

### **Insurance Requirements**

#### **Montana Board of Housing will be listed as Loss Payee**

Detailed information on Policies, Proceeds and Disbursement can be found in the Trust Indenture and if applicable the Construction Loan Rider to the Loan Agreement

### **REQUIRED FOR PERMANENT AND CONSTRUCTION LOANS:**

#### **Hazard All Risk Insurance**

- Coverage:
  - 100% Replacement Cost and in at least an amount equal to the loan amount and in no event less than 80% of the actual cash value of the insurable improvements and equipment.
  - The property insurance policy shall be written to cover at least the following items: (A) Improvements; (B) Fixtures (including but not limited to heating and air conditioning systems); (C) equipment, goods, supplies and inventory used in connection with the ownership, management or operation of the Property (including but not limited to furniture, furnishings, floor and wall coverings, machinery, building materials, tools, computer equipment (hardware and software) and Records); and (D) other tangible personal property used in connection with the ownership, management or operation of the Property (including but not limited to ranges, stoves, microwave ovens, refrigerators, dishwashers, garbage disposals, washers, dryers, and other appliances);
- Maximum Deductible:
  - 5% of the total insured value

#### **Flood Insurance**

- Any building that is located on the flood maps and shown to be within a Special Flood Hazard Area (SFHA), or those known to be prone to flooding, are eligible for and must carry a National Flood Insurance Policy. An excess flood or Difference in Conditions (DIC) policy must provide for the difference, if any, between the maximum limit provided by NFIP policies and the full replacement cost. Please refer to the "Flood Insurance" section of this manual for further information on Flood Insurance and the National Insurance Program. All other properties should carry flood coverage, but it is not required unless the property is in a Special Flood Hazard Area (SFHA).
- Maximum limit available up to 100% Replacement Cost
- \$5,000 on all risk policy
- \$500 on National Flood Insurance Policy

#### **Hail, Wind or Hurricane Insurance**

- All properties located in a state in which this coverage is not customarily part of the All Risk Policy will be required to purchase a separate policy.
- Coverage:
  - 100% Replacement Cost
- Maximum Deductible:
  - 5% of the total insured value

**Earthquake Insurance**

- Properties that exceed the Standard and Poor criteria, 20% of cost-loss limit over the 475-year duration, will require earthquake insurance. It is recommended that all properties in seismic zones one through four provide earthquake insurance if reasonably available.
- Coverage:
  - Insure to probably maximum loss (will be considered on a case-by-case basis)
- Deductible:
  - Subject to market conditions, to be determined and approved prior to closing.

**Commercial General Liability for Owner**

- Type:
  - Commercial General Liability (CGL) policy on an
  - occurrence form including coverage for premises exposure, owner's and contractor's protective, contractual liability, independent contractors and completed operations.
  - Defense Costs (attorney's fees, court costs, etc.) must be covered outside the policy limits.
  - Coverage must be renewed for three (3) years after the owner's final acceptance of the work.
- Minimum Limits:
  - General Aggregate (per project):  
\$2,000,000  
Products and Comp/Op Aggregate:  
\$1,000,000  
Each Occurrence:  
\$1,000,000  
Fire Damage: \$ 50,000  
Medical Expenses: \$ 5,000
- Endorsements:
  - Per project aggregate limit
- Deductible:
  - \$10,000

**Umbrella Liability for Owner/Manager**

- Type:
  - Occurrence Basis – following form (coverage not more restrictive than underlying GL)
- Minimum Limit:
  - Each Occurrence and Aggregate  
Up to 3 stories or 1 to 199 units: \$ 3,000,000  
4 to 10 stories or 200 to 299 units: \$ 5,000,000  
11 to 20 stories or 300 and greater units: \$10,000,000  
Greater than 20 stories: \$26,000,000

**Boiler and Machinery Insurance**

- All properties that have a central boiler or heating system, sprinklers, central air conditioning, generators, other machinery, and equipment and/or elevators in the building while under construction or renovation will be required to carry

B&M coverage as part of their property/builder's risk coverage.

- Coverage:
  - Lesser of \$2,000,000 or the insurable value of the improvements

### **Sinkhole/Mine Subsidence Insurance**

- If the property is in an area prone to these geological phenomena
- Coverage:
  - 100% replacement cost

### **Business Income/Rent Loss Coverage**

- Coverage:
  - Actual loss sustained or minimum 12 months' gross income/rents.
- Deductible:
  - Two weeks per occurrence

### **Commercial General Liability for Owner/Manager**

- Type:
  - Commercial General Liability (CGL) policy on an occurrence. Coverage must be in effect from the time of land/property acquisition.
- Minimum Limits:
  - General Aggregate (per project):  
\$2,000,000 Products and Comp/Op  
Aggregate: \$1,000,000 Each  
Occurrence: \$1,000,000  
0
  - Fire Damage: \$ 50,000
  - Medical Expenses: \$ 5,000
- Multiple Locations Policy:
  - If the policy covers multiple locations, a per location aggregate limit is required and must be endorsed onto policy
- Endorsements:
  - Coverage for hostile fire must be included/endorsed onto policy (i.e., pollution exclusion must specify that hostile fire is not excluded)
- Deductible:
  - \$10,000

### **Worker's Compensation for Management Company**

- Upon commencement of lease up
- Statutory Limits:
  - As set by statute in the applicable state w/employers liability limits of 100/500/100. Must be carried with respect to any employee of the owner of management agent.

### **Commercial Auto for Owner/Manager**

- Upon commencement of lease up
- Coverage:
  - All owned, hired, and non-owned automobiles
- Minimum Limit:

- Bodily injury and property damage: \$1,000,000 CSL
- Uninsured and underinsured: Statutory limit

Description: Hired Autos Only: Only those “autos” you lease, hire, rent or borrow. This does not include any “auto” you lease, hire, rent or borrow from any of your “employees”, partners (if you are in a partnership), members (if you are in a limited liability company) or members of their households.

- Non-Owned Autos:
  - Only those “autos” you do not own, lease, hire, rent or borrow that are used in connection with your business. This includes “autos” owned by your “employees”, partners (if you are in a partnership), members (if you are in a limited liability company) or members of their households but only while used in your business or your personal affairs.

### **Fidelity and Crime Coverage**

- Upon commencement of lease up
- Coverage:
  - Management Company employee dishonesty and forgery
- Minimum Limit:
  - Dishonesty--\$100,000; \$500,000 or \$1,000,000 will be required based on the projected annual rent of property.
  - Forgery--\$100,000

### **REQUIRED FOR CONSTRUCTION LOANS only:**

- All risks course of construction insurance policy (builder’s risk), with extended coverage covering the Improvements issued in an amount and by a company acceptable to Lender, but in no event less than the full replacement value of the Project, containing a loss payable or other endorsement satisfactory to Lender insuring Lender as Trust Indenture beneficiary, together with such other endorsements as may be required by Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender;
- Owners and general contractor general liability insurance, public liability and workmen’s compensation insurance.

Borrower will provide Certificates of Insurance evidencing all coverage outlined above as soon as possible, but in no event later than closing or fifteen (15) days prior to expiration of any policy.

Correct Additional Insured wording will also be evidenced on each certificate