

PENNSYLVANIA HOUSING FINANCE AGENCY

**DURING CONSTRUCTION
INSURANCE REQUIREMENTS CHECKLIST**

Evidence of Insurance per the following requirements must be provided to PHFA before Initial Closing can take place on a development. Insurance must be placed with companies carrying a minimum AM BEST rating of B+ (very good) or better. The limits set forth in the Insurance Requirement Checklist are minimums required by PHFA. Parties to the Development Contract must individually determine if higher limits are appropriate to protect their interests.

OWNER REQUIREMENTS

The property must be insured with acceptable property and liability insurance policies and meeting the requirements described below. The **first Named Insured** in each policy must be the Owner, also known as the Partnership Name.

Evidence of insurance must be provided to PHFA before Initial Closing can take place. Evidence may be in the form of a Binder (Acord Form 75-S) or Evidence of Property Insurance (Acord Form 27) until the policy is issued. (Please note that a Certificate of Insurance is not acceptable as evidence.) A complete original or certified copy of the policy, including all coverage parts, must be provided to PHFA once it is issued.

The property must be covered by the equivalent of a fire policy endorsed to include all the extended coverage perils, plus vandalism, malicious mischief, theft, and other broad form perils. In addition, the policy must include the following:

_____ The **first Named Insured** of the property **must** be the Owner and then list the General Contractor and any Subcontractors, as their interest may appear.

_____ Builder’s Risk Coverage – Completed Value Form.

_____ All Risk or Special Coverage.

_____ Standard Mortgagee Clause naming Pennsylvania Housing Finance Agency as Mortgagee. (**Note:** For all FHA INSURED LOANS, the Federal Housing Administration must also be listed as Mortgagee on property policies.)

_____ Building coverage to be carried at 100 percent of completed value. (The Contractor and Subcontractors are responsible for insuring stored materials not permanently incorporated into the development.)

_____ Property deductible of \$25,000 or less. Insurance policies with deductibles greater than \$25,000 must include proof of a self-insured retention fund established for the payment of property deductibles.

Examples of proof: (a) Trust Fund Agreement that includes payment of property deductible; (b) Third-party Administrator (TPA) Agreement or Insurance Company Agreement with specific funds contractually set aside for deductible; (c) Self-Insurance Surety Bond in an amount approved by PHFA.

In no event may project operating funds be used to fund the self-insured retention fund.

_____ Business Income Coverage (Rental Value) for 100 percent of Annual Projected Rental Value.

_____ A Permission for Partial Occupancy Endorsement is required for developments that are to be

staged, have scattered locations, or multiple buildings.

_____ An endorsement that states in the event of cancellation, reduction in coverage, or nonrenewal that a 60-day written notice will be sent to the Mortgagee (PHFA) and General Contractor.

If a development is occupied by tenants during the entire construction period, in addition to all of the above, the following are also required:

_____ Acknowledgment on the policy that “the insurance company hereby acknowledges that the building(s) is/are under renovation.”

_____ Replacement Cost Endorsement

Other Required Coverage (where applicable)

_____ Contents coverage (lobby and office furnishings), where applicable.

_____ Flood Insurance – If the property is located in a 100-year flood zone, flood insurance must be purchased and evidence supplied to PHFA.

_____ A general Boiler and Machinery policy is required where steam boilers, pipes, turbines, engines, or other pressure vessels are in operation on the property. The policy should be in an amount equal to 100 percent of the full replacement cost of the building(s) housing the equipment. The coverage should be comprehensive. Named insured to include Owner and Contractor.

_____ Mine subsidence/Earthquake insurance is required on those properties in areas that are prone to this exposure.

Commercial General Liability Insurance

_____ Commercial General Liability Insurance is required with a minimum limit of \$1,000,000 per occurrence and \$2,000,000 general aggregate per Location (CG 2504). Liability coverage must provide for claims to be made on an occurrence basis.

_____ PHFA named as Additional Insured as Mortgagee, Assignee, or Receiver.

_____ Business Automobile Liability – (ONLY for developments with development-owned vehicles). Minimum limit of \$500,000 per accident for Bodily Injury and Property Damage, including coverage for Hired and Nonowned Autos.

_____ Umbrella (Excess) Liability – Necessary amount of coverage to increase general liability aggregate limits to a minimum of \$2,000,000. Follow form coverage to apply.

_____ Garage Keeper’s Legal Liability – (ONLY if garage facilities are provided with the property or attendants are employed for outdoor parking facilities.)

GENERAL CONTRACTOR REQUIREMENTS

Certificate of Insurance indicating a minimum of the following categories:

_____ Commercial General Liability specific to the development including (1) Premises and Operations, (2) Products/Completed Operations with Permission for Partial Occupancy, (3) Personal Injury, (4) Contractual Liability, (5) Explosion, Collapse, and Underground Hazards coverage – Minimum limit of \$1,000,000 per occurrence and \$2,000,000 aggregate liability

per development (CG 2503). Coverage must provide for claims to be made on an occurrence form.

_____ Business Automobile Liability - \$1,000,000 minimum limit per Accident for Bodily Injury and Property Damage.

_____ Workers' Compensation – Statutory Limits.

_____ Umbrella (Excess) Liability – Necessary amount of coverage to increase underlying general liability aggregate limits to a minimum of \$2,000,000. Follow form coverage to apply.

_____ Owner, Architect, Architect's Consultants, PHFA, and agents and employees of any of these entities, named as Additional Insured for this development on General Liability and Umbrella policies.

_____ All Risk Property Coverage for on-site stored material that is not the property of the Owner and not permanently incorporated into the development.

_____ Certificates must indicate Owner and PHFA as the Certificate Holder.

_____ Certificates must include a 60-day Notice of Cancellation or Nonrenewal to Owner and PHFA.

ARCHITECT REQUIREMENTS

A Certificate of Insurance is required as evidence with PHFA as Certificate Holder, a 60-Day Notice of Cancellation, and the following coverage:

_____ Architects Professional Liability (Design and Supervising) in an amount no less than 2½ percent of the construction cost of the development or \$500,000, whichever is greater. **The policy must be kept in place for one year following construction completion.**