



Insurance Specifications: During Construction

**ALL INSURANCE CARRIERS MUST BE A.M. BEST'S RATED A- VI OR HIGHER**

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

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

**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 secured. (worksheet attached)

Perils: "Special Causes" of direct physical loss subject to the policy terms, conditions, and exclusions

Flood Insurance: Mandatory for property within 100 Year Flood Zone

Earthquake Insurance: May be required if project in earthquake-prone Zone 3 or 4. NEF will determine requirement based on seismic evaluation.

Deductible: Not to exceed \$5,000

Extensions: Soft Cost plus Loss of Rents, if partial occupancy permission to occupy endorsement, if occupied during construction.

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

Only applies to central systems and/or elevators per code	Total Building Value Limit Comprehensive Form, including Mechanical Breakdown
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**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, if partial occupancy during construction.

**D. Excess/Umbrella Liability**

Additional coverage required if Project Limited Partnership is an Additional Insured on the General Partner's General Liability coverage, which combines exposures for operations and/or vacant properties plus other projects.

**PROPERTY MANAGEMENT COMPANY/AGENT POLICIES**

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

**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)

**CONTRACTORS' POLICIES****A. Commercial General Liability - Primary Coverage**

Note: Mandatory Excess/Umbrella Specifications

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. 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

**C Excess/Umbrella Liability**

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

*Approval for lower Excess limits will be restricted AND based on scope of work (i.e. rehab); location and size of contract.*

**ARCHITECTS' POLICIES**

**A. Professional Liability**

Minimum Limit: \$250,000 or 10% of Construction Contract

Maximum Limit: \$1,000,000 Occurrence/\$1,000,000 Aggregate  
**OR** as specified for unique structural design

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 National Equity Fund, Inc. Risk Management.

**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 ONLY 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 Environment Consultant review to address:

- Review of consultant's contract for terms and conditions, including restriction of Professional Liability Limits
- Review of Certificates of Liability for Coverage Limits; Insurance Company versus Risk Retention Group/Captive Insurance; Dates of Coverage
- Certificate of Liability description of operation compliance.

**Phase II Additional Contracted Services**

**Professional Liability (Errors & Omissions)**

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

Legal Environment Consultant review to address:

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

- Review of Certificates of Liability for Coverage Limits; Insurance Company versus Risk Retention Group/Captive Insurance; Dates of Coverage
- Certificate of Liability stipulates coverage includes Pollution Liability OR review of Professional Liability policy for “exclusions” related to Pollution Liability.

Coverage note:

Executed 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.

**NOTE: Construction Period Property Insurance Coverage Worksheet available on following page.**

**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 be 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.