2015 INSURANCE MANUAL

All required insurance shall be in a form, amount, content and written by companies acceptable to the Georgia Department of Community Affairs (DCA) on behalf of Georgia Housing and Finance Authority (GHFA). For identification purposes, all insurance forms submitted to DCA must list the name and address of the project. An Insurance Checklist is included as an attachment at the end this Manual.

NOTE: DCA has the discretion to amend the insurance requirements as deemed appropriate based on type and size of projects and/or in keeping with current insurance industry standards and practices. In addition, if the insurance is not provided in a form acceptable to DCA, DCA may force placement of insurance on the project. The owner will be notified of the cost and given the option of providing their own insurance policy or remain with forced placed insurance.

General Requirements:

All projects

The current minimum standards require all insurance companies issuing insurance for projects allocated by the Georgia Housing and Finance Authority (GHFA) to carry an A.M. Best Rating of A- VII or better. Initially, the borrower may provide proof of insurance by providing the following insurance certificates as applicable or certified copies of the entire policy (as GHFA may require).

ACORD-25 or 25s:
- Comprehensive Commercial General Liability
- Workers' Compensation
- Professional Liability/Errors & Omissions
- Commercial Automobile Liability
- Pollution Liability
- Umbrella Coverage (which includes auto coverage)

ACORD-28:
- Builders' Risk
- Property Hazard
- Boiler & Machinery
- Flood
- Rents (12 months)

GHFA may accept blanket policies, reflecting coverage under a single limit for the following:

1) Two or more items; or 2) locations or a combination of items and locations, on condition that the Owner can provide proof that adequate coverage exists for all insurance required. A certified copy of the policy, declaration or certificate must be submitted to DCA for approval.

If GHFA permits the borrower to tender certificates of insurance for closing purposes, within 10 days of closing, the binder receipt must be provided to DCA and before the first draw, a certified copy of the entire policy (including Declaration Page) must be provided to DCA.

More specific requirements for each type of insurance follow.

Additional Requirements - HOME Funded projects

I. Initial Insurance Requirements. Certified insurance policies or the applicable ACORD certificates evidencing all insurance required by DCA shall be a condition for funding HOME loans awarded under the 2015 Qualified Allocation Plan. All Certificates of Insurance submitted to DCA, or its closing attorney, for GHFA must have the following clearly stated: named insured, project name and address, type of insurance, amount of insurance, policy effective date, policy expiration date, cancellation notice terms and conditions as required, and additional insured. GHFA is to be an additional insured, mortgagee, or loss payee, therefore its name and correct address should appear on the certificate and policy. All required documentation of insurance must be submitted and approved by the DCA or its closing attorney prior to closing.

II. The final determination that the project has satisfied GHFA's insurance requirements will be made by GHFA's closing attorney prior to closing. If GHFA elects to close on the ACORD certificates, a copy of the binder receipt must be submitted within 10 days of closing and a certified copy of the insurance policy is required to be submitted to DCA for approval before the first draw is to occur.

III. The Borrower shall have the responsibility of providing all insurance required by GHFA to DCA. During the required term of each policy, the Borrower shall deliver to DCA Asset Management either a renewal policy, or policy marked "premium paid", or a policy accompanied by other appropriate evidence of payment satisfactory to DCA, not less than 45 days prior to the expiration date of each required policy the borrower will provide certificates for coverage of the owner and the management company in place**. Although, a 10 day notice is required for nonpayment by the insurance industry, DCA requires a 45 day notice for all other cancellations and only the 45 day notice should be reflected in the cancellation section of the ACORD.** The notice provision language in the policy must not state that notice will only go to the first named insured. GHFA must be listed as receiving the same notice as the first named insured. Failure to

maintain the appropriate insurance and/or provide required proof to DCA may be grounds for default under the HOME loan. In the event required proof of insurance is not provided to DCA, GHFA may purchase a policy on behalf of the borrower and charge the cost of that policy to the borrower.

IV. GHFA may require additional or other forms of insurance. The necessity for such coverage will be based on the circumstances of the project location, type of construction and improvements and use. The Borrower shall be notified by the DCA Asset Management of any additional insurance or coverage that must be maintained during the term of the HOME loan.

V. Regardless of the types or amounts of insurance required, the Borrower shall assign to GHFA and deliver to DCA, as collateral and further security for the payment of the GHFA Note, all policies of insurance which insure against any loss or damage to the development, with loss payable to GHFA, without contribution by GHFA, pursuant to the "New York Standard" loss payee clause or other mortgagee clause satisfactory to DCA.

VI. If the borrower receives any insurance proceeds or other money for loss or damage, such amount shall be delivered to DCA for GHFA, and GHFA shall disbursed the proceeds for the repair and restoration of the development in accordance with the provisions of the Loan Agreement governing advances of loan proceeds. However, if an Event of Default is outstanding or if restoration is not to be accomplished but rather demolition of the project will occur, or if GHFA determines that restoration is not feasible, GHFA may, at its option, retain and apply all or any portion of such money toward payment of the Note.

VII. GHFA reserves the right to require the Borrower to escrow insurance premiums along with its mortgage loan payment during the term of their loan and usually requires such an escrow. GHFA reserves the right to require Borrower to increase the required insurance above the limits stated in this manual if the value of the property and the risk assessed, reasonably warrant such a change.

VIII. Title Insurance - An original lender title insurance policy, satisfactory in form and substance to GHFA and its closing attorney, in an amount not less than the loan and originated by a title insurance company and agent acceptable to GHFA is required. This policy shall be provided to GHFA and delivered to DCA within 20 business days from the date of the Loan Agreement. At the time of loan conversion, GHFA shall require an updated policy or endorsement, satisfactory in form and substance to DCA and its Asset Management Department.

IX. Performance and Payment Bonds; Letters of Credit – 100% payment and performance bonds with a dual or multiple oblige rider naming GHFA is required for all developments funded with HOME Loans. The AIA Form is acceptable for performance bonds, but the form of all bonds is subject to GHFA's approval. The cost of these bonds shall be addressed as stated in the Qualified Allocation Plan. When an identity of interests exists and the General Contractor cannot obtain payment and performance bonds, a letter of credit or construction loan may be utilized in lieu of payment and performance bonds. Borrowers must request a waiver of the requirement for a Payment and Performance bond from DCA in accordance with the QAP.

Types of Insurance & Specific Requirements

I. **Builders' Risk Insurance**: Builders risk is coverage for buildings being newly constructed or under renovation. The General Contractor or Developer, prior to the commencement of construction, must obtain Builders' Risk Insurance. This insurance is similar to property insurance. Coverage must insure the improvements from all known hazards including flood, earthquake and collapse during the construction period. Coverage must be for 100 percent of the insurable replacement cost of the improvements. In addition, soft costs, including, but not limited to additional interest and lost rent revenue, must be covered to the extent of 10% of total project costs. The policy shall be written on a non-reporting, completed value basis. GHFA must be named as the mortgagee on the policy. The policy shall provide that all claims shall be paid to GHFA pursuant to a Mortgagee loss payable clause satisfactory to DCA . The notice provision language in the policy must not state that notice will only go to the first named insured. The policy must provide for a minimum of 45-days notice to GHFA before the policy can be cancelled (10 days for nonpayment). Coverage must be maintained until construction is complete.

NOTE: The insurance policy cannot be financed during the construction period of the loan.

Additional Certificate Requirements

1. Any certificate tendered to DCA for this insurance should be on an ACORD 28 form;
2. The certificate should identify GHFA as the mortgagee;
3. The certificate should provide for 45-days notice to GHFA before the policy can be cancelled. 10 days notice is allowed for nonpayment;
3. The certificate should be current; and
4. The certificate must contain the project name and address.

II. **Property Hazard Insurance (Special Form)**: Property Hazard Insurance (special form) must be obtained by the Borrower subsequent to completion of construction, or upon termination of the Builders' Risk Insurance (whichever occurs earlier), insuring the project development against all hazards, including, but not limited to; fire, windstorm, flood, earthquake, collapse, vandalism and malicious mischief and theft. The insurance is to remain in full force and effect until the expiration of the period of affordability, tax credit compliance period, or until the repayment of the HOME loan, whichever is last to occur. *Coverage should be 100% of the insurable replacement cost of the improvements (with no reduction for depreciation).* The policy should have an "Agreed Amount" clause that waives the coinsurance requirement. Coverage should include "loss of rent" insurance insuring the Borrower in an amount not less than 100 percent of gross rental income for a period of twelve (12) months.

Additional Requirements

1. A certified copy of the policy submitted to DCA should include a Declaration Page (summary of insurance) as well as the policy itself;
2. Certified copies of the policies shall be promptly delivered to DCA upon completion of construction of the improvements, and before any portion of the development is occupied by the Borrower or their agent or any tenant of the Borrower;
3. The certificate should identify the GHFA as the mortgagee;

4. The certificate should provide for 45-days notice to GHFA before the policy can be cancelled and not the 10 days notice required for nonpayment; and

5. The insured should be the Owner of the property; and the policy shall provide that all claims shall be paid to GHFA pursuant to a mortgage loss payable clause satisfactory to DCA.

III. **Comprehensive Commercial General Liability Insurance**: Comprehensive Commercial General Liability Insurance must be obtained by the Borrower, Developer, General Contractor and subcontractors before the start of construction and maintained during the construction stage of the project and maintained by the Borrower after completion of construction. This insurance insures commercial enterprises from certain risks, and the policy must insure against liability from the following: personal injury, bodily injury, death, property damage, medical expenses, and liability assumed by the contract. For projects funded with HOME Loans, GHFA shall be named as an additional insured. The notice provision language in the policy must not state that notice will only go to the first named insured. The policy must provide that GHFA shall be given 45 days notice prior to the cancellation of the policy not the 10 days notice for nonpayment. The policy must be written on an occurrence basis. Prior to completion of construction, both the Borrower and the General Contractor must have such a policy. Subsequent to the completion of construction but before the expiration of the period of affordability or for tax credit only projects, the Tax Credit Compliance Period, the Borrower must have such a policy.

A. **General liability must have the following minimum coverage**:

1. General Aggregate $2,000,000
2. Products Completed $1,000,000
3. Personal and Advertising $1,000,000
4. Each Occurrence $1,000,000
5. Damage to Rented Premises $100,000
6. Medical Payments will not be excluded unless authorized by DCA
7. Umbrella Coverage $1,000,000

The maximum deductible permitted is $5,000 unless otherwise agreed to by DCA. A higher deductible may be requested by the Owner. Approval is subject to DCA discretion.

NOTE: The minimum limit of $3 million for the comprehensive liability policy can be obtained from the primary coverage (general aggregate) or the primary plus an umbrella policy. Both the Owner and the General Contractor can be named as the insured under one policy provided that the total coverage (including umbrella) equals or exceeds the amount of coverage which would have been required if separate policies had been issued. For example, if the Owner and General Contractor have one policy, the General Aggregate coverage should equal or exceed $6,000,000. Blanket policies which insure more than one project are acceptable at DCA's discretion provided that the amount of coverage required by GHFA is provided for each project under the policy and the policy has a per project endorsement.

B. **Additional Certificate Requirements**

1. If GHFA permits a certificate of insurance to be used, any certificate tendered to DCA for this insurance should be on an ACORD 25 or 25-S form. All information on the ACORDs must reflect the coverage language on the policy.
   a) ACORD25-s-reference coverage "Fire Damage". (Discontinued Temporary form);
   b) ACORD-25-reference coverage "Damage to rental property";
2. Language disclaiming GHFA's ability to rely on the certificate should be deleted;
3. GHFA should be shown as the "Certificate Holder" and identified as an additional insured;
4. The certificate should provide for 45-days notice to GHFA before the policy can be cancelled. (The words "will endeavor" should be deleted from the "cancellation" section of the form); and
5. Language at the top of certificate which states that "This certificate was issued as a matter of information only and confers no rights upon the certificate holder" should be deleted.

All subcontractors shall also be required by the General Contractor to obtain the insurance in the levels set forth above. DCA will not require certificates for each subcontractor prior to closing, but retains the right to inspect such certificates upon request.

IV. **Environmental Professionals Insurance:** Environmental Professionals, as defined in the Environmental Manual, must carry insurance that provides full coverage for all work performed. The certificates must be submitted with the required Phase I environmental review during the Application process. The environmental consultant must maintain insurance policies covering all of the following types of insurance in the greater of either of the following amounts of coverage or the amounts of coverage that the environmental consultant typically carries:

Minimum Required Coverage:

1. Commercial General Liability insurance, total combined single limits of $1,000,000.00 per occurrence and $2,000,000.00 in the aggregate;
2. Professional Errors and Omissions insurance with limits of $2,000,000.00 each claim and $2,000,000.00 in the aggregate; and
3. Pollution Liability insurance with limits of $2,000,000.00 per occurrence and $2,000,000.00 in the aggregate, with coverage extended to include third party liability for death, bodily injury, diminution of value of property and property damage.

The GHFA and DCA must be named as an additional insured on the commercial general liability insurance. In addition, GHFA and DCA must also be listed as a certificate holder on all policies. The insurance should be documented on an ACORD 25 certificate. Such insurance, including any deductible or self-insured retention, shall by its terms be primary with respect to any insurance carried by the Applicant or any parent, subsidiary, or affiliated entities. For such policies written on a claims-made basis, the Environmental Professional must maintain such coverage for a period of at least three (3) years following the completion of the final Phase I and/or Phase II Reports. The Environmental Professional must promptly notify DCA/GHFA of any changes made to the insurance policies required by this Section. Upon written request of DCA/GHFA, the Environmental Professional must promptly deliver copies of policies evidencing the insurance coverage required by this Section (F) to

DCA/GHFA. All required insurance shall be underwritten by an insurance carrier acceptable to DCA/GHFA and with an AM Best rating of not less than A-. Such insurance policies are to provide that the insurer must give DCA/GHFA at least forty-five (45) days prior written notice of cancellation/termination/material change, and to provide that no action by the insured shall invalidate or diminish the insurance or bond(s) provided to DCA/GHFA. Proof of insurance must be included in the appropriate appendix of the Phase I Report. For ease of processing, the project name should be included on the insurance certificate.

V. **Architects, Engineers, Surveyors & Other Professionals**: The Owner or Developer shall require all Architects, Engineers, Surveyors and other professionals utilized in any project financed by DCA to procure and maintain the following insurance policies:

A. Commercial General Liability Coverage with the following coverage:

General Aggregate	$2,000,000
Products Completed	$1,000,000
Personal and Advertising	$1,000,000
Each Occurrence	$1,000,000
Damage to rented premises ACORD25	$50,000
Medical Expenses (any one person)	$5,000

The maximum deductible permitted is $5,000 unless otherwise agreed to by DCA. The Minimum limits of $2 million for the comprehensive liability policy (General Aggregate) can be obtained from the primary coverage or the primary plus an umbrella policy.

B. Professional Liability/Error and Omission Insurance with limits of $2,000,000.00 each claim and $2,000,000.00 in the aggregate. Please note that architects, engineers, surveyors, and other professionals acting purely in a consultative manner do not need to carry professional liability/error and omissions insurance. For example, an architect that is not involved in drawing or stamping plans and is acting purely as a consultant does not need to carry the E&O insurance;

C. Automobile coverage with limits of $1,000,000.00 for owned, hired and non-owned vehicles; and

D. Umbrella coverage with a limit of $1,000,000.

VI. **Additional Project Insurance Requirements**: All project participants must maintain the below forms of insurance coverage, where applicable:

A. Boiler & Machinery Insurance. Mechanical Breakdown coverage should be included Insurance coverage for major components such as central heating, air conditioning, ventilating systems, boilers, other pressure vessels, high pressure piping and machinery or other similar equipment installed either for a repair or replacement basis. Such policy shall also provide complete coverage, including repair costs against damage to the improvements as a result of an accident (Borrower only).

B. Flood Insurance. If the project development (or any part thereof) is situated in an area now or subsequently designated as having flood hazards, as defined in the Flood Disaster Protection Act of 1973 as amended, flood insurance shall be required in an amount equal to the replacement cost of the improvements (HOME-funded projects may require flood insurance. Such insurance must be in the form required by the US Department of Housing and Urban Development. Please refer to the HOME Manual for additional information).

C. Workers' Compensation Insurance - Workers' Compensation Insurance in an amount as required by state statute must be maintained by the General Contractor, Subcontractor, Borrower and Developer included Insurance coverage for major components such as; central heating, air conditioning**,** ventilating systems, boilers, other pressure vessels, high pressure piping and machinery or other similar equipment installed either for a repair or replacement basis**.** Such policy shall also provide complete coverage, including repair costs against damage to the improvements as a result of an accident (Borrower only).

D. Automobile Liability Insurance – Automobile Liability Insurance for owned, hired and non-owned vehicles in an amount acceptable to DCA, but in no event less than $1,000,000 shall be maintained by the General Contractor, Borrower and Developer.

E. Flood Insurance. If the project development (or any part thereof) is situated in an area now or subsequently designated as having flood hazards, as defined in the Flood Disaster Protection Act of 1973 as amended, flood insurance shall be required in an amount equal to the replacement cost of the improvements (HOME-funded projects may require flood insurance. Such insurance must be in the form required by the US Department of Housing and Urban Development. Please refer to the HOME Manual for additional information).included Insurance coverage for major components such as; central heating, air conditioning**,** ventilating systems, boilers, other pressure vessels, high pressure piping and machinery or other similar equipment installed either for a repair or replacement basis**.** Such policy shall also provide complete

coverage, including repair costs against damage to the improvements as a result of an accident (Borrower only).

VII. **Property Management Company Requirements**: The Borrower shall require the Property Management Company to procure and maintain the following insurance coverages in such form and substance as are acceptable to DCA:

A. Fidelity Bond - Fidelity bond for the management company for an amount of $100,000. At the discretion of GHFA, higher limits may be required, depending on the size and scope of a particular project.

B. Comprehensive Commercial General Liability Insurance - Comprehensive Commercial General Liability Insurance for personal injury, to include without limitation bodily injury, death and property damage liability on a per occurrence basis is required. All projects shall carry no less than the following coverage:

General Aggregate	$2,000,000
Products Completed	$1,000,000
Personal and Advertising	$1,000,000
Each Occurrence	$1,000,000
Damage to premises ACORD 25	$50,000
Medical Expenses (any one person)	$5,000
Umbrella Coverage	$1,000,000

GHFA and the Borrower/Owner must be named as an additional insured on the Comprehensive Commercial General Liability Insurance.

C. Automobile Liability Insurance – Automobile Liability Insurance for owned, hired and non-owned vehicles in an amount acceptable to DCA, but in no event less than $1,000,000.

D. Workers' Compensation Insurance - Workers' Compensation Insurance in an amount as required by state statute.

E. Umbrella Coverage - Umbrella coverage with a limit of $1,000,000.

INSURANCE CHECKLIST

Property Name:_____

GENERAL
Title Insurance- An original lender's title insurance policy; in an amount not less than loan._____

Performance Bond; Letter of Credit-A 100% payment and performance bond w/dual or multiple oblige rider naming GHFA._____

Insurance Names & Rating (A-) or better:__

Where appropriate, identify GHFA as the mortgagee._____

45 day notice to GHFA before cancellation in the cancellation section of the ACORD; not the 10 day notice for nonpayment._____

Project name, number, street address and/or legal address should be on all certificates. DCA will accept an umbrella to meet the required coverage amount for each policy only. In cases of identity of interest and/or multiple properties, a separate policy for each entity and project is required.

ACORD 28-All property related coverage. ACORD 25 or 25S- All acts or omissions that result in suit against an individual.

Borrower
Property Hazard 100% replacement cost.
Loss of rents 12 months._ __
Mortgagee loss payable._ __
Flood Insurance if applicable. Upon completion of construction. ____

General Liability $2,000,000
Product-Completed $1,000,000. _____
Personal & Advertising Injury $1,000,000. Each Occurrence $1,000,000. _____ ACORD 25
Damage to Rented Premises $50,000. ____ _____
Umbrella Coverage $1,000,000. Workers' Compensation. ____
Automobile Liability $1,000,000. Other if necessary. ____

Architects, Engineers, Surveyors & Other Professionals
General Liability $2,000,000.
Professional Liability Insurance/Errors and Omissions with limits of $2,000,000 each claim and $2,000,000 aggregate. Automobile Liability $1,000,000. ___

Environmental Consultants
General Liability with limits of $1,000,000 each claim and $2,000,000 aggregate.
Professional Liability Insurance/Errors and Omissions with limits of $2,000,000 each claim and $2,000,000 aggregate.

General Contractor/Developer
Builders' Risk. ____
General Liability $2,000,000. ____
Automobile Liability $1,000,000. ____ _____
Performance and Payment Bond. ____ _____
Workers' Compensation. Umbrella Coverage $1,000,000.

Subcontractors
General Liability $2,000,000.
Automobile Liability
$1,000,000. Workers'
Compensation. Umbrella
Coverage $1,000,000.

Property Management
General Liability
$2,000,000. Automobile
Liability $1,000,000.
Fidelity Bond $100,000.
Workers' Compensation.
Umbrella Coverage $1,000,000.