

EMPLOYEE DISHONESTY/CRIME COVERAGE REQUIREMENTS FOR MANAGEMENT AGENTS OF MSHDA-FINANCED HOUSING DEVELOPMENTS

The Michigan State Housing Development Authority requires management agents to protect themselves and development owners against losses resulting from employee dishonesty by purchasing a General Crime or Employee Dishonesty Insurance Policy. This requirement is also intended to secure the Authority's mortgage payment and the financial stability of the development in the event of a loss. THE DEVELOPMENT OWNER(S) AND MANAGEMENT AGENT MUST ENSURE THAT THE FOLLOWING REQUIREMENTS ARE INCLUDED IN THE POLICY.

The specific requirements for the insurance policy are listed below:

1. **Initial Submission of a Policy (e.g. new agents or coverage has been changed)** – Submit a complete copy of the original policy to provide evidence of new coverage. The policy must:

- Indicate the Management Agent as named-insured;
- Cover all employees without exception;
- Indicate all owners as loss payees for blanket policies provided by managers;
- Include a List/Endorsement/Declarations page of covered developments;
- Indicate the amounts of coverage for each development;
- Indicate total amount of the policy. The amount of the policy shall be determined by the sum total of, at a minimum, the required amount of insurance for all developments covered by the policy. 'Per occurrence' policies are also required to maintain these coverage limits. The amount of coverage required for each development must be stated on the policy and renewal Certificates. The total amount of the policy must meet the following requirements:
 - Total policy amount cannot be less than \$100,000 with \$100,000 forgery;
 - The amount of coverage required for each development is determined by program type:
 - Section 8 developments must provide coverage equal to one month's gross rent potential or not less than \$100,000.
 - All non-Section 8 developments must provide coverage equal to two months' gross rent potential or not less than \$100,000.
- Indicate effective and ending dates of coverage;
- Indicate amount of Forgery coverage. Each policy regardless of program type must provide Forgery coverage in an amount not less than \$100,000;
- Provide that MSHDA receive a 30-day notice in the event of cancellation of the policy

2. **Renewal of Existing Coverage** – Submit an updated Certificate of Liability Insurance, Binders are not acceptable. The Certificate must:

- Indicate the beginning and ending dates of the policy;
- Contain a list of all developments covered under the policy;
- Indicate the amount of coverage afforded to each development;
- List the amount of Forgery coverage;
- Indicate that MSHDA receive a 30-day notice in the event of cancellation of the policy.

Proof of renewal of coverage must be received prior to the anniversary/effective date of the coverage. All coverage must be renewed prior to the ending date or policy anniversary date.

3. **Adding a New Development to the Existing Policy** – Submit an Endorsement to the policy to provide evidence of the update. An updated Certificate of Liability Insurance must also be submitted following requirements in #2 above.

4. **Blanket Coverage** - Is acceptable, provided the policy follows the requirements outlined above and includes only MSHDA-financed developments.
5. **Open-Ended Policies** - Require annual verification of the existence of coverage prior to the policy anniversary date. A current Certificate must be submitted following requirements in #2 above.
6. **Proof of Coverage for New Developments** - Must be provided no less than seven days prior to the anticipated closing date or assumption of management responsibilities. A copy of the policy in its entirety with a Certificate of Insurance following requirements in # 2 above is acceptable proof of coverage.
7. **Notice of Increased Coverage Limits** - Notice from the insurance company of increased coverage limits must be provided to the Authority prior to the effective date of a rent increase, if the rent increase makes the existing coverage insufficient. Verification of continued coverage must be provided at least once per year prior to the renewal date of the policy in the form of an updated Certificate of Liability Insurance following requirements in #2 above.
8. **Proof of Receipt** - Receipt of required documentation will be considered acceptable if any of the following can be demonstrated:
 - The item was deposited into the US Mail, with First Class postage prepaid, and addressed to the Detroit or Lansing offices of the Authority, at least two (2) business days prior to its due date. Proof may be made by a copy of the signed return receipt (if any), by a sworn affidavit of mailing with a copy of the document as mailed, or as otherwise deemed adequate by MSHDA's Office of Legal Affairs;
 - The item was deposited with any national overnight delivery service, with overnight delivery charges prepaid, and addressed to the Detroit or Lansing offices of the Authority, at least one (1) business day prior to its due date. Proof may be made by a shipping or tracking confirmation from the delivery service, or as otherwise deemed adequate by MSHDA's Office of Legal Affairs;
 - The item was sent by facsimile to one of the Authority's designated fax numbers no later than 5:00 p.m. on its due date. Proof must be made by a valid fax confirmation sheet;
 - The item was personally delivered to the Detroit or Lansing offices of the Authority no later than 5:00 pm on its due date. Proof may be made by written acknowledgment of receipt by the Authority's reception staff, by a sworn affidavit of delivery, or as otherwise deemed adequate by the Office of Legal Affairs;
 - The item was sent by e-mail to the e-mail address of the designated person at the Authority no later than 5:00 p.m. on its due date. Proof may be made by a printed copy of the e-mail that was sent with the required document attached, or as otherwise deemed adequate by MSHDA's Office of Legal Affairs.
9. **Cost of Policy Premium** - The cost of the policy premium is an eligible development expense. If multiple MSHDA-financed developments are on a single policy and the premium is used as an eligible expense, the expense must be prorated among the covered developments based on the amount of required coverage. Cost proration must be verified in the annual certified audit.