INSURANCE REQUIREMENTS

ALL POLICIES MUST INCLUDE THE FOLLOWING THE FOLLOWING LANGUAGE:

Named Insured: Borrower's Full Legal Name

EHAPCD Loan Number: XX-EHAPCD-XXX

Additional Named Insured: Department of Housing and Community Development and its officers, agents, employees, and servants must be named as an insured.

Endorsement: Lender's Loss Payable Endorsement naming the Department as Loss Payee.

Cancellation or Change Clause: Department must be notified 30 days prior to any change, non-renewal or cancellation of the insurance policy.

The Department shall be identified on all insurance documents as follows:

The Department of Housing and Community Development
P. O. Box 952054
Sacramento, CA 94252-2054

Attach agent’s signed certification of coverage on agent’s letterhead.

At close of escrow, the Department must receive a one-year prepaid Certificate of Insurance policy (or a binder followed by a certificate within thirty (30) days of loan closing) evidencing the following coverage:

1. GENERAL REQUIREMENTS:

   Property and liability insurance policies, a separate flood insurance policy (if applicable) and all renewals must be with a company that rates A- or better, and has a Financial Size of Class VIII or better in Best’s Key Rating Guide. The Department must approve exceptions in writing.

   All policies must name the Department as loss payee.
   All liability policies must name the Department as an additional named insured.

2. HAZARD (PROPERTY):

   A. Perils to be insured:

   Special perils for direct physical loss or damage to property, subject to policy exclusions, definitions, and limitations. Include coverage for the following perils:

   (1) Special form
   (2) Ordinance or law, including:
(a) Loss to undamaged portion of the building
(b) Demolition cost
(c) Increased cost of construction
(d) Increased period of restoration
(3) Back up of sewers and drains
(4) Flood special form

B. Covered Property: Real property improvements; and contents coverage.

(1) Property Covered: All real and personal property owned by the insured or in which the insured has an interest, or for which the insured may be legally liable or which the insured has agreed in writing to insure, including:

(a) Insurance also applies to all temporary structures on premises specified or within 100’ thereof
(b) Accounts receivable
(c) Valuable papers and records
(d) Fine arts
(e) Property in transit
(f) Fire damage legal liability – real property
(g) Trees, plants and shrubs

(2) Additional Coverage/Extensions (detail what items will not be included, if any):

(a) Business income, including:
   (i) Extended period of indemnity
   (ii) Contingent business interruption
   (iii) Off-premise power
   (iv) Extra expense, including from dependent properties
   (v) Interruption by civil authority
   (vi) Neighboring property
   (vii) Loss of rents/maintenance fees
   (viii) Expending expenses
   (ix) Increased period of restoration
(b) Soft costs
(c) Debris removal
(d) Pollutant clean-up and removal, including mold (sub-limit acceptable)
(e) Unnamed locations
(f) Newly acquired locations
(g) Waiver of subrogation

C. Limit of Insurance:

Blanket limit covering buildings, structures, and personal property with a separate blanket limit for business income.

D. Valuation:
In the event of loss or damage to the insured property, the basis of adjustment shall be:

1. All real property improvement and personal property replacement cost (unless a lesser amount is approved by the Department)
2. Valuable papers and records – value: the cost of reproducing or reconstructing
3. Fine arts – the lesser of market value, replacing or restoring the property
4. Loss of rents/extra expense – actual loss sustained or 90% coinsurance
5. EDP equipment – functional replacement cost

E. Deductibles:

$2,500 maximum deductible per occurrence; or $1,000 maximum deductible per occurrence if the completed project value is less than $300,000.
Flood may have alternative deductibles.

F. Co-Insurance:

90% coinsurance clause on policy: Preauthorized Agreed Amount endorsement Loss payee: Lenders Loss Payable Endorsement is required naming the Department as Loss Payee.

3. OTHER PROPERTY INSURANCE (WHEN APPLICABLE):

Flood Insurance: Coverage required to 80% of replacement cost if the property is located in a FEMA flood plain designation.

Boiler and Related (When applicable) 100% of Machinery: replacement cost coverage is required.

4. COMPREHENSIVE GENERAL LIABILITY FOR BODILY INJURY, PROPERTY DAMAGE AND PERSONAL INJURY ON A STANDARD ISO FORM:

Minimum amount: $1,000,000 per occurrence; $2,000,000 aggregate; $2,000,000 per occurrence for buildings with elevators; $4,000,000 aggregate.

Minimum amount: $5,000,000 per occurrence; $10,000,000 aggregate. May be provided by an umbrella or excess liability

For buildings valued At more than $10,000,000:

Minimum amount for $2,000,000 first story
Buildings over five stories: $1,000,000 per each additional story.

Medical payments: $25,000 per person optimum; $5,000 per person minimum
5. **OTHER COVERAGE:**

Workers Compensation: Required by state law if employees are involved. Employer liability shall be $1,000,000.

Employers non-owned Auto liability: Same limit as General liability.

6. **SPECIAL COVERAGE:**

SRO: Disclose central kitchens as separate personal property by square footage and value of the kitchen service equipment (disclose receipts if applicable).

Recreation/Community Special coverage required if not included in the building and Rooms: business personal property limits.

Day Care Facilities: Special coverage required if run separately. The day care center will be required to have separate insurance with limits not less than the limits applicable above and said policy shall name the owner and the Department as an insured.

7. **CERTIFICATES AND EVIDENCES:**

All Certificates and Evidences must include the name of the project, the EHAPCD loan number, the name of the borrower as named insured, and the address of the project. The Department, its officers, agents, employees, directors, and appointees shall be named as insured as their interests may appear.