



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1341

SUBJECT: CDC Insurance Requirements

EFFECTIVE: May 5, 2015

Effective April 21, 2015, 13 CFR §120.823(e) requires each Certified Development Company's (CDC) Board of Directors to maintain Directors' and Officers' Liability (D&O) and Errors and Omissions (E&O) insurance in amounts established by SBA that are based on the size of the CDC's portfolio and other relevant factors. The following changes to CDC insurance requirements are included in SOP 50 10 5(H), which is available on SBA's website at www.sba.gov.

Since the publication of the Final Rule (79 FR 15641) on March 21, 2014, SBA has consulted with CDCs and their representatives as well as insurance underwriters, regarding appropriate levels of insurance. The Agency also reviewed CDC revenue sources and took portfolio size and risk into consideration when establishing the new insurance requirements. SBA determined that CDC revenues generally correlate to portfolio size and are a sound basis for establishing these insurance requirements.

In accordance with 13 CFR §120.823(e), SBA is now requiring that all CDCs, regardless of status, have D&O and E&O insurance that covers all 504 loan program activities, with such coverage to be in effect in the amounts specified in this Notice on or before June 30, 2015. The minimum amounts of D&O and E&O insurance coverage required by SBA will be based on the CDC's annual revenues as reported in the CDC's Annual Report for their most recent fiscal year.

Minimum D&O and E&O Insurance Requirements - 13 CFR 120.823(e)		
Annual Revenues of CDC	D&O Minimum per occurrence and in the aggregate	E&O Minimum per occurrence and in the aggregate
>\$8.5 million	\$ 5,000,000	\$ 5,000,000
>\$4.5M - \$8.5 M	\$ 3,000,000	\$ 3,000,000
>\$2 M - \$4.5 M	\$ 2,000,000	\$ 2,000,000
\$2 M or less	\$ 1,000,000	\$ 1,000,000

Each CDC must assess its risk factors and may determine that higher levels of insurance coverage and/or lower deductibles are prudent. At SBA's discretion, higher levels of D&O and E&O insurance, but in no event in excess of \$5.5 million, or reduced deductible levels may be required if the Director of SBA's Office of Credit Risk Management (OCRM) identifies a CDC as having potentially inadequate insurance coverage to protect the CDC or SBA from financial risk.

Notice and Questions

SBA field offices must notify CDCs of this Notice. For more information or any questions regarding this Notice, CDCs are encouraged to contact the lender relations specialist or other officials in their local SBA field office. A listing of local SBA field offices may be found at www.sba.gov/localresources.

Linda S. Rusche
Director,
Office of Financial Assistance

EXPIRES: 5/1/16

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Must be accompanied by SBA Form 58