

MASSHOUSING
(MASSACHUSETTS HOUSING FINANCE AGENCY)
INSURANCE REQUIREMENTS

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MASSHOUSING (MASSACHUSETTS HOUSING FINANCE AGENCY) INSURANCE REQUIREMENTS

MassHousing (the Massachusetts Housing Finance Agency) requires, as a condition of its mortgage loan commitment and as a covenant of its mortgage, that borrowers maintain, or cause to be maintained, insurance in connection with multifamily housing developments financed by MassHousing. This document sets forth the policies and procedures with respect to such insurance coverages (the "Insurance Requirements"), including the types, amounts and terms of coverage to be provided. In stating these Insurance Requirements, which specify the minimum levels of insurance to be maintained, MassHousing makes no representation that the required coverages are adequate to fully protect the insured(s), and recommends that the insured(s) make an independent determination as to the adequacy of the coverage obtained with respect to a particular development.

The Insurance Requirements are subject to change, and may not be modified or waived, in whole or in part, except with the prior written authorization of MassHousing's Director of Rental Operations or his designee.

PART I - Developments in the Course of Construction or Rehabilitation

This part contains the Insurance Requirements for all developments during the course of construction financed or to be financed by MassHousing¹.

A. General Requirements

The following general requirements shall apply to each policy required below:

- A.1.** Certificates of insurance evidencing in-force coverage for all required coverage must be provided to, and approved by, MassHousing prior to loan inception date and, in the case of policy renewals, prior to the existing policy termination date. Where MassHousing will be providing a permanent only financing of the development, the insurance certificates must be provided prior to the execution of the permanent loan agreement. **All coverage must include the interest of MassHousing¹.**

A complete copy of the property, boiler and machinery, general liability, umbrella and contractor's liability insurance policies, either the original policies or certified copies of the original policies, shall be delivered to MassHousing, within 30 days of the policy being issued.

- A.2.** Certificates of insurance or Evidence of Property Insurance should be addressed to the Loan Servicing Group in the Rental Operations Division of MassHousing, and must indicate that the policies shall not be assigned, cancelled, reduced, amended or materially altered in any manner by the insurance company unless at least 60-day notice of such contemplated actions is given by the company, or 20 days in the event of non-payment of premium, by certified mail to MassHousing.

If the insured or any other party cancels, reduces, amends or materially alters the policy in any manner, at least 60 days notice of such contemplated actions shall be given by the insurance company by certified mail to MassHousing.

¹ MassHousing loans backed by Ginnie Mae (GNMA) mortgage backed security shall also include the interests of The Assistant Secretary for Housing, U.S. Dept. of H.U.D. and their interests shall be evidenced on all certificates of insurance.

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- A.3.** Insurance policies are to be issued by companies licensed to do business in the Commonwealth of Massachusetts, and if not so licensed, then by companies approved by the Massachusetts Commissioner of Insurance. Any insurance company writing insurance that is submitted to MassHousing must be, in any event, acceptable to MassHousing. Insurance companies with a current Best's Policyholder rating of "A-" and a Financial Category Class IX or better are normally acceptable.
- A.4. Renewal insurance certificates must be provided to MassHousing a minimum of 15 days prior to the expiration of policies.**

B. Borrower Required Coverage

B.1. Commercial General Liability Insurance

- a) Coverage for Commercial General Liability should be provided on a policy form no less broad than currently available broad ISO form, and should include coverages for premises and operations, personal and advertising injury and products and completed operations. No amending or exclusionary endorsements material to Borrower's obligations in the Contract may be attached. The Primary policy aggregate must apply on a "per location/project" basis, and should be no less than \$2,000,000. Coverage must be provided on an "occurrence" form.
- b) **MassHousing must be listed as an Additional Insured. The additional insured endorsement must state that MassHousing¹ is an additional insured for both ongoing and completed operations.** This endorsement should provide the same coverage as the most recent versions of ISO CG 20 38 (ongoing operations) or CG 20 37(completed operations) in establishing MassHousing¹ as additional insured. Endorsement copies must be provided within 30 days upon request.
- c) Limits may be provided through a combination of primary and umbrella policies and shall not be less than the following:

1-3 Stories

(i) General Aggregate:	\$3,000,000
(ii) Products and Completed Operations Aggregate:	\$3,000,000
(iii) Personal and Advertising Injury (Aggregate Limit):	\$3,000,000
(iv) Each Occurrence Limit	\$3,000,000
(v) Medical payments (per person limit):	\$1,000

4-10 Stories - \$6MM per occurrence and \$6MM aggregate

11-20 Stories - \$15MM per occurrence and \$15MM aggregate

20+ Stories - \$25MM per occurrence and \$25MM aggregate

MassHousing reserves the right to require higher limits of liability in certain construction projects.

¹ MassHousing loans backed by Ginnie Mae (GNMA) mortgage backed security shall also include the interests of The Assistant Secretary for Housing, U.S. Dept. of H.U.D. and their interests shall be evidenced on all certificates of insurance.

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- d) Mold Coverage should be included if available. Where unavailable, Borrower shall furnish to MassHousing a written mold program to be implemented.
 - e) Waiver of subrogation in favor of MassHousing¹
- B.2. Umbrella/Excess Liability Insurance**
- a) Coverage may be used to satisfy the required limits of this section. MassHousing has the right to require additional limits of liability.
 - b) Coverage is to be excess of General Liability, Automobile Liability (if applicable), and Employers Liability.
 - c) Policy must be written on an occurrence basis.
 - d) Coverage is to be no less broad than underlying liability policies.
 - e) MassHousing¹ shall be named as additional insured.
 - f) Waiver of subrogation in favor of MassHousing¹
- B.3. Workers' Compensation Insurance**
- a) Borrowers are required to have insurance coverage or an approved self-insurance program covering their obligations under the Workers' Compensation Act for statutory benefits.
 - b) A minimum limit of \$1,000,000 is required for employers' liability coverage, which may be provided through primary and umbrella policies.
 - c) Waiver of subrogation in favor of MassHousing¹
- B.4. Builder's Risk Insurance/Property Insurance**
- a) Coverage shall be provided on an ISO standard all risk of loss form at minimum, including earthquake and flood, and should have no exclusions for testing, ordinance and law, and machinery breakdown, unless otherwise covered.
 - b) MassHousing¹ must be listed as a mortgagee and loss payee on the property and builder's risk policy. Endorsement copies must be provided within 30 days upon request.
 - c) The amount of insurance must be equal to one hundred percent (100%) of the completed value of the construction.
 - d) No coinsurance provision shall apply (OR such provision must be waived by an Agreed Amount clause or endorsement).
 - e) Loss recoveries must be valued at replacement cost without deduction for depreciation. In the case of rehabilitation projects, building shells and other

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salvageable components must also be insured for replacement cost.

- f) Earthquake and Flood coverages are required as follows:
- (1) Earthquake coverage is mandatory with an amount equal to the lesser of one hundred percent (100%) of the completed value of the project or the value of MassHousing's mortgage interest in the constructed property or \$5,000,000.
 - (2) Flood insurance must be provided on all properties. The minimum amount of flood insurance required is the following:
 - (a) For properties not in a Flood Zone or in Flood Zones other than Flood Zones which begin with A and V, \$1,000,000 sub limit
 - (b) For Zones which begin with A or V (i.e. A, AR, A1, V, VE, V15, etc.), the total flood coverage must be provided to a limit equal to the lesser of Replacement Cost or Mortgage Value or \$10,000,000. Such flood insurance, as required by law if the development is located in a community for which flood insurance has been made available under the provisions of the Flood Disaster Protection Act of 1973 (42 U.S.C. Section 4001 et seq.), shall be in a form of the Standard National Flood Insurance Program policy or in the form of a policy which meets the guidelines published by the Federal Insurance Administration amended (43 F.R. 7142). If primary coverage is provided through the National Flood Insurance Program, and the limit required above is not met, excess flood insurance coverage must also be provided.
- It is incumbent upon the borrower to document the location of the development outside a designated flood hazard area. In the absence of documentation satisfactory to MassHousing, borrowers are required to procure and maintain flood insurance for the amount of the mortgage or the value of the property at risk or \$10,000,000, whichever is less.
- g) Windstorm or Hail deductibles should be the same as the deductibles for other perils. It is incumbent upon the borrower to submit a maximum probable loss model, financial responsibility review, or otherwise, for higher deductibles to be considered by MassHousing.
- h) The property deductible shall not exceed \$25,000 (\$50,000 for Earthquake and Flood) unless the borrower can demonstrate the financial ability to absorb a higher retention, in a form satisfactory to MassHousing. If a higher deductible is proffered, MassHousing may require a bond, indemnification agreement, and/or a letter of credit. A copy of the limit and deductible provisions of any master policy must be provided.
- i) Coverage shall be provided for loss of rental income equal to one hundred percent (100%) of the annual anticipated rents from the property plus 90 day extended indemnity. A maximum deductible of 2 weeks may apply.
- j) Terrorism—Property Insurance—full replacement value of the property in which MassHousing has interest. The coverage is to include coverage for certified acts of terrorism. Terrorism Insurance may be waived at the sole discretion of MassHousing.

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- k) All loss settlement checks shall include MassHousing as a payee.
- l) The policy must include the interest of the borrower, all contractors, subcontractor(s), and supplier(s) as their interests may appear. Rights of subrogation must be waived.
- m) The scope of property insured must include existing structures, interior portion of building, materials, equipment, supplies and temporary structures being built or stored on or near the premises under construction. No scaffolding exclusion shall apply.
- n) Once the property becomes complete and permanent, a separate property insurance program must be in place to cover the building. While there is ongoing construction, a "Permission to Occupy" endorsement is required. This will allow tenancy while the builder's risk covers the property.
- o) Delay of Opening (loss of income) coverage is to be included.
- p) Soft Cost Endorsement establishing indemnification of finance charges is required.
- q) Interior Building Endorsement covering interior building or personal property damage while building is under construction.

C. Contractor Required Coverages

C.1. Commercial General Liability Insurance

- a) The borrower shall require contractor and/or all subcontractors to provide and maintain insurance of such nature and in such amounts as the borrower deems prudent and necessary. However, in no case shall coverage for general liability be less broad or for lower limits than those required of the borrower in Section B. 1. (Commercial General Liability) above. **MassHousing¹ must be listed as an Additional Insured.**

Additional Insured status with respect to the CGL insurance shall be provided, in addition to a waiver of subrogation, **under endorsements no less broad than both the most recent version of CG 20 38 (ongoing operations) and CG 20 37 (completed operations) and shall continue through the extension period.** Endorsement copies must be provided within 30 days upon request. **A waiver of subrogation in favor of MassHousing¹ shall be included.**

- b) If the contractor's general liability policy does not contain a per location aggregate, then, at the option of MassHousing, the contractor shall carry, as part of the general liability policy, so-called "Owners Contractors Protective" liability, with a minimum limit of \$1,000,000 combined single limit for bodily injury and property damage, unless MassHousing is named as additional insured and

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indemnification agreement exists.

- c) The borrower shall require contractor(s) to procure and maintain products and completed operations insurance for a period of six (6) years after completion of construction. Throughout the 6 year period, Contractor(s) shall submit renewal insurance certificates, including the additional insured endorsements, to evidence coverage is being maintained.
- d) Coverage shall be provided on an occurrence form.
- e) Mold Coverage should be included if available. Where unavailable, Contractor shall furnish to MassHousing a written mold program to be implemented.
- f) Lead Coverage must be included for contractors and/or sub contractors with a scope of work including lead abatement.
- g) No Asbestos Exclusion should apply for contractors and/or subcontractors with a scope of work that includes the handling, abatement, removal, and/or disposal of asbestos containing materials. This requirement can be satisfied with a separate policy.
- h) On- Site pollution coverage should apply if there is a known exposure. Minimum limit – \$500,000, however Masshousing reserves the right to require additional limits based on project.

C.2. Automobile Liability Insurance

Automobile liability insurance shall be required of the contractor and subcontractor(s) with a minimum limit of \$5,000,000 covering owned, hired and non-owned vehicles, which may be provided through primary and umbrella policies.

C.3. Environmental Impairment Liability Insurance (Pollution Liability)

- a) If contractor or subcontractor is involved in pollutant remediation, (including the removal of lead or asbestos containing materials) a minimum of \$5,000,000 combined limit for cleanup, property damage and bodily injury coverage is necessary.
- b) Retroactive Date is to pre-date work start date, and should be listed on certificate.
- c) Mold Coverage may apply to meet the mold requirement of section C above.

C.4. Umbrella/Excess Liability Insurance

- a) Coverage may be used to satisfy the required limits of this section. MassHousing has the right to require additional limits of liability.
- b) Coverage is to be excess of General Liability, Automobile Liability and Employers Liability.
- c) Policy must be written on an occurrence basis.
- d) Coverage is to be no less broad than underlying liability policies.

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- e) MassHousing¹ shall be named as additional insured.
- f) Waiver of subrogation in favor of MassHousing¹

C.5. Workers' Compensation Insurance

- a) Contractors are required to have insurance coverage or an approved self-insurance program covering their obligations under the Workers' Compensation Act for statutory benefits.
- b) A minimum limit of \$1,000,000 is required for employers' liability coverage, which may be provided through primary and umbrella policies.
- c) Waiver of subrogation in favor of MassHousing¹

D. Architects Required Coverages

The Architect shall purchase and maintain at its sole cost and expense during the term of this Agreement the following insurance:

D.1. Professional Liability Insurance

The Architect shall purchase and maintain at its sole cost and expense during the term of the Agreement and otherwise as set forth herein professional liability insurance in a minimum amount of \$2,000,000 covering errors and omissions and negligent acts of the Architect, and of any person or entity for whose performance the Architect is legally liable, arising out of the performance of this Agreement. The policy may be in a "claims made" format. If the policy is a "claims made" policy, it shall include a retroactive date that is no later than the effective date of this Agreement, and an extended reporting period of at least six (6) years after the earlier of: (1) the date of official acceptance of the completed Project by the Owner; (2) the date of the opening of the Project to public use; (3) the date of acceptance by the Construction Manager of final payment under the CM Contract; or (4) the date of final completion of the Project and the taking of possession of the Project for occupancy by the Owner, which requirement can be met by providing renewal certificates of professional liability insurance to the Owner as evidence that this coverage is being maintained.

D.2. Workers Compensation Insurance

Workers' Compensation Insurance as required under the Massachusetts Workers' Compensation Reform Act (M.G.L. Chapter 152, as amended), with Employers' Liability limits of \$500,000/\$500,000/\$500,000. Such policy shall be endorsed with a waiver of subrogation in favor of the Owner and MassHousing¹.

D.3. Commercial General Liability Insurance

Commercial General Liability (CGL) Insurance, which may be provided through a combination of primary and umbrella policies, but shall not be less than \$5,000,000 each occurrence, and a General Aggregate Limit on a per project

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basis of \$5,000,000. The CGL insurance shall include coverage for death, bodily injury, property damage and personal injury, including coverage for contractual liability on an occurrence basis. Additional Insured status with respect to the CGL insurance shall be provided for the Owner and MassHousing¹ (“additional insureds”), under an endorsement no less broad than the most recent version of CG 20 38 (ongoing operations). The policy shall be endorsed to waive subrogation in favor of the additional insureds. Copies of such endorsements shall be provided to the Owner with each required Certificate of Insurance. CGL coverage must be maintained by the Architect with the stated minimum limits for the same minimum period as required for professional liability.

Any deductibles or self insured retentions shall be disclosed, and shall be sole duty of Architect. Insurance shall apply for the benefit of Owner as if no such deductible or self insured retention applied.

D.4. Commercial Automobile Liability Insurance

Commercial Automobile Liability Insurance for owned, non-owned, and hired vehicles with a Combined Single Limit of \$5,000,000 per accident, which may be provided through a combination of primary and umbrella policies.

D.5. Umbrella/Excess Liability Insurance

- a) Coverage may be used to satisfy the required limits of this section. MassHousing has the right to require additional limits of liability.
- b) Coverage is to be excess of General Liability, Automobile Liability and Employers Liability.
- c) Policy must be written on an occurrence basis.
- d) Coverage is to be no less broad than underlying liability policies.
- e) MassHousing¹ shall be named as additional insured.
- f) Waiver of subrogation in favor of MassHousing¹

D.6. Valuable Papers Insurance

Valuable Papers insurance in an amount sufficient to assure the restoration of any plans, drawings, computations, field notes, Building Information Modeling (BIM) or other similar data relating to the work covered by this Agreement in the event of loss or destruction while in the custody of the Architect until the final fee payment is made or all data is turned over to the Owner, and this coverage shall include coverage for relevant electronic media including, but not limited to, documents stored in computer aided design drafting (CADD) systems.

D.7. Architects Consultants Insurance Requirements

The Architect shall require all consultants engaged by it in connection with the

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Project to maintain similar insurance coverages as the Architect is required to maintain under this Agreement. Notwithstanding the foregoing sentence, the insurance maintained by any consultant engaged by the Architect to undertake work for the Project with respect to such hazardous materials may not include any exclusion for asbestos, fungus, pollution, or any other hazardous condition, which is the subject of the engaged consultant's work.

D.8. Other

No limitation of insurance shall release the Architect from any liability under this Agreement. Without limitation, the Architect shall bear the risk of any loss not covered by the insurance policies that it maintains.

E. Other Professionals Required Coverages

E.1. Commercial General Liability Insurance

The borrower shall require professionals to provide and maintain insurance of such nature and in such amounts as the borrower deems prudent and necessary. However, in no case shall coverage for general liability be less broad or for lower limits than those required of the borrower in Section B. 1. (Commercial General Liability) above, except that professionals shall not be required to carry coverage for products and completed operations, or any per location limit, and the additional insured endorsement should provide the same coverage as the most recent version of ISO CG 20 38 (ongoing operations) in establishing MassHousing¹ as additional insured. Endorsement copies must be provided within 30 days upon request.

E.2. Workers' Compensation Insurance

Professionals are required to have insurance coverage or an approved self-insurance program covering their obligations under the Workers' Compensation Act for statutory benefits.

A minimum limit of \$1,000,000 is required for employers' liability coverage, which may be provided through primary and umbrella policies.

Waiver of subrogation in favor of MassHousing¹

E.3. Professional Errors and Omissions Insurance

- a) Engineers' (including but not limited to Mechanical, Structural, and Electrical), Environmental Engineers' or Surveyors' and other professionals' errors and omissions insurance in the amount of ten percent (10%) of the construction amount or \$5,000,000 whichever is less, but in no event less than \$1,000,000. Coverage to apply to the specific project.
- b) Attorney's errors and omissions insurance in the amount of ten percent (10%) of the mortgage amount or \$5,000,000, whichever is less, but in no event less than \$1,000,000.

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- c) If coverage is on a claims made basis, retroactive date of the policy must predate the commencement of work. Policy should have no limitation or exclusion for prior acts.
- d) All such insurance must be in full force and effect from the inception of the insured's commencement of professional services relating to the project.
- e) The contractor shall require all contractors and subcontractors to procure and maintain similar coverage.

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PART II - Completed Developments

This part contains the Insurance Requirements for all completed developments financed by MassHousing.

A. General Requirements

The following general requirements shall apply to each policy required below:

- A.1.** Certificates of insurance evidencing in-force coverage for all required coverage must be provided prior to loan inception date and, in the case of policy renewals, prior to the policy renewal date. Temporary binders evidencing coverage will only be accepted prior to loan inception date. Temporary binders are not acceptable on policy renewals. **All coverages must include the interest of MassHousing¹.**

If requested, a complete copy of the property, boiler and machinery, general liability, umbrella and a contractor's liability insurance policies, either the original policies or certified copies of the original policies, shall be delivered to MassHousing within 30 days of the policies being issued or 10 days from the date of request by MassHousing.

- A.2.** Certificates of insurance or Evidence of Property Insurance should be addressed to the Loan Servicing Group in the Rental Operations Division of MassHousing, and must indicate that the policies shall not be assigned, cancelled, reduced, amended or altered in any manner by the insurance company unless at least 60-day notice of such contemplated actions is given by the company, or 20 days in the event of non-payment of premium, by certified mail to MassHousing.

If the insured or any other party cancels, reduces, amends or alters the policy in any manner, at least 60 days notice of such contemplated actions shall be given by the insurance company by certified mail to MassHousing.

- A.3.** Insurance policies must be issued by companies licensed to do business in the Commonwealth of Massachusetts, and if not so licensed, then by companies approved by the Massachusetts Commissioner of Insurance. Any insurance company writing insurance that is submitted to MassHousing must be, in any event, acceptable to MassHousing. Insurance companies with a current Best's Policyholder rating of "A-" and a Financial Category Class IX or better are normally acceptable.

- A.4. Renewal insurance certificates must be provided to MassHousing a minimum of 15 days prior to the expiration of policies.**

¹ MassHousing loans backed by Ginnie Mae (GNMA) mortgage backed security shall also include the interests of The Assistant Secretary for Housing, U.S. Dept. of H.U.D. and their interests shall be evidenced on all certificates of insurance.

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A.5. Insurance certificates must be provided on **Acord form 28 for Property coverage**, and **Acord form 25 for Liability coverage**. All other forms are unacceptable.

B. Borrower Required Coverage

B.1. Commercial General Liability Insurance

- a) Coverage for Commercial General Liability should be provided on a policy form no less broad than currently available broad ISO form, and should include coverages for premises and operations, personal and advertising injury and products and completed operations. No amending or exclusionary endorsements material to Borrower's obligations in the Contract may be attached. Any policy aggregate must apply on a "per location/project" basis. Coverage must be provided on an "occurrence" form.
- b) **MassHousing¹ must be listed as Additional Insureds with respect to all liability coverages.** The Additional Insured endorsement must state that MassHousing¹ is additional insured for both ongoing operations and completed operations. These endorsements should be no less broad than the most recent version of ISO CG 20 38 (ongoing operations) and CG 20 37 (completed operations), establishing MassHousing¹ as additional insured. Endorsement copies must be provided within 30 days upon request if not contained within the delivered policy.
- c) The following minimum limits of liability shall be carried and may be provided through a combination of primary and umbrella policies:

1-3 Stories

(i) General Aggregate	\$3,000,000
(ii) Products and Completed Operations Aggregate:	\$3,000,000
(iii) Personal and Advertising Injury (Aggregate Limit):	\$3,000,000
(iv) Each Occurrence Limit	\$3,000,000
(v) Medical Payments (per person limit):	\$1,000

4-10 Stories - \$6MM per occurrence/\$6MM aggregate

11-20 Stories - \$15MM per occurrence/\$15MM aggregate

20+ Stories - \$25MM per occurrence/\$25MM aggregate

MassHousing reserves the right to require higher limits of liability in certain construction projects.

- d) Mold Coverage should be included if available. Where unavailable, Borrower shall furnish to MassHousing a written mold program to be implemented.

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- e) No lead exclusion to apply to buildings built prior to 1978.
- f) Waiver of subrogation in favor of MassHousing¹
- g) Include Garagekeepers Legal Liability if autos park or are parked for a fee.

B.2. Umbrella/Excess Liability

- a) Coverage may be used to satisfy the required limits of this section. MassHousing reserves the right to require additional limits of coverage.
- b) Coverage is to be excess of General Liability, Automobile Liability and Employers Liability.
- c) Policy must be written on an occurrence basis.
- d) Coverage is to be no less broad than underlying liability policies.
- e) MassHousing¹ shall be named as additional insured.
- f) Waiver of subrogation in favor of MassHousing¹

B.3. Workers' Compensation Insurance

- a) Borrowers are required to have insurance coverage or an approved self-insurance program covering the borrower's obligations under the Workers' Compensation Act for statutory benefits.
- b) A minimum limit of \$1,000,000 is required for employers' liability coverage, or sufficient to meet the underlying requirements of the umbrella/excess coverage.
- c) The borrower shall require all contractor(s) and subcontractor(s) to procure and maintain similar insurance while working on behalf of the Borrower.
- d) Waiver of subrogation in favor of MassHousing¹

B.4. Property and Rental Income Insurance

- a) Coverage shall be provided on standard ISO Special Cause of Loss forms or their equivalent for full limits.
- b) MassHousing must be listed as a mortgagee and loss payee on the property policy.
- c) The amount of insurance must be equal to one hundred percent (100%) replacement cost of the building and other improvements.
- d) The coinsurance clause shall be suspended by an agreed amount endorsement, or by other satisfactory policy provisions.

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- e) Loss recoveries must be valued at replacement cost determined as the actual costs of repair or replacement without deduction for depreciation.
- f) Coverage is also required for earthquake and flood as follows.
 - (1) Earthquake coverage is mandatory with an amount equal to the lesser of one hundred percent (100%) of the completed value of the project, or the value of MassHousing's mortgage interest in the constructed property, or \$5,000,000.
 - (2) Flood insurance must be provided on all properties. The minimum amount of flood insurance required is the following:
 - (a) For properties not in a Flood Zone or in Flood Zones other than Flood Zones which begin with A and V, \$1,000,000 sub limit
 - (b) For Zones which begin with A or V (i.e. A, AR, A1, V, VE, V15, etc.), the total flood coverage must be provided to a limit equal to the lesser of Replacement Cost or Mortgage Value or \$10,000,000. Such flood insurance, as required by law if the development is located in a community for which flood insurance has been made available under the provisions of the Flood Disaster Protection Act of 1973 (42 U.S.C. Section 4001 et seq.), shall be in a form of the Standard National Flood Insurance Program policy or in the form of a policy which meets the guidelines published by the Federal Insurance Administration amended (43 F.R. 7142). If primary coverage is provided through the National Flood Insurance Program, and the limit required above is not met, excess flood insurance coverage must also be provided.

It is incumbent on the borrower to document the location of the development outside a designated flood hazard area. In the absence of documentation satisfactory to MassHousing, borrowers are required to procure and maintain flood insurance for the value of the mortgage or the value of the property at risk or \$10,000,000.

- g) Windstorm or Hail deductibles should be the same as the deductibles for other perils.
- h) The property deductible shall not exceed \$25,000 (\$50,000 for Earthquake and Flood) unless the borrower can demonstrate the financial ability to absorb a higher retention, in a form satisfactory to MassHousing. If a higher deductible is proffered, MassHousing may require a bond, indemnification agreement, and/or a letter of credit. A copy of the limit and deductible provisions of any master policy must be provided.
- i) Coverage shall be provided on an Actual Loss Sustained basis and in no case less than one hundred percent (100%) of the annual anticipated rents from the property, plus a 90-day extended indemnity. A maximum deductible of 2 weeks may apply.
- j) Terrorism Coverage is to apply. Terrorism—Property Insurance—full replacement value of the property in which MassHousing has interest. The coverage is to include coverage for certified acts of terrorism. Terrorism coverage may be waived at the sole discretion of MassHousing.

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- k) All loss settlement checks shall include MassHousing as a payee.
- l) Ordinance and Law Coverage is to be included, which will provide loss and demolition cost of the undamaged portion of a building, and increased cost of construction because of the ordinance or law.
- m) Coverage shall apply to ingress/egress as a result of loss to other property.
- n) Coverage shall apply to interruption by Civil Authority.
- o) Coverage is to be provided for utility service interruption including all transmission lines for both direct and loss of rents (business income/time element) coverage.

B.5. Boiler and Machinery Insurance

If the subject property has a boiler or a central HVAC unit(s), Boiler and Machinery insurance below must be carried. Note that a boiler is defined as any water heating device that meets or exceeds any of the following criteria:

- 1) *a heat input of 200,000 Btu/hr (58.6kW), or*
 - 2) *a water temperature of 210° F, or*
 - 3) *a nominal water-containing capacity of 120 gallons*
- a) The lesser of (a) the value of 100% of the replacement cost of the subject property or (b) \$5,000,000 is required, unless MassHousing determines that a higher limit is required.
 - b) Loss recoveries must be on a replacement cost valuation basis.
 - c) The deductible on boiler and machinery coverage shall not exceed \$25,000 unless the borrower can demonstrate the financial ability to absorb a higher retention, in a form satisfactory to MassHousing and that the borrower certifies that they will be responsible for such deductible.
 - d) Coverage shall be provided for loss of rental income equal to a minimum of one hundred percent (100%) of expected annual rents. The rental income deductible shall not exceed 24 hours.

Carrying a standard comprehensive form boiler and machinery policy covering all pressure, mechanical and electrical objects and apparatus may fulfill the preceding Boiler and Machinery requirements.

- e) Include a joint loss agreement to coordinate coverage with property coverage if not written by the same insurer.

B.6. Environmental Impairment Liability (Pollution Liability)

- a) If building is determined to contain pollutants by MassHousing diligence, a minimum of \$5,000,000 combined limit for cleanup, property damage and bodily injury coverage is required. May be on a claims-made format.
- b) Retroactive Date is to pre-date remediation work start date, if remediation was performed prior to policy inception.

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B.7. Crime

- a) Management Company is to provide a certificate evidencing crime coverage. The minimum policy limits should be in accordance with the management agreement.