

INSURANCE GUIDELINES CHECKLIST

REV 3/12/2025

Project Name:_____ HCD Contract and Loan#:_____

Insurance Company:_____ Insurance Policy Number:_____

Preparer Name:_____ Preparer Phone Number:_____

These Guidelines govern insurance coverage on rental properties purchased or improved using HCD loans or direct grants. HCD reserves the right to revise these guidelines 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 its regulatory agreement. Insurance coverage meeting the following guidelines will be deemed by HCD to comply with HCD's loan documents.

These requirements apply initially at close of escrow and annually thereafter. At these times the property owner must provide to HCD a one-year prepaid proof of an insurance policy that acknowledges HCD's security interest and has appropriate coverage in force for property and liability exposures as indicated below.

Insurance Agent Instructions: By checking each of the requirements below, the Sponsor's insurance agent certifies that the policy meets the following guidelines. Attach proof of an insurance policy to this checklist and return to HCD at the address listed in Section 6, below.

INSURANCE REQUIREMENTS CHECKLIST

CHECKLIST ITEM	Verification
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. The carrier's A.M. Best Rating may be verified at: http://www.ambest.com/. A Joint Powers Authority (JPA) accreditation may be verified at: http://www.cajpa.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 is insufficient, because it only provides HCD Bodily Injury and Property Damage coverage.	☐

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REV 3/12/2025

2. PROPERTY COVERAGE (formerly "Hazard")	
A. Buildings: Property coverage amount sufficient to rebuild the Project with no coinsurance penalty (100 percent of reconstruction cost).	☐
1. Special causes of loss (formerly "all risk") including coverage for Buy-back of <i>Ordinance</i> or <i>Law exclusions</i> (loss to undamaged portion of the building, demolition cost, increased cost of construction, and increased period of restoration).	☐
2. 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: FEMA Flood Map Service Center https://msc.fema.gov/portal	☐
B. Contents: Include coverage for 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 and Machinery: If boiler exposure exists, it must be specifically covered.	☐
3. COMPREHENSIVE GENERAL LIABILITY COVERAGE	
A. Minimum Amounts:	
1. \$1,000,000 per occurrence, \$2,000,000 aggregate.	☐
2. 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.	☐

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REV 3/12/2025

DIVISION OF FINANCIAL ASSISTANCE
ASSET MANAGEMENT AND COMPLIANCE SECTION

5. CERTIFICATES AND EVIDENCES: All Certificates and Evidences must include the name of the Project, the name of the Borrower as named insured, HCD's contract or loan number, and the address of the Project. HCD, its officers, agents, employees, directors, and appointees shall be additionally insured as their interests may appear. <u>Important:</u> HCD must be notified 30 days prior to any change, non-renewal or cancellation of the insurance policy.	☐
6. IDENTIFICATION OF HCD: All insurance must identify HCD and its contract # as follows: (Insert HCD Program Name: MHP, SHMHP, RHCP-BOND, etc.) State of California Department of HCD Asset Management and Compliance Re: (List the HCD Contract/Loan number) P. O. Box 952054 Sacramento, CA 94252-2054 Email proof of insurance to: AMCBranch@hcd.ca.gov	☐

SIGNATURE OF AGENT

Agent hereby certifies that the insurance for the identified property meets the above requirements:

Agent Signature: _____ Date: _____

Agent Name: _____ Agent Phone Number: _____