

**These insurance guidelines govern initial coverage at close of escrow and annual renewals (Certificates) of insurance coverage on rental properties purchased or improved using HCD loans or direct grants. HCD reserves the right to revise these guidelines and vary these insurance requirements based on, among other items, the availability of coverage, current insurance industry standards and concerns specific to the insured property.**

**Property owners are responsible for carrying the minimum required insurance coverage according to HCD's loan documents, including the Regulatory Agreement. Insurance coverage meeting the following guidelines will be deemed by HCD to be in compliance with HCD's loan documents.**

**Submit initial coverage and subsequent annual renewal certificates of insurance (or other evidence) that acknowledge HCD's security interest and have appropriate coverage in force for the required property and liability exposures below:**

## **1. GENERAL REQUIREMENTS:**

- A. Insurance Company Qualification:** Property and liability insurance policies, and a separate flood insurance policy (if applicable), must be with a company that has an A. M. Best Key Rating Guide financial strength rating of A- or better, and a financial size of class VII or better.
  - i. The carrier's A. M. Best Rating may be verified at: <http://www.ambest.com/>
  - ii. If a Joint Powers Authority (JPA), accreditation may be verified at:  
<http://www.caipa.org/accreditation/final-arpm-projects>
- B. All property coverage must name HCD as **Lenders Loss Payee**.**
- C. All liability coverage must name HCD as an **Additional Insured** for all liability coverages: Bodily Injury, Property Damage and Personal and Advertising Injury. HCD must be specifically named on liability endorsement CG 20 26 (07-04) Additional Insured – Designated Person or Organization, or equivalent form. The customary Additional Insured coverage extension for written contracts alone is insufficient, because it only provides HCD Bodily Injury and Property Damage coverage.**

## **2. PROPERTY COVERAGE (formerly "Hazard"):**

- A. Buildings:** Property coverage amount must be sufficient to rebuild the Project with no coinsurance penalty (100 percent of reconstruction cost).
  - i. Special causes of loss (formerly "all-risk") including coverage Buy-back of Ordinance or Law exclusions (loss to undamaged portion of the building, demolition cost, increased cost of construction and increased period of restoration).
  - ii. Flood Policy, if property is in FEMA high hazard flood zone, provide evidence of flood insurance. Verify flood zone of property through your insurance agent or at the following link: <https://msc.fema.gov/portal>
- B. Contents:** Include coverage to replace owner-provided fixtures, window/floor coverings, appliances, and other non-building property.
- C. Loss of Rents:** Include actual loss sustained coverage to replace the reduction in rent revenue as the result of a property loss.

- D. **Waiver of Subrogation**: Borrower/Sponsor must agree to waive subrogation after a property loss.
- E. **Deductibles**: \$25,000 maximum deductible per occurrence; higher deductibles require prior approval by HCD.
- F. **Boiler & Machinery**: If boiler exposure exists, it must be specifically covered.

3. **COMPREHENSIVE GENERAL LIABILITY:**

- A. **Minimum Amounts**:
  - i. \$1,000,000 per occurrence, \$2,000,000 aggregate.
  - ii. If elevator exposure: \$2,000,000 per occurrence, \$4,000,000 aggregate.
- B. **Medical Payments**: \$5,000 per person recommended (not required).

4. **SPECIAL COVERAGE**: If restaurant/cooking or childcare exposure exists, it must be specifically insured for liability separate from the premises liability.

5. **CERTIFICATES AND EVIDENCES**: All Certificates and Evidences must include the name of the Project, the name of the Borrower as named insured, HCD **Loan Number** and the address of the Project. HCD, its officers, agents, employees, directors and appointees must be additionally insured as their interests may appear.  
HCD must be notified 30 days prior to any change, non-renewal or cancellation of the insurance policy.

6. **EMAIL EVIDENCE OF INSURANCE TO THE FOLLOWING:**  
AMCBranch@hcd.ca.gov and CC your Fiscal Representative