RESIDENTIAL FACILITY CLASS 2 & RECOVERY HOUSING INSURANCE 101

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Residential Housing Insurance:

- This provides protection to the HOMEOWNER/RENTER in the event that the home is destroyed or damaged due to an unforeseen event
  - Two Sections of Coverage: Property + Liability
  - Home - coverage to your home and possessions inside the home
    - What you would purchase when buying a single family home
    - Typically covers:
      - Weather: fire, wind, hail, lighting, freezing of plumbing systems (but typically not flooding, though special insurance can be purchased and is sometimes required if living in what is considered a floodplain)
      - Non-Weather: theft, vandalism, riots (but typically not acts of war)
      - Liability: damages deemed “acceptable” by insurance company when a homeowner is legally responsible for injuries to others
  - Renters – coverage to your possessions inside the home
    - What you would purchase when renting an apartment or home
    - Typically covers:
      - Weather: fire, wind, hail, lighting, freezing of plumbing systems (but typically not flooding, though special insurance can be purchased and is sometimes required if living in what is considered a floodplain)
      - Non-Weather: theft, vandalism, riots (but typically not acts of war)
      - Liability: damages deemed “acceptable” by insurance company when a homeowner is legally responsible for injuries to others

- It is important to know your home’s value and the value of items in the home to get a proper assessment done by your insurance provider
  - An indivisible premium is used to pay for ALL risks/damage
  - Makes a person “whole”

- Note: if harm to the property (or persons on the property) was intentional, providers will not cover claims
• Supportive Housing Insurance:
  • This provides protection to players involved in project, rather than tenants
    • Including: Developers, Housing Authorities, Lenders, Syndicators, Contractors/Consultants, Management Agent Companies
  • The developer is typically who is responsible for the cost
  • The coverage is typically in effect prior to the commencement of any activities done to the project/site and should remain valid and in effect during the term of financing of the deal (construction – post-completion)
  • Coverage is for property and liability and covers similar perils that Homeowner’s and Rental Insurance covers
  • Various types of coverage, including, but not limited to:
    • General Liability Coverage
    • Builder’s Risk Coverage
    • General Contractor’s Coverage
    • Architect’s Coverage
    • Management Agent’s Coverage
    • Property Coverage
    • Environmental Consultant’s Coverage
GENERAL LIABILITY INSURANCE

Protects insured from risks of liabilities imposed by a variety of negligence/tort claims including injuries, damage and other unintentional claims arising from regular business operations.

- Comprehensive insurance must have a minimum amount of $1M for bodily injury or property damage for any single occurrence and $2M in the aggregate

- An “aggregate limit per location” endorsement must be included for scattered site projects

- Project name must be listed as the “named insured”, unless the coverage is being carried by the General Contractor; then additional insured

- A fund name, lender, etc. will typically need listed as an additional insured and loss payee

- A 30 day notice of cancellation is standard and requested on the certificate

- Umbrella Liability Coverage → excess coverage for losses not covered under other policies
  - amount dependent on size of building
PROPERTY INSURANCE

An all encompassing insurance that provides protection against most risks to property, including fire, theft and various types of weather damage.

-Homeowner’s Insurance is a specialized form of Property Insurance

-Ohio Capital Corporation for Housing requires Permanent Property Insurance for any project, once completed

-This coverage should contain the, “Special,” or, “All Risk” coverage, to insure that all risks are covered in the event of damage or disaster

-Borrower, Lenders and Syndicator should be listed as an additional insured and loss payee

-Property Manager and Management Agent should be listed as an additional insured on this certificate

-Business income and loss of rents coverage must be included in an amount equal to, not less than 12 months projected gross rents for any such project

-General Liability requirements must apply

-Flood and/or Earthquake coverage is required if project location requires such coverage

-If dealing in low-income housing tax credits, it is good to inquire about “Business Income Expenses” endorsements, to insure that the loss of a unit/building utilizing such credits is covered if damaged

-Certificates of Occupancy may need to be shown as proof of use
Similar to Property Insurance, Builder’s Risk protects insured from damage to buildings while they are under construction/renovation.

- Coverage amount should not be less than full replacement cost
- "Soft Costs," should be included in coverage amount
  - This is for expenses, not directly related to construction
- "Special" or “all Risk” shall be explicitly stated or marked to insure coverage of all risks including theft of building materials
- Flood and/or earthquake coverage should be explicitly stated or marked if the project location requires such coverage
- Project name must be listed as the “named insured”, unless the coverage is being carried by the General Contractor; then additional insured
- A fund name, lender, etc. will typically need listed as an additional insured and loss payee
MANAGEMENT AGENT’S INSURANCE

• Covers the errors and omissions or professional liability of a Management Agent
  • A form of liability insurance to protect against negligence claims made by a client
    • Does not require actual bodily injury or property damage to take effect
  • This is coverage that is not typically included with General Liability coverage, as it addresses more direct forms of harm
  • This would assist in the payment of damages awarded in a civil lawsuit

• Coverage must include Fair Housing Act Claims
  • Refusal to rent/sell to any person based on their race, disability, religion, sex, familial status or national origin
  • Discrimination bases on race, disability, religion, sex, familial status or national origin
  • Advertising based on race, disability, religion, sex, familial status or national origin
  • Coercing, threatening, intimidating or interfering with a person’s enjoyment of housing rights based on discriminatory reasons
    • Sexual orientation is not explicitly mentioned in the Act yet, but there are pending efforts to include this language as well as case studies

• Fidelity Bond Coverage must be included
  • This covers fraudulent acts: crime and theft

• A copy of the management agent’s Worker’s Compensation Certificate must be included (and visibly posted in the facility)
CONSULTANTS AND CONTRACTOR’S INSURANCE

Examples:

• Environmental Consultant’s Professional Liability Coverage

• General Contractor’s Insurance Coverage
  • Investors require to be listed as an additional insured and loss payee

• Architect’s Professional Liability Coverage
  • Investors require to be listed as a certificate holder
    • Shows proof of coverage
**CASE EXAMPLE: ABC MANOR APARTMENTS**

- A low-income housing tax credit apartment building catches on fire
- There are four building in this project: one is completely destroyed, another is damaged due to flames and the two others are not effected
- The project has property coverage, with an endorsement that covers low-income housing tax credits
  - Please note: this type of endorsement may limit coverage based on the “lesser of test”:
    1. The amount of lost low income housing tax credit you would have received for the tax year in which the occurrence took place had no direct physical loss or damage occurred, minus the actual tax credit for which you receive for the same tax year; or
    2. The low income housing tax credit value reported for the applicable premises where you incur a loss of low income housing tax credit and shown on a Schedule that is on file with as of the date of the loss.
      - If both calculate to the same amount, that amount will be used; if the calculation is higher for one of the calculations the lesser amount will be used to determine amount delivered
- This coverage will now pay for damages to the effected properties AND for the loss of low income housing tax credits that were direct results of the physical loss and damage to the two buildings, using the “lesser of test”
  - Note: the additional coverage will only be applied if the damage effects the use of LIHTC use or application to the unit
Thank You!

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