

Environmental Insurance

The primary risk is related to indoor air quality claims and the potential 3rd party liability lawsuits created by these issues. People with existing respiratory problems may be susceptible to significant illness when subjected to certain molds, mildews and fungi.

7 CFR 3560.105 states: "Borrowers must purchase and maintain property insurance on all buildings included as security for an Agency loan. Also, borrowers must furnish fidelity coverage, liability insurance, and any other insurance coverage required by the Agency..."

The Agency is not requiring this type of coverage; however, if the owner feels that this is a good business decision (i.e. their current liability policy doesn't cover these types of risks), the cost is reasonable and the project doesn't incur an undue rent increase, then this cost may be considered a project expense.

Preliminary costs estimates indicate that the cost of this type of coverage should be in the \$1/unit/month range.

No interim budgets will be accepted for the sole purpose of increasing rents to cover this additional cost. Future budgets may include this cost but the reasonableness of the budget, expenses and rents must continue to be reviewed and followed.

Law & Ordinance Insurance

Law and Ordinance Insurance provides coverage for properties that may be required to meet updated or new laws and/or ordinances after a loss.

Example: If a building is destroyed by fire or tornado, the property insurance will replace the building as it was prior to the loss. But if laws/ordinances have changed to require a sprinkler system, the property insurance may not cover this upgrade since it was not part of the property prior to the incident.

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