



## Insurance Specifications: During Construction

**ALL INSURANCE CARRIERS MUST BE A.M. BEST'S RATED AT LEAST A VIII \***

**The Certificate Holder with rights of direct notice must be National Equity Fund, Inc.**

Note: Each Certificate/Binder must include a producer contact name, phone number and email address.

\* Certain investors may require a higher rating.

### **PARTNERSHIP POLICIES**

#### **A. Builder's Risk/ Property**

Policy Limit:	Replacement Cost equal to completed construction value Note: On rehabilitation projects, the building value (shell) is to be included in the Builder's Risk policy OR a separate policy must be secured for the shell of the building. (worksheet attached) <ul style="list-style-type: none"><li>• No Coinsurance unless there is an Agreed Amount Endorsement</li><li>• Must use Completed Value Form (Non Reporting)</li><li>• Individual investors may have additional requirements</li></ul>
Perils:	"Special Causes" of direct physical loss subject to the policy terms, conditions, and exclusions  Coverage must include: <ul style="list-style-type: none"><li>• Debris Removal</li><li>• Ordinance &amp; Law Coverage</li><li>• Individual investors may have additional requirements</li></ul>
Flood Insurance:	Mandatory for property within A and V Zones. NEF reserves the right to require flood insurance for property in shaded X Zones (formerly B Zone), X Zones (formerly C Zone), D Zone (undetermined risk areas) and property not mapped by FEMA.
Earthquake Insurance:	May be required if project in earthquake-prone area (Zone 3 or 4). NEF will determine requirement based on seismic evaluation.
Deductible:	Not to exceed \$5,000
Extensions:	Soft Costs plus Loss of Rents If occupied during construction, a permission to occupy endorsement is required.

**B. Mechanical Breakdown/ Boiler & Machinery**

Only applies to central systems and/or elevators per code      Total Building Value Limit  
Comprehensive Form, including Mechanical Breakdown

**C. Commercial General Liability – Primary Coverage**

Minimum Limits:	\$2,000,000	Aggregate Limit
	\$1,000,000	Personal & Advertising Injury
	\$1,000,000	Each Occurrence
	\$ 50,000	Fire Damage

- Maximum \$5,000 Deductible or Retention
- Permission to Occupy Endorsement is required if partial occupancy during construction.
- Individual investors may have additional requirements.

**D. Excess/ Umbrella Liability**

Excess/umbrella liability coverage is required only if the operating entity (the “Partnership”) that legally owns the Project (either as an LP or a LLC) is an Additional Insured on the General Partner’s General Liability Master Policy, which combines exposures for operations and/or vacant properties for the subject project plus other projects.

- Approval for lower Excess Limits will be restricted.
- National Equity Fund, Inc. (“NEF”) will consider:
  - Use
  - Location
  - Size of Project when evaluating such requests

**PROPERTY MANAGEMENT COMPANY/ AGENT POLICIES**

*Note: Required for projects that have occupied units during construction.*

**A. Workers’ Compensation**

Limit:	Statutory as per applicable state laws	
Employers’ Liability:	\$100,000	Each Accident
	\$500,000	Disease - Policy Limit
	\$100,000	Disease - Each Employee

**B. Fidelity Bond**      Equal to four months potential maximum gross rents.  
(Employee Dishonesty)

**C. Commercial General Liability**

Minimum Limits:	\$2,000,000	Aggregate Limit
	\$1,000,000	Products/Completed Operations Aggregate
	\$1,000,000	Contract
	\$1,000,000	Personal & Advertising Injury
	\$1,000,000	Each Occurrence
	\$50,000	Fire Damage

- Maximum \$10,000 Deductible or Retention
- Permission to Occupy Endorsement, if partial occupancy during construction
- Individual investors may have additional requirements

**D. Excess/ Umbrella Liability** (required by certain investors or by National Equity Fund, Inc. (“NEF”) based on combined exposures for operations)

**CONTRACTORS’ POLICIES**

**A. Commercial General Liability - Primary Coverage**

Minimum Limits:	\$2,000,000	Aggregate Limit
	\$1,000,000	Products/Completed Operations Aggregate
	\$1,000,000	Contract
	\$1,000,000	Personal & Advertising Injury
	\$1,000,000	Each Occurrence
	\$ 50,000	Fire Damage

- Maximum \$10,000 deductible or retention
- XCU (Explosion/Collapse/Underground)
- Mandatory Additional Insured: Project Limited Partnership/LLC

**B. Automobile Liability**

\$1,000,000  
Individual investors may have additional requirements.

**C. Workers’ Compensation**

Limit:	Statutory as per applicable state laws	
Employers’ Liability:	\$100,000	Each Accident
	\$500,000	Disease - Policy Limit
	\$100,000	Disease - Each Employee

**D. Excess/ Umbrella Liability**

Minimum Limit: \$5,000,000 Occurrence/\$5,000,000 Aggregate

**E. Payment & Performance Bond or Letter of Credit**

**Surety Company Must Be A.M. Best Rated at least A VIII.**

**ARCHITECTS’ POLICIES**

**A. Professional Liability**

Minimum Limit: \$1,000,000 Occurrence/\$1,000,000 Aggregate

Coverage notes:

1. Executed contracts may not limit liability to architect fees.
2. Architect design for NEW construction with hard costs greater than \$20 million will require increased Professional Liability coverage limit in an amount approved by Insurance Risk Management.
3. Applicable to the project Architect and any Civil, Structural, Mechanical, Plumbing, and Electrical Engineer that has executed a contract directly with the Project Partnership.

**B. Workers' Compensation**

Limit: Statutory as per applicable state laws

Employers' Liability:	\$100,000	Each Accident
	\$500,000	Disease - Policy Limit
	\$100,000	Disease - Each Employee

**ENVIRONMENTAL CONSULTANTS**

**Phase I or II Contracted Services**

**Professional Liability (Errors & Omissions)**

**Minimum Limit:** \$1,000,000 Occurrence/\$1,000,000 Aggregate

Certificate of Liability must stipulate the following:

Description of Operations Section: Professional Liability coverage has no exclusions for negligence in the performance of nature of operations.

Legal review must address:

- Consultant's contract for terms and conditions, including restriction of Professional Liability Limits

Coverage note: Environmental Consultant's contract shall not limit the consultant's Professional Liability to an amount less than \$1 million (i.e. NEF will not accept any language that would permit the consultant to limit its liability to the fee or a specified amount less than the minimum limit set forth above).

**Land Surveyors**

Individual investors may require surveyors to provide evidence of insurance coverage.

## Construction Period Property Insurance Coverage Worksheet

	I. Hard Costs	<u>Values</u>	
(A)	Building Shell (Existing Building) \$65 per sq. ft. x _____ sq. ft. (1 <sup>st</sup> floor and above)	\$ _____	
(B)	Direct Construction Costs Site Improvements Construction Contingency Materials Temporarily Stored Off Site	\$ _____ \$ _____ \$ _____ \$ _____	
	Completed Value = (A+ B)		\$ _____
	II. Soft Costs of Construction		
(C)	Include Project Financial Projections amounts during construction period for:  Construction Period Interest Taxes Insurance Architect's/Engineer's Supervision Fees Financing Fees Lease Up Marketing Rent Loss  Soft Costs Limit (total)	\$ _____ \$ _____ \$ _____  \$ _____ \$ _____ \$ _____ \$ _____ \$ _____ \$ _____ \$ _____ \$ _____	
	Total Insurable Values I & II		\$ _____ \$ _____

\*\* The above worksheet is to used as a guide in determining appropriate building values during the course of construction. Consult your insurance representative to determine the appropriate factors needed to determine proper building values.