial property policy and Course of Construction/Builder's Risk policy so long as the terms of each policy are as broad or broader than the requirements indicated above. All such insurance shall provide for the full property value, including planned renovations or additions to the building, including "Special Form" perils and shall not be subject to a coinsurance penalty.

Course of Construction policies shall contain the following provisions:

- A. CalHFA shall be specifically named as Loss Payee with a "Lender's Loss Payable" endorsement, at least as broad as form 438BFUNS. This endorsement shall be effective immediately upon closing of the acquisition or construction loan.
- 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 notice of substantial completion. Otherwise, permanent property coverage shall be in place prior to either occupancy or substantial completion, whichever is earlier.

CONTRACTOR'S INSURANCE REQUIREMENT

All coverages for general contractors shall be subject to the same requirements as the Borrower for the following insurance requirements:

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

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).

Automobile Liability Insurance - Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto). An entity without autos should have "non-owned and hired" coverage.

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).

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

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).

ARCHITECT, ENGINEER AND OTHER LICENSED PROFESSIONALS INSURANCE REQUIREMENTS

***SNHP projects do not require Architect coverage if CalHFA is not first lienholder.**

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.

All coverages for Architects, Engineers and subcontractors shall provide:

1. Errors & Omissions Insurance or Professional Liability Insurance for no less than **\$1,000,000** per occurrence.
2. Commercial General Liability Insurance - Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001).

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).

3. Automobile Liability Insurance - Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto). An entity without autos should have

“non-owned and hired” coverage.

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).

4. Workers’ Compensation Insurance - Workers’ Compensation insurance as required by the State of California and Employer’s Liability Insurance. Workers’ Compensation: Statutory Limits.

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).

DEDUCTIBLES AND SELF-INSURED RETENTIONS

Any deductibles in excess of \$5,000 must be declared and approved by CalHFA. In addition, the Borrower shall provide a financial guarantee satisfactory to CalHFA for the payment of any resulting losses and related investigations, claim administration and defense expenses.

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, certified 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 to state that coverage shall not be canceled by either party, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to CalHFA. CalHFA shall be expressly endorsed onto the policy as a "cancellation notice recipient".
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.

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.