



MINIMUM ACCEPTABLE INSURANCE REQUIREMENTS FOR PROJECTS UNDER CONSTRUCTION

The following insurance coverages and limits must be maintained during construction.

PROJECT PARTNERSHIP:

Builder's Risk

Covers the project and all materials and equipment to be incorporated therein, including property in transit or elsewhere and insuring the interest of the Owner, Contractor, and their sub-contractors of any tier providing equipment, material, or services for the project.

Limits: Hard Cost – equal to the Replacement Cost of the completed construction value.

Soft Cost – for construction period interest, taxes, insurance, financing fees, lease up, marketing, architecture fees, architect/engineer's supervision fees.

Delay in Construction – for the potential Loss of Business Income if construction is delayed from a covered cause of loss. Must be equal to 100% of Projected Annual Rent Revenue.

Form: Completed Value (Non-Reporting Form)

Valuation: Replacement Cost. Co-insurance is prohibited unless policy includes an Agreed Amount Endorsement.

Perils: All Risk or special cause of loss form that covers direct physical loss subject to policy terms, conditions, and exclusions.

Rehab Projects: The building (shell) must be insured at 100% replacement cost and covered under the Builder's Risk policy or separate property policy.

Coverage must include:

- Debris Removal
- Ordinance or Law Coverages A, B, C
 - Coverage A – Undamaged portion of building

- Coverage B – Demolition Cost
- Coverage C – Increase Cost of Construction
- Equipment Breakdown Coverage is required on all properties which have an elevator and/or central HVAC system. Coverage shall be provided for the total Building value and include equipment (cold) testing.

Deductible/Self-Insured Retention: Not to exceed \$10,000

SPECIAL HAZARDS: FLOOD, EARTHQUAKE, HIGH WINDS

Flood: Mandatory for property within A and V Zones. NEF reserves the right to require flood insurance for properties within other flood zones.

Earthquake: Earthquake insurance is required in seismic Zones 3 and 4. Earthquake insurance may be waived on properties for which an approved Seismic Risk Assessment indicates a Scenario Upper Loss (SUL) less than 20%.

Windstorm: In areas subject to hurricanes or high winds, an all risk or special form policy must include coverage for damage caused by high winds at 100% replacement cost of building and personal property subject to investment.

Deductibles: Special Hazard deductibles are to be declared to and approved by NEF.

General Liability:

Limits:	\$2,000,000	Policy Aggregate
	\$1,000,000	Products/Completed Operations
	\$1,000,000	Personal & Advertising Injury
	\$1,000,000	Each Occurrence
	\$ 50,000	Fire Damage – Premises

- Contractual Liability included.
- Permission to Occupy Endorsement required when buildings are occupied during construction.

Deductible/Self-Insured Retention: Not to exceed \$5,000

Excess/Umbrella Liability

Excess/Umbrella Liability is required if the project contains sixty (60) or more units.

Minimum Limit: \$5,000,000 Per Occurrence/ \$5,000,000 Aggregate

Higher limits may be required for projects with more than 300 housing units. NEF will consider the use, location, configuration and size of projects when evaluating excess limits.

PROPERTY MANAGERS

Required for projects that have occupied units during construction.

During the term of the property management agreement, the property manager is responsible for maintaining the following insurance:

Commercial General Liability

Limits:	\$2,000,000	Policy Aggregate
	\$1,000,000	Products/Completed Operations
	\$1,000,000	Personal & Advertising Injury
	\$1,000,000	Each Occurrence
	\$ 50,000	Fire Damage – Premises

Deductible/Self-Insured Retention: Not to exceed \$10,000

- Project Partnership and NEF as Additional Insureds
- Contractual Liability included
- Per Location Aggregate endorsement is required if multiple locations are covered under policy.

Workers Compensation

Workers Compensation: Statutory limits as per applicable state laws.

Employers Liability:	\$100,000	Each Accident
	\$500,000	Disease – Policy Limit
	\$100,000	Disease – Each Employee

Fidelity Bond (Crime)

Property manager shall maintain a crime policy in favor of the Owner in an amount equal to four months potential maximum gross rents. Limit shall apply per occurrence and cover the property manager and all employees hired by the property manager in connection with the property management agreement. The crime policy shall also cover all discovered losses.

Excess/Umbrella Liability

Umbrella/Excess Liability is required if the project contains sixty (60) or more units.

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

Higher limits may be required if more than 300 units are covered under the policy. NEF will consider the use, location, configuration and size of projects when evaluating excess limits.

Professional Liability – Claims Made

\$1,000,000 Each Wrongful Act/\$1,000,000 Policy Aggregate

Policy deductible/self-insured retention and retroactive date must be evidenced on the certificate.

Property

Applicable to property managers responsible for maintaining property insurance on the Partnership’s behalf. Please refer to the insurance requirements described under the Partnership’s property insurance section.

GENERAL CONTRACTOR

The Contractor shall provide and maintain the following insurance coverages:

Commercial General Liability

Limits:	\$2,000,000	Policy Aggregate
	\$1,000,000	Products/Completed Operations
	\$1,000,000	Personal & Advertising Injury
	\$1,000,000	Each Occurrence
	\$ 50,000	Fire Damage – Premises

Deductible/Self-Insured Retention: Not to exceed \$10,000

- List Project Partnership, NEF and investors as Additional Insureds
- Contractual Liability included
- XCU (Explosion, Collapse, Underground) coverage included
- Include Per Location Aggregate or Project Aggregate Endorsement

Workers Compensation

Workers Compensation: Statutory limits as per applicable state laws.

Employers Liability:	\$100,000	Each Accident
	\$500,000	Disease – Policy Limit
	\$100,000	Disease – Each Employee

Automobile Liability:

Insure against claims for bodily injury and property damage and covering the ownership, maintenance or use of any auto or all owned/leased and non-owned and hired vehicles used in the performance of the Work, both on and off the Project Site, including loading and unloading

Limit: \$1,000,000 Combined Single Limit

Excess/Umbrella Liability

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

Higher limits may be required for projects with more than 300 housing units. NEF will consider the use, location, configuration and size of projects when evaluating excess limits.

Payment & Performance Bond or Letter of Credit

Payment & Performance surety company must meet NEF AM Best Rating of AVIII or higher

ARCHITECT

The insurance requirements below apply to the project Architect and any Civil, Structural, Mechanical, Plumbing and Electrical Engineer that executes a contract directly with the Project Partnership.

Professional Liability – Claims Made

\$1,000,000 Each Wrongful Act/\$1,000,000 Policy Aggregate

Coverage Notes:

- Executed contracts may not limit liability to architect fees or available insurance proceeds.
- NEF will require higher professional liability limits for projects with a hard cost greater than \$20 million.

Policy deductible/self-insured retention and retroactive date must be evidenced on the certificate.

Workers' Compensation

Workers' Compensation: Statutory limits as per applicable state laws.

Employers Liability:	\$100,000	Each Accident
	\$500,000	Disease – Policy Limit
	\$100,000	Disease – Each Employee

Workers' compensation insurance may be waived for an architect/engineer firm that is a sole proprietor who does not have employees. In this arrangement, the architect/engineer must indemnify and hold the Project Partnership harmless against any bodily injury or occupational disease (including resulting from death) sustained by the architect/engineer at the project site.

ENVIRONMENTAL CONSULTANTS:

The insurance requirements below apply to environmental consultants who have been contracted to perform Phase I & Phase II environmental site assessments.

Professional Liability

Minimum Limits: \$1,000,000 Each Claim/\$1,000,000 Aggregate

Policy deductible/self-insured retention and retroactive date must be evidenced on the certificate and the policy retroactive date must be before the date of the contract or beginning of contract work.

Coverage Notes:

- Executed contract may not limit liability to an amount less than \$1,000,000.
- Professional Liability policy cannot include any exclusions for negligence in the performance of environmental consultants operations. This must be stated in the Description of Operations Section on the Certificate of Insurance.

LAND SURVEYORS

Professional Liability

Minimum Limits: \$1,000,000 Each Claim/\$1,000,000 Aggregate

Policy deductible/self-insured retention and retroactive date must be evidenced on the certificate.

General Conditions Applying to All Coverages:

- All liability policies for bodily injury and property damage must be on an "occurrence" form with defense outside the limits of liability.
- All coverages must be with an insurance company carrying an A.M. Best Rating of A + VIII or higher. Certain investors require a higher rating.
- Any changes to the required coverages and deductible/self-insured retention must be authorized in advance by National Equity Fund, Inc. and documented in writing.

- National Equity Fund, Inc. reserves the right to amend these insurance requirements and modify the application of these insurance requirements on a case by case basis when deemed necessary or advisable.
- Individual investors may have additional requirements.
- Evidence of Property must be issued on Acord 28 showing the Partnership as the Named Insured and National Equity Fund, Inc. and NEF Assignment Corporation as Nominee, its beneficiaries, and their respective ISAOAs as Loss Payee and Additional Insured.
- Certificate of Insurance must be issued on Acord 25 for all liability coverages showing the Partnership as the Named Insured and National Equity Fund, Inc. and NEF Assignment Corporation as Nominee, its beneficiaries, and their respective ISAOAs as Additional Insureds.
- All Certificates of Insurance and Evidence of Property must include the name of the producer and his/her email address and telephone and contain provisions recognizing that insurance will not be cancelled, non-renewed, or materially changed without thirty (30) days written notice to National Equity Fund, Inc. All evidence of insurance shall be addressed and forwarded to:

National Equity Fund, Inc.
c/o Traxler & Tong, Inc.
P O Box 98
Sausalito, CA 94966