

# California Housing Finance Agency Insurance Requirements

## Multifamily Lending & Asset Management

These insurance requirements govern insurance coverage on properties using California Housing Finance Agency (“CalHFA”) financing. CalHFA reserves the right to revise 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.

Borrowers are responsible for carrying the minimum required insurance coverage according to CalHFA’s loan documents, including the Regulatory Agreement. Insurance coverage meeting the following guidelines will be deemed by CalHFA to satisfy the insurance coverage requirements of CalHFA’s loan documents.

Borrowers must submit initial coverage and subsequent annual renewal certificates of insurance (or other evidence acceptable to CalHFA) that, among other requirements, names CalHFA as Lender’s Loss Payee pursuant to a Lender’s Loss Payable endorsement to the Borrower’s policy insuring the Project. Submitted evidence of coverage must also show that appropriate coverage is in force for the required exposures as set forth below:

### 1. **General Requirements**

#### a. **Named Insured:**

- All policies must identify Borrower as the Named Insured.
- Property insurance policies must name the **California Housing Finance Agency, its successors and/or assigns** as Mortgagee or Lender’s Loss Payee.
- Liability insurance policies must name the **California Housing Finance Agency, its successors and/or assigns** as Additional Insured.

#### b. **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”
- 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
- Recognizes CalHFA as Mortgagee
- Statement of value: provide building value and rents specific to the development

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

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

**c. Acceptability of Insurers**

Insurance must be placed with insurers with a current A.M. Best rating of no less than **A:VII** or an S&P Rating of **AA**. In the event the insurer's A.M. Best rating declines below an **A:VII** or **AA** rating, Borrower is required to provide a replacement policy from another acceptable insurer within 10 business days.

The carrier's A.M. Best Rating may be verified at: <https://web.ambest.com/home>

Insurance policies shall be written by companies licensed to do business in the State of California or authorized to transact insurance by the California Department of Insurance.

- d. Borrower's insurance 1) shall include any and all contractors as insureds under its policies or 2) the Borrower shall furnish separate certificates and endorsements to CalHFA for review and approval for each contractor not included in Borrower's insurance policies. If the contractor maintains broader coverage and/or higher limits than the minimum shown below, the Entity shall require and be entitled to broader coverage and/or higher limits maintained by the contractor.
- e. All **property** coverage must include a **Lender's Loss Payable** endorsement naming CalHFA as a Lender's Loss Payee.
- f. The **general liability and automotive liability** policies shall contain, or be endorsed to contain, the following provisions:
- The Borrower's insurance coverage shall be primary insurance. Any insurance coverage separately maintained by CalHFA, including any self-insured retention, shall be in excess to the Borrower's insurance and shall not be considered towards satisfaction of Borrower's insurance requirements hereunder.
  - CalHFA, its officers, officials, employees, and volunteers are to be covered as an **additional insured** (provide endorsement) and as a certificate holder (ACORD 25) 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.
  - CalHFA, its officers, directors, officials, employees, and volunteers are to be covered and named 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, both for ongoing and completed operations performed by or on behalf of the Borrower including materials, parts or equipment furnished in connection with such work or operations.

- 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".
- 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 California Civil Code.

## **2. Property Coverage**

### **a) Initial Term:**

All evidence of Property insurance must indicate a policy term of at least 12 months, or coverage must be continuous until canceled.

### **b) Insurance Required at Construction Loan Closing (for projects with CalHFA funds going in during construction):**

Commercial property insurance, also known as Course of Construction Insurance or Builder's Risk Insurance, ("*Course of Construction/Builder's Risk Insurance*") (evidence of property insurance presented on an executed ACORD 28 or ACORD 27 with equal specificity) - Course of Construction/Builder's Risk 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 based on the value of the project at completion (reporting forms are unacceptable without prior written approval from CalHFA); coinsurance penalty provisions shall be waived by the insurer for Course of Construction/Builder's Risk Insurance policies.

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/Builder's Risk policies shall contain the following provisions:

- CalHFA shall be specifically named as Lender's Loss Payee with a "Lender's Loss Payable" endorsement, at least as broad as form 438BFU NS. This endorsement shall be effective immediately upon closing of the acquisition or construction loan.
- The insurer shall waive all rights of subrogation against CalHFA.

**c) Insurance Required at Permanent Loan Closing:**

Borrower shall maintain limits no less than:

- 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.

Coverage shall be at least as broad as:

- Property insurance against the perils of earthquake and flood (if applicable) for both real property and business income (rents).

With respect to property insurance required above, including any earthquake and/or flood insurance policies, CalHFA's interest shall be protected by a Lender's Loss Payable Endorsement naming CalHFA as "Loss Payee" per form 438BFU or its equivalent. The A Lender's Loss Payable endorsement naming CalHFA as a Lender's Loss Payee is to be provided with Evidence of Property Insurance.

**3. Commercial General Liability Insurance**

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

General Liability: **\$2,000,000** per occurrence, **\$4,000,000** aggregate.

General Liability Insurance shall contain, or be endorsed to contain, the provisions identified in Section 1.f. above.

Directors and Officers: CalHFA recommends, but does not require, liability insurance for directors and officers of non-profit boards.

**4. Additional Borrower's Insurance Requirements**

- a. 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, non-owned and hired automobile liability requirement may be satisfied by evidencing this protection for the Managing General Partner.

Business Automobile Liability: **\$1,000,000** combined single limit for bodily injury and property damage.

Business Automobile Insurance shall contain, or be endorsed to contain, the provisions identified in Section 1.f. above.

- b. 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 a written statement, in a form satisfactory to CalHFA, certifying 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)

- c. Equipment Breakdown Coverage – Standard form Equipment Breakdown (Boiler & Machinery)

Borrower shall maintain limits no less than **\$1,000,000** for Equipment Breakdown Coverage.

## 5. Contractor's Insurance Requirements

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

- a. Commercial General Liability Insurance - Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001).
- General Liability: **\$2,000,000** per occurrence, **\$4,000,000** aggregate.
  - 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 for ongoing operations during any construction and for completed operations following any construction completed during the term of the policy (provide endorsement) and as a certificate holder (ACORD 25).
- b. 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: **\$5,000,000** 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).
- c. 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, in a form satisfactory to CalHFA, certifying 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).

## **6. Architect, Engineer, and Other Licensed Professionals Requirements**

### **\*SNHP projects do not require Architect coverage if CalHFA is not the first lienholder\***

All architects, Engineers and other licensed professionals shall be registered to practice within the State of California. All coverages for Architects, Engineers and subcontractors shall provide:

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

General Liability: **\$2,000,000** per occurrence, **\$4,000,000** aggregate.

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).

- c. 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: **\$5,000,000** 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).

- d. 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, in a form satisfactory to CalHFA, certifying 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).

- e. Fidelity Bonds – Property management companies must maintain \$1,000,000 minimum for employee theft coverage.

## 7. Optional/As Applicable Coverages

- a. Crime Coverage – CalHFA recommends, but does not require, Borrower to carry insurance covering money or other securities against burglary, robbery, or theft.
- b. 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.
- c. Pollution Legal Liability Insurance – If Pollution Legal Liability coverage is required, Borrower shall obtain.
- d. 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 Project under the National Flood Insurance Program (NFIP), or
  - The outstanding balance of the CalHFA loan(s)
- e. Earthquake – If CalHFA determines that Earthquake Insurance is required, Borrower shall obtain such coverage. For new construction projects, the Developer may request a waiver of the earthquake insurance requirement. A seismic review report of the project may be required to assure the Probable Maximum Loss does not exceed 20%. The report must be engaged by CalHFA or other lenders/investors.

## 8. 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 Borrower shall have any unacceptable deductibles, or self-insured retentions reduced or eliminated, or the Borrower shall provide a financial guarantee satisfactory to CalHFA guaranteeing Borrower can meet its insurance obligations, whether deductibles or self-insured retentions, payment of losses and related investigations, claim administration, and defense expenses.

Subject to the foregoing, the Borrower may select deductibles no greater than **\$50,000** per occurrence on property “Special Form”, also known as “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 coverages, any deductible shall not exceed **\$50,000**.

## **9. Verification of Coverage**

**For projects where insurance is required for construction loan closing** – 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.

**For projects where insurance is required for permanent loan closing** – A certificate of insurance must be submitted to CalHFA for approval at least 45 days prior to permanent loan closing. Renewal insurance certificates must be submitted at least 15 days prior to the expiration date of any current certificate. Complete copies of policies must be furnished upon request.

**For projects with CalHFA-financed permanent loans** - Renewal insurance certificates must be submitted at least 15 days prior to expiration date of any current certificate. Complete copies of policies must be furnished upon request.

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

CalHFA must be notified at least 30 days prior to any change, non-renewal, or cancellation of a CalHFA required insurance policy. At the option of CalHFA, coverage for the subject Project may be force placed by CalHFA with the full cost of such coverage being charged to the Project.