Guidebook 7401.5

Departmental Staff, Public Housing Agencies and Indian Housing Authorities

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Public and Indian Housing Property/Casualty Insurance Requirements

MAY 1996

CHAPTER 1
GENERAL INSURANCE REQUIREMENTS

1-1. INTRODUCTION.

This Guidebook will assist the Public Housing Agencies/Indian Housing Authorities (hereafter referred to as HAs unless a distinction is to be made) in complying with the requirements for purchase of the property/casualty insurance coverages required under the Annual Contributions Contract (ACC) executed by HAs and the United States of America, for the Public and Indian Housing Programs. This Guidebook also provides guidance for Field Offices in the approval of required insurance policies. Throughout this Guidebook, reference is made to various types of insurance coverage. The reader should keep in mind, however, that every insurance policy contains various insuring agreements, conditions, and exclusions, and it would be beyond the scope of this Guidebook to provide a detailed analysis of each type of policy. Specific questions regarding coverage can only be determined by a review of the policy itself. Note: The insurance business may cycle (every four to six years) through periods of increased availability and competitive pricing insurance coverages (a soft market) followed by a period of restricted availability, low competition and an increase in the cost of the coverages (a hard market). During a hard market, HAs have difficulty in purchasing the required coverages in the recommended amounts and under the terms as specified herein. The Department has no direct control or influence on the insurance market.

1-2. INSURANCE REQUIREMENTS FOR HAs.

a. The ACC sets forth the general requirements for property/casualty insurance to be procured by HAs. These requirements are intended to provide the minimum insurance needed to protect the federal interest in HA properties and operations. Reproductions of Section 13 and ATTACHMENT VII of the ACC are shown in Appendix One and Two of this Guidebook. Certain types of insurance are required if an exposure to loss exists. Others are optional but recommended. While the ACC does require HUD to monitor the procurement of insurance, the responsibility for procurement rests with each HA.

b. Any dwelling unit being sold to a homebuyer, pursuant to the provisions of 24 CFR 904 - Low Rent Housing Homeownership Opportunities Program and 24 CFR 950, must remain in the insurance inventory of the HA and the HA must maintain the required insurance coverages on the dwelling unit until such time as the title to the dwelling unit is transferred to the homebuyer. After transfer of title, all coverages become the responsibility of the homebuyer.

1-3. AUTHORIZED INSURANCE COMPANIES.

a. The ACC requires that insurance be purchased from licensed or duly authorized insurance companies. An insurance company may be duly authorized to write insurance in a particular state, even though they are not licensed. These companies are referred to as "excess and surplus lines" companies. They are specialty insurance companies that do not deposit funds in the state, but qualify to write certain types of coverage not handled by other companies.

Normally, premiums charged by these companies are higher than those charged by companies that are licensed by the state. Also, most states do not allow excess and surplus lines companies to insure a risk unless it has been declined by a specific number of licensed companies. Some state laws publish a list of approved companies, but others remain silent.

b. Although HUD does not set mandatory standards for a financially sound and responsible insurance company, it is recommended that a HA accept as satisfactory evidence of adequate capital/surplus and reserves, a rating received within one year before its selection by the HA, of at least "Class VI" for financial status and at least "B+" for performance from the A.M. Best Company, or a rating of at least "A" from Demo tech, Inc., or a Financial Performance Index (FPI) rating from the A.M. Best Company of "6" or higher for a company in the NA-3 category (Insufficient Operating Experience). A company not rated by A.M. Best Company or Demotech should demonstrate the adequacy of its capital/surplus and reserves by submitting a current audited financial statement or an actuarial review.

1-4. CANCELLATION AND REWRITING OF IN-FORCE INSURANCE POLICIES.

The competitive bidding requirements of 24 CFR 85.36 and 24 CFR 950, as well as requirements in any current or subsequently published HA Procurement Guidebook, should be followed in obtaining any new insurance policy, whether during or at the end of the term of an existing policy. A HA shall not cancel and rewrite any coverage without being subject to competitive bidding for the replacement coverage.

1-5. MASTER INSURANCE POLICIES/GROUP INSURANCE.

a. Master or group insurance policies allow premium reductions to occur through the concept of group buying power. Under this concept, two or more HAs solicit and procure through competitive bidding one or more types of coverages through a single insurance company. This is usually done by grouping HAs with the same coverage requirements and, located within the same geographic area, such as a county or state. The arrangement may also be extended to include HAs located in adjoining states. Savings occur because this method of procurement allows insurance companies to more efficiently and economically process applications and spread the risks to all participants.

b. Headquarters should review and approve all bid specifications for a master or group insurance policy prior to the advertisement of an Invitation For Bid (IFB) Headquarters should review all responses to the IFB and should concur in the award of the contract. The IFB and the responses should be forwarded to the Assistant Secretary for Public and Indian Housing, Finance and Budget Division.

1-6. The HA must maintain adequate coverage based on its risks. The Department has recommended a minimum amount of coverage for each line of insurance. In most cases, the stated minimum has proven to be "adequate." However, in the litigious climate and high court awards of recent years, it is extremely difficult to estimate an adequate limit for bodily injury liability claims. The HA should purchase additional coverage if they feel that the minimum limits are not adequate and they should determine the amount of coverage necessary to protect the interests of the HA and the Federal government.

1-7. BID PROTESTS.

a. It is not uncommon for an unsuccessful bidder to lodge a protest with HUD following the award of an insurance contract to another agent/broker.

b. HUD may not review the protest until after the protester has exhausted all administrative remedies with the housing authority and, then, only if the protest involves: (1) a violation of Federal law or regulation and the procurement standards at 24 CFR 85.36 and/or (2) violations of the housing authority's procedures for failure to review a complaint or protest.

c. The protestor should be advised accordingly in writing, with a copy to the housing authority.

1-8. RESIDENT MANAGEMENT CORPORATIONS [RMC).

If a HA contracts with an RMC, the RMC must meet certain insurance requirements. Before assuming any management responsibilities, the RMC must provide evidence to the HA of employee dishonesty insurance, commercial general liability insurance, workers' compensation insurance and owned and non-owned automobile liability insurance, as outlined in Chapter 3, 4, 5 and 8 of this handbook. Property insurance on buildings is not required since this is the responsibility of the HA. In lieu of purchasing commercial general liability insurance, the RMC may be added to the HA's policy as an insured. However, if the HA policy has a deductible of $50,000 or higher, the RMC should be required to purchase a policy with a limit to equal the deductible. If the RMC does purchase liability insurance, it would be to the advantage of both parties if the HA and the RMC are insured by the same insurance company.

1-9 MULTI-PERIL POLICIES.

In recent years, most insurance companies have begun to issue package policies, which combine many types of insurance, such as property, liability, and employee dishonesty. In view of the savings that can be achieved by placing all lines of insurance with one company, it is recommended that a HA consider their insurance program as a whole, rather than insisting upon quotations for separate coverages.

CHAPTER 2
PROPERTY INSURANCE EXPLANATION AND REQUIREMENTS

2-1. PROPERTY COVERAGE.

Property insurance policies shall be written to cover all HA-owned property based on their current replacement value including equipment and furnishings. The policy does not cover property owned by a tenant, and it is the tenants responsibility to insure their household property if they desire to do so. The majority of insurance companies providing commercial property insurance either use the three coverage forms designed and copyrighted by the Insurance Services Office (ISO), or coverage forms that are very similar. These forms are:

a. Basic Form: This form protects against loss from fire, lightning, explosion, windstorm or hail, smoke, aircraft or vehicles (non-owned), riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, and volcanic action.

b. Broad Form: This form insures against all of the perils included in the basic form plus breakage of glass, falling objects, weight of ice, snow, or sleet, and water damage (not flooding).

c. Special Form: This form is considered to be an "all risk" form, providing more protection than the other two. Rather than listing the perils insured against, it insures against all causes of loss except those, which are specifically not covered under the exclusions section of the contract.

The ACC requires a HA to purchase property insurance. However, the extent of the coverage is at the discretion of the HA, but the most comprehensive coverage (special form) is recommended. The cost is usually very little above the cost of the basic form.

None of the above forms cover damage as a result of an earthquake or land subsidence. If a HA is located in a fault zone or areas where underground mining has been carried out, the HA should check for the availability of coverage and if the cost is affordable.

2-2. AMOUNT OF COVERAGE REQUIRED.

The ACC requires that property insurance be written on are placement cost basis. This means that the insurance will pay the cost to replace the destroyed or damaged property on the same premises with other property of comparable material and quality, or the actual amount spent to repair or replace, whichever is less. As opposed to insuring on an "actual cash value" basis, depreciation based on the age and type of construction of the property may not be taken into consideration when adjusting a loss. If depreciation is taken into consideration, it will produce inadequate values and the HA will become a co-insurer on each loss. In some cases, this method has produced per dwelling unit values of under $10,000 thereby abrogating the intent of the ACC insurance provisions, which is to protect the interest of the Federal government in the HA properties. In order to obtain replacement cost coverage, the property must be in insured for at least 80% (preferably 100%) of what it would cost to replace the property. The following method may be used to determine the current insurable value and meet the ACC requirement:

a. Determine the original insurable value from Form HUD- 5460, see Exhibit 1, then,

b. At each annual renewal date, increase the original insurable value by a percentage factor, which should take into consideration any, increased cost of construction due to labor and/or material costs. To assist HAs in arriving at these percentage increases; HUD is currently providing each field office with increased cost of construction factors. The factors, however, are regional in nature, and may be adjusted if local conditions warrant deviation. c. The annual percentage increase should be equal to 100 percent replacement value, which is the current insurable value.

2-3. ALTERNATE METHODS TO DETERMINE CURRENT INSURABLE VALUE.

If Form HUD- 5460 is not available to the HA or to the Field Office, the HA may use either of the following methods:

a. Contract the services of a professional appraiser to determine the current or replacement cost of each building, or utilize the services of Marshall-Swift or Boeckh. These are organizations that specialize in publishing tables that can be used for this purpose. 5

b. Contact the local county or state building trades association for the current construction cost, by type of building construction (i.e., concrete, brick concrete/brick or frame). The association can provide a per square foot cost to replace each type of building. Multiply the per square foot cost by the total square feet in each building (do not include the square footage of a basement) to arrive at the current insurable value.

2-4. CONTENTS COVERAGE.

The current insurable value of HA property must include the HA owned contents of the buildings. Form HUD- 5460 does not include the cost of office equipment or property maintenance/ community buildings. The HA must determine a reasonable replacement cost for these items and add their value to the total contents coverage required. Ranges and refrigerators are considered part of the building. The insurable value as shown on Form HUD- 5460 does include the original cost of these appliances.

2-5. SPECIFIC SCHEDULED LIMITS VS. BLANKET POLICY.

The ACC requires that property insurance be written under a blanket policy, which provides one limit covering the combined insurable values of all buildings and contents. This simplifies both the policy purchasing/maintenance procedures and the settlement of claims. It eliminates the possibility of under insuring individual properties.

2-6. AGREED VALUE CLAUSE.

Unless eliminated, policies contain a coinsurance clause, which requires that the insured carry an amount of insurance equal to a predetermined percentage of the property value (e.g., 80, 90 or 100 percent). If a HA fails to carry the predetermined percentage, the amount paid for a partial loss is prorated in the same proportion as the difference between the carried limit and the required limit. This could act to penalize the HA. Therefore, the coinsurance clause must be removed and an agreed value clause used in lieu of the coinsurance clause.

2-7. DEDUCTIBLES.

Most policies have a provision requiring the HA to pay an initial predetermined amount of a claim. This initial payment is called a deductible. The deductible amount may range from $100 to over $25,000 per claim.

a. Cost Impact. Deductibles are applied on a per claim basis. The cost impact of the deductible must be measured by: (1) the amount of the deductible, and (2) the number of claims to which the deductible would apply.

   Note: Because deductible amounts accumulate as the number of claims increase, deductibles higher than $250 generally are not recommended, except for HAs with 500 or more dwelling units. The deductible should not exceed the ability of the HA to pay the uninsured portion of all loses.

b. Evaluating Bids. When evaluating bids, which contain different deductibles, it is necessary to value the deductible based on the previous claim experience in order to determine the most cost effective alternative.

   For example:

   Losses during prior 12 months:
   (1) $15,000; (2) $8,000; (3) $20,000; (4) $2,000; (5) $4,000-- Total $49,000

	Bid A	**Bid B**
Deductible	$10,000	$5,000
Annual Premium	$150,000	$160,000

If the losses for the next annual period were to follow the same pattern then the net cost of bid A would be $184,000 (The annual premium plus the deductible amounts not paid by the insurance company.) Bid B would net out at $181,000. Under this set of circumstances, bid B would be the more cost effective.

2-8. ORDINANCE OR LAW COVERAGE.

Many communities have building ordinances requiring that any building that is damaged to some extent (usually 50%) must be completely demolished and rebuilt in accordance with current building codes. None of the causes of loss forms described earlier provide this coverage. If a HA owns a building where building codes have changed since they were built, the HA should definitely consider adding an endorsement which would provide this coverage.

2-9. NOTICE OF CANCELLATION ENDORSEMENT.

This recommended endorsement provides that the insurance company will give the HA a minimum of 60 days notice prior to policy cancellation. (Individual state statutes may require more than the 60 days prior notice.)

2-10. REMOVAL OF VACANCY ENDORSEMENT.

This recommended endorsement provides for the removal of that portion of the policy that voids or restricts coverage on entire buildings left vacant beyond a specific period of time. The vacancy clause should be removed.

2-11. DAVIS-BACON ACT WAGE RATES.

When the damages covered under the property policy are in excess of $2,000 and amounts to reconstruction, the policy should require the insurance company to pay any additional labor cost under the Davis-Bacon Act, as amended (40 U.S.C. 27a-5). A separate endorsement is needed to this effect.

2-12. BUSINESS INCOME.

Although not a requirement, HAs may wish to consider purchasing this separate type of property insurance. Rather than insuring against replacing the property itself, this coverage would reimburse the HA for any loss of rental income while the premises were untenable due to a covered cause of loss. In evaluating the need for this coverage, the HA should consider the reimbursement provision of the Performance Funding System.

2-13 BUILDERS RISK.

When a new building is being constructed for a HA, a separate builders risk insurance policy is required. This can either be purchased by the HA or by the contractor. In either event, the policy should name the HA, the contractor, and any subcontractors as insured. It is not necessary to obtain a separate builders risk policy to cover alterations or repairs to existing structures since this is covered under the form used for completed structures.

2-14 PARTIES INSURED.

The HA should be shown as the named insured. The U.S. Department of Housing and Urban Development should not be named as an insured.

CHAPTER 3
PUBLIC LIABILITY INSURANCE   EXPLANATION AND REQUIREMENTS

3-1. PUBLIC LIABILITY INSURANCE.

a. As property owners, PHAs/IHAs are subject to third party legal liability claims made by residents or the general public resulting from operations necessary and incidental to ownership.

b. The commercial general liability policy provides the HA protection against legal liability imposed by tort violations. This insurance coverage will pay those sums that the insured becomes legally obligated to pay for bodily injury or property damage. In addition, it will also pay for investigative and defense costs and certain supplementary payments. The company has the right and duty to defend any suit, but the most that will be paid is the limit shown in the policy.

c. The CGL policy automatically covers all locations and operations of the HA unless excluded. This is true whether the locations and operations are described in the policy or they are new locations acquired or operations entered into after inception of the policy. The insurer will ordinarily audit the insured at the end of the policy period and charge a premium based on the actual hazards or exposures covered during the policy period.

3-2. OCCURRENCE POLICY FORM vs. THE CLAIMS-MADE POLICY FORM.

a. Two CGL policy forms are available to HAs: 1) The "Occurrence" policy form, and 2) the "Claims-Made" policy. Under the "Occurrence" form policy, a loss is covered as long as the occurrence causing the loss happens during the policy term, and it does not matter if it is reported to the insured and insurance company after the policy has expired. Although both forms provide a per- occurrence limit of liability, the claims-made policy form places strict time frames on the reporting and/or the filing of a claim against the insured and the reporting of the claim to the insurance company.

b. The claims-made policy form has been approved for use by state insurance departments in the majority of the 50 states. The claims-made policy form is the insurance industry's answer to the "long-tail" liability claims that are covered under the occurrence policy form without a time limit on the reporting of claims. For example:

- Policy term January 1, 1996 to January 1, 1997.
- Date of loss March 1, 1996.
- Five-year-old claimant fell down an unlit stairway with no apparent injury.
- Parents of injured child make no claim.
- On August 15, 1999, parents make a claim for $500,000, claiming that the fall in 1996 was the direct cause of their child's mental impairment.
- If the general liability coverage had been written on an occurrence form, the insurance company that provided coverage during the January 1, 1996 to January

1, 1997 period would pay the claim. Under the claims-made form, however, the insurance company would deny coverage.

The up-front or deposit premium charged for the claims-made form often would be less than the premium charged for the occurrence form. This up-front premium may increase by 200 percent to extend the claim-reporting period by 12 months for claims that occurred during the first 12 months of coverage. It is not uncommon for claims to be reported and claims made two, three years or more after the policy expires. There would be no coverage provided in this case for the delayed reporting of claims under the claims- made form without the payment of an additional premium to extend the reporting period.

c. The Department does not recommend the purchase of the CGL claims-made policy form by any HA. Since HAs are required to competitively purchase insurance, switching insurance carriers to the lowest bidder could result in gaps in coverage unless extra premium is paid to extend an expiring policy.

3-2. LIMIT OF LIABILITY

a. A limit of $500,000 per occurrence is the recommended minimum for general liability insurance. Consideration should be given to higher per occurrence limits in the case of larger HAs (in excess of 500 dwelling units) or those located in areas prone to higher judgment amounts. The HA shall determine if the $500,000 limit per occurrence is an adequate amount of coverage. The Department shall not be considered a source for payment of any claims in excess of the policy limit.

b. The ACC requires the HA to purchase only commercial general liability coverage (coverage A of the CGL) however, the standard CGL policy contains two other coverages (B. Personal Injury and C. Medical payments). These coverages and their limits will be explained further in this chapter.

3.4. ANNUAL AGGREGATE.

The majority of insurance companies will limit their total liability for claims paid during an annual policy period. In the limits section of the policy applying to premises coverage, the aggregate limit may be shown as follows:

Limits of Liability Bodily Injury	
Each Occurrence	$500,000
Aggregate	$500,000

In this instance, the HA could have a $500,000 claim from one occurrence at the beginning of the policy year and have no coverage remaining for additional claims occurring in the same policy year. Also, since large claims are hardly ever settled during the time when the policy covering the claim is in effect, it could be years in the future before a HA discovers there is a lack of adequate limits. When the PHA/IHA prepares the solicitation for renewal of their CGL policy, it should request bids first with no annual aggregate and then with the annual aggregate based on multiples of 2,3, and 4 times the each occurrence limit, i.e., $1 million, $1.5 million, and $2 million. The PHA/IHA may then choose the annual aggregate that is most cost effective.

3-5. DEDUCTIBLES.

It is a trend of the insurance industry to offer CGL coverage subject to a per occurrence deductible. The deductible may range from $100 per occurrence to over $25,000 per occurrence. Liability claims are hard to evaluate at the time of occurrence and the HA may delay reporting the claim if they feel the amount of settlement will be within their deductible. This delay could jeopardize their coverage if the claim is in fact much more expensive than originally thought. All claims must be reported to the insurance company immediately. The HA should choose the deductible that is most cost effective based on their previous claim experience. The amount of the deductible may not exceed the ability of the HA to pay the uninsured portion of the loss.

3-6. PERSONAL INJURY LIABILITY INSURANCE.

The basic CGL policy under coverage A provides protection for claims resulting from bodily injury or death to a person for which the insured is legally liable. Bodily injury includes actual physical harm to the injured person. This basic definition can be broadened to include damage done to a person, which is not physical in nature such as false arrest, willful detention, libel, slander, wrongful eviction and wrongful entry. This additional protection is called Personal Injury Liability insurance and is provided under coverage B of the basic CGL contract. Since the nature of a PHA's/IHA's operations exposes it to claims for such broader exposures, it is recommended that the HA include Personal Injury Liability insurance under its CGL insurance contract. The coverage is normally written at the same limit as coverage A.

3-7. MEDICAL PAYMENTS.

Coverage C of the CGL states the insurer's agreement to pay medical expenses for bodily injury caused by an accident occurring on the insured's premises regardless of fault if expenses are incurred and reported within one year of the accident. The medical limit is usually $5,000 per person. The Department recommends that the HA include this coverage since there is very little premium savings for excluding it, and by voluntarily paying some small medical claims, it may serve to discourage legal action by the injured party at a later date.

3-8. ENVIRONMENTAL LIABILITY.

The standard general liability policy does not provide coverage for the escape of pollutants into the environment. Pollutants include, but are not limited to, any damage or injury caused by asbestos, lead-based paint, radon gas, leakage from fuel tanks, and leakage of PCBs from transformers. If the HA finds that it is at risk for any of the pollution hazards, they should check for availability of coverage and its cost. The ACC requires HAs undergoing lead-based paint testing and abatement to purchase separate liability insurance to protect against hazards involved in these operations. This is also required by 24 CFR 965.215. The HA may either purchase this coverage directly from an insurance company, or it may require the contractor to purchase the coverage and add the HA to the policy as an additional insured. A minimum liability limit of $500,000 has been established. For more complete details on the requirements for this insurance, the HA should refer to 24 CFR 965.215, or 950.195.

3-9. LAW ENFORCEMENT LIABILITY.

The basic CGL policy has no specific exclusion that would negate coverage for injury caused by security personnel hired by a HA. There is an exclusion for bodily injury or property damage expected or intended from the standpoint of the insured. However, this exclusion does not apply to bodily injury resulting from the use of reasonable force to protect persons or property. The question of what constitutes "reasonable force" is open for interpretation. However, some insurance companies have begun to attach separate endorsements excluding acts of security personnel, particularly if they know the exposure exists. Each HA should be aware if any exclusion exists, and if so, it is highly recommended that separate insurance be purchased.

3-10. PARTIES INSURED.

The basic CGL policy includes as insured, executive officers, directors, commissioners and employees of the HA, while acting within the scope of their duties. The U.S. Department of Housing and Urban Development shall not be named as a party insured.

CHAPTER 4
WORKERS' COMPENSATION INSURANCE   EXPLANATION AND REQUIREMENTS

4-1. WORKERS' COMPENSATION INSURANCE AND EMPLOYERS' LIABILITYCOVERAGE.

a. The current Workers' Compensation and Employers' Liability policy is the cumulative result of more than 50years of compromise between employers and employees in which injured employees relinquish the right to sue their employers for employment related injuries in return for a statutory imposed mechanism providing specific scheduled benefits which are funded for the most part by insurance.

b. Each of the 50 states, the District of Columbia, American Samoa, Guam, Puerto Rico, and the Virgin Islands has workers' compensation statutes. (Nevada, North Dakota, Ohio, Washington, West Virginia, and Wyoming administer their own monopolistic workers compensation funds.) Workers' compensation insurance has been, and most likely will continue to be the most effective method available to an employer for compensation to employees and their families for work-related injuries or diseases as prescribed by law. Employers' liability coverage protects employers when suits are filed against them for employment related incidents that are not compensated under Workers' Compensation coverage. NOTE: Workers' compensation coverage is not an employee benefit. It is a casualty insurance coverage.

4-2. DIVISIONS OF COVERAGE.

The Workers' Compensation and Employers' Liability policy contains three distinct areas of coverage. Part One. This is the Workers' Compensation section, under which the insurer agrees to assume the liability imposed upon the insured by the workers' compensation law or laws of the state where the HA is located. 4-15/96G 7401.5 Part Two. This is the Employers' Liability section (the standard limit is $100,000 and the premium is included in the Workers' Compensation rate), which protects the insured against liability imposed by law for injury to employees in the course of employment that is not compensated under the Workers' Compensation section. This portion of the contract essentially is similar to the CGL coverages and is subject to about the same conditions. Part Three. This section provides other states insurance for workers' compensation and employers' liability coverage instates where an insured may have incidental exposures that are not listed on the declaration page for purposes of Part One coverage. This coverage applies only to those states listed under the Other States insurance section of the policy.

4-3. WORKERS' COMPENSATION INSURANCE RATING.

In most states, workers compensation insurance is provided by private insurance companies, but in some states there are state funds from which the HA must fund their compensation insurance. The premiums are based on a rate per $100 of payroll and are assigned by classification of the operations or employment. Such types of employment that involve a greater degree of hazard are charged a higher rate than less dangerous occupations. The rating classifications and the payroll amounts are shown on the declaration page of the Workers' Compensation insurance contract. The National Council on Compensation Insurance (a national rating organization) has developed a separate classification for employees of HAs. This classification groups all HA employees into one class without a distribution into various types of duties performed. However, some states may require the use of various classes for HAs.

4-4. EXPERIENCE RATING.

Workers' Compensation contracts are subject to experience rating if the premium exceeds a certain annual amount, which will vary by state. This experience rating allows the insurance company to either increase or decrease the rate per$100 of payroll depending on the loss experience of the insured. The percentage of increase is expressed as an experience modifier and is shown on the declaration page of the contract. Thus, an HA without any losses may have a modifier of .80 which means they will be charged 80 percent of the rate to reflect good experience. A HA with severe losses may have an experience modifier of 1.3 meaning they will pay 130 percent of the base rate to reflect poor experience. The experience modifier generally reflects a running three-year experience period.

4-5. PREMIUM PAYMENT.

For Workers' Compensation insurance, the amount paid at the inception of the contract represents an estimate based on the payroll amount expected during the contract term and the rates in effect at the inception of the contract. At the end of the contract period, the insurance company makes an audit of the actual payroll for the insured period and the actual premium is established using the actual payroll amount. The final premium also reflects any increase or decrease in rates that may have occurred during the term of the contract. The insurance company bills any additional premium resulting from the audit or any rate change. In order to avoid substantial expenses of this nature, the HAs should be certain that the estimated payroll shown on the Declaration page and used to develop the deposit premium accurately reflects the anticipated payroll for the policy period. When comparing competitive proposals for Workers' Compensation insurance, care should be taken that all Offerors use the same estimated payroll and classes in order to have a standard basis for comparison.

4-6. MONOPOLISTIC STATE FUNDS.

Six states: Nevada, North Dakota, Ohio, Washington, West Virginia, and Wyoming have established state workers' compensation insurance funds and granted them a monopoly position, excluding private insurers from providing the coverage.

4-7. VOLUNTARY COMPENSATION ENDORSEMENT.

The majority of HAs will enlist the help of unpaid voluntary workers. The state’s workers’ compensation laws do not cover the voluntary worker, in most states. The Department recommends that the workers' compensation policy be endorsed to cover this exposure.

4-8. PARTIES INSURED.

A HA shall be shown as the named insured. The U.S. Department of Housing and Urban Development should not be named as an insured.

4-9. FULL AND OPEN COMPETITION.

Competition in procurement is required, except that procurement by noncompetitive proposals through solicitation from only one source is authorized (and waiver of any ACC requirements to the contrary is hereby granted) when award is otherwise infeasible under the sealed bidding, competitive proposals, or small purchase method of procurement because the item is available only from a single source (e.g., in states or jurisdictions with monopolistic workers' compensation state funds), or after solicitation of sources, competition is determined inadequate.

CHAPTER 5
AUTOMOBILE LIABILITY INSURANCE   EXPLANATION & REQUIREMENTS

5-1. AUTOMOBILE LIABILITY COVERAGE (OWNED AND NON-OWNED)

a. The automobile liability insurance policy affords coverage in the same general terms as other liability insurance contracts, but the "injury" to be covered must arise out of the ownership, maintenance or use of the owned automobile, any non-owned or hired automobile. Coverage is on an occurrence basis.

b. Automobile liability coverage is excluded from the basic CGL policy. However, if a HA has no owned automobiles, then the non-owned and hired coverage can be provided by endorsement to the CGL policy. The Department requires that HAs insure non-owned as well as owned automobiles since the HA may have significant exposure to loss from accidents occurring when officers, directors, or employees use their personal vehicles on HA business. Under common law, employers can be held liable for the negligence of employees or agents using their cars on behalf of the HA. Although the employee's personal auto policy might provide protection to the HA, there is the possibility that the employee may not have auto liability insurance or that the limit is only the minimum required by state law.

c. An "Automobile" is defined as a land motor vehicle; trailer or semi-trailer designed for travel on public roads, but does not include mobile equipment. Mobile equipment (yard or garden tractors, fork lifts, backhoes, etc.) is covered under the basic CGL policy.

d. The Department recommends that limits of not less than$100,000 each person/$300,000 each occurrence for bodily injury or death, and $25,000 for property damage or a combined single limit for bodily injury and property damage of $300,000 each occurrence be carried on all owned, non-owned and hired automobiles. (A state's financial responsibility statutes may require higher limits.) The HA shall determine if these limits represent an adequate amount of coverage.

5-2. MEDICAL PAYMENTS.

Although premises medical payments under the CGL policy is generally recommended, automobile medical payments is normally not purchased by business organizations. This is because no coverage is provided for injury to employees due to their injuries while on the job being covered by workers compensation. If HA-owned vehicles were restricted to use by employees, the premium paid would provide very little coverage.

5-3. AUTOMOBILE PHYSICAL DAMAGE.

HUD does not require HAs to insure owned vehicles for physical damage (comprehensive and collision). This is a decision that should be made by the HA, depending upon the value of the vehicle. For example, if there are relatively new vehicles with a high replacement cost, this coverage may be desirable for those units, but not for older vehicles whose value has depreciated. This coverage is normally written with a deductible, the size of which should be based upon the judgment of the individual HA. If the purchase of a vehicle is financed, the finance company will require purchase of this coverage.

5-4. PARTIES INSURED.

A HA shall be shown as the named insured. The business auto policy also covers as a person insured, anyone using a covered auto with permission of the insured, which would include the executive officers, commissioners, and employees while acting within the scope of their duties. The U.S. Department of Housing and Urban Development should not be named as an insured.

CHAPTER 6
THEFT, DISAPPEARANCE AND DESTRUCTION INSURANCE EXPLANATION AND REQUIREMENTS

6-1. APPLICABILITY [WAIVER] OF ACC REQUIREMENT FOR BURGLARY AND ROBBERY INSURANCE.

Section 1 of this policy form covers "money" and "securities" inside the insured's premises or banking premises against theft, disappearance, or destruction. Section 2 covers loss from the same perils outside the premises while in the care and custody of a messenger. Experience indicates that premiums paid for burglary and robbery coverage far exceed loss recoveries. If such form of protection were dispensed with, it is felt that no HA would be permanently injured because of an uninsured loss of this type. Such losses would not assume catastrophic proportions because of existing accounting safeguards as stated in Low-Rent Housing Accounting Guide HMG 7511.1. Therefore, the ACC does not require HAs to purchase burglary and robbery insurance, if the amount of cash and checks on hand at any one time does not exceed the amount prescribed by the Department. It is currently $5,000. HAs should notify the Field Office if they are in this category and do not purchase this insurance, in order that the Field Office may mark their records accordingly. A waiver may be considered for "good cause" if the HA believes that sufficient safeguards have been established to prevent such losses from occurring, when amounts on hand exceed $5,000. Requests for such a waiver should be submitted in writing to the Field Office with full particulars as to why a waiver should be granted.

6-2. RECOMMENDED TYPES OF COVERAGE.

Loss of business personal property caused by theft, burglary, or robbery is covered under the "all risks" property insurance form. The required coverage under this Chapter is only for money and securities, equivalent to Coverage Form C of the Insurance Services Office (ISO) Crime Form.

6-3. OVERNIGHT PROTECTION OF FUNDS.

If funds are retained in the development office overnight, a safe should be purchased for this purpose. If burglary insurance is carried, and a reduction in premium sufficient to justify the cost will result, not less than an “E” classification burglary resistive safe is recommended. Where burglary insurance is not carried, the class of safe purchased should depend on the amount of funds that will be left over night. NOTE: A class "E" safe is equipped with a combination lock with all sides and door(s) constructed of steel with a minimum thickness of two inches.

CHAPTER 7
BOILER AND MACHINERY INSURANCE   EXPLANATION AND REQUIREMENTS

7-1. BOILER COVERAGE.

a. If there is a steam boiler in operation for the development, specific boiler explosion insurance is required. (The basic property insurance policy does not cover the damage caused by a boiler explosion.) In determining the adequacy of the amount of this coverage there must be careful review and consideration of all the facts and exposures for the purpose of estimating the maximum possible amount of a single loss by a steam boiler explosion to the boiler, piping and to the building housing the boiler.

b. The required minimum limit for the boiler insurance should be at least $100,000 per accident, per location on a replacement cost basis. After careful examination of all the related information in any given case, it may be determined that the required minimum limit of $100,000 is inadequate. In that event, a greater amount of coverage shall be purchased. Determination of the adequate amount is the responsibility of the HA.

7-2. POLICY FORM.

A standard Insurance Service Office boiler and machinery policy, broad form, including repair, replacement, expediting expense, shall evidence boiler insurance. (The basic CGL policy covers bodily injury liability losses caused by a boiler explosion.)

7-3 INSPECTIONS.

a. All boilers, including steam boilers, shall be subject to annual inspections except hot water supply boilers or tanks which are directly fired with oil, gas or electricity when none of the following limitations are exceeded: (1) a heat input of 200,000 BTU/hr. (2) a water temperature of 210 degree F (99 degree C) (3) a water-containing capacity of 120 gallons.

b. Such excepted boilers and tanks should be equipped with ASME National Board constructed and related safety and relief valves. Such inspection should be conducted by an authorized inspection agency, that is, either: (1) a state or local inspection facility or other authorized inspection service created in accordance with state or local law for the purpose of inspecting such boilers, or (2) an insurance company which has been licensed or registered by the appropriate authority of a state or locality and whose inspection services are acceptable under state or local ordinances, if applicable.

7-4. ACC REQUIREMENT.

The ACC requires that only steam boilers be insured. However, since the cost of the inspection service is included in the boiler insurance premium, the Department recommends that all boilers subject to state inspection be included in the boiler policy. The ACC requires this coverage only if steam boilers have been installed. However, Boiler and Machinery policies issued by most insurance companies have been expanded to include coverage for air conditioning compressors, pumps, piping, and similar equipment, as well as electrical transformers, miscellaneous mechanical, electrical, and telecommunications equipment for perils that would not be covered under the basic property insurance policy. If a HA has property of this type with high values, consideration should be given toward purchase of a Boiler and Machinery policy, even though no steam boilers are owned.

7-5. JOINT LOSS AGREEMENT.

Unless the same insurance company insures both the property insurance and boiler and machinery, the HA should request that each company add a joint loss settlement agreement to each policy. It prevents a disagreement between the property insurer and the boiler insurer as to which policy should respond to a particular loss and in what amounts. When both policies are appropriately endorsed, each insurer pays one-half of the disputed amount, pending resolution of the issue between themselves.

7-6. PARTIES INSURED.

A PHA/IHA shall be shown as the named insured. The U.S. Department of Housing and Urban Development should not be named as an insured.

CHAPTER 8
EMPLOYEE DISHONESTY INSURANCE EXPLANATION AND REQUIREMENTS

8-1. EMPLOYEE DISHONESTY.

a. Employee dishonesty (sometimes referred to as Fidelity Bonds) should be written on a standard form approved by the Surety Association of America.

b. Fidelity, or "employee dishonesty" bonds are used to guarantee that an obligation of trust will be discharged faithfully. Examples are public official bonds and other various forms of protection for an employer against loss through dishonest acts of employees.

8-2. SURETY BONDS.

In surety bonds, the principal furnishes and pays for the bond. For example, a building contractor is obliged to furnish a completion bond to protect the HA for whom he/she is doing the construction. In fidelity bonds, the employer arranges for and pays the premium on the bond. The employees who really are the principals of the bond may have no knowledge that a bond is in effect. This is one of the key distinctions between fidelity and surety bonds. If the principal does not fulfill the obligation, the surety or insurance company is obligated to indemnify the obligee for the actual loss or damage that directly results from the default. The maximum recovery, of course, may not exceed the bond limit. The defaulting principal, however, becomes legally obligated to reimburse the surety or insurance company for any loss paid. This is why it is said that, in theory, underwriters do not expect any losses under a surety bond. No company would knowingly bond a principal likely to have a loss. If the company must perform the undertaking in place of the principal, the company is subrogated to the rights of the obligee against the principal with every right to enforce such rights either in the name of the obligee or of the surety itself.

8-3. BASIC COVERAGE FOR EMPLOYEE DISHONESTY.

The basic coverage provided by employee dishonesty is to cover loss of money, securities or other property that the insured may sustain due to any fraudulent or dishonest act or acts committed by any of the principals covered under the bond. Coverage is not limited to loss of money, but includes loss of merchandise or property that a principal might steal.

8-4. DEFINITION OF EMPLOYEE.

An employee is any natural person while in the regular service of the insured in the ordinary course of the insured's business during the policy period and who the insured compensates by salary, wages or commissions and has the right to govern and direct in performance of his/her service. By definition, the term "employee" does not include HA Commissioners. It is required that they be covered by special endorsement if they have been granted check-signing authority, handle cash, or certify vouchers.

8-5. COMMERCIAL BLANKET BONDS.

a. There are three ways an employee dishonesty policy can be written. The first is on a commercial blanket basis. The total amount of the bond applies to any one loss regardless of the number of employees involved in the loss; there is no specific amount that applies to any single person.

b. Notice to the insurer of changes in personnel is not required. None of the employees or positions is named and any new employees are covered automatically as soon as they enter the insured's employ. Automatic coverage will not extend to a new employee if the insured knows that the employee has been guilty of previous dishonesty. No additional premium is required as new employees are added, but on an anniversary date changes in the number of employees in each rating classification are taken into consideration in determining the premium for the following year.

8-6. BLANKET POSITION:

a. The important difference between blanket position and commercial blanket is that the amount of coverage in a blanket position applies separately to each identifiable employee.

b. To illustrate, assume a $10,000 limit on a blanket position basis and the same limit for a commercial blanket basis. If two identifiable employees together perpetrated a $20,000 loss, the blanket position policy would pay $10,000 for each employee or the full amount of the loss. On the other hand, the commercial blanket would pay a total of $10,000 since that is the limit for each loss.

c. If, in this illustration, the insured was able to prove that a fidelity loss occurred, but was unable to identify the employees involved, then the blanket position policy would pay $10,000 as if only a single employee had been involved.

8-7. INDIVIDUAL AND SCHEDULE.

a. Individual policies cover a particular named person. Schedule policies may be either named or position schedules.

b. The named schedule combines several individuals. Covered persons must be listed, including the coverage amount applying to each person. New employees may be added and former employees deleted at any time, but all covered employees must be listed. The position schedule lists the positions, specifying the amount for which each position is bonded. It is unnecessary to notify the insurance company of employee turnover. No change is necessary in the bond unless the number of workers for each position category changes. The position schedule bond may include only positions that the employer wants covered. All employees in a given position category must be covered if any in that position category is covered.

8-8. ADVANTAGES OF BLANKET OVER SCHEDULE.

a. All employees are covered under blanket forms. This eliminates "surprises" if a loss is caused by an employee not thought of as in a position to steal or of "a mind" to steal.

b. Blanket forms provide automatic coverage for new employees without notice to the company.

c. Blanket forms do not require premium adjustment during the year.

d. Recovery may be made without identification of the employee(s) causing the loss provided the insured could prove that a loss actually occurred. Under schedule forms it is necessary to identify the employee.

e. The cost of blanket forms generally is no greater than (and frequently less) the cost of adequate coverage under schedule forms.

The provisions that follow are common to all of the foregoing employee dishonesty bonds:

a. Because there are many ways in which inventory shortages may occur besides employee dishonesty, inventory shortages are not covered unless the insured can prove (apart from inventory or profit and loss computations) that the shortage was sustained through fraudulent or dishonest acts of an employee(s).

b. Many policies are continuous and do not have a specific expiration date. They remain in force from the time written until either party terminates them. Premiums are payable each year or every three years. At the end of each 3-year period, the policy should be rebid.

c. If the amount of loss exceeds the amount of coverage under the policy, the insured is entitled to all recoveries until fully reimbursed, less the actual cost of affecting the recovery. Any remainder is applied to the reimbursement of the insurance company.

8-9. HOUSING ASSISTANCE PAYMENT PROGRAM (HAPP) - SECTION 8.

If a HA is required to have a fidelity bond because it has entered into HAPP ACC activities, then such exposures can be included under the normal HA bond coverage.

8-10. ADDITIONAL INDEMNITY RIDER.

In those instances where higher limits of coverage are needed for specific positions, a blanket policy can be issued for a lesser amount and the required higher limits can be provided for by an endorsement. This generally is not recommended because the cost of increasing the entire blanket coverage usually is more cost effective than obtaining separate and specific excess limits.

8-11 PARTIES INSURED.

The named obligee on the bond shall be the HA and the U.S. Department of Housing and Urban Development as their interests may appear.

8-12 DIRECTORS AND OFFICERS INSURANCE.

This is not a type of employee dishonesty, but it is similar. There are no standardized policies for this coverage, and there are only a few insurance companies that write this line of insurance. Most of them insure against "wrongful acts" committed by directors and officers of the insured entity. A "wrongful act" is generally defined in the policy as meaning "any actual or alleged neglect, error, misleading statement, omissions, or other breach of duty." In recent years, many organizations have had difficulty getting prominent and qualified individuals to serve on the board of commissioners without some reassurance of indemnification in the event of a lawsuit. While this insurance is not mandatory, it is highly recommended.

8-13 REQUIRED MINIMUM LIMIT.

The recommended minimum limit is based on the cash flow of the PHA/IHA. The Department has developed a work sheet to measure the cash flow from which the required minimum limit is determined. The work sheet is shown on page 8-6.

CHAPTER 9
FLOOD INSURANCE EXPLANATION AND REQUIREMENTS

9-1. FLOOD INSURANCE.

a. <u>ACC Requirements</u>. The ACC does not specifically state that flood insurance is a required coverage, unless the property is located in a flood plain, as determined by the Federal Governments National Flood Insurance Program.

b. <u>Program Eligibility</u>. Flood insurance is available through the Federal Government's National Flood Insurance Program (NFIP) Every HA, however, will not qualify for flood insurance through the NFIP. The prerequisites for flood insurance are: (1) The HA must be located in a community participating in the NFIP. (2) The HA should have property located in the 100 year flood plain. (While property located outside the100 year floodplain is eligible for coverage through the NFIP, the Department will not require its purchase.) The HAs should contact an insurance agent of their choice to determine if they have property located in an area that would meet both prerequisites stated above. If the property is eligible for coverage and the risk of loss exists, flood insurance becomes a required coverage under the ACC. The HA shall advise the Field Office if projects are located in a floodplain and shall provide the Field Office with a certificate of insurance.

c. <u>Limit of Coverage</u>. Flood insurance is written with a separate limit of coverage applying to each building in the floodplain. Blanket coverage is not available. The limit of coverage per building shall not be less than 80 percent of the maximum probable damage that could be caused by a flood peril.

d. <u>Flood or The Condition of Flooding</u>. Flood or the condition of flooding is defined as:

   (1) A general and temporary condition of partial or complete inundation of normally dry land areas from:
      (a) The overflow of inland or tidal waters;
      (b) The unusual and rapid accumulation or runoff of surface waters from any source;
      (c) Mudslides (i.e., mudflows) which are proximately caused by flood and are akin to a river of liquid and flowing mud on the surface of normally dry land areas, such as when earth is carried by a current of water and deposited along the path of the current.
   (2) The collapse or subsidence of land along the shore of a lake, ocean, river or other body of water as a result of erosion or undermining caused by waves or currents of water exceeding the cyclical levels, which result in flood.
   (3) Sewer (drain) backup is covered only if it is due to flooding.

e. <u>General Rules and Definition</u>.

   (1) Flood insurance can be purchased to protect an eligible building and/or personal property located in a participating community against "direct physical loss by flood."

(2) Flood insurance covers direct physical loss by flood or in other words, any loss in the nature of, or physical damage (evidenced by physical changes) to the insured property (building or personal property) which is directly caused by a "Flood" when the insured property is located (I) at the property address shown on the application for insurance and (2) for 45 days at another place above ground level or outside of a special flood hazard area to which any property shall 5/96 9-2G 7401.5 necessarily be removed in order to protect and preserve it from a flood or from the imminent danger of flood (provided personal property so removed is placed in a fully enclosed building or otherwise reasonably protected from the elements in order to be insured against loss). In such case, the reasonable expenses incurred by the insured, including the value of the insured's own labor at prevailing Federal minimum wage rates, in moving the insured property away from the peril of flood and storing the property at the temporary location shall be reimbursed to the insured.

(3) For additional information, the HA may call the NFIP toll free at 800-638-6620 or contact a NFIP Regional Office.

f. Competition. Competition in procurement is not required if coverage can only be purchased from a single source. Some insurance companies will include flood coverage along with their property policy, but it is usually subject to a very large deductible ($25,000 or more), and this would not be reasonable for most HAs. Competition in procurement is not required as long as coverage is purchased through the National Flood Insurance Program (NFIP).

CHAPTER 10.
REPORTING LOSSES AND ACCIDENTS TO INSURERS

NOTE: Read the insurance policy. All policies have conditions regarding the reporting of losses.

10-1. PROPERTY INSURANCE AND FLOOD INSURANCE LOSS REPORTS.

a. In the event of an insured incident under the insurance contract, the HAs should first take whatever steps that are reasonable to minimize the amount of damage and protect the property from further damage, including such obvious steps as extinguishing a fire and storing property removed from a damaged building to protect it from theft or exposure to weather.
b. As soon as practical, a HA should notify its insurance carrier and/or the agent or broker of the incident. This initial report may be verbal but it should be followed by a written notification with copies retained in the HA's file. This report should contain the location of the loss, a description of the property involved, the date, hour, cause and extent of damage.

10-2. ADJUSTING PROCEDURES.

Upon filing the loss report with the insurance company the HA subsequently will be contacted by a representative of the insurance company assigned to adjust the claim. This person can be either an employee of the insurance company or an independent adjuster retained by the insurance company under contract. This person will review the claim and determine the amount of loss. The HAs should cooperate with this individual in order to expedite this process, but should remember that the adjuster is the representative of the insurance company and not an independent arbitrator of the claim. The adjuster will determine the amount of settlement to be offered by the insurance company based on the extent of damage. The decision of the adjustor is not binding on a HA and may be appealed if the settlement is felt unjust.

10-3. PROOF OF LOSS.

a. The Proof of Loss is the formal statement required from the insured and transmitted to the insurance company outlining the facts surrounding the loss. The insurance contracts place the burden of preparing this statement on the insured although the claims adjustor generally assists in this process.
b. Most policies require that a Proof of Loss must be submitted to the insurance company within 60 days after the loss unless an extension of this time limit is received, in writing, from the insurance company. Upon receipt of the completed Proof of Loss, the insurance company is required to respond to the insured within a reasonable time to either settle the claim or to provide its response to the claim made by the insured.

10-4. DISPUTES.

In the event a HA does not agree with the settlement offered by an insurance company, it should request that the claim be submitted to arbitration. The insurance company and the HA agree upon an independent arbitrator who will evaluate and appraise the property and the extent of damage. This procedure is used only if the insurance company and the HA cannot agree on a settlement amount. Arbitration is subject to the terms of the insurance policy and any state or Tribal law requirements.

10-5. RECONSTRUCTION AND RESTORATION.

Section 13(B) of the ACC requires a HA, to the extent that insurance proceeds permit, to promptly restore, reconstruct and/or repair any damaged or destroyed property of a project, except with written approval of HUD to the contrary.

10-6. PUBLIC LIABILITY INSURANCE LOSS REPORTS.

Public Liability (CGL and automobile) insurance contracts require prompt reporting of any incident that can reasonably be expected to result in claims. A HA should make note of the time, cause, date and details of such incidents and forward the information in writing to the insurance carrier or agent. If injuries have been suffered by a third party, the 5/96 10-2G 7401.5 agent/broker should be notified by telephone. The HA should not try to determine fault or liability. No demand should be honored and no settlement offered without the knowledge of the insurance carrier. The HA should maintain a file on all incidents showing the pertinent information and shall cooperate with the insurance company in gathering information needed to settle or defend the claim.

10-7. WORKERS' COMPENSATION INSURANCE LOSS REPORTS.

a. In order to comply with workers' compensation statutes, the HA should obtain from their workers' compensation insurance carriers the proper claim reporting forms and a description of the procedures to be used to report claims to both the insurance carrier and the State Compensation Authority, as applicable.

b. Each HA should maintain a file covering all compensation losses and detailing the nature, extent, and circumstances of the claims.

c. Employees should be instructed to provide all applicable records regarding their injury or sickness, including doctor reports, hospital records and personal expenses related to the claim. These materials should be forwarded to the insurance company with copies retained in the HA files.

10-8. BURGLARY, ROBBERY, OR THEFT REPORTS.

The insurance agent/broker should be notified as soon as possible of all losses of funds or damage to property resulting from burglary, robbery, theft, or attempted threat, including the date and hour of loss, complete details concerning the loss, and the action taken by the HA with respect to the notification of law enforcement agencies.

10-9. BOILER EXPLOSION REPORTS.

Boiler policies provide for an immediate report of steam boiler explosions to be sent to the boiler insurance carrier. If a fire ensues, the fire carrier requires a report. If a third party is injured, then a report must be made to the CGL carrier.

10-10. EMPLOYEE DISHONESTY LOSS REPORTS.

a. The insurance carrier may, under the terms of the policy, deny liability for a loss if notice of the discovery is not given to the insurance company within a reasonable time. For this reason, it is important that the insurance company be given notice immediately upon discovery of any loss of funds or property where there is suspicion of larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction, willful misapplication, or any other act of fraud or dishonesty on the part of a HA employee. Refer to the form itself for the complete reporting requirements.

b. In the event a HA or HUD field office becomes aware of a dishonest or fraudulent act on the part of any employee(s) or official(s), they should send written notice immediately to (1) the insurance company; and, (2) the HUD Field Office Directors, Public Housing Divisions or Administrators, Offices of Native American Programs. The Field Office Directors must thereupon notify the Office of the Inspector General of the incident and follow up with the HA to assure that the written notice has been sent to the insurance company. It is essential that the HA comply with the contract terms concerning reporting claims and filing Proof of Loss forms unless specifically instructed otherwise in writing by the Regional Office of Inspector General.

c. The initial notice of loss should not be delayed pending the preparation of any audit proceedings or criminal investigations. The initial notice should outline the details of the incident to as great an extent as possible. The insurance company will provide the HA with appropriate forms to be used to file the formal Proof of Loss. This Proof of Loss form includes audit findings and other conclusive evidence of a loss. The formal Proof of Loss, prepared after the initial notice, is the proper document for filing audit findings. In the event circumstances are such that the reporting timetable cannot be adhered to, the HA should request an extension, in writing, from the insurance company before expiration of the reporting period.

   The HA should arrange for an audit of the records, files and other material related to the incident after filing the initial written notice of a loss. The information obtained by the auditor should be used to assist in filing the Proof of Loss with the insurance company and also shall be made available to law enforcement agencies investigating the matter.

10-11. APPROVAL OF DISPOSITION OF LIABILITY INSURANCE CLAIMS.

Each HA must obtain HUD approval of its proposed disposition of a liability insurance claim when (1) the claim is filed, if the HA does not have liability insurance coverage, or (2) a claim, by itself or taken together with all other outstanding claims against the HA exceeds (i) its liability insurance coverage, or (ii) the amount available to pay liability claims from any self-insurance reserve fund the HA maintains. 10-55/96G 7401.5 LEAVE THIS PAGE BLANK

CHAPTER 11
FIELD OFFICE INSURANCE FUNCTIONS

11-1. THE ACC REQUIREMENTS.

a. Section 3 of Attachment VII of the ACC states, "At each renewal, the HA shall promptly have certificates of insurance submitted by the insurers to HUD describing the types of coverage, limits of insurance, policy numbers, and inception and expiration dates."

b. The HA is responsible for the procurement of the required insurance coverages. The field office shall monitor the procurement for compliance with the ACC and Part 24 CFR 85.36, subject to such waivers that have been granted to an individual HA.

11-2. FIELD OFFICE REVIEW REQUIREMENTS.

It is necessary that the Field Office receive evidence that insurance is in effect in accordance with 11-1 and11-3, and record information in regard to the insurance coverage, in accordance with 11-3.

11-3. TIMETABLES FOR INSURANCE PROCUREMENT AND REVIEW.

(a) WITHIN 15 DAYS after the effective date of the policies or the scheduled date of initial occupancy, the HA or the insurance agent or company sends to the HUD Field Office certificates of insurance as documentation in regard to all insurance policies consisting of name of insurance company, policy number, expiration date, annual premiums and limits of liability. The certificate must be signed by an authorized representative of the insurance company (usually the insurance agent). The field office reviews the certificates to determine compliance with HUD regulations and adequacy of the amounts of insurance coverage. The field office advises the HA of any changes or endorsements, if any are needed. Policies will be considered approved unless they are disapproved within 30days after receipt of the certificate in the field office. The Field Office enters this information in the SMIRPH system and files the certificates. 11-15/96G 7401.5

(b) The HA must make available, upon request of the Department, the IFB where the Department believes such review is needed to ensure that the insurance coverage(s)specified is the one being proposed for purchase and meets the requirements of the ACC, Part 24 CFR 85.36 and 24 CFR 950.

11-4. USE OF BINDERS IN PLACE OF POLICIES.

Binders are temporary insurance contracts used to confirm coverage until the issuance of the formal contract. If there is a delay in issuing the new insurance contracts until after the current coverage expires, written binders should be obtained from the selected low bidder until the field office has approved the formal policies.

11-5. HUD FORMS USED TO MONITOR THE INSURANCE PROGRAM.

There are several forms available for use by the field office to record pertinent insurance data as follows:

a. Form HUD-5245-Insurance Record. (See Exhibit III.) The field office primarily as a means to keep track of existing policy and expiration information uses this Form. It is important for this form to be kept current since it serves as an expiration date file. This form contains general policy data including:

   (1) Insurer identification (name and address);
   (2) Policy number;
   (3) Type of coverage;
   (4) Premium detail;
   (5) Effective date of policy; and
   (6) Expiration date of policy.

   This form should not be destroyed unless the information has been recorded in SMIRPH or any other subsequently developed computerized data system. This information serves as a continuing record of HA insurance and is invaluable in the event a claim is made against the HA years after the policy has expired.

b. Form HUD- 5460-Insurance Information Form. [See Exhibit I) This form is completed when a HA project is ready for occupancy. The form contains basic information about the type of construction, heating plant, number of floors and the insurable value of the property at that time. It is this insurable value that is increased each year by the current inflation cost trend multipliers to determine the current insurable value for renewal of the fire and extended coverage insurance policy. In addition, the form indicates if steam boilers are used for heating and the requirement for Boiler Insurance. This form should not be destroyed.

c. Form HUD-5974-Insurance Approval Form. (See Exhibit IV). This form is used by the field office to advise the HAs of the approval of an insurance policy following field office review as required in the ACC. NOTE: Use of the Form HUD-5974, Insurance Approval Form, is optional since policies will be considered approved unless disapproved within 30 days after receipt of the insurance certificate. Its use can be restricted to comments to the HA or requests for changes.

d. Form HUD-5463 - Insurable Value Worksheet. [See Exhibit II). This worksheet is used to develop the current insurable value of a specific HA property for the purchase of property insurance. This should be completed by the HA and mailed to the Field Office at each renewal.

11-6. DOCUMENTS MAINTAINED IN FIELD OFFICE FILES.

Each HA insurance file in the field office should contain the following documents:

a. Copies of certificates of insurance for each current insurance policy in force, and for the three prior years;
b. Form HUD- 5460 (completed and updated);
c. Completed Insurable Value Work sheets (HUD-5463) for the three prior years.

CHAPTER 12
COMPETITIVE BIDDING REQUIREMENTS

12-1.GENERAL.

a. Open and competitive bidding is firmly established as public policy. Although Section 13 of the ACC does not require competitive bidding, insurance must be purchased in accordance with procurement standards for other services. However, it is recommended that insurance be purchased through competitive bidding. This method should prove to be most effective for HAs.
b. 24 CFR 85.36 and 24 CFR 950 provide that procurement of services under a Federal grant must be done in accordance with the grantee's (PHAs/IHAs) procurement procedures, reflecting applicable State and local laws and regulations, provided that they conform to applicable Federal law. Section 85.36 and 24 CFR 950 require competition in all procurement transactions (including insurance). Generally, awards are to be made to the responsible firm whose proposal to provide the service is most advantageous to the program, with price and other factors considered. Factors other than price that may be considered in the procurement of insurance are continued availability of coverage and predictability of premium over the long-term. Any selection based on factors other than cost must be supported by the HAs written determination, in accordance with Section 85.36 and 24CFR 950, that the arrangement will promote economy and efficiency, or that selection factors other than cost make selection of that entity the most advantageous to the HA.
c. The methods of selection to be used (specified in Section 85.36(d)) include a simple and informal method for small purchases (those not exceeding a cost of $25,000) and the competitive proposal method, as well as formal advertising.
d. Risk protection coverage should be for a fixed term, not to exceed three years, and the HA should reassess its choice of risk protection coverage before the expiration of the term.
e. For budgeting and accounting purposes, it is recommended that all insurance policies expire on the same date, preferably to coincide with the HA's fiscal year.
f. While 24 CFR 85.36 permits the procurement of services by sealed bidding (formal advertising) or by competitive proposals, the Department recommends that the PHA/IHA use the sealed bid method for a firm-fixed price contract. The sealed bid procurement lead-time should take at least120 days to complete. Competitive proposals, on the other hand, will add to the bidding cycle. The purchase of insurance is subject to a due date (the required effective date of the policy) and the evaluation of the bids and the award of the contract must be completed prior to the due date, Under the competitive proposal method, it is often necessary to meet with each Offeror and negotiate for a price that is most advantageous to the program. This is time consuming and will extend the bidding cycle. The following pages will concentrate on procurement through sealed bids.

12-2. WAIVER OF COMPETITION REQUIREMENTS.

Competition requirements may be waived and procurement by noncompetitive proposals may be authorized in accordance with 24 CFR Section 85.36(d) (4) (i) by the Assistant Secretary upon a determination of good cause, supported by documentation of the pertinent facts and grounds. Note: Notwithstanding any other State or Federal law, regulation or other requirement, any public housing agency or Indian housing authority that purchases insurance from a nonprofit insurance entity, owned and controlled by public housing agencies or Indian housing authorities, and approved by HUD, may purchase such insurance without regard to competitive procurement.

12-3. COMPETITIVE BIDDING PROCEDURES.

Competitive bidding procedures involve: (1) developing timetables for the procurement process, (2) preparing the solicitation, (3) advertising the IFBs, (4) HA evaluation and award, and (5) notifying the HUD Field Office of the results of the bidding process.

NOTE: A PHA/IHA shall not employ a broker of record for the purpose of procuring insurance. Any insurance consultant, agent or broker who serves as a consultant to the HA in the drafting, advertising and/or review of IFBs shall be barred from submitting bids.

12-4. INDIAN PREFERENCES IN THE AWARD OF CONTRACTS.

The IFB may be restricted to qualified Indian-owned enterprises and Indian organizations as provided by the Indian Self-determination and Education Assistance Act (25 U.S.C.450e (b); 24 CFR 950.160 and 950.175).

12-5. HA TIMETABLE FOR INSURANCE PROCUREMENT.

a. AT LEAST 120 DAYS prior to the effective date of coverage, HAs should commence the collection of data necessary for the preparation of the IFB. This data should include: (1) computer printouts of all losses from the current and prior insurance companies, (2) a computation of the current insurable values of all buildings, and (3) correct addresses and dwelling unit count for all projects.

b. AT LEAST 90 DAYS prior to the effective date of coverage, HAs should advertise for bidders. Formal advertisements should appear once a week for two weeks and the bid opening should be set far enough in advance to enable agents/brokers to prepare bids. The advertisement is simply a notice that the HA is requesting bids. Specific information regarding the coverage, proposal format, etc. is to be obtained from the HA to avoid a lengthy advertisement.

NOTE: See Appendix Three for a sample bid advertisement.

(1) In order to generate maximum interest from bidders, the HA may advertise in the following weekly magazines if annual insurance premiums are large enough to warrant the expense. We suggest using$250,000 as a threshold. The smaller HA's may wish to use the local newspaper and largest regional newspaper serving the area.

The National Underwriter Property & Casualty Edition 175 W. Jackson Boulevard Chicago, Illinois 60604	Fax #: 312-922-2745 Lead time - 13 days prior to the Monday publication.
Classified Advertising Business Insurance 740 N. Rush Street Chicago, Illinois 60611	Fax #: 312-280-3189 Lead time - 7 days prior to the Monday publication.

(2) In addition to advertising for bidders, prospective bidders may be solicited from known competent insurance agents/brokers as well as from agents/brokers and companies that currently service Has in the state. The state insurance department may also be contacted for assistance in identifying potential bidders.

(3) HAs should mail an IFB to all who request it. The complete IFB should be ready for distribution at the time of initial advertisement.

c. AT LEAST 20 DAYS prior to the effective date of coverage, Has should schedule the bid opening.
d. AT LEAST 10 DAYS prior to the effective date of coverage, Has should make the award in writing.
e. WITHIN 15 DAYS after the effective date of the policies or the scheduled date of initial occupancy, HAs should submit, or have the insurance company submit, certificates of insurance for review and filing to the field office.

12-6. ADDITIONAL IFB DATA.

The IFB should also set forth: (1) the deadline for receipt of bids, (2) the mailing address to which the bids shall be sent, (3) the instructions concerning the format and packaging of bids, (4) the name, address, and telephone number of a HA official who can clarify the intent of the bid request along with the deadline for requesting such clarification, and (5) the method of award.

12-7. OPTIONAL TERMS.

Only the alternate or optional terms specified in the IFB should be considered in making the award.

12-8. HA EVALUATION OF THE IFB AND AWARD.

The award is to be made to the qualified bidder submitting the lowest responsive and responsible bid. The IHA shall apply the Indian Preference Rule in the award of insurance contracts. When only one bid is received in response to an IFB, such bid may be considered and accepted if the HA makes a written determination that: (a) the specifications were clear and not unduly restrictive; (b) adequate competition was solicited and it could have been reasonably assumed that more than one bid would have been submitted; (c) the price is reasonable; and (d) the bid is otherwise in accordance with the IFB. Such written determination should be placed in the bid file.

CHAPTER 13.
SUGGESTED FORMAT FOR PREPARATION OF THE INVITATION FOR BIDS

13-1. INTRODUCTION.

This chapter provides draft documents that may be used by HAs for the procurement of insurance as required by the ACC and Part 24 CFR 85.36 and 24 CFR950. The documents include:

PART I - IFB Cover Letter
PART II - Background
PART III - Instructions to Bidders
PART IV - Specifications for All Coverages

(1) Coverage Requirements
(2) Exposure Information
(3) Loss Information
(4) Bid Sheet Format

NOTE: The format presented in this chapter is a suggested format only. The IFB may be amended as necessary to fit the individual needs of the HA. However, all mandatory requirements in Part 24 CFR 85.36 and 24 CFR 950 must be followed.

PART I
IFB COVER LETTER

(TO BE PREPARED ON HA LETTERHEAD)

Date Gentlemen: The _________(NAME OF HA)___________ is issuing an Invitation For Bids (IFB) for ___________(Insurance Type)_________ insurance to be effective on ___(Date)____ for a term of ______(Insert Length)________. For purposes of comparison, all bids will be evaluated on an annual cost basis regardless of term.

Attention is directed to the enclosed instructions and specifications, which are made a part of this invitation.

All bids must be submitted on the accompanying bid sheets induplicate and shall be based upon and be in conformity with the specifications and instructions attached.

Enclosed and forming a part of this IFB are the following Sections:

Background Information
Instructions to Bidders
Specifications Bid Sheet Formats

The bid documents shall be enclosed in two envelopes (outer and inner) both of which shall be sealed and clearly labeled "Bid for ____ Insurance - Not To Be Opened Until ___(TIME)___ (a.m., p.m.) ____(Date)___, 19__." The Bidder shall be responsible for the placement of the firm's name on the outside of both bid envelopes.

This IFB contains (number) pages, exclusive of this cover letter. All requests for additional information should be directed to (Name, Address and Phone Number of Executive Director).

____
Signed
Name and Title
Enclosures

PART II
BACKGROUND ON PUBLIC AND INDIAN HOUSING

a. PUBLIC HOUSING. The Low-Income Public Housing Program is authorized under the United States Housing Act of 1937, as amended. It authorizes the U. S. Department of Housing and Urban Development (HUD) to provide technical and financial assistance to public housing agencies (PHAs) in the provision of decent, safe and sanitary dwellings at affordable rents to lower-income families. The public housing program is administered at the local level by PHAs, which are non-Federal public agencies authorized by State legislation and generally established by action of a town, city, county, regional area or state.

The PHA functions in the capacity of developer, owner and manager of its lower-income public housing developments. The PHA has the responsibility for planning, financing, constructing, and managing its properties subject to applicable laws and contractual relationships with HUD and the local governing body. The landlord-tenant relationship of the PHA is established by virtue of its ownership of the properties and the provisions of individual leasing agreements with its tenants. The PHA performs all of the functions of a private landlord, including leasing units, collecting rents, maintaining the properties, and all of the other responsibilities related thereto.

PHA responsibilities for public housing developments are embodied in the State enabling legislation and an Annual Contributions Contract (ACC) entered into between the PHA and HUD. A PHA is required to operate each lower-income project for the purpose of providing decent, safe and sanitary dwelling units within the financial reach of lower income families and to operate the project with efficiency, economy, serviceability, and stability.

HUD assists PHAs financially through the ACC by providing capital funds for developing new developments and by making annual contributions (debt service payments) according to the ACC. In addition, the Department provides PHAs/IHAs with annual operating subsidies to assist in maintaining the lower-income character of the developments, providing adequate administrative and maintenance services, and to ensure financial solvency. Operating subsidies help cover annual deficits arising as a result of rent limits and the costs of operations, including utilities, that exceed scheduled rents.

(The PHA preparing the IFB should edit the above as needed and add a description of their particular operations including Section 23 Leased Housing, Section 8 and any non-housing activities.)

b. INDIAN HOUSING. The Department's program for Indian housing is part of HUD's major program activities, but is administered in the context of the special needs and circumstances which include Indian trust land restrictions, the diverse and complex historical and cultural patterns of Indian and Alaska Native life, and the special legal and historical relationships between the Federal Government, Indian communities, and the various states. The existence of special HUD Native American programs was the outgrowth of less than satisfactory experiences in trying to apply urban-oriented programs to primarily rural areas that may be subject to special trust land legal constraints. Indian communities are generally isolated and have little or no economic base. Job opportunities are often limited and incomes are low. Housing needs have been a continuing problem because of the lower-income levels and trust land restrictions, which make mortgages of limited value to financial institutions. Either the Bureau of Indian Affairs or HUD has provided nearly all-standard Indian reservation housing, or HUD has had the lead responsibility in this area since the mid-1960s. Basic community service and facilities needs are a related problem. The design of HUD's current Native American programs reflects a continuing effort to achieve program delivery systems that are responsive to the special housing and community development requirements of Indian and Alaska Native communities. There are two major housing programs widely used on Indian Reservations. They are the Mutual Help Homeownership Opportunity Program and the Indian Public Housing Rental Program.

The Indian rental program is essentially the same as the non-Indian rental public housing program. Under the conventional method of construction, the IHA selects sites and hires its own architect to prepare building plans and specifications. HUD reviews the development program and, if approved, the IHA then obtains the sites and authorizes its architect to prepare the detailed working drawings and specification inconformity with HUD requirements and any applicable local ones. The IHA then advertises for competitive bids from private contractors and awards a construction contract to the lowest responsive and responsible bidder in accordance with Indian preference procedures. Under the Turnkey procedures, the IHA invites developers to submit proposals for a development of a stated number and type of units.

After the IHA selects a Turnkey developer, the developer prepares schematic drawings. With Federal financial assistance guaranteeing the purchase of the development if completed in accordance with the contract, the developer can secure construction financing in the usual manner. HUD assists the IHA in the development of the projects by providing capital funds (grants) to pay for the development costs of the developments. For those developments financed by sale of bonds in the private market or by the sale of notes to the Federal Financing Bank, (such sales were prior to HUD's switch from private market "loan" funding to its current method of "grant " funding) HUD provides debt service annual contributions payments in sufficient amounts to fully liquidate the principal and interest on these instruments in the period specified by the ACC.

Under the rental program, the dwelling units are rented by the IHA to lower-income Indian families at rents of 30 percent of their adjusted incomes. If rents from tenants are not sufficient to pay the IHA's operating costs, operating subsidies may be paid by HUD under certain conditions to ensure the lower-income character of the projects. Indian rental developments also are eligible for the modernization program for improving lower-income public housing developments.

The Mutual-Help Homeownership opportunity Housing Program was started in 1964 in an effort to provide an alternative to rental housing and now constitutes approximately 70 percent of housing assistance in Indian areas. The underlying concept of the program is to provide an opportunity for ownership that will be a strong incentive for participating families to aid in the building and maintenance of their homes. Each participating Indian family must make a substantial contribution toward the cost of the dwelling unit (at least$1,500) in the form of land, work, cash materials or equipment. This obligation can also be met by Tribal contribution of the building site and, where feasible, local building materials. The participants receive equity credit, in amounts approved by HUD, toward the purchase of their homes in lieu of cash for their contributions. After construction, the homebuyer occupies under a lease-purchase type of contract and is obligated to maintain the home, pay the utility costs, and make a required monthly payment. This required monthly payment is the greater of the basic administrative charge, or not less than 15percent nor more than 30 percent of the adjusted family income taking into account an allowance for the cost of utilities. Normally, the participating family will acquire title at the end of 25 years. However, if the family's income increases and it makes correspondingly higher payments, its equity builds up faster, thus shortening the period of time before becoming a homeowner. (The IHA preparing this IFB should edit the above as needed and add a description of their particular operations including Section 8 and any non-housing activities.)

PART III
INSTRUCTIONS TO BIDDERS

a. Each request for interpretation as to the meaning of specifications shall be directed to (NAME) (TELEPHONE NO.). No inquiry received within five (5) working days of the date fixed for opening of bids will be given consideration. All bids must be submitted on the forms provided by the HA. Bidders shall furnish all the information required by the solicitation. Bids must be signed and the bidder's name typed or printed on the bid sheet and each continuation sheet that requires the entry of information by the bidder. The person signing the bid must initial erasures or other changes. Bids signed by an agent shall be accompanied by evidence of that agent's authority. (Bidders should retain a copy of their bid for their records.)

   Bidders shall acknowledge receipt of any amendment to this solicitation (1) by signing and returning the amendment, (2) by identifying the amendment number and date on the bid form, or (3) by letter, telegram, or facsimile, if those methods are authorized in the solicitation. The HA must receive acknowledgement by the time and at the place specified for receipt of bids. Bids which fail to acknowledge the bidder's receipt of any amendment will result in the rejection of the bid if the amendment(s) contained information which substantively changed the PHA's/IHA's requirements.

b. Bid Opening. All bids must be submitted in writing, be in the stated format, and received by the (NAME OF PHA/IHA) on or before (TIME AND DATE). The address for receipt of the bid package is: (HA NAME AND COMPLETE ADDRESS. Do not use a Post Office Box Number.)

   Any bid received at the place designated in the solicitation after the exact time specified for receipt will not be considered unless it is received before award is made and it:

   (1) Was sent by registered or certified mail not later than the fifth calendar day before the date specified for receipt of offers (e.g., an offer submitted in response to a solicitation requiring receipt of offers by the 20thof the month must have been mailed by the 15th);
   (2) Was sent by mail, or if authorized by the solicitation, was sent by telegram or via facsimile, and it is determined by the HA that the late receipt was due solely to mishandling by the HA after receipt at the HA; or
   (3) Was sent by U.S. Postal Service Express Mail Next Day Service - Post Office to Addressee, not later than 5:00p.m. at the place of mailing two working days prior to the date specified for receipt of proposals. The term “working days" excludes weekends and observed holidays.

   Any modification or withdrawal of bid is subject to the same conditions as in paragraph (a) of this provision.

   Any bid received after the exact time specified cannot be considered for award unless it is the only bid received.

c. Bid Acceptance Period. The housing authority shall have a period of 30 calendar days following the bid opening date to make the award. No bids may be withdrawn during the acceptance period.

d. Attendance at Bid Opening. At the time fixed for the opening of bids, their contents will be made public for the information of bidders and other properly interested parties who either may be present in person or by their representative.

e. Signature to Bid. Bids shall be made on the enclosed bid forms showing the name of the insuring company and quoting agency, and signed by the owner or an appropriate executive officer of the firm.

f. Claim Reports. The agency or company receiving the award shall provide, 120 days prior to expiration, a report of all claims including date of claim, amount paid or reserved and a description of the type and nature of each claim.

g. Certificate of Insurance. The insurer receiving the award shall deliver an original policy and a certificate of insurance to the insured. The certificate must show the U.S. Department of Housing and Urban Development as the certificate holder, and require at least a 60-day notice of cancellation to the certificate holder in the event the policy is cancelled-term.

h. The (NAME OF HA) reserves the right to waive any informality and to reject any and all bids.

i. No Warranty. The bidder is required to examine the specifications, instructions and risks to be covered. Failure to do so will be at the bidder's own risk. It is assumed that the bidder has made such investigation as to be fully informed as to the extent and character of the hazards and of the requirements of the specifications. No warranty is made or implied as to the information contained in the specifications.

j. Bidder Qualifications. A bidder is an insurance company or an agent/broker submitting a bid on behalf of an insurance company or companies. In order to be considered for award, a bidder must meet the qualifications below. Bidders not meeting these qualifications will not be considered for award.

(1) Insurance Companies.

(a) Each participating insurer shall be licensed or duly authorized to issue insurance in the state of (NAME OF STATE) "Duly authorized" means that the insurer(s) shall be listed with the state insurance commissioner as an approved or admitted carrier. If a "surplus lines" insurance company submits a bid, the company must be authorized to conduct business in the state by the insurance department.

(b) Each participating insurer shall be financially sound and responsible, which may be evidenced by a rating in the current A. M. Best's Insurance Reports of "B+" or better for performance and shall have a financial rating of "Class VI" or greater for company size, or an A.M. Best Company Financial performance Index (FPI) rating of

"6" or higher that is in the NA-3 category (Insufficient operating Experience). A rating of at least "A" by Demotech will also be acceptable. The rating by either one or the other of these rating organizations should be shown on the bid proposal when it is submitted.

(2) Agent/Brokers. The agent/broker shall be licensed or duly authorized to issue, solicit and service commercial property/casualty insurance in accordance with the laws of the state of (NAME OF STATE).

k. Monoline Bids. All coverages are to be bid on a Monoline basis unless stated otherwise in the response to this IFB. The housing authority will award multiple contracts on a line-by-line basis to the qualified bidders submitting the lowest cost effective price for each line of coverage, unless the proposal is for a multi-line package policy where the overages cannot be separated.

l. Policy Term in Excess of 12 months. If this IFB requests a policy term in excess of 12 months, with the premium payable annually, the policy may not be subject to re-rating at the end of each annual period. The premiums must be guaranteed and may not be increased during the term of the policy. The policy must contain an endorsement that will guarantee the premium for its full term. If the policy does not have this endorsement attached, the policy will be subject to competitive bidding at the end of the first annual period.

m. Method of Award.

(1) The (NAME OF HA) will award a contract resulting from this IFB to the responsible and qualified bidder whose response, conforming to the IFB, will be most advantageous considering only price and the price-related factors included in the IFB. The award shall name the insurance company as the contractor.

NOTE: If this IFB has been restricted by the IHA as provided in Section 12-4, page 12-3, the award shall thence made to the qualified Indian enterprise or organization submitting the lowest responsive bid in accordance with the IHAs procurement policy.

(2) The (NAME OF HA) may reject any or all bids if such action is in the public interest, accept other than the lowest bid, and waive minor informalities and minor irregularities in bids received.

(3) The (NAME OF HA) will award a contract on the basis of bids received without discussion. Therefore, each bid should contain the bidder's best terms from a cost or price standpoint.

(4) The awarding of this contract to a specific agent/broker does not establish an agent/broker of record agreement with the (HA)_______. In the event a disagreement arises between the agent/broker and the insuring company, any such disagreement shall not be cause for the cancellation of the policy by the insuring company.

n. Taxes and Fees. All excess and surplus lines taxes and fees, if applicable, shall be included in the total premium bid. The bidder shall attach a listing of the amount of such taxes and fees applicable.

o. Indian Preference Clause (To be attached to each IFB for IHAs to utilize Indian preference). The following language shall be included in all contracts and subcontracts executed in connection with the development or operation of IHA projects:

(1) The work to be performed under this contract is on a project subject to Section 7(b) of the Indian Self-Determination and Education Assistance Act (24 U.S.C.450e (b)); Section 7(b) requires that to the greatest extent feasible, (A) preferences and opportunities for training and employment shall be given to Indians, and (B) preferences in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises.
(2) The parties to this contract shall comply with the provisions of Section 7(b) of the Indian Self-Determination and Education Assistance Act (24 U.S.C.450e (b) and with all HUD requirements adopted pursuant to Section 7(b).
(3) In connection with this contract the parties shall, to the greatest extent feasible give preference in the award of any subcontracts to Indian organizations and Indian-owned Economic Enterprises, and preferences and opportunities for training and employment to Indians.
(4) This Section 7(b) clause shall be incorporated into every subcontract in connection with the project.
(5) Upon a finding by the IHA or HUD that any party to this contract is not in compliance with Section 7(b) requirements, that party shall, at the direction of the IHA, initiate appropriate action to remedy the noncompliance.

p. Organizational Conflicts of Interest.

(1) The Contractor certifies by submission of a bid that to the best of its knowledge and belief and except as otherwise disclosed, he or she does not have any organizational conflict of interest which is defined as a situation in which the nature of work under a proposed HA contract and a prospective contractor's organizational, financial contractual or other interests are such that:

(a) Award of the contract may result in an unfair competitive advantage;
(b) The Contractor's objectivity in performing the contract work may be impaired; or
(c) The Contractor has disclosed all relevant information and requested the HA to make a determination with respect to this contract.

(2) The Contractor agrees that if after award he or she discovers an organizational conflict of interest with respect to this contract, he or she shall make an immediate and full disclosure in writing to the HA which shall include a description of the action which the Contractor has taken or intends to take to eliminate or neutralize the conflict. The HA may, however, terminate the contract for the convenience of the HA if it would be in the best interest of the HA.

(3) In the event the Contractor was aware of an organizational conflict of interest before the award of this contract and intentionally did not disclose the conflict, the HA may terminate the contract for default.

(4) The Contractor shall require a disclosure or representation from subcontractors and consultants who may be in a position to influence the advice or assistance rendered to the HA and shall include any necessary provisions to eliminate or neutralize conflicts of interest in consultant agreements or subcontracts involving performance or work under this contract.

q. Debarred, Suspended and Ineligible Contractors. The bidder certifies by submission of a bid that it is not a debarred, suspended or ineligible contractor by any Agency of the Federal or state government. (No bid received from a debarred, suspended or ineligible contractor will qualify for award.)

r. A Certificate of Independent Premium Determination, as show no the following page, must be completed and attached to each bid submission.

(1) CERTIFICATION OF INDEPENDENT PREMIUM DETERMINATION

(a) The bidder certifies –

(1) The insurance premiums in this bid have been arrived at independently, without, for the purpose of restricting competition, any consultation, communication, or agreement with any other bidder or competitor relating to (i) those premiums, (ii) the intention to submit a bid, or (iii) the methods or factors used to calculate the prices offered;

(2) The premiums in this bid have not been and will not be knowingly disclosed by the bidder, directly or indirectly, to any other bidder or competitor before bid opening unless otherwise required by law; and

(3) No attempt has been made or will be made by the bidder to induce any other concern to submit or not to submit a bid for the purpose of restricting competition.

(b) Each signature on the bid is considered to be a certification by the signatory that the signatory:

(1) Is the person in the bidder's organization responsible for determining the premiums being offered in this bid or proposal, and that the signatory has not participated and will not participate in any action contrary to subparagraphs (a) (1) through (a) (3) above; or

(2) Has been authorized, in writing, to act as agent for the insurance companies in certifying that those companies have not participated, and will not participate in any action contrary to subparagraphs (a) (1) through (a) (3) above.

____

____

____

________________________ [insert full name of person(s) in the bidder's organization responsible for determining the prices offered in this bid or proposal, and the title of his or her position in the bidder's organization].

PART IV
SPECIFICATIONS

a. Real and Personal Property.

(1) Coverage Requirements.

(a) The policy shall become effective at 12:01 a.m. <u>(Month-Day-Year)</u> for a period of 12 months. It shall be written on a standard Insurance Services Office form and approved for use in the State of providing blanket coverage on a replacement cost and agreed value basis. Coverage shall apply to all real properties and contents owned by the (NAMEOF HA) These properties consist primarily of multiple family dwelling units, but also may include non-dwelling buildings and equipment including, but not limited to, storage sheds, offices, fire stations, wells and pumps, garages, water towers, lift stations, building materials and supplies on job sites, and other items incidental to the operation of a HA. Coverage is to be provided for destruction or damage to the described property if the loss is the result of one or more of the covered perils. The minimum covered perils include fire, lightning, windstorm, hail, explosion, riot, civil commotion, riot attending a strike, aircraft and vehicle, and smoke. There shall be no pro rata distribution clause.

(b) <u>Named Insured</u>. The policy shall name as Insured: <u>(NAME OF IHA)</u>.

(c) <u>Limit of Insurance</u>. Coverage is to be provided on the basis of full replacement cost at the time of loss. Coverage shall be written at a blanket limit of $______ which represents <u>(80%, 90% or 100% enter only one percentage figure)</u> of total replacement cost of all the properties as of the effective date of the policy.

(d) <u>Deductible</u>. There shall be a deductible of ($250minimum recommended) per occurrence. Please provide optional bids for deductibles of$1,000, $5,000, and $10,000 per occurrence.

(e) <u>Rate Basis</u>. Bids shall be based on a single rate per $100 of the replacement cost of all covered properties. The replacement costs are shown in Section (2) Exposure Information of this Part.

(f) <u>Required Endorsements</u>. The policy shall have the following endorsements attached or incorporated into the policy:

(i) Mistake in Description. "It is understood and agreed that the coverage provided by this policy shall not be invalidated or affected by any inadvertent errors, omissions, or improper description of premises or other items mentioned in this policy."

(ii) The company may not effect cancellation without (A minimum of 60 days recommended) prior written notice to the insured.

(iii) Vacancy Clause. "It is understood and agreed that permission is hereby granted that any building insured hereunder may remain vacant or unoccupied without limit of time."

(iv) Loss Reports. "The company agrees to provide the named insured loss runs showing the status of each loss incurred during the policy term on a semi-annual basis and 100 days prior to expiration. The loss run shall include, as a minimum: Date of loss, location, type of loss, amount paid, amount held in reserve and if the loss has been closed without payment. The loss runs shall continue for a period of 12months after expiration of the policy."

(v) DAVIS-BACON ACT WAGE RATES/PREVAILING WAGERATES. "It is understood and agreed that the provisions of the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5) shall apply to all contracts, in excess of $2,000, for the repair/replacement of damaged PHA/IHA property amounts to reconstruction. The applicability of prevailing wage rates required by 42 U.S.C. Section 1437j shall be determined by the Regional Labor Relations Officer."

(2) Exposure Information.

(a) Property - Include a statement showing the total number of dwelling units, non-dwelling units, dwelling structures and non-dwelling structures, type of construction including locations and replacement property values of each. List locations and replacement property values of all extraneous properties and structures such as community buildings, storage sheds, etc. including contents.

(b) Operations - Include descriptions of any non-housing activities or business operations undertaken on HA premises.

(c) Statement of Values - Suggested schedule format:

(A) Bldg. No.		(B) Address	(C) Type of Occupancy [1]	(D) No. of Floors
(E) No. of Dwelling Units		(F) Type of Construction	(G) Sprinklers Yes – No	(H) Year Built
(I) Orig. [2] Cost	X	(J) Inflation Factor =	(K) Replacement Cost (100%)	

[1] If smoke detectors are required by law, provide a footnote to indicate whether they are installed and maintained by the HA.

[2] Attach Form HUD- 5460 for each building/project.

(3) Loss Information. 3

SUMMARY

Policy Year	Number of Losses	Paid	Reserve	Incurred

(Attach computer runs from insurance company(ies).) Loss information should be detailed for a minimum of four years.

(4) BID SHEET FORMAT

(TO BE TRANSFERRED TO INSURANCE COMPANY LETTERHEAD)

(a) INTRODUCTION. We will provide Blanket Replacement Cost Property Insurance on all properties owned by the (NAME OF HA) in accordance with all specifications and requirements outlined in the IFB.

(b) RATES AND PREMIUMS.

(i)

(a) Blanket Replacement Cost Agreed Value Limit		(b) Composite Rate Per $100 of Replacement Cost		(c) Annual Premium
$_________	x	$____________	=	$_________

(ii) Total Premium Bid Basic Property Coverage

(1) Total annual premium $_________
(2) Surplus Lines Tax/Fees $_________
(3) Less estimated dividend, if any $_________
(4) Net premium: $_________

NOTE: The annual premium is based on a $________ deductible per occurrence. (Use a separate bid sheet for each deductible.) Attached is a copy of the coverage form that lists the perils insured against.

Attach a separate sheet for "all risks" coverage if quoted.

Enclose statement of 10-year dividend payment record as an addendum to the formal bid package.

(c) QUALIFYING STATEMENT

We, the undersigned participants in this bid, are collectively authorized to issue or solicit insurance and fulfill the legal requirements for operating in this state, hereby attest that we have reviewed the specifications and concur with this bid. The current rating by A. M. Best and Company is ___________________. The current rating by Demotech, Inc. (if known) is______________.

Signature:	Signature:
(Authorized Signature)______	(Agent/Broker Signature)
(Typed Name and Title)_____	(Typed Name and Title)
(Name of Insurance Company)	(Name of Firm)

b. Comprehensive/Commercial General Liability Coverage (CGL).

(4) Coverage Requirements.

(c) The CGL policy shall become effective at 12:01 a.m. (Month-Day-Year) for a period of 12 months. CGL shall be written on a standard Insurance Services Office CGL Occurrence form and approved for use in the State of to provide coverage for premises and operations. A claims-made policy form is not acceptable.

(c) Named Insured. The policy shall name as Insured: (NAME OF HA), and include executive officers, directors, commissioners, and employees while acting within the scope of their duties.

(c) Coverage Limits. The CGL limit of liability shall be ($500,000 minimum recommended) per occurrence combined single limit without an annual aggregate. NOTE: If coverage is not available without an annual aggregate then please provide optional bids with annual aggregates equal to 2, 3, and 4 multiples of the per occurrence limit.

(c) Deductible. If the CGL coverage is not available on a first dollar basis (no deductible) then please provide optional bids for deductibles of $500, $750, $1,000 and$5,000 per occurrence.

(c) Rate Basis. The bid for the CGL coverage shall be based upon a single rate per type of dwelling unit. The rate quoted should take into consideration any extension of tort or sovereign immunity granted to HAs in the State of The total bid amount shall be the multiplication of the above rates by the numbers of each separate type of dwelling unit as described above. The number and type of dwelling and non-dwelling units are shown in b. (2) Exposure Information in this Part.

(c) Required Endorsements. The CGL policy shall have the following endorsements attached (or incorporated into the policy itself):

1. Mistake in Description. "It is understood and agreed that the coverage provided by this policy shall not be invalidated or affected by any inadvertent errors, omissions, or improper description of premises or other items mentioned in this policy."

2. The company may not affect cancellation without a (minimum of 60 days recommended) prior written notice to the insured.

3. Loss Reports. "The company agrees, on a semi-annual basis and 120 days prior to expiration, to provide the named insured with loss runs showing the status of each loss incurred during the policy term. The loss run shall include, as a minimum: Date of loss, location, type of loss, amount paid, amount held in

reserve and if the loss has been closed without payment. The loss runs shall continue for a period of 12 months after expiration of the policy."

4. All rates or premiums quoted should take into consideration any extension of tort or sovereign immunity granted to HAs in the State of________________________ (or to Indian tribes).

(4) EXPOSURE INFORMATION

(c) Liability - Include a statement showing the total number of dwelling units. Also include non-dwelling units, dwelling structures and non-dwelling structures, including locations and descriptions. List all extraneous properties and structures such as community buildings, storage buildings, etc.

(c) Operations - Include descriptions and locations of any non-housing activities or operations undertaken on HA premises or operating under PHA/IHA control. If you have security personnel, list number and if armed.

(c) Suggested Schedule Format –

1. Number of dwelling units: Owned____; Section 8____; Section 23_____. Number of non-dwelling units____.
2. Parks, playgrounds or recreational facilities: Number____; Total Area____ Playground equipment: Type____; Number____
3. Day Care Centers: Yes___; No___ PHA/IHA operated: Yes___; No___ Under contract: Yes___; No___ If 'yes' above, state number of children____ and age range____ to ____
4. Are meals served on HA premises: Yes____; No____ HA Operated: Yes____; No____ Under contract: Yes____; No____. If 'yes' above, state number of meals served______. Are meals free: Yes____; No____ If 'No' above, total annual sales $________
5. Are security guards employed: Yes____; No____ Are security guards armed: Yes____; No____ If 'Yes' state number___________ HA employees: Yes____; No____; Annual Payroll $________Under contract: Yes____; No____; Annual Cost $________
6. State number of escalators/elevators and the number of floors traversed_____________________.
7. State the total estimated dollar value of all construction and maintenance contracts to be executed during the policy year $_____________________.
8. Are certificates of insurance required from all contractors and sub-contractors: Yes____; No____.

(3) Loss Information.

SUMMARY

Policy Year	Number of Losses	Paid	Reserve	Incurred

(Attach computer runs from insurance company (ies)) Loss information should be detailed for a minimum of four years.

(4) BID SHEET FORMAT

(TO BE TRANSFERRED TO INSURANCE COMPANY LETTERHEAD)

(c) INTRODUCTION. We will provide Comprehensive General Liability Coverage on all properties owned by the (NAME OF HA) in accordance with all specifications and requirements outlined in the IFB.

(c) RATES AND PREMIUMS.

(i) Comprehensive General Liability

(a) Dwelling and Non-Dwelling Units	(b) Composite Rate Per Unit	(c) Annual Premium
Owned____________	$___________	$_________
Section 23_________	$___________	$_________

(ii) Total Premium Bid for Comprehensive General Liability

(1) Total annual premium $_________
(2) Surplus lines tax/fees $_________
(3) Less estimated dividend, if any $_________
(4) Net premium: $_________

NOTE: The annual premium is based on a $________ deductible per occurrence. (Use a separate bid sheet for each deductible) Enclose statement of 10-year dividend payment record as an addendum to the formal bid package.

(c) QUALIFYING STATEMENT

We the undersigned participants in this bid, who are collectively authorized to issue or solicit insurance and fulfill the legal requirements for operating in this state hereby attest that we have reviewed the specifications and concur with this bid. The current rating by A.M. Best and Company is ________. The current rate by Demotech, Inc. (if known) is__________.

Signature:	Signature:
(Authorized Signature)	(Agent/Broker Signature)
(Typed Name and Title)	(Typed Name and Title)
(Name of Insurance Company)	(Name of Firm)

(c) Workers' Compensation (WC)
  (1) Coverage Requirements.
    (a) The WC shall be written on a standard policy form approved for use in the State of ________________. Coverage shall apply to all employees and executive officers of the insured. Coverage shall become effective at 12:01 a.m. (month-day-year) for a period of 12 months.
    (b) Named Insured. The policy shall name as insured:(NAME OF HA).
    (c) Coverage Limits. The state's statutory limits apply to the WC coverage. The employers' liability coverage shall have a limit of (Minimum $100,000).
    (d) Territorial Limits. The WC and employers’ liability coverages shall apply in the State of__________________ where the insured is domiciled.
    (e) Rating Information 1 Transfer the rating information from your current WC policy and adjust the number of employees and estimated payroll for the next 12-month period.
    (f) EXPERIENCE MODIFICATION FACTOR. The experience modification factor promulgated by the State WC Rating Bureau, applying to the renewal coverage is____________.
    (g) Required WC Endorsements. The WC policy shall have the following endorsements attached or incorporated into the policy:

      (i) Cancellation. The company may not effect cancellation without (A minimum of 60 days recommended) prior written notice to the insured.
      (ii) Loss Reports. "The company agrees to provide the named insured loss runs showing the status of each loss incurred during the policy term on a semi-annual basis and 120 days prior to expiration. The loss run shall include, as a minimum: Date of loss, location, type of loss, amount paid, amount held in reserve and if the loss has been closed without payment. The loss runs shall continue for a period of 12months after expiration of the policy."
      (iii)Voluntary Compensation Endorsement. Attach the standard endorsement approved for use in the State of___________.

(2) EXPOSURE INFORMATION.

(a) Workers' Compensation. The following information is submitted to aid the bidders in their underwriting of the risks to be insured. (Explain in detail any "yes" responses by attaching a separate sheet.)

(i) Does the housing authority own, operate or lease aircraft/watercraft?
Yes [ ] No [ ]

(ii) Is there any exposure to flammables, explosives, caustics, or fumes?
Yes [ ] No [ ]

(iii) Is there any exposure to radioactive materials?
Yes [ ] No [ ]

(iv) Is any work performed underground or above 15feet?
Yes [ ] No [ ]

(v) Are sub-contractors used?
Yes [ ] No [ ]

(vi) Is any work sublet without the required certificates of insurance?
Yes [ ] No [ ]

(vii) Does the housing authority have a formal safety program in operation?
Yes [ ] No [ ]

(viii) Is any group transportation provided to employees?
Yes [ ] No [ ]

(ix) Does the housing authority have any part-time or seasonal employees?
Yes [ ] No[ ]

(x) Is there any exposure to any volunteer or donated labor?
Yes [ ] No [ ]

(xi) Do employees travel out of state?
Yes [ ] No[ ]

(xii) Does the housing authority sponsor any athletic teams?
Yes [ ] No [ ]

(xiii) Does the housing authority require pre-employment physicals?
Yes [ ] No[ ]

(3) LOSS INFORMATION

SUMMARY

Policy Year	Number of Losses	Paid	Reserve	Incurred

(Attach Computer Runs From Insurance Company (ies))

(4) BID SHEET FORMAT - WORKERS' COMPENSATION

(To be transferred to Insurance Company Letterhead)

a. Introduction. We will provide workers' compensation coverage for all employees of the (NAME OF PHA/IHA) in accordance with all specifications and requirements outlined in the IFB.
b. Rates and Premiums.

Class	Estimated Annual Remuneration		Rate (per $100)		Estimated Annual Code(s) Premium
________	$___________	X	$_________	=	$___________
________	$___________	X	$_________	=	$___________
________	$___________	X	$_________	=	$___________

(1) Total $___________
(2) Experience Modification X___________
(3) Modified Premium $___________
(4) Surplus Lines Tax/Fees, if any $___________
(5) Less Estimated Dividend, if any $___________
(6) Total Estimated Annual Premium $___________

c. Qualifying Statement.

We, the undersigned participants in this bid, are collectively authorized to issue or solicit insurance and fulfill the legal requirements for operating in this state, hereby attest that we have reviewed the specifications and concur with this bid. The current rating by A.M. Best Company is_________________. The current rating by Demotech, Inc. is (if known) ___________________.

Signature:	Signature:
(Authorized Signature)	(Agent/Broker Signature)
(Typed Name and Title)	(Typed Name and Title)
(Name of Insurance Company)	(Name of Firm)

d. Owned and Non-Owned Automobile.

(1) Coverage Requirements.

(a) The automobile coverage shall be written on a standard Insurance Services Office form, approved for use in the State of __________. Coverage is to become effective at 12:01 a.m. (month-day-year) for a period of 12 months.

(b) Named Insured. The policy shall name as insured (NAME OF HA) and shall include the executive officers, commissioners and employees while acting within the scope of their duties.

(c) Limit of Liability. The policy shall be issued with a limit of ($100,000 each person/$300,000 minimum) each occurrence for bodily injury or death and ($25,000 minimum) per occurrence for property damage, or $300,000 combined single limit. If owned automobiles are written in a state with a compulsory uninsured motorists law, then the limit of liability applying to the uninsured motorists coverage shall be the minimum limit of the financial responsibility statute.

(d) Rating Information - Owned Automobiles

(i) Schedule of Owned Vehicles [1]

1. Year Make Body Type GVW Serial Number
2. (Continue schedule to include all owned vehicles.)

[1]Any vehicles leased to the HA on a long-term (6 months or more) basis, should be included on the schedule as an owned vehicle.

(ii) Driver Information.

(e) Rating Information - Hired/Non-owned Automobiles.
Coverage shall be written on an "if any" basis. The housing authority has (number) employees.

(f) Required Automobile Endorsements. The automobile policy shall have the following endorsements attached, or incorporated into the policy:

(i) Cancellation. The company may not effect cancellation without (A minimum of60 days recommended) prior written notice to the insured.

(ii) Loss Reports. "The company agrees to provide the named insured' loss runs showing the status of each loss incurred during the policy term on a semi-annual basis and 120 days prior to expiration. The loss run shall include, as a minimum: Date of loss, location, type of loss, amount paid, amount held in reserve and if the loss has been closed without payment. The loss runs shall continue for a period of12 months after expiration of the policy."

(g) All rates or premiums quoted should take into consideration any extension of tort or sovereign immunity granted to HAs in the State of___________________.

(2) EXPOSURE INFORMATION

The following information is submitted to aid the bidders in their underwriting of the risks to be insured.(Explain in detail any "yes" responses by attaching a separate sheet.)

(a) Are any vehicles owned by or registered to any entity other than the housing authority? Yes [ ] No [ ]
(b) Do more than 50 percent of the employees use their personal auto in behalf of the housing authority? Yes [ ] No [ ]
(c) Does the housing authority have a vehicle maintenance program in operation? Yes [ ] No [ ]
(d) Are any vehicles leased to others? Yes [ ] No[ ]
(e) Are any vehicles customized, altered or have special equipment? Yes [ ] No [ ]
(f) Does the housing authority obtain motor vehicle records verifications of employees? Yes [ ] No [ ]
(g) Does the housing authority have a specific driver recruiting/training program in operation? Yes [ ]No [ ]

(3) LOSS INFORMATION - SUGGESTED FORMAT [1]

SUMMARY

Policy Year	Number of losses	Paid	Reserve	Incurred

(Attach computer runs from insurance company (ies).)

[1] Loss information should be detailed for a minimum period of four years.

(4) BID SHEET FORMAT - AUTOMOBILE 3

(To be transferred to insurance company letterhead.)

(a) Introduction. We will provide automobile liability insurance coverage for the (NAME OF HA) with a per occurrence limit of $________ for bodily injury and$_________ for property damage or $_________combined single limit, and in accordance with all specifications and requirements outlined in the IFB.

(b) Rates and Premiums.

	ANNUAL PREMIUM
(1) Owned Automobile Coverage	$_________
(2) Non-Owned Automobile Coverage	$_________
Total	$_________
(3) Surplus Lines Tax/Fees if any	$_________
(4) Less Estimated Dividend, if any	$_________
(5) Total Annual Premium	$_________

(c) Qualifying Statement.

We, the undersigned participants in this bid, are collectively authorized to issue or solicit insurance and fulfill the legal requirements for operating in this state, hereby attest that we have reviewed the specifications and concur with this bid. The current rating by A.M. Best Company is________________. The current rating by Demotech, Inc. is_______________.

Signature:	Signature:
(Authorized Signature)	(Agent/Broker Signature)
(Typed Name and Title)	(Typed Name and Title)
(Name of Insurance Company)	(Name of Firm)

e. Employee Dishonesty.

(1) Coverage Requirements.

(a) The employee dishonesty should be written on a standard commercial blanket form approved by the Surety Association of America and for use in the State of ___________. Coverage is to become effective at 12:01 a.m. (Month-Day-Year) for a period of 36 months.

(b) Named Insured. The bond shall name as insured (Name of HA) and the U.S. Department of Housing and Urban Development as its interest may appear.

(c) Limit of Coverage. The blanket limit of this bond shall be $ (Refer to worksheet on page 8-5 for minimum) per loss.

(d) Required Fidelity Bond Endorsements. The fidelity bond shall have the following endorsements attached or incorporated into the bond:

(i) Definition of Employees. "As used in this bond, "Employee" means any commissioner of the insured and any person who is a member of the staff or personnel of the insured while such commissioner or person is engaged in the service of the Insured during the term of this bond."

(ii) The company may not effect cancellation without (A minimum of 60 days recommended) prior written notice to the insured.

(e) Notices. All required notices and requests are to be sent to the U.S. Department of Housing and Urban Development Field Offices, addressed to the Office of Public and Indian Housing, Department of Rousing and Urban Development, at

____

_________________________ ____.

(2) Exposure Information.

(a) List Current and Prior Fidelity Coverage.

(b) Audits.

(i) How frequently made? ______________________________

(ii) Are all locations covered?________________________

(iii)By Whom? CPA; Staff Auditor; Others (Explain fully)____

____

(iv) When was last audit made?_______________________________

(v) Period covered: ____

(vi) Were any financial discrepancies commented upon? _____________________________ (If so, submit a copy of audit or auditor's comments.)

(c) Signature Authorization - State names and positions of those authorized by the Insured as of the date of this Invitation for Bid to sign or countersign checks or drafts or to certify

vouchers:
____

(d) Give Total Number of Persons Employed by the Insured: ______

(e) Classification of Employees by Duties or Responsibilities. The classification under Class A, B, and C constitutes the insured's entire personnel as of the date of this Invitation for Bid and includes members of boards and commissioners whether or not such personnel or the members of such boards and commissions are to be covered under the bond.

(i) Class A Employees. All executive, administrative, judicial, and supervisory officials, department and division heads and assistant department and division heads, and all officials and employees whose principal duties are to:

- Handle, receipt for, or have custody of money, checks, or securities, or account for supplies or other property; authorize (or make appropriations for) expenditures; approve, certify, sign, or countersign checks, drafts, warrants, vouchers, orders, or other documents providing for the paying over or delivery of money, securities, supplies, or other property;
- Maintain or audit accounts of money, checks, securities, time records, supplies, or other property, or take physical inventories of money, checks, securities, supplies, or other property.

The foregoing definition includes in any event all occupants of positions listed on the chart below (insert chart).

(ii) Class B Employees. All personnel whose principal duties consist of:

- Inside or outside clerical activities.
- Office work, such as stenography, typing, filing, switchboard operation, business machine operation, etc

(iii) Class C Employees. All personnel whose principal duties consist of:

- Skilled or unskilled labor and craftsmanship.
- Solely the mechanical operation of automotive equipment.
- Non-clerical activities of the medical or nursing professions.
- Outside or fieldwork of a non-clerical nature. The insured will arrange to have new employees complete a fidelity bond questionnaire supplied by the surety.

(f) Are all locations audited? ______________________________

(g) Will monthly statements be mailed directly to outstanding accounts? ____________

(h) Does someone not authorized to deposit or withdraw there from reconcile bank accounts? _______ By Whom? Give name(s) and position(s).
____
____
____________________ Do you verify cancelled vouchers or supporting records against cancelled checks when reconciling bank statements? _________

(i) How often are bank accounts reconciled?
____

(j) Is countersignature of checks required? ____________________. Total number of signatures required. ____________. Do vouchers or supporting records accompany all checks to be signed and is such evidence-voided at time of signature? _______________

(k) Is a check-signing machine used? ___________________________. Who is authorized to use check-signing machine? ____________________________________.

(l) What is done with check-signing machine at night?
____
____ How many signatures on plate? _____________________.

(m) Who has keys to check-signing machine?
____
____

(n) Do outside employees collect money?________________________. If yes, explain controls maintained on separate sheet (daily reports, pre-numbered sales slips, spot checks, etc.) 5/96 13-44G7401.5

(o) Are employees duties divided so that no individual is permitted to handle cash and maintain control records of such cash?____.

(p) Is there a test verification of receivables and payables and a physical inventory at least annually by persons other than those responsible for the handling or control of the records for the items indicated? ___________________________________.

(3) Loss Information.
Losses of a nature that would have been covered by thebond applied for (past 5 years): Check if none / /.

(Attach computer runs from surety (ies).

(4) Bid Sheet Format - FIDELITY BOND.

(TO BE TRANSFERRED TO THE SURETY LETTERHEAD.)

(a) Introduction. We will provide fidelity bond coverage for the (NAME OF HA), and the U.S. Department of Housing and Urban Development with a limit of $________ and in accordance with all specifications and requirements outlined in the IFB.

(b) Premium.

	ANNUAL PREMIUM
(1) Fidelity Bond	$_________
(2) Surplus Lines Tax/Fees if any	$_________
(3) Less Estimated dividend, if any	$_________
(4) Total Annual Premium	$_________

(c) Qualifying Statement.

We, the undersigned participants in this bid, are collectively authorized to issue or solicit fidelity bonds and fulfill the legal requirements for operating in this state, hereby attest that we have reviewed the specifications and concur with this bid. The current rating by A.M. Best Company is________. The current rating by Demotech, Inc. is _________.

Signature: ________________
(Authorized Signature)
(Typed Name and Title)
(Name of Surety)

Signature: ________________
(Agent/Broker Signature)
(Typed Name and Title)
(Name of Firm)

f. Boiler and Machinery Coverage.

(1) Coverage Requirements.

(a) The coverage shall be written on a standard Insurance Services Office boiler and machinery policy, approved for use in the State of Coverage is to become effective at 12:01 a.m. (Month-Day-Year) for a period of 12 months.

(b) Coverage shall include:
(i) Repair and replacement (broad form)
(ii) Expediting expense ($5,000 limit)
(iii)Automatic coverage for newly acquired location
(iv)Auxiliary piping

(c) Inspection Services. The successful bidder shall inspect all insured objects at least once a year and more often if required by state law. The successful bidder shall provide the insured a schedule indicating the frequency and scope of the inspection services.

(d) Boiler Coverage Amount. Coverage is to be provided on the basis of full replacement cost at the time of loss. Coverage shall be written at a blanket limit of $___________ per accident without an aggregate, applying to all insured objects and all locations.

(e) Deductible. Each accident shall be subject to a deductible of ($1,000 recommended).

(f) Named Insured. The policy shall name as insured (NAME OF PHA/IHA).

The housing authority should determine the maximum possible loss that could occur as a direct result of a boiler explosion, taking into consideration the replacement cost of the boiler and equipment and the value of the building housing the boiler. If the boiler is located in the basement of the building, include the value of the dwelling area above the boiler that would be subject to damage in an explosion. The minimum amount of coverage is $100,000 for each boiler.

(2) Exposure Information. Schedule of all boilers (objects) and locations.

(A) Item No.	(B) Location	(C) Designation No. of Object	(D) Description of Object
(E) Date of Manufacture	(F) Heating Surface (sq. ft.)	(G) Total Cubic Inches of Boiler	
(H) Steam Pressure	(I) Lbs. of Steam Per Hour	(J) Type of Fuel	(K) Cost of New Boiler and Equipment

(3) Loss Information.

SUMMARY

Policy Year	Number of Losses	Paid	Reserve	Incurred

(Attach computer runs from insurance company (ies))

(4) Bid Sheet Format - BOILER

(TO BE TRANSFERRED TO INSURANCE COMPANY LETTERHEAD)

(a) Introduction.
We will provide $______________ Blanket Replacement Cost Boiler Coverage on all objects and equipment scheduled in the IFB for the (NAME OF HA) and in accordance with all specifications and requirements outlined in the IFB.

(b) Rates and Premiums.

(i)	Blanket Replacement Cost Limit	Annual Premium
	$_________	$________

(ii) Total Premium Bid for Boiler Coverage

(1) Total annual premium	$________
(2) Surplus Lines Tax/Fees	$________
(3) Less estimated dividend, if any	$________
(4) Net premium:	$________

NOTE: The annual premium is based on a $1,000 deductible per accident.

(c) Qualifying Statement. We, the undersigned participants in this bid, are collectively authorized to issue or solicit insurance and fulfill the legal requirements for operating in this state, hereby attest that we have reviewed the specifications and concur with this bid. The current rating by A.M. Best Company is _____________. The current rating by Demotech, Inc. is _______________.

Signature:	Signature:
(Authorized Signature)	(Agent/Broker Signature)
(Typed Name and Title)	(Typed Name and Title)
(Name of Insurance Company)	(Name of Firm)

CHAPTER 14.
STATE SPONSORED INSURANCE PROGRAMS

14-1. FAIR PLANS.

Many states have established Fair Access to Insurance Requirements (FAIR) plan facilities. Each state has its own rules of eligibility and limits offered. If a HA is unable to purchase property insurance in the open market, the HA should check directly with the State Insurance Department to ascertain whether it is eligible to participate in the FAIR plan.

14-2. ASSIGNED RISK PLANS.

All states have established Assigned Risk Plans (ARPs) or pools to provide automobile liability and workers' compensation insurance to an uninsured entity unable to purchase coverage in the open market. Unlike FAIR plans that are voluntary on the part of insurance companies, uninsured risks requiring automobile liability or workers' compensation insurance are assigned-to insurance companies licensed in the state. A HA unable to purchase the coverage in the open market may check with any insurance agent/broker for a quotation through the ARP.

14-3. BEACH PLANS.

Many states with sea coasts have passed laws requiring insurers licensed to do business in their state to form a pool for handling property insurance on most real and personal property located on or near beaches in the "hurricane belt". Insurers doing business in those states have also established voluntary "beach" pools in somestates. Coverages and limits may vary within each state. A HA unable to purchase the coverage in the open market may check with the State Insurance Department to obtain coverage under this law.

CHAPTER 15.
PAYMENT OF INSURANCE PREMIUMS 1

5-1. COVERAGE WRITTEN THROUGH AGENTS/BROKERS.

a. A HA should not remit the full premium to the agent/broker until the actual policy is received. It is not uncommon for policies to be issued 60 or 90 days after their effective date. Binders are issued by the agent/broker confirming coverage during the interim period. If the full premium is paid up-front considerable leverage may be lost in hastening' the issuance of the policy.

b. Once a PHA/IHA requests that the coverage be placed in effect, the premium is earned by the insurance company from that day forward. Therefore, a HA should remit the earned premium to the agent on a monthly basis until the policy is received and then pay the balance due. Example: A policy with a $365,000 annual premium, earns premium at the rate of $1,000 per day. Payment in 530,000 increments every 30 days will keep the coverage in force and give the HA advantage of the "float" on the unpaid balance until the policy is received. NOTE: If an agent/broker does not agree with this payment schedule and will cancel the coverage for non-payment of the total annual premium, the HA should contact their state insurance department to determine if cancellation would be permitted under these circumstances.

15-2. COVERAGE WRITTEN THROUGH FAIR PLANS OR ASSIGNED RISK PLANS.

The majority of states require that a deposit premium be paid at time of application and a full premium be paid within 30days of the effective date.

15-3. FLOOD INSURANCE.

The NFIP requires that full payment be remitted at the time application is made.

15-4. COUNTERSIGNATURE FEES AND SURPLUS LINES TAXES.

a. The majority of state insurance regulations and statutes prohibit "fees" for services being added to the policy invoice by the agent/broker. All such fees should be included in the policy premium and subject to the same rules regarding cancellation of the policy and return of the unearned premium. If the agent has included a fee for services as a separate item in the bid or invoice for payment, the HA should contact their state insurance department to see if this practice is permitted.

b. When coverage is written with a surplus lines insurance company the agent/broker is required to show the surplus lines tax and in some states a stamping fee as a separate item in a bid and/or invoice for payment. The amount of the tax and/or fee is set by the state and may run from a low of one percent of the annual premium to a high of six percent. If the policy is cancelled during term the tax/fee applying to the unearned premium must be returned to the insured.

CHAPTER 16.
HOUSING ASSISTANCE PAYMENT PROGRAM - SECTION 8 CERTIFICATE AND VOUCHER PROGRAMS

16-1. GENERAL.

Through the Section 8 Rental Voucher Program and the Section8 Rental Certificate Program, HUD enters into contracts with local HAs that administer these programs to assist very low-income families in leasing privately-owned, decent, safe, and sanitary rental housing. The HA issues eligible very low-income families rental vouchers or certificates and the families are free to locate suitable rental units that meet their needs. The HA makes assistance payments to private owners who lease their units to assisted families. The owner of the premises and the HA sign a Assistance Payment Contract, which sets forth the terms of the agreement between the two parties.

16-2. COVERAGE REQUIREMENTS.

a. A HA which administers a Section 8 Voucher Program or Rental Certificate Program must carry adequate fidelity bond coverage for employees handling cash or authorized to sign checks or certify vouchers. The minimum bond limit is determined in accordance with Chapter 8 of this Handbook.

b. Except for fidelity bond coverage, the Section 8 ACC does not require any other insurance coverage for an HA administering a Certificate Program or Voucher Program. However, there have been past instances where tenants of Section8 units who incur bodily injury on the premises have taken legal action against HAs. Their action is based primarily on the basis that the HA has inspected the premises and determined that they are decent, safe, and sanitary. HUD does not require that a HA purchase liability insurance to protect against such claims. Neither is there a prohibition against purchase. It is up to the discretion of the HA to buy this coverage if it is felt that the exposure warrants the expense.

CHAPTER 17.
HA OWNED INSURANCE COMPANIES AND INSURANCE POOLS.

17-1. STANDARDS FOR APPROVAL.

Parts 950 and 965 of the Code of Federal Regulations set forth the standard that must be met by nonprofit insurance entities owned by HAs in order to receive approval from HUD. In addition to documentation that must be supplied for initial approval, interim professional evaluations must be furnished to HUD for review, unless the entity is organized as an insurance company, in which case the State Insurance Commissioner is responsible for oversight and regulation of the entity.

17-2. EXEMPTION FROM COMPETITION.

HAs are authorized to obtain any line of insurance from a nonprofit insurance entity that is owned by HAs without regard to competitive selection. Although a HA may wish to obtain quotations from non-HA owned insurance companies, Parts 950and 965 grant an exception to 24 CFR part 85, which requires full and open competition in procurement, as long as the entity has been approved by HUD.

CHAPTER 18.

GLOSSARY OF COMMON INSURANCE TERMS AND PHRASES

ACCIDENT - a sudden, unexpected event which causes injury or death to a person or damage to property and which is specific in time.

ACTUAL CASH VALUE - the cost to replace damaged property less the physical depreciation value of the property.

ADVANCE AMORTIZATION FUND - proceeds from claim payments that are not used for repair of damage are deposited in this fund.

AGENT - one who is licensed by a state to act on behalf of an insurance company in connection with the sale and servicing of insurance contracts. An agent is a representative of the insurance company.

AGGREGATE COVERAGE - a method of providing a limit of liability for a certain term. Each loss occurring during the term lessens the amount of coverage available for subsequent losses.

AGREED AMOUNT CLAUSE - a policy provision whereby the insured and the insurance company agree at the time the policy is issued what the limit of liability shall be. This clause is used in lieu of a coinsurance clause.

ALL RISK POLICY - an insurance contract covering losses resulting from any cause except those, which are specifically excluded. The term All Risk Policy is generally used in reference to property insurance.

ANNUAL CONTRIBUTIONS CONTRACT (ACC) - a document that establishes the contractual relationship between HAs and HUD. Section 13 of the ACC states the insurance requirements for PHAs.

APPORTIONMENT - where more than one insurance contract covers a loss, the determination of the extent to which each contract covers the loss. The division of a loss for which insurers may be liable under two or more contracts to determine the liability under each contract.

APPRAISAL - a survey of property made for determining its insurable value. Also, the fire insurance policy provides for an appraisal process after a loss, on demand of either the insured or the company, to determine the amount of loss settlement in the event of a dispute regarding the actual cash value or the amount of loss.

ARBITRATION - a proceeding used instead of litigation to attempt settlement of disputes between the parties to a contract. An arbitrator, or board of arbitrators selected because of their knowledge of the matter under arbitration hear evidence and render a decision. ARSON - the willful and malicious burning of property.

ASSIGNED RISK POOLS - a pool of insurers each of whom is assigned a proportionate share of what would otherwise be an uninsurable risk.

ASSIGNMENT - the transfer of a contract of insurance from one party to another in conformity with the insurance contract.

ATTORNEY-IN-FACT - a person who is empowered to act for another person.

AUTOMATIC COVER - a clause in a property insurance contract providing that a certain amount of insurance will be provided for a limited time on newly acquired property without reporting the acquisition to the insurance company.

AUTOMATIC REINSTATEMENT - an insurance contract provision that reinstates the limit of liability after a loss to the amount in force before the loss. If the contract does not contain this provision, the policy amount will be reduced by the amount of each loss. This provision applies to property insurance coverages.

AUTOMOBILE LIABILITY - bodily injury and property damage liability coverage for vehicles used by a PHA/IHA.

BEST'S INSURANCE REPORTS - a book published by the A.M. Best Company containing financial and performance ratings of various insurance companies doing business in the United States.

BID BOND - a guarantee that the contractor will enter into a contract if it is awarded to him. The contractor must also furnish the contract bond (sometimes called a “performance bond") that is required by the terms of the bid bond. (See Contract Bond)

BINDER - a temporary contract of insurance used to show evidence of coverage in force until the formal contract of insurance can be issued. It contains the effective date of coverage, a definite time limit, and the name of the insurance company, the amount and type of insurance and the name of the insured. Binders should be written and signed by an agent of the insurance company.

BLANKET CRIME POLICY - a form of package policy insuring against employee dishonesty, loss of money and securities both from inside and outside the insured premises; receipt of counterfeit currency and depositor's forgery. This policy may not be used in lieu of the required fidelity bond.

BLANKET POLICY - a policy covering all property under one limit of liability.

BODILY INJURY LIABILITY INSURANCE - Protection against claims arising from injury or death to members of the public for which the insured is legally liable.

BOND - a contract in which one party, the surety or bonding company agrees to pay another party, the obligee (PHA/IHA) , in the event of a failure to perform or a dishonest act on the part of a third party, the principal(employee). (See fidelity bond, labor and material bond and performance bond in this section.)

BROKER - one who is licensed by a State to represent insureds in connection with the procurement of insurance. A Broker does not have binding authority.

BUILDERS RISK INSURANCE - a form of direct F&EC loss insurance used to cover a construction project. The policy insures the interest of the owner of the project, the contractor and all subcontractors in the building and material at the construction site. BURGLARY - the act of illegally breaking and entering the premises of another with felonious intent. There must be visible evidence of the breaking and entry.

BURGLARY AND ROBBERY INSURANCE - insurance covering the loss of property by force or forcible entry of the insured's premises.

CASUALTY INSURANCE - insurance covering claims made by third parties against the insured as the result of injury to persons or damages to property for which the insured is legally liable.

CERTIFICATE OF INSURANCE - A form issued by an insurance agent or company reciting the types, amounts and effective dates of insurance in force for a designated insured. Generally this form provides no rights upon the holder other than to be given prior notice of cancellation of the policy.

CIVIL AUTHORITY CLAUSE - a clause in a fire insurance contract extending coverage to losses intentionally caused at the direction of civil authorities in an effort to prevent the spread of a fire.

CIVIL COMMOTION - an uprising of a large number of people resulting in property damage.

CLAIM - in direct property insurance contracts (Property and Boiler) it is a demand by the insured for recovery of damages caused by an insured peril or cause. In liability insurance contracts it is a demand by a third party against an insured for recovery of damages caused by an act or omission for which the insured is legally liable.

CLAUSE - a part of an insurance contract.

COINSURANCE - a clause in a property insurance contract requiring the insured to carry an amount of insurance equal to a set percentage of the insurable value of the property. Failure to carry an adequate limit would result in the insured becoming a co-insurer to the extent the limit carried was less than the required limit.

COLLISION INSURANCE - a direct damage insurance contract covering loss or damage to insured motor vehicles caused by collision with an object or upset of the vehicle.

COMMON LAW - non-statutory legal principles that have evolved from judicial precedents and customs originally based on the English legal system. Liability under common law is generally insured by a Commercial General Liability insurance contract.

COMPLETED OPERATIONS INSURANCE - A form of liability insurance which covers accidents arising out of operations which have been completed or abandoned provided the accident occurs away from premises owned, rented or controlled by the insured.

COMPLETED VALUE BUILDERS RISK INSURANCE - a direct damage property insurance contract covering the interest of the owner, the contractor and the subcontractor in property during the course of construction. The limit of liability under the contract is the value of the property at the completion of the construction period.

COMPREHENSIVE DISHONESTY, DISAPPEARANCE AND DESTRUCTION POLICY - policy providing, on an optional basis, coverage against employee dishonesty, loss of money and securities inside and outside the premises, money orders and counterfeit paper currency, forgery, burglary of merchandise and theft of merchandise and equipment.

COMPREHENSIVE/COMMERCIAL GENERAL LIABILITY INSURANCE (CGL) - abroad form of liability insurance for bodily injury and property damage claims which combines, under one policy, coverage of all liability exposures (except those specifically excluded) on a blanket basis and automatically covers new and unknown hazards that may develop during the policy term. Under this form of policy, contractual liability coverage applies automatically to certain types of contracts. This policy may also be written to include Non-owned Automobile Liability.

CONCEALMENT - When applying for insurance, the failure to disclose known material facts with intent to defraud an insurance company.

CONDITIONS - policy provisions setting forth the obligations of both insured and insurer in dealing with each other, breach of which may suspend or void the policy coverage, e.g., the requirement for prompt notice by the insured of an accident or loss or prior cancellation by an insurer.

CONFLICT OF INTEREST - insurance agents or brokers who serve as insurance consultants to HUD or a PHA/IHA cannot submit bids for insurance procurement themselves. Refer to 24CFR 85.36 for additional conditions that may be deemed a "conflict of interest".

CONSEQUENTIAL LOSS - loss not directly caused by damage to property, but which may arise as a result of such damage, e.g., spoilage of refrigerated food due to fire damage to refrigeration equipment.

CONSTRUCTIVE TOTAL LOSS - term that describes a situation where the cost of repair of damaged property exceeds its actual cash value. Thus, it is considered a total loss, even though it maybe repairable.

CONTINGENT LIABILITY - liability imposed upon an individual, corporation, or partnership because of accidents caused by those other than employees for whose acts or omissions the first party may be legally responsible.

CONTRACT - a binding agreement between two or more parties. The chief requirements for the formation of a valid contract are(1) parties having legal capacity to contract, (2) mutual assent of the parties to a promise, or set of promises,(3) a valuable consideration, (4) the absence of any statute or other rule making the contract void, and (5)the absence of fraud or misrepresentation by either party.

CONTRACT BOND - guarantee of the faithful performance of a contract. The bond provides indemnity against failure of a contractor to comply with the terms of his contract.

CONTRACTOR'S EQUIPMENT FLOATER - an insurance policy to insure against loss or damage to the equipment and tools of a contractor that are usually used away from the contractor’s premises.

CONTRACTOR'S LIABILITY INSURANCE - insurance purchased by the contractor for protection from specified claims that may arise out of or result from the contracting operations, whether such operations are by the contractor or by anyone directly employed by the contractor.

CONTRACTOR'S PROTECTIVE LIABILITY INSURANCE - See INDEPENDENTCONTRACTOR'S INSURANCE.

CONTRACTUAL LIABILITY - liability of another assumed by a party under a contract or agreement; e.g., indemnification or hold-harmless clauses.

CONTRIBUTION - insurance company's payment of or obligation to pay, all or part of a loss.

COVERAGE - the word "coverage" is synonymous with "insurance" or "protection."

CURRENT INSURABLE VALUE - is the amount of property insurance coverage required by the ACC. It must equal at least 80 percent of the current replacement value of the PHA/IHA properties.

DATA PROCESSING INSURANCE - coverage for physical damage to computers, loss of computer records or programs, or misuse of computer operations.

DECLARATION - statement made by a policyholder to an insurer or its agent upon which the insurer may rely in undertaking the insurance.

DEDUCTIBLE CLAUSE - specifies an amount or percentage to be deducted from any loss and makes the insurer liable only for the excess over a stated amount.

DIVIDENDS - the return of a percentage of an insurance premium to the policyholder by the insurance company.

EARTHQUAKE INSURANCE - protection for property located in earthquake-prone areas.

EMPLOYEES AS INSURED - liability coverage applying to both the PHA/IHA and its employees.

EMPLOYERS' LIABILITY INSURANCE - insurance protection for the employer against claims by employees or employees' dependents for damages which arise out of injuries or disease sustained in the course of their work, and which are based on common law negligence rather than on liability imposed by a Workmen’s' Compensation Act.

ENDORSEMENT - an amendment added to a made part of the insurance contract.

ERRORS AND OMISSIONS INSURANCE - this term is generally used to refer to coverage for liability arising out of errors or omissions in the performance of professional services other than in the medical profession. It would apply to services such as engineering, banking, accounting insurance or real estate.

ESTOPPEL - a bar raised by law which precludes a party from using a defense he/she may have had in consequence of his previous denial, conduct, or admission.

EXCESS INSURANCE - a policy or bond covering the insured against certain hazards, and applying only to loss or damage in excess of a stated amount. The risk of initial loss or damage (excluded from the Excess Policy or bond) may be carried by the insured or may be insured by another policy or bond providing what is known as "primary insurance."

EXCLUSION - a provision of an insurance policy or bond referring to hazards, circumstances or property not covered by the policy.

EXPERIENCE MODIFIER - the percentage used in determining the rate for Workers’ Compensation insurance to reflect the insured's claim experience.

EXPERIENCE RATING - a rating for Property/Casualty insurance determined by previous loss experience of the insured.

EXPIRATION - the date upon which a policy ceases coverage.

EXPOSURE - estimate of the probability of loss from some hazard, contingency, or circumstance, such as proximity of insured property to adjoining property or lack of proximity to fire hydrants. Also used to signify the estimate of an insurer's liability under a policy from any one loss or accident.

EXTRA EXPENSE INSURANCE - reimburses the policyholder for the additional money the policyholder may be forced to spend to continue normal operations because of a fire or other insured loss.

FAIR PLANS - (Fair Access to Insurance Requirements) -established by many state insurance departments to provide fire insurance for properties located in areas that do not meet the ordinary underwriting standards of insurance companies.

FIDELITY BOND - protection against financial loss caused by employee dishonesty.

FIRE - combustion sufficient to produce a spark, flame, or glow, but not an explosion. The result must be "hostile" as opposed to "friendly," i.e., it must not occur in a place where it Is intended, such as a furnace, stove or fireplace, and must be the proximate cause of damage.

FLOOD INSURANCE - first party coverage for properties located in floodplains.

FOLLOWING-FORM EXCESS LIABILITY INSURANCE - excess insurance that provides coverage subject to the same terms and conditions as the underlying primary policy.

FRIENDLY FIRE - fire confined to an intended place, e.g., in a furnace or fireplace.

GLASS INSURANCE - see PLATE GLASS INSURANCE.

GOVERNMENTAL IMMUNITY - governments and instrumentalities of government, both state federal, and tribal, in the past have been held immune to suits alleging liability for damages on the grounds of sovereign immunity (the King can do no wrong), but through development of common, law and by statutory enactment, such immunity has been to a considerable extent broken down. However, a number of states still recognize some limited governmental immunity and it may be raised as a defense with regards to tort claims against a PHA/IHA. Insurance companies should take these statutes into consideration when quoting rates for a PHA/IHA.

GUARANTEE BOND - see LABOR AND MATERIAL PAYMENT BOND ANDPERFORMANCE BOND.

HAZARD - the conditions that may create or increase the probability of a loss from a given peril. HIRED CAR - an automobile whose exclusive use and control has been temporarily given to the insured for a consideration.

HOLD HARMLESS AGREEMENT - see CONTRACTUAL LIABILITY.

HOSTILE FIRE - fire that occurs where it is not intended.

INDEMNIFICATION - a contractual obligation by which one person or organization agrees to guarantee another against loss or damage from specified liabilities. (See contractual liability and hold harmless agreement in this section.)

INHERENT EXPLOSION - explosion resulting from the normal processes of a hazard on the premises in which the explosion occurred and is caused by external causes; e.g., a dust explosion in a grain mill.

INLAND MARINE INSURANCE - includes first party insurance on domestic shipments, instrumentalities of transportation and communications, and movable property.

INSTALLATION FLOATER - coverage for machinery and other prefabricated or pre-assembled equipment while it is being transported to the job site; this coverage continues until the items covered have been installed, tested, and accepted.

INSURABLE INTEREST - any interest in property or relation thereto of such a nature that damage to the property will cause monetary loss to the insured.

INSURANCE - contractual relationship which exists when one party (the insurer), for a consideration (the premium), agrees to reimburse another (the insured) or pay on his/her behalf for loss on a specified subject caused by designated contingencies which are hazards or perils.

INSURANCE POLICY - entire written contract of an agreement to ensure.

INSURING AGREEMENT - that portion of the insurance contract that states bat coverage is provided.

LABOR AND MATERIAL PAYMENT BOND - a bond of a contractor in which a surety guarantees to specified parties with insurable interests in the contract that the contractor or the surety in the contractor's stead will pay for labor and materials used in the performance of the contract.

LARCENY - theft of business or personal property. This offense is defined by statute in most states.

LIABILITY - in general terms, any obligation that may be legally enforceable.

LIMIT OF LIABILITY - the maximum sum an insurance company is required to pay in the event of a loss.

LITIGATION - the act or process of carrying on a lawsuit.

LOSS- property damage, bodily injury, personal injury, or financial loss for which a claim can be filed.

LOSS OF USE INSURANCE - insurance protecting against financial loss during the time required to repair or replace property damaged or destroyed by an insured peril.

LOSS PROCEDURES - procedures to follow when a PHA/IHA experiences a loss.

MALICIOUS MISCHIEF - See VANDALISM AND MALICIOUS MISCHIEF.

MODERNIZATION - the upgrading, improvement, or repair of existing PHA/IHA property.

MORTGAGE CLAUSE - a provision in a fire or other direct-damage policy covering mortgaged property that states, that in the event of loss, the mortgagee shall be paid to the extent of his/her interest in the property. No violation of the policy conditions by the insured voids the policy as to the mortgagee. The clause also gives the mortgagee other rights and privileges.

MULTI-PERIL POLICY - a single policy providing Property, Casualty, and Inland Marine Coverages. Other types of coverages are provided on an optional basis according to the rules of the manuals of the various states.

MUTUAL INSURANCE COMPANY - an insurance company that is owned by its policyholders.

NAMED INSURED - a person, firm, or corporation designated in the policy by name as the insured(s), contrasted to one who may have an interest as an insured in a policy, but is not designated as a "named insured," i.e., a mortgagee.

NAMED PERILS - a method of writing a contract of insurance that specifies those perils that are covered as opposed to “All Risk” coverage which covers all perils, except those specifically excluded.

NEGLIGENCE - failure to exercise that degree of care that a reasonable and prudent person would exercise under the same circumstances.

NON-CONCURRENCY - a situation where two or more policies insure the same property under different descriptions, terms, or conditions; e.g., one policy may be written with a coinsurance requirement and another policy without it.

NON-OWNERSHIP AUTOMOBILE LIABILITY - insurance against legal liability arising out of the use of an automobile on behalf of the insured which is neither owned nor hired by an insured. The owner of the automobile is not covered.

NON-WAIVER - See RESERVATIONS OR RIGHTS.

NOTICE OF CANCELLATION CLAUSE - a provision stating that the insurance company will provide prior written notice to the insured before canceling a policy.

NO TORT IMMUNITY - see GOVERNMENTAL IMMUNITY.

OBJECT - any boiler, fired or unfired pressured vessel, machinery, or other apparatus covered under a Boiler and Machinery policy. It must be described in the insuring schedule and defined by endorsement.

OBLIGEE - a term used in surety bonds to refer to the person, firm, or corporation protected by the bond. The obligee under a bond is similar to the insured under an insurance policy.
OBLIGOR - one bound by an obligation, commonly called "principal.” Under a bond, both the principal and surety are obligors.

OCCUPANCY - refers to the type and character of the use of an insured property.

OCCUPATIONAL ACCIDENT - accident occurring in the course of one's employment and caused by inherent or related hazards.

OCCUPATIONAL DISEASE - impairment of health caused by continued exposure to conditions inherent in a person's occupation.

OCCURRENCE - accident or continuous exposure to conditions which result in injury or damage provided the injury or damage is neither expected nor intended.

OCCURRENCE FORM - an insuring agreement that covers claims arising from both accidents and occurrences, as opposed to the more limited accident only form.

OCCURRENCE POLICY - designates a policy which covers acts, omissions or claims occurring during the policy term, regardless of when the insured or insurance company is notified even if the policy is no longer in force, usually relates to general liability insurance.

OPEN AND COMPETITIVE BIDDING - the process required by Part 24 CFR85.36 for the procurement of insurance contracts. It gives all interested bidders an equal opportunity to bid on PHA/IHA insurance.

OTHER INSURANCE CLAUSE - a clause in an insurance policy stating the course of action to be followed in case any other insurance is in effect on the same property or hazard.

OWNERS' AND CONTRACTORS' PROTECTIVE LIABILITY - third party legal liability insurance coverage protecting a contractor or owner from claims arising due to the activities of subcontractors.

PACKAGE POLICY - a single policy that includes several different forms of insurance coverages.

PAYMENT BOND - See LABOR AND MATERIAL PAYMENT BOND.

PENALTY - limit of an insurer's liability under a surety bond.

PERFORMANCE BOND - bond of the contractor in which a surety guarantees to the owner that work will be performed by the contractor in accordance with the contract terms. Except where prohibited by statute, the Performance Bond is usually combined with the Labor and Material Payment Bond. PERIL - cause of loss insured against by a policy such as fire, windstorm, explosion, burglary, etc.

PERMISSION TO ALTER CLAUSE - a clause in the F&EC policy that gives permission to alter or repair insured property as needed.

PERSONAL INJURY LIABILITY INSURANCE - protection against loss arising out of liability imposed upon the insured by law for injury or damage to the character or reputation of a person; i.e., false arrest, malicious prosecution, willful detention or imprisonment, libel, slander, defamation of character, wrongful eviction, invasion of privacy, or wrongful entry.

PLATE GLASS INSURANCE - insurance coverage against loss caused by breakage of glass or by chemicals accidentally or maliciously applied, excluding only loss caused by fire, war, and nuclear hazards.

POLICY - See INSURANCE POLICY.

POLICYHOLDER - usually synonymous with "insured"; one who holds or owns an insurance contract.

POSITION SCHEDULE BOND - a bond that lists by job title the positions covered.

POWER OF ATTORNEY - an instrument authorizing another to act as one's agent. (See also ATTORNEY-IN-FACT.)

PROCUREMENT SCHEDULES - the timetable for PHA/IHA insurance bidding and procurement of insurance.

PRIMARY INSURANCE - provides coverage up to a specified amount or against specific perils. (See EXCESS INSURANCE)

PRINCIPAL - parties named in a surety bond for whose obligations the surety agrees to be equally liable; in the Performance Bond and Labor and Material Payment Bond, the contractor is the principal. In a Fidelity Bond, the employee is the principal.

PRODUCTS LIABILITY INSURANCE - provides insurance for liability imposed for damages caused by an occurrence arising out of goods or products manufactured, sold, handled, or distributed by the insured or others trading under his name. The occurrence must happen after the product has been relinquished to others and is away from the premises of the insured. (See also COMPLETED OPERATIONS INSURANCE.)

PROOF OF LOSS - a written report detailing all relevant data regarding a loss that is sent to the insurance company by a PHA/IHA.

PRO RATA CANCELLATION CLAUSE - provides that no penalty is to be assessed if an insurance contract is canceled before approval by HUD.

PRO RATA DISTRIBUTION CLAUSE - used in a policy for the distribution of the insurance amount over the sever allocations or objects covered in proportion to their value. If several policies are involved, it is the proportionate distribution of the liability among them.

PROTECTED - a fire insurance term meaning a risk located in an area protected by a fire department. In burglary insurance it is a risk equipped with a burglar alarm.

PROXIMATE CAUSE - a cause that directly produces the effect, dominating cause of loss or damage, an unbroken chain of cause and effect, i.e., fire is the proximate cause of damage done by water used in extinguishing a fire.

PUBLIC LIABILITY INSURANCE - insurance covering liability of the insured for negligent acts resulting in bodily injury, disease or death of others, other than employees of the insured; and/or damage to the property of others other than property, in the care, custody, or control of the insured.

PUBLIC OFFICIALS LIABILITY INSURANCE - insurance for a wrongful act committed by Commissioners or Executive Directors of a PHA/IHA. "Wrongful Act" shall mean any actual or alleged error or misstatement or act or omission or neglect or breach of duty including misfeasance, malfeasance, and nonfeasance by the insured in the discharge of their duties with the PHA/IHA.

REINSURANCE - a method of spreading a risk of loss when one insurance company transfers part of the risk to another insurance company.

RELEASE - relinquishment of a right or claim for a stated consideration.

REMOVAL OF VACANCY CLAUSE - removes that portion of an F&EC insurance contract that could void coverage for a building that is vacant past a stated period of time. RENEWAL - a policy issued to renew a policy that is expiring.

RENEWAL CERTIFICATE - issuing a certificate rather than writing a new policy sometimes renews a policy. The certificate refers to the policy, but does not enumerate all of its terms.

RENTS INSURANCE - time element coverage in an F&EC policy providing for payment to an owner of a building for loss of rents due to damage to property by an insured peril. (See TIME ELEMENT.)

REPLACEMENT COST INSURANCE - Insurance that pays the replacement value of the damaged property without deduction for depreciation. It may be required that the property actually be replaced before the insured can collect the replacement cost of the damaged property.

RESERVATION OF RIGHTS - a procedure whereby an insurance company continues to investigate a claim while indicating that the claim may not be covered by the policy.

RIDERS - synonymous with ENDORSEMENTS.

RIOT - violent and tumultuous actions by a number of people (in most jurisdictions, such action must involve three or more people to be a riot).

RISK - possibility of loss or injury to the insured or the property to which the insurance policy relates.

ROBBERY - felonious taking, either by force or threat of force, of another's personal property. Robbery is commonly known as "hold-up."

SAFE BURGLARY INSURANCE - insures against loss of property caused by forcible entry into a locked safe or vault. Damage to safes, vaults, and other property on the premises resulting from burglary is also covered unless the damage is caused by fire.

SHORT RATE CANCELLATION - cancellation of an insurance policy after approval by HUD. The unearned portion of the premium is subject to a 10% to 15% penalty.

SPECIFIC PERIL - identifies the particular perils covered by a policy.

STATE REGULATIONS - each state has its own insurance regulations/statutes. PHAs/IHAs must conform to the regulations/statutes of its respective state when procuring insurance.

STATUTORY LAW - established by legislative act. In connection with Workmen's' Compensation Acts, the conditions of coverage and benefits are determined by the governing bodies of each state and, therefore, vary from state to state.

STEAM BOILER AND MACHINERY INSURANCE - insurance against loss arising from the operation of boilers, other pressure vessels, and machinery. Insurance covers losses to designated boilers, pressure vessels, and machinery and includes damage to other property. May be extended to cover bodily injury liability and business interruption losses.

STOP LOSS - any provision in a policy designed to cut off the company's or the insured's loss at a given point. A stop loss may be an aggregate amount payable under the policy or the maximum amount payable for any one loss or both.

SUBROGATION - the acquiring by the insurer of the insured's rights against third parties for indemnification of loss or other payment to the extent that the insurer is requested to pay the loss.

SURETY - a person or organization that for a consideration promises in writing to guarantee the debt or default of another.

SURETY BOND - a legal instrument under which one party agrees to answer to another party for the debt, default, or failure to perform of a third party.

THEFT - the illegal taking of property from the premises or person without use of a threat of force or evidence of forcible entry.
THIRD PARTY INSURANCE - insurance protecting the insured against liability arising out of bodily injury to others or damage to the property of others.

TIME ELEMENT - a phrase used to describe the kind of insurance that reimburses the policyholder for the loss of use of property. The amount of loss depends on the length of time it will require to rebuild or repair or recover.

TORT IMMUNITY - see GOVERNMENTAL IMMUNITY.

UMBRELLA EXCESS LIABILITY COVERAGE - insurance providing excess liability coverage usually for considerable higher limits over existing liability policies such as Employers' Liability, Public Liability, Automobile Liability, etc., and providing direct coverage for those losses uninsured under existing liability policies after a self-retention limit (deductible) is exceeded. (See FOLLOWING-FORM EXCESS LIABILITY.)

UNOCCUPIED - a dwelling or building that is furnished, but not occupied. The standard Property Insurance Policy prohibits vacancy and unoccupied buildings beyond a 60-day period. Permission for unlimited vacancy and un-occupancy is usually given in protected territory without charge. In a multi-dwelling unit building, all units must be unoccupied/vacant before coverage will cease. In unprotected territory, the insurance company as necessary gives permission and a charge is made.

USE AND OCCUPANCY - see BUSINESS INTERRUPTION. VACANT - a dwelling or business that is not occupied or regularly used and is unfurnished and does not contain property of value. (See also UNOCCUPIED.)

VALUE - see INSURABLE VALUE. VALUED POLICY - a policy contract in which the insurer and the insured agree at the time the policy is issued, on the value of the property insured, that value being payable in event of total loss. In some states there are "Valued Policy" laws that require that Property Insurance Policies on buildings be treated as "valued policies."

VANDALISM AND MALICIOUS MISCHIEF COVERAGE - insurance against loss or damage to the insured's property caused by willful and malicious damage or destruction.

WAIVER - the intentional relinquishment or abandonment of some known right, claim, or privilege.

WARRANTY - an absolute statement or stipulation in the policy as to the existence of a fact or condition of the subject of insurance, the truth of which may be necessary for the contractual validity of the policy and if untrue, would void the contract.

WORKERS' COMPENSATION INSURANCE - insurance covering liability of an employer to his/her employees for compensation and other benefits required by Workers' Compensation laws with respect to injury, sickness, disease, or death arising from their employment.

EXHIBIT I

FORM HUD-5460, INSURANCE INFORMATION.

A copy of this form can be found by clicking on the following link:

http://www.hudclips.org/sub_nonhud/html/pdfforms/5460.pdf

EXHIBIT II

FORM HUD-5463, INSURABLE VALUE WORKSHEET, FIRE AND EXTENDED COVERAGE.

A copy of this form can be found by clicking on the following link:

http://www.hudclips.org/sub_nonhud/html/pdfforms/5463.pdf

EXHIBIT III

FORM HUD-5245, INSURANCE RECORD.

INSURANCE RECORD		**U.S. Department of Housing and Urban Development Office of Public and Indian Housing**			
Name of PHA / IHA				Project Number	
Contact Person				Number of Dwelling Units	
Insurer	Policy Number	Coverage	Premium	Effective Date	Expiration Date

Form HUD-5245

EXHIBIT IV

FORM HUD-5974, INSURANCE APPROVAL FORM.

Insurance Approval Form	**U.S. Department of Housing and Urban Development** **Office of Public and Indian Housing**
Name of PHA / IHA:	
Type of Coverage:	
Project Numbers:	
Company:	
Policy Number	
Subject to Dividends? ☐ Yes ☐ No	Subject to Audit? ☐ Yes ☐ No
Initial Premium	$
Estimated Dividend	$
Net Premium	$
Reviewed & Approved By: X	Approval Date:
Remarks:	

Form HUD-5974

Section 13 - Insurance Requirements.

(A) Except as otherwise provided by HUD, the HA shall procure adequate insurance to protect the HA from financial loss resulting from various hazards if the HA determines that exposure to certain hazards exists. The types of insurance required, or that should be purchased, and other requirements with respect to insurance coverage are listed in Part B, Attachment VII, of this ACC.

(B) The HA shall, to the extent that insurance proceeds permit, promptly restore, reconstruct, and/or repair any damaged or destroyed property of a project, except with the written approval of HUD to the contrary.

ATTACHMENT VII

INSURANC E REQUIREMENTS

Section

Section 1 - Mandatory and Optional Insurance Coverage.

The following types of insurance are either required or should be purchased if the HA determines that exposure exists.

(vi) Commercial Property. Mandatory. Each policy must be written with a blanket limit on a replacement cost basis, and with an agreed value clause eliminating any coinsurance provision.

(vii) Commercial General Liability. Mandatory.

(viii) Workers Compensation and Employers Liability. Mandatory.

(ix) Owned and non-owned Automobile Liability. Mandatory.

(x) Theft, Disappearance, and Destruction. Mandatory.

(xi) Employee Dishonesty. Mandatory.

(xii) Boiler and Machinery. Mandatory only if steam boilers have been installed. However, coverage is recommended if there is extensive central air conditioning, electrical transformers, or similar equipment.

(xiii) Flood. Mandatory only if property located in a flood plain, as determined in the Federal Government's National Flood Insurance Program.

(xiv) Directors and Officers or Public Officials Liability. Optional Coverage, but highly recommended.

(xv) Lead-Based Paint Liability. Mandatory for HAs undergoing lead-based paint testing and abatement.

(xvi) Law Enforcement Liability. Optional, but highly recommended where the exposure exists, and the Commercial General Liability insurer has excluded coverage.

Section 2 – Authorized Insurance Companies.

Insurance must be purchased from an insurance company or other entity that is licensed or duly authorized to write insurance in the State where that HA is located.

Section 3 – Certificates of Insurance.

At each renewal, the HA shall promptly have certificates of insurance submitted by the insurers to HUD describing the types of coverage, limits of insurance, policy numbers, and inception and expiration dates.

Section 4 – Waivers and Self-Insurance Funds.

Requests for waivers not to purchase any form of required insurance, or to establish a self-insurance fund in lieu of purchasing insurance, must be submitted to HUD for approval with a justification as to why the request should be approved.

Appendix Three

IFB ADVERTISEMENT

The ___(NAME Of PHA/IHA)___________ invites sealed bids for the procurement of the following type(s) of insurance coverage(s):

(Property Coverage)
(Comprehensive General Liabi1ity)
(Worker s ' Compensation Coverage)
(Owned and Non-Owned Automobile Liability Coverage)
(Boiler Insurance)
(Fidelity Bond)

The coverage is to become effective ____________________________.
The bid closing date is __________(Time) (Date)_________________.

For bid information and a copy of the Invitation For Bids contact ____________________, Executive Director, ___________________________(NAME OF PHA/IHA), ____________________(City, State, Zip Code), ____________________________, (Telephone).

NOTE: If an IHA wishes to restrict the IFB to qualified Indian-owned enterprises/organizations as provided by Section 12-5, page 12-2, this advertisement should include the restriction.