

**PENNSYLVANIA HOUSING FINANCE AGENCY**

**AFTER CONSTRUCTION COMPLETION  
INSURANCE REQUIREMENTS CHECKLIST**

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**

**Property Damage Insurance**

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

The original or certified copy of the insurance policy, including DEC pages and all coverage parts, must be submitted to PHFA. Until the policy is issued, a Binder (Acord Form 75-S) or Evidence of Property Insurance (Acord Form 27) must be sent to PHFA as evidence of coverage.

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:

- \_\_\_ 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 replacement value for single buildings or 90 percent of total replacement value on a blanket basis for multiple buildings or multiple locations.
- \_\_\_ **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.***
- \_\_\_ Replacement Cost Coverage, i.e., an endorsement or clause that provides for all claims to be made on a replacement cost basis (not on an actual cash value basis) and without any deduction being made for depreciation.
- \_\_\_ An Agreed Value Clause, waiving the coinsurance, which must be updated annually.
- \_\_\_ Business Income coverage (Rental Value) for 100 percent of Annual Rental Value.
- \_\_\_ Contents coverage (lobby and office furnishings), where applicable.
- \_\_\_ An endorsement that states in the event of cancellation, reduction in coverage, or nonrenewal that a 60-day written notice will be sent to PHFA, the Mortgagee.

### **General Boiler and Machinery**

\_\_\_\_\_ 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**.

### **Flood Insurance**

\_\_\_\_\_ If the property is located in a 100-year flood zone, flood insurance must be purchased and evidence supplied to PHFA.

### **Mine Subsidence/Earthquake Insurance**

\_\_\_\_\_ Mine Subsidence and Earthquake Insurance are 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. Liability coverage must provide for claims to be made on an occurrence basis. For properties written on a blanket basis, Form ISO CG 2504 for Aggregate Commercial General Liability must be attached.

\_\_\_\_\_ PHFA named as Additional Insured as Mortgagee, Assignee, or Receiver.

\_\_\_\_\_ If the General Liability coverage is a separate policy from the Property coverage, a Certificate of Insurance is required by PHFA as evidence of coverage. A copy of the policy is not necessary.

### **Other Liability Coverage (if applicable)**

\_\_\_\_\_ 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).

## **MANAGEMENT AGENT REQUIREMENTS**

\_\_\_\_\_ The Management Agent of the property is required to have Fidelity Bond or Employee Dishonesty (Coverage A) to cover all persons involved in the handling of funds of the agent, owner, and property. PHFA requires as evidence a Certificate of Insurance indicating coverage equal to one month's rent and PHFA named as Certificate Holder.

## **ARCHITECT REQUIREMENTS**

\_\_\_\_\_ Architect's Professional Liability **must remain in effect for one year following Construction Completion** in an amount no less than 2½ percent of the construction cost of the project or \$500,000, whichever is greater. Evidence must be provided to PHFA in the form of a Certificate of Insurance with PHFA indicated as Certificate Holder and must include a 60-day Notice of Cancellation.

