

# memorandum

Pat Quinn, Governor

## MANAGEMENT BULLETIN #440

Date December 9, 2013  
To IHDA Financed Properties  
From Tony Hernandez,  
Managing Director of Asset Management Services

### **Re Insurance Requirements for IHDA Projects – Renewals**

The following insurance requirements shall apply for the property owner on all developments financed by the Illinois Housing Development Authority (“IHDA”). ***The insurance coverage outlined below represents the minimum requirements for IHDA developments. If, in the opinion of IHDA, the development is such so as to produce a greater than normal exposure, additional coverage or higher limits may be required.***

The requirements are applicable to all developments which are accepted by IHDA and continue until IHDA is no longer involved with the property. Evidence of coverage prior to the commencement of any operations covered by such policies must be submitted to and approved by IHDA prior to initial closings and prior to every renewal thereof. All communication should be direct to:

Illinois Housing Development Authority  
401 North Michigan Avenue, Suite 700  
Chicago, IL 60611

### **General Requirements:**

All insurers affording coverage shown on documentation shall include the full, complete, specific name of the insurance company affording coverage – (do NOT show only the “group” name such as “Chubb Insurance” or “Travelers Insurance”)

1. All insurers must have, at a minimum, an AM Best Company rating of A VII
2. All insurers must have, at a minimum, a Standard & Poor’s rating of A
3. In the event a development does not have sufficient insurance coverage or coverage has lapsed, IHDA reserves the right to obtain coverage at the Owner’s expense.

4. Certificates evidencing coverage in force shall be provided for each policy prior to policy expiration showing Illinois Housing Development Authority at the above address as certificate holder
5. Certificate should include all appropriate information for coverage, policy effective date, policy expiration date, policy numbers, policy limits and deductible, etc.
6. Certificates shall reference the IHDA project name and IHDA loan number on each certificate; if multiple projects are included, all project names and project numbers should be included on supplemental page(s).
7. Such insurance shall not be cancelled, allowed to expire or change in any manner that will reduce coverage without 30 days prior written notice to the Illinois Housing Development Authority at the address above shown
8. IHDA reserves the right to directly contact any insurer and or insurance agent to independently verify coverage evidenced.
9. Any deviations in coverage shall be at the discretion of IHDA

**Property Insurance Requirements:**

1. Prior to termination of Builder's Risk coverage, the following shall be submitted to IHDA:
  - a. Permission to Occupy or Certificate of Occupancy
  - b. A copy of the property insurance policy covering the project
  - c. Evidence of Property Insurance (preferably, a fully completed Acord 28) shall be submitted covering the project properties.
2. The following shall be so noted on the initial documentation and renewal documentation:
  - a. Illinois Housing Development shall be included as a Mortgagee
  - b. Named insured shall include the property owner (complete ownership entity name)
3. Coverage shall include (and shall be so noted on the insurance documentation):
  - a. Valuation should be Replacement Cost
  - b. Building Values should represent 100% Replacement Cost and reviewed annually by the property owner
  - c. No coinsurance - co-insurance shall be waived and so noted on the insurance documentation
  - d. Form shall be "All Risk" or "Special" perils (the equivalent of "All Risk") including Backup of Sewer and Drains. Boiler & Machinery, Equipment Breakdown shall be included if the property contains high-pressure fired vessels, electrical panels and/or HVAC. (The coverage documentation shall include appropriate reference to this provision.)
  - e. Rental value/business income in an amount equal to 100% of the anticipated annual **GROSS** rental income on the buildings and reviewed annually by the property owner and the Authority
  - f. If the owner has elected to obtain a blanket policy covering several developments, specific statements of value will be required for each development and is to be included with the renewal documentation along with the IHDA project name and IHDA project number for each project
  - g. The amount of deductible shall be shown and shall not exceed \$10,000 for any one loss. All losses not reimbursed by insurance shall be absorbed by the property owner.
  - h. Building values and rental value shall be reviewed by the property owner and IHDA on an annual basis. Necessary amendments in the amount of coverage will be made effective on each anniversary of the policy
  - i. Coverage shall include the following at full Replacement Cost value if required because of the location of the property and/or required by IHDA:

- i. Mine Subsidence
- ii. Flood
- iii. Earthquake and/or Earth Movement

IHDA may require that the property owner furnish additional insurance, at the property owner's expense, for any hazards involved in the property which, in the opinion of IHDA, at any time appears to require such special insurance.

**Commercial General Liability Insurance Requirements:**

1. Minimum Coverage Limits:
  - a. \$1,000,000 Each Occurrence
  - b. \$ 100,000 Damage to Rented Premises
  - c. \$ 5,000 Medical Expense
  - d. \$1,000,000 Personal & Advertising Injury
  - e. \$2,000,000 General Aggregate
  - f. \$1,000,000 Products – Completed Operations
2. The Illinois Housing Development Authority shall be an Additional Insured and so noted on the documentation

**Comprehensive Automobile Liability Requirements:**

Minimum \$1,000,000 Combined Single Limit including all automobiles, owned, non-owned, and hired.

**Umbrella Liability Insurance Requirements:**

The owner shall provide evidence of umbrella liability coverage with minimum limits of \$5,000,000 per occurrence and aggregate over underlying coverage.

**Crime/Fidelity/Employee Dishonesty Liability Insurance Requirements:**

Documentation of evidence of Crime/Employee Dishonesty coverage on behalf of the Property Manager (Insured) in an amount equal to AT LEAST three (3) month's rental value (based on ANNUAL GROSS RENTAL INCOME) including Illinois Housing Development Authority as Certificate Holder AND Joint Loss Payee. The coverage shall include a two (2) year discovery period and be so noted on the documentation provided. If more than one development is to be covered by the policy/bond, it will be allowed ONLY when ALL of the covered developments are IHDA financed and shall be noted on the documentation provided.