

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

**INSURANCE SPECIFICATIONS
&
MINIMUM REQUIREMENTS**

**FOR SPECIAL NEEDS
MULTIFAMILY RESIDENTIAL
PROPERTIES
UP TO \$500,000 IN FINANCING**

Date of Issue – February 24, 2020

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY
INSURANCE REQUIREMENTS
MINIMUM REQUIREMENTS

SPECIAL NEEDS
MULTIFAMILY RESIDENTIAL PROPERTIES
UP TO \$500,000 IN FINANCING

GENERAL INFORMATION

Additional Insured

All policies providing Property/Crime/Liability and Equipment coverages must indicate the New Jersey Housing and Mortgage Finance Agency (hereinafter "NJHMFA") as Additional Insured and Mortgagee. Property policies must also indicate NJHMFA as Lender's Loss Payable.

Mortgage Clause (Standard Form)

All Property Insurance Policies must indicate Mortgagee as:

New Jersey Housing and Mortgage Finance Agency
637 South Clinton Avenue
PO Box 18550
Trenton, New Jersey 08650-2085

Insurance Company

Issuing Insurer must be currently eligible to write business in the State of New Jersey and have a current AM Best Rating of at least A- and with a Financial Size Category of at least VIII or a Demotech, Inc. Financial Rating of A (Exceptional).

Note – Any Issuing Insurer with Ratings under Review by AM Best with Negative Implications and/or Long Term Negative Credit Implications may be subject to further requirements and review by the NJHMFA.

Coverage Requirements

All insurance coverages required pursuant to these Insurance Specifications – Minimum Requirements must be provided on a Per Occurrence/Per Location basis with coverage limits as noted herein.

Insurance Professional/Agent

Insurance Professional/Agent must provide a written statement on letterhead to the development that the insurance coverages being provided meet or exceed the NJHMFA applicable minimum insurance requirements. This written statement is not to be construed as a Certificate of Insurance as defined under the New Jersey Certificates of Insurance Act (N.J.S.A. 17:29A-54 et seq.)

Insurance Professional/Agent must provide a Certificate of Insurance (ACORD 25 – Certificate of Liability Insurance) showing the Insurance Professional/Agent's Errors and Omissions Coverages (E & O). All applicable information on the ACORD 25 must be completed and information noted must reflect actual terms and conditions as contained in the underlying policies and be in conformity with the New Jersey Certificates of Insurance Act (N.J.S.A. 17:29A-54 et seq.). The ACORD 25 is to indicate the NJHMFA as the Certificate Holder as follows:

New Jersey Housing and Mortgage Finance Agency
ATTN: Insurance Division
PO Box 18550
Trenton, NJ 08650-2085

NJHMFA requires that the Insurance Professional/Agent have unimpaired E & O coverage limits of at least \$1,000,000 on the underlying policy and a deductible not exceeding \$50,000. If the Producer and the Insured (Insurance Professional/Agent) are the same or related parties as disclosed on the respective Certificate of Insurance, further evidence of E & O Coverage is to be provided through submission of a copy of the respective Policy Declaration Pages.

Note – In instances where an Insurance Professional/Agent has an E & O Deductible in excess of \$50,000, NJHMFA may, upon request, consider acceptance of same subject to the review by the NJHMFA of the most recent Certified Financial Statements of the respective Insurance Professional/Agent to determine the financial wherewithal of the Insurance Professional/Agent to fund a deductible in excess of \$50,000.

Cancellation/Non-Renewal

Notice is to be provided to the NJHMFA by US Mail as follows:

New Jersey Housing and Mortgage Finance Agency
ATTN: Insurance Division
PO Box 18550
Trenton, NJ 08650-2085

Evidence of Insurance

ACORD 28 forms "Evidence of Commercial Property Insurance" may be utilized to provide evidence of property coverages. All applicable information on the ACORD 28 must be completed and information noted must reflect actual terms and conditions as contained in the underlying policies and be in conformity with the New Jersey Certificates of Insurance Act (N.J.S.A. 17:29A-54 et seq.).

ACORD 25 forms "Certificate of Liability Insurance" may be utilized to provide evidence of General Liability, Automobile Liability, Excess/Umbrella Liability, Crime, Workers Compensation and Employers Liability coverages as are applicable. All applicable information on the ACORD 25 must be completed and information noted must reflect actual terms and conditions as contained in the underlying policies and be in conformity with the New Jersey Certificates of Insurance Act (N.J.S.A. 17:29A-54 et seq.).

ACORD 28 "Evidence of Commercial Property Insurance" and/or ACORD 25 "Certificate of Liability Insurance" forms are to indicate NJHMFA as the Certificate Holder as follows:

New Jersey Housing and Mortgage Finance Agency
ATTN: Insurance Division
PO Box 18550
Trenton, NJ 08650-2085

Sample of the ACORD 28 and ACORD 25 can be found at the end of this Booklet. The most recent editions of ACORD forms must be utilized.

A note about required NAIC numbers for use on the ACORD 28 and ACORD 25 forms – The National Association of Insurance Commissioners (NAIC) assigns an "NAIC" number to each domestic insurer domiciled in the United States. This NAIC Number is to be indicated on the appropriate ACORD form(s) for each insurer providing coverages. If a foreign carrier is providing the insurance coverages, the specific name of the carrier must be provided as well as the specific AM Best Number assigned to same. In the instances where a foreign carrier operates through and provides coverages utilizing a syndicate system, the specific name of each of the syndicates must be provided as well as the specific syndicate number and AM Best Number assigned to same. In all instances, any and all foreign carriers must meet all NJHMFA Insurance Requirements.

Complete copies of all Insurance Policies with all required Policy Endorsements must be submitted for the review of the NJHMFA.

Note – In the event that complete copies of Insurance Policies are not available, NJHMFA may, upon request, permit the submission of sample policies with policy Declaration Pages/Binders detailing full coverages to be followed by submission to the NJHMFA of complete copies of all Insurance Policies with all required Policy Endorsements immediately upon receipt from the insurer(s).

State Guaranty Funds

NJHMFA highly recommends that insurers providing insurance coverage be members of the respective State Guaranty Fund. A State Guaranty Fund is a fund administered by a US State to protect policy holders in the event that an insurance company defaults on benefit payments or becomes insolvent. The Fund only protects beneficiaries of insurance companies that are licensed to sell insurance products in that State.

Risk Purchasing Groups

If insurance coverages are provided through a purchasing group, a copy of the Registration Letter issued by the New Jersey Department of Banking and Insurance must be submitted, as well as a Designated Location(s) General Aggregate Limit Endorsement for each respective policy specifically noting the insured property.

PROPERTY INSURANCE

Minimum Insurance Requirements

Real and Personal Property – 100% of the Replacement Cost – Agreed Value

Rental Value – An amount equal to 100% of the anticipated rental income for one (1) year full occupancy with no Coinsurance Penalty.

Coverages must be written on “Special” form including equipment breakdown – Joint Loss Agreement,

National Flood Insurance (NFIP) is required for all properties located in flood zones A and V with the maximum available policy limits of coverage available under the NFIP Program for each building. The Property Policy must provide flood limits immediately in excess of NFIP policy limits up to the insurable value of each building.

A Joint Loss Agreement is necessary if the Property and Boiler and Machinery insurers are different.

Ordinance & Law Endorsements are required. The Property Insurance is to include loss as a result of enforcement of any Building Law or Ordinance that affects the reconstruction of the building(s), cost to demolish the undamaged section(s), cost to rebuild including improvements resulting from a change in Building Codes and the additional loss of business income as a result of the above.

All applicable Deductibles are not to exceed \$10,000 combined per loss. Rental deductibles should not exceed 72 hours.

COMMERCIAL LIABILITY – PER OCCURRENCE COVERAGE

General Liability

\$1,000,000	Each Occurrence
\$2,000,000	General Aggregate Limit – Other than Products/Complete Operations
\$1,000,000	Products/Completed Operations Aggregate
\$1,000,000	Automobile – Combined Single Limit each accident to include coverages for owned, hired, borrowed and non-owned vehicles operated in connection with the property.
\$1,000,000	Personal & Advertising Injury Limit
\$1,000,000	Sexual Abuse/Molestation

Coverages to include Aggregate Limits per Location Endorsement

Fidelity Coverages related to employee dishonesty must be provided with limits of \$500,000 or an amount equal to one (1) years mortgage payments, whichever is less with a maximum deductible of \$5,000. This coverage is to include part-time & temporary employees, Directors and or Trustees, whether compensated or not, unemployed spouses and Managing Agents.

NJHMFA is to be included in coverages as Lender Loss Payable/Loss Payee as applicable.

Umbrella Liability

This coverage is to be in excess of primary coverages

\$2,000,000

Boiler and Machinery

Limits

Replacement Cost – Agreed Value

Rental Coverage equal to 100% of anticipated Rental Income for one (1) year full occupancy.

Coverage

Comprehensive – Boilers/Fired & Unfired Pressure Vessels/Air-Conditioning/Electrical Apparatus

Minimum Sublimits

\$100,000	Ammonia Contamination
\$100,000	Water Damage
\$100,000	Hazardous Substances
\$100,000	Expediting Expenses

Deductibles

Maximum of \$10,000 – Direct Damage with 72 hours Indirect Loss

Workers Compensation

Coverage Requirements shall be pursuant to applicable State Statutes and/or Administrative Codes and shall be further pursuant to any and all applicable Rules, Regulations and the like as promulgated by any governmental entity having jurisdiction.

Human Services/Social Service Endorsements

Human Services Property Endorsement; Human Services Enhancement Endorsement and Social Service General Liability Broadening Endorsements are required.

As appropriate, all applicants must comply with applicable Minimum Standards for Insurance as promulgated on July 20, 2009 by the Department of Human Services of the State of New Jersey and as more specifically outlined in Policy Circular P8.14 or as same may be amended from time to time.

Construction/Rehabilitation Insurance Requirements

If the property being financed includes construction/rehabilitation components the following requirements are applicable:

Builders Risk coverage must be provided satisfactory to the NJHMFA equal to 100% of the full replacement cost of the project without any deduction for depreciation and with a maximum policy deductible of \$5,000. Issuing Insurer must be currently eligible to write business in the State of New Jersey and have a current AM Best Rating of at least A- and with a Financial Size Category of at least VIII or a Demotech, Inc. Financial Rating of A (Exceptional). NJHMFA must be noted as Mortgagee, Additional Insured and Lender's Loss Payable.

Builders Risk policy must be written on a Special Form, including language that permits occupancy pending completion of the building and includes delay in start up equal to one (1) year's rental income. Flood coverage is required if in Zone A or V in an amount equal to the full insurable value of the property.

If the project is a rehabilitation of a building, it is acceptable to include the value of the renovations in a combined policy that includes the existing building subject to an amount of insurance that equals the Replacement Cost of both items.

A Payment and Performance Bond shall be provided equal to 100% of the construction cost of the project which shall be provided in form a content solely satisfactory to the NJHMFA. Issuing surety must be currently eligible to write business in the State of New Jersey and have a current AM Best Rating of at least A- and with the Financial Size Category of at least VIII.

A Letter of Credit equal to at least 10% of the construction cost of the project issued by a financial institution on terms and conditions solely acceptable to the NJHMFA noting the NJHMFA as a beneficiary thereof may be utilized in lieu of submission of a Payment and Performance Bond as noted in the immediately preceding paragraph.

Upon issuance of a Final Certificate of Occupancy issued by the governmental authority having jurisdiction for the project or the Architect's Certification of Substantial Completion, whichever is the later, a Maintenance/Warranty Bond for a period of twenty-four (24) months shall be provided issued for the benefit of the NJHMFA in an amount equal to 30% of the construction cost of the project. Issuing surety must be currently eligible to write business in the State of New Jersey and have a current AM Best Rating of at least A- and with the Financial Size Category of at least VIII. The Maintenance/Warranty Bond shall be in form and content solely satisfactory to the NJHMFA.

All contractors must provide General Liability (exclusive of Sexual Abuse/Molestation coverages), Automobile, Umbrella Liability (\$1,000,000 coverage in excess of primary coverages) and Workers Compensation coverages as noted in these Specifications and Requirements. If the contractor has limits greater than those required, the Specifications and Requirements are automatically adjusted to those greater limits. Issuing Insurer must be currently eligible to write business in the State of New Jersey and have a current AM Best Rating of at least A- and with a Financial Size Category of at least VIII. NJHMFA must be noted as Additional Insured with respect to General Liability, Automobile and Umbrella Liability coverages.

**Sample ACORD 25
"Certificate of Liability Insurance"**

and

**Sample ACORD 28
"Evidence of Commercial Property Insurance"**

Follow

**A word of caution –
The most recent editions of ACORD forms must be utilized**

