



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)

- No Coinsurance unless there is an Agreed Amount Endorsement
- Must use Completed Value Form (Non Reporting)
- Individual investors may have additional requirements

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

Coverage must include:

- Debris Removal
- Ordinance & Law Coverage
- Individual investors may have additional requirements

Flood Insurance: Mandatory for property within 100 Year Flood Zone

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

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.

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).

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 st 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.