



## PROPERTY INSURANCE REQUIREMENTS

This policy is for the purpose of advising the Mortgagor and the participating Mortgagee, if any, of the Missouri Housing Development Commission (“MHDC”) property insurance requirements necessary to be maintained upon the subject property and of the estimate of MHDC of the Total 100% Insurable Value of the property. These requirements are continuous, as long as any mortgage upon the property is held by MHDC. If property has a HUD insured loan, additional requirements may apply.

Attached hereto and made a part hereof is the Property Insurance Schedule, MHDC Form 92329, constituting the MHDC estimate of the Total 100% Insurable Value of the property. The Property Insurance Schedule of Insurable Value at Firm Commitment is for the purpose of estimating the amount of Permanent Property Insurance, as well as the amount of Builder’s Risk Insurance.

The total 100% Insurable Value reflected upon the attached Property Insurance Schedule includes the cost of excavations, foundations, piers, or other supports which are below the surface of the lowest basement floor or where there is no basement, which are below the surface of the ground, underground flues, pipes, and drains. These items are generally excluded from the Property Insurance coverage when it’s subject to the provisions of the Coinsurance Clause or similar clause. If the Builder’s Risk Insurance or the Permanent Fire and Extended Coverage Insurance does not insure these items, then an amount acceptable to MHDC may be deducted from MHDC’s estimate of the Total 100% Insurable Value for the purpose of estimating the amount of Builder’s Risk Insurance or the amount of Permanent Property Insurance.

1. MULTIPLE LOCATION POLICIES.

Regarding the insurance coverages described below, a single policy, endorsed to cover multiple projects and multiple locations, is generally acceptable to MHDC, subject to MHDC’s agreement prior to the issuance of any of its funds. MHDC reserves the right to require separate insurance policies for each project and/or location.

2. MHDC INSURANCE CANCELLATION POLICY.

All insurance binders, certificates of insurance and policies of insurance issued in connection with any of the insurance coverages described below shall contain a covenant by the insurance company granting coverage to give MHDC thirty (30) days written notice prior to the cancellation of any such insurance coverages described below.

### 3. INSURANCE DURING CONSTRUCTION.

The requirements for this type of insurance are applicable when MHDC has issued a construction loan secured by a deed of trust on the real property upon which construction shall take place. Concurrently with or prior to the construction loan closing by MHDC for construction of the property, the Mortgagor and/or Property Management Company shall have in its possession or control and in full force and effect, the following types of insurance:

- (a) Blanket fidelity bond and crime coverage as part of general liability insurance covering all officials and employees of the owner and/or property management company, as applicable, including non-compensated officers, in an amount equal to the average anticipated loan disbursements during the construction period. The minimum limit shall be the lesser of \$50,000 or the total MHDC mortgage amount divided by the estimated number of months in the construction period, plus two (2), and rounding the quotient to the nearest \$50,000.00. In cases where a title company is utilized, no fidelity bond is required for the Mortgagor until the project enters the operating period.
- (b) Standard form of Builder's Risk Insurance policy or policies, written upon the standard Builder's Risk Completed Value form, for Fire, Extended Coverage and Vandalism and Malicious Mischief Insurance, in an aggregate amount equal to 100 percent of the Insurable Value of the completed building or buildings. In the case of loans issued by MHDC for rehabilitation of an existing structure, the Builder's Risk Insurance policy shall contain a special endorsement insuring building coverage for the existing structure, in an aggregate amount equal to the greater of 100% of the Insurable Value of the existing structure or the cost of acquisition of the existing structure, whichever sum is greater.

The Builder's Risk Insurance policy or policies shall show the Mortgagor as the Insured and may also show as additional insured's the general contractor and other contractors and subcontractors, as their interest may appear.

Each policy shall carry the standard form of Non-Contribution Mortgage or Mortgagee Clause showing loss, if any, payable to Missouri Housing Development Commission, 1201 Walnut Street, Suite 1800, Kansas City, Missouri 64106, its successors or assigns, as its interest may appear. A signed Certificate of Insurance, in a form approved by MHDC, showing the nature and limits of such insurance and evidencing such insurance to be in full force and effect, shall be provided to MHDC, who shall hold such policy until the earlier of the date the policy becomes ineffective, or the loan shall be paid in full. Mortgagor shall assure the insurance remains in full force and effect for so long as any mortgage upon the property is held by MHDC.

Upon cancellation of the Builder's Risk Insurance or any portion thereof, Permanent Insurance shall be effected as stipulated in Paragraph 4 below.

- (c) The following liability coverages are to be provided by the Mortgagor and the Contractor:
  - (i) Worker's Compensation and Employers' Liability Insurance (statutory or voluntary) covering all employees of the Mortgagor and the Contractor and any other facilities, the revenues of which are pledged to project operations; and
  - (ii) Public Liability Insurance on a Comprehensive General Liability form with limits of not less than \$1,00,000.00 per occurrence to protect the Mortgagor during the construction phase from claims involving bodily injury and/or death and damage to the property of others. In the case of loans issued by MHDC for the rehabilitation of an existing structure, the general liability policy shall include coverage for underground explosion and collapse hazard; and
  - (iii) Vehicle Liability Insurance with limits of not less than \$1,000,000.00 per accident to protect the Contractor and Mortgagor from claims from bodily and/or death and against claims for damage to property of others arising from the Contractors' and/or the Mortgagors' operations of vehicles. Such insurance shall include coverage for employers' owned, non-owned and/or hired vehicles, where applicable.

#### 4. PERMANENT INSURANCE.

The requirements for this type of insurance are applicable when MHDC has extended a loan, which has not been paid in full at the time of completion of construction and/or cancellation of the Builders' Risk Policy or any portion thereof. The Mortgagor shall, in all cases, assure MHDC that there is no gap period in insurance protection during the transition from the Builder's Risk Insurance to Permanent Insurance. Permanent Insurance requirements shall include all the following types of coverages, unless MHDC shall specifically waive, in writing, any one or more of the coverages described below:

- (a) Blanket Fidelity Bond covering all officials and employees, including non-compensated officers of the Management Company, in an amount equal to two months' gross revenues or \$50,000.00, whichever is greater, unless greater amounts are required by the Mortgagor. Where the gross revenues for a project are substantially below the minimum \$50,000.00 bonding requirements for operation, the bond shall be reduced to that sufficient to cover two months' gross revenues. The cost of the Fidelity Bond is not an allowable project expense.

- (b) Public Liability Insurance on a Comprehensive General form with limits of not less than \$1,000,000.00 per occurrence to protect the Mortgagor from claims involving bodily injury and/or death and property damage which may arise from the Mortgagor's operation, including any use or occupancy of its facilities, grounds, and structures, and shall include independent contractor's coverage, where applicable.
- (c) Vehicle Liability Insurance. If the Mortgagor owns or operates a vehicle in the operation of the project, including non-owned and/or hired vehicles operated for the benefit of the Mortgagor, the Mortgagor shall procure and maintain Vehicle Liability Insurance. Vehicle Liability Insurance with limits of not less than \$1,000,000.00 per accident to protect the Contractor and Mortgagor from claims from bodily and/or death and against claims for damage to property of others arising from the Contractors' and/or the Mortgagors' operations of vehicles. Such insurance shall include coverage for employers' owned, non-owned and/or hired vehicles, where applicable.
- (d) Workers Compensation and Employers Liability Insurance (statutory or voluntary) for all employees of the Mortgagor or Management Company, as applicable, and other facilities, the revenues of which are pledged to project operations.
- (e) Property, Fire and Extended Coverage Insurance shall be provided for the subject property and may be either blanket coverage or by specific allocations to individual structures. Such insurance shall be evidenced by standard Property, Fire and Extended Coverage Insurance policy or policies, in an amount not less than necessary to comply with the applicable Co-insurance Clause percentage, but in no event shall the amounts of coverage be less than 80% if the Insurable Values or not less than the unpaid balance of the insured mortgage, whichever is the lesser. The Permanent Insurance policy shall show the Mortgagor as the Insured and shall carry the standard form of Non-Contribution Mortgage or Mortgagee Clause, **showing loss, if any, payable to Missouri Housing Development Commission, 1201 Walnut, Suite 1800, Kansas City, Missouri 64106** its successors or assigns, as its interest may appear.

Signed Certificates of Insurance in a form acceptable to MHDC showing the nature and limits of all insurance described in 2(a) through 2(e) above and evidencing such insurance to be in full force and effect, shall be delivered to MHDC at or prior to the time such insurance takes effect. MHDC shall hold in its possession the original policies evidencing the insurance coverages described in 2(b) and 2(e) above. Mortgagor shall assure that all insurance coverages described above remain in full force and effect for so long as any mortgage upon the property is held by MHDC.

- (f) Boiler Explosion Insurance. If the boiler or boilers located in the subject property are other than steam boilers, specific Boiler Explosion Insurance generally is not required. If there is a steam boiler or boilers in operation in connection with the subject property, specific Boiler Explosion Insurance is required. In determining the adequacy of the amount or amounts of this coverage there must be careful review and consideration of all the facts and exposures for the purpose of estimating the maximum possible amount of a single loss by steam boiler explosion. The minimum limit of Boiler Explosion Insurance, when required, is \$100,000.00 per accident, per location. After due examination of all the related information in any given case, it may be determined this required minimum limit of \$100,000.00 is inadequate. In that event, a greater amount of coverage should be provided.

Boiler Explosion Insurance, as herein required, shall be evidenced by standard form of Boiler and Machinery policy or policies showing the Mortgagor as the Insured and shall have attached standard Mortgage Interest Endorsement, showing loss, if any, on the property of the Insured, to be adjusted with and payable to the Insured and Missouri Housing Development Commission, 1201 Walnut, Suite 1800, Kansas City, Missouri 64106, its successors or assigns, as its interest may appear. It is the responsibility of the mortgagee to notify MHDC if such insurance is required and to provide a Certificate of Insurance, showing the nature and limits of such policy and evidencing such insurance to be paid in full force and effect, to MHDC at or prior to the time the policy takes effect. The original policy, when issued, shall be delivered to MHDC to be retained in its possession. Mortgagor shall assure that such insurance coverage remains in full force and effect for so long as any mortgage on the property is held by MHDC.

## 5. FLOOD INSURANCE.

Flood insurance is required whenever the property is located in an area of special flood hazards in which flood insurance is available under the National Flood Insurance Act. It is the responsibility of the mortgagee to notify MHDC if such insurance is required. Required flood insurance shall be provided for the subject property during the term of the mortgage loan. The insurance shall be in an amount at least equal to the outstanding principle balance of the loan or the maximum amount of insurance available with respect to the project under the National Flood Insurance Act, whichever is less. **The policy shall show the Mortgagor as the Insured and shall show loss, if any, payable to Missouri Housing Development Commission, 1201 Walnut, Suite 1800, Kansas City, Missouri 64106,** its successors or assigns, as its interest may appear. A Binder or Endorsement of such insurance, showing the nature and limits of such policy and evidencing such insurance to be in full force and effect, shall be delivered to MHDC at or prior to the time of the issuance by MHDC of any loan proceeds. The original policy, when issued, shall be delivered to MHDC to be retained in its possession. Mortgagor shall assure that such insurance coverage remains in full force and effect for so long as any mortgage on the property is held by MHDC.

6. EARTHQUAKE INSURANCE.

All of the insurance coverages required herein during construction and subsequent to construction shall contain an endorsement which insures against loss caused by earthquakes so long as such endorsement is commercially available, in the City of St. Louis, and in the counties of St. Louis, Jefferson, Butler, Cape Girardeau, Carter, Dunklin, Iron, Madison, Mississippi, New Madrid, Pemiscot, Perry, Reynolds, Ripley, St. Francois, St. Genevieve, Scott, Stoddard, Washington, and Wayne, Missouri, during the term of the mortgage loan. It is the responsibility of the mortgagee to notify MHDC if such insurance is required.

**The policy shall show the Mortgagor as the Insured and shall show loss, if any, payable to Missouri Housing Development Commission, 1201 Walnut St., Suite 1800 Kansas City, Missouri 64106,** its successors or assigns, as its interest may appear. A Binder or Endorsement of such Insurance, showing the nature and limits of such policy and evidencing such insurance to be paid in full force and effect, shall be delivered to MHDC at or prior to the time of the issuance by MHDC of any loan proceeds. The original policy, when issued, shall be delivered to MHDC to be retained in its possession. Mortgagor shall assure that such insurance coverage remains in full force and effect for so long as any mortgage on the property is held by MHDC.

7. INSURANCE CARRIERS.

The acceptability of insurance carriers, types of coverage and the forms, conditions, amounts and scope of insurance policies are responsibilities of the Mortgagor, subject to the approval of the same by MHDC. **Information regarding insurance carriers, types of coverage and forms, conditions, amounts and scope of all insurance policies should be submitted to MHDC for approval at least thirty days prior to the funding of any loan. All insurance carriers shall have a “Best Rating” of B+ or better; and shall be a licensed, admitted carrier in the State of Missouri or an eligible surplus lines insurer in the State of Missouri.**

8. REPORTING CLAIMS TO MHDC.

- (a) MHDC must be notified in writing that the property has filed a claim for losses sustained under any of the aforementioned types of insurance coverages. A notification of loss must be initiated in the Asset Management Reporting System (AMRS) in the “Notification of Loss” module, and all known information about the claim entered. The claims form must be uploaded into AMRS.

- (b) Any reimbursement check must include MHDC as payee and be sent to MHDC with owner's endorsement. The endorsed insurance check is to be sent to the attention of the **Multifamily Loan Servicing, Missouri Housing Development Commission, 1201 Walnut Street, Suite 1800, Kansas City, Missouri 64106**. MHDC's Finance Department will deposit the amount in an escrow account entitled Insurance Claim.
- (c) Requests for payment against insurance proceeds must also be entered in the AMRS system under the property's original notification of loss submission. A separate claim for each contractor must include all invoices, photos and other supporting documentation. MHDC's Loan Servicing Department will issue payment to the owner and/or contractor upon proper completion of procedures.
- (d) The property must indicate on their last AMRS request for payment when all repairs are complete so MHDC's Asset Management Department can notify all participating lenders and agencies of completion. It may be determined that it is necessary to send out an MHDC Compliance Officer to inspect the work and verify that all repairs were fully addressed. In addition, any remaining insurance claim balance will be transferred to the property's replacement reserve account to be used for future eligible replacement reserve items.
- (e) The property is responsible for the appropriate accounting of insurance reimbursements. Reimbursements should never be applied against expense accounts, and full disclosure should be made in the property's financial statements.
- (f) **An insurance investigation by MHDC may be performed on properties that do not follow MHDC procedures.**



