

INSURANCE REQUIREMENTS FOR IHDA PROJECTS – NEW IHDA LOANS NEW CONSTRUCTION AND/OR REHAB

General Requirements:

The insurance coverage listed below represents the minimum requirements for projects financed by the Illinois Housing Development Authority (“IHDA”). IHDA does reserve the right to require additional coverage or increased limits if IHDA deems such additional coverage or increased limits are necessary for a particular project or project participant. IHDA must be given an opportunity to review the appropriate insurance documentation prior to the commencement of a project.

The insurance policies issued for IHDA financed projects must be issued by companies licensed to do business in the State of Illinois or by companies which have been approved by the Illinois Commissioner of Insurance as a Surplus Lines Insurer. **IHDA will only accept those companies with an A.M. Best rating of A VII or better and a Standard & Poor’s rate of A or better.**

The appropriate project name and project number shall be included on all certificates. All insurers affording coverage shown on documentation shall include the full, complete, specific name of the insurance company affording coverage including NAIC # – (do NOT show only the “group” name such as “Chubb Insurance” or “Travelers Insurance”).

The certificate should include all appropriate information for coverage, policy effective date, policy expiration date, policy numbers, policy limits and deductible. Illinois Housing Development Authority must be a certificate holder as follows:

Illinois Housing Development Authority
111 East Wacker Drive, Suite 1000
Chicago, IL 60601

Documentation for each policy needs to confirm that the policy will not be materially changed, cancelled or non-renewed without 30 days’ written notice to IHDA at the above address. “Materially changed” means: Any change in the type of coverage, any change in the amount of coverage, or any change in the names of the parties with an insurable interest in the insurance coverage.

IHDA may require additional insurance if IHDA determines additional insurance is necessary to cover any additional hazards involved in construction of the project.

Please provide these General Requirements and the appropriate specific requirements described below to your insurance agent(s).

Please do not submit certificates directly through the agent to the consultant. They should be routed through your point of contact at IHDA. Please allow AT LEAST 48 hour turnaround for any insurance certificates received.

The insurance department will be reviewing the documentation and the contact is Michael D. Ansani at mansani@ihda.org. If you or any of the insurance agents preparing the insurance documentation for review have any questions, please contact him. However, please note that any certificates to be reviewed should still be routed directly through your point of contact at IHDA or will not be considered a submission for due diligence.

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Owner

THE PROJECT OWNER MUST PROVIDE EVIDENCE OF THE FOLLOWING INSURANCE COVERAGE:

- If **New construction**, Builders Risk Insurance in the amount of the full cost of the project;
- If **Single Family Homes** – see separate comments on page 2 for required property coverage
- If **Rehab** – see separate comments on page 2 for required property coverage
- Depending on where the property is located, IHDA will require:
 - Flood Insurance: must be provided to cover the full cost of any building(s) located in any flood zone.
 - Mine Subsidence Insurance: must be provided to cover the full cost of any building(s) impacted by any underground mine exposure.
 - Earthquake/Earth Movement Insurance: must be provided to cover the full cost of any building(s) impacted by any potential earthquake/earth movement
- Commercial General Liability Insurance in the minimum amounts of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate; and

The Illinois Housing Development Authority must be listed as a Mortgagee and as an Additional Insured on the Builders Risk Insurance and as an Additional Insured on the Liability.

Contractor

THE GENERAL CONTRACTOR MUST PROVIDE EVIDENCE OF THE FOLLOWING INSURANCE COVERAGE:

- Commercial General Liability Insurance in the minimum amounts of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate;
 - The Owner and Illinois Housing Development Authority must be listed as Additional Insured on the Liability Insurance
 - Evidence of Automobile Liability Insurance
 - Evidence of Statutory Worker's Compensation
 - Evidence of Excess/Umbrella Liability Insurance in the amount of \$5,000,000
 - Construction Completion Assurance:
 - 100% Performance and Payment Bond(s) must also be submitted for review. The bond must list the Illinois Housing Development Authority as Dual Obligee. A draft form of the P & P bond(s) may be submitted however the draft should mirror what the actual bond(s) will look like at closing including all information completed (including exact entity names).
- or**
- An irrevocable letter of credit for 25% of the total construction costs in lieu of a Performance and Payment Bond may be presented Please speak to your point of contact regarding Letter of Credit requirements.

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Architect:

THE DESIGN ARCHITECT AND SUPERVISORY ARCHITECT MUST PROVIDE EVIDENCE OF THE FOLLOWING INSURANCE COVERAGE:

- Professional Liability Insurance for at least \$1,000,000 per occurrence
- Evidence of coverage should be provided prior to loan closing and be valid during the course of construction. If the policy is issued on a “claims made” basis, the Extended Reporting Period for the development to which the policy applied shall extend 5 years after obtaining an occupancy permit.
- Illinois Housing Development Authority must be a certificate holder

Property Manager

THE PROPERTY MANAGER MUST PROVIDE EVIDENCE OF THE FOLLOWING INSURANCE COVERAGE:

- Employees Dishonesty Insurance in an amount that is **at least** two and one-half times greater than the monthly gross rent.
- Illinois Housing Development Authority must be a certificate holder AND joint loss payee

Owner - Single – Family Projects

THE PROJECT OWNER AND/OR GENERAL CONTRACTOR MUST PROVIDE EVIDENCE OF THE FOLLOWING INSURANCE COVERAGE:

- New Construction - Owner – Builder’s Risk Coverage is required prior to beginning construction of individual homes

Owner – Rehab

THE PROJECT OWNER MUST PROVIDE EVIDENCE OF THE FOLLOWING INSURANCE COVERAGE:

Coverage requirements for Rehab projects can vary depending on the project type. Following is meant to be a general guideline. Depending on the complexity of the project, additional coverage may be required. In general, coverage for the rehab/construction risk should be evidenced in an amount at least equal to the Improvements and Betterments for the full amount of such improvements and betterments. In addition, loss of rents/business income coverage will need to be provided equal to annual gross income for the project if any tenants will inhabit any part of the project during rehab.

The Illinois Housing Development Authority must be listed as Mortgagee and as Additional Insured on the Liability and the Property/Construction Insurance. Illinois Housing Development Authority must be a certificate holder as follows:

Illinois Housing Development Authority
111 East Wacker Drive, Suite 1000
Chicago, IL 60601

Existing IHDA properties which are being rehabbed need to maintain all applicable Property and Business Income, General Liability, Umbrella, and Fidelity insurance as required for the ongoing property.

- Depending on where the property is located, IHDA will require:
 - Flood Insurance: must be provided to cover the full cost of any building(s) located in any flood zone.
 - Mine Subsidence Insurance: must be provided to cover the full cost of any building(s) impacted by any underground mine exposure.
 - Earthquake/Earth Movement Insurance: must be provided to cover the full cost of any building(s) impacted by any potential earthquake