

**MINIMUM ACCEPTABLE INSURANCE REQUIREMENTS
FOR COMPLETED PROJECTS**

Upon completion of the construction/renovation, the Partnership shall obtain and maintain the following required insurance for the duration of the investment period.

**PROJECT PARTNERSHIP INSURANCE COVRAGES:**

**Property**

Limits: Amount of insurance shall be the full insurable replacement cost of the building and

 personal property subject to the investment.

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.

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 for the total building value limit
* Business Interruption (Loss of Rents) in amounts equal to 100% of the annual rent revenue. Coverage shall apply to all perils including flood, earthquake, and windstorm.
* Fidelity Bond (crime) in an amount equal to four months potential maximum gross rents. Limits shall apply per occurrence and cover losses discovered by the Owner. Applicable to self-managed properties.

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

**Note**:

If the Partnership is insured under a policy covering other locations, NEF reserves the right to review limit of coverage and the schedule of locations and values covered to ensure adequate coverage is available for a loss at the project partnership. The building and personal property replacement cost values specific to the project partnership shall be listed on the evidence of property certificate.

**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.
* Endorsement included for vacant/unoccupied premises for up to 60 days.
* Per location aggregate endorsement is required if multiple locations are insured under the general liability coverage.

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 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.

**PROPERTY MANAGERS**

During the term of the property management agreement, the property manager is responsible for maintaining the coverages listed below:

**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

* Building Owner and NEF as Additional Insureds
* Contractual Liability included
* Maximum $10,000 Deductible/Self-Insured Retention.
* Per Location Aggregate endorsement is required if multiple projects 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 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