

CJ Thomas Company
CAHEC CONFERENCE: June 6th, 2018

Exposure that Exists and Developer's Awareness/Responsiveness:

Exposure:

- A. Tax Credit Impairment following covered insurance loss (ex. Fire, Water, Tornado)
- B. TC not delivered to end user creates contractual penalty to Partnership Entity/GP/Guarantor
- C. TC exposure often more than rental income loss. Can add up quickly
- D. Exposure typically higher in single bldg sites in which potential to loss higher unit count vs garden style site

Awareness:

- A. Most Developers very concerned about TC loss due to personal Balance Sheet exposure
- B. TC exposure exists on RD sites rehabbed with TC as well as new build TC. A huge part of our macro portfolio
- C. 90% of our Customers buy TC coverage.

Specific Program Developed by CJ Thomas with Chubb:

Objective:

- A. Create bolt on TC coverage rider to existing policy. Creates seamless claim adjustment vs. TC coverage on stand alone policy
- B. Charge small premium so Chubb clearly knows intent. Offer flexible and substantial limits.

Solution:

- A. Took 3 years to develop with Chubb. Blanket property policy rider called "Contractual Penalty". Limit applies separately to each Partnership Entity/Site
- B. Blanket removes the need to schedule properties, exposure limit, TC coverage value, etc.
- C. Premium is \$250 for \$250,000 limit per TC delivering site. Premium adds \$1-\$2/unit on avg portfolio

Recent Loss Examples:

- **Cohesive Adjustment:** One single Chubb adjustor pays initial remediation (ex. Servpro), repairs, loss rental income and finally any TC impairment

11/17/16: A. Water Damage: Tenant hit fire sprinkler with broom. (TC \$8k)

12/18/16: A. Fire: Major fire tenant fell asleep while smoking (TC \$48k)

10/2/17: A. Fire (Pendergraph): Major fire starting in kitchen (TC \$15k)

Various: A. We have various smaller TC impairments in which end user never made demand of GP. Coverage triggered by demand "loss"

Property management E&O Insurance: Quick note

Exposure: A. Management Co. makes error/omission with administrative of Tax Credits and/or qualification of tenant(s). Their error triggers TC impairment which causes financial harm to end user.

Coverage: A. Add to existing Management Co. E&O policy rider called "Tax Credit Compliance". Premium charge usually + - 10% of current total premium