

521 INSURANCE CLAIM PROCEDURES

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Purpose of Insurance Claim Procedures

This procedure identifies the process for requesting the release of insurance claim funds from the Michigan State Housing Development Authority (MSHDA). Since MSHDA must be listed as loss payee on all MSHDA-financed properties, insurance claim checks must be signed by an authorized officer of MSHDA before being cashed.

Processing an Insurance Claim Check

Management agents must **notify** MSHDA assigned asset manager **immediately** of any pending insurance claim. Do not wait to receive the first insurance check before notifying the assigned asset manager. Management agents must **sign** and forward any insurance claims checks received to:

MSHDA
Finance, Attn: Karyne Jackson
735 E. Michigan Ave.
Lansing, MI 48913

MSHDA Review Process

The MSHDA Construction Analyst and/or Supervisor will review the insurance claim notification, check amount, and work with the management agent to determine the:

- Structural repairs that require inspection review,
- Anticipated time for completion of the repairs, and
- Management agent’s ability/willingness to hold off MSHDA’s approval to release the claim check until repairs are complete.

Based on the above factors, an insurance claim escrow account may be started to hold the insurance funds until repairs can be completed. The Owner must assure decent, safe, and sanitary housing based on Regulatory Agreement requirements and MSHDA must guarantee

repairs to the development are completed in a manner consist with MSHDA design standards prior to the release of funds.

Insurance Claim Escrow Accounts

When substantial repairs are necessary over a period beyond 60 to 90 days, MSHDA may setup an escrow (i.e. Fire Escrow) to retain the insurance claim funds until the repairs can be completed. The insurance claim check is deposited to establish the escrow account. As repairs are completed and inspected by the assigned MSHDA construction specialist, the management agent can submit draws to the assigned MSHDA Asset Manager for reimbursement from the insurance claim escrow. Draws cannot exceed the amount of work completed as determined by the assigned construction specialist.

Requesting Release or Reimbursement of Insurance Claim Funds

Management agents can request the release of an insurance claim check or disbursement of Insurance Claim Escrow funds by submitting the following documents:

- Insurance Claim Release Request (MSHDA Mgmt. 521A) identifying the amount of the request and what is being requested. In addition, **certifying** that the management agent has or will properly complete all the insurance claim work according to MSHDA's Standards of Design;
- Development Incident Report (What caused the insurance claim?);
 - Exact details of the incident from the Agent in writing (e-mail is acceptable);
- Police/Fire Department Report (if applicable);
- Insurance adjuster's summary (scope of any work to be done);
 - Include any related bids for the work to be completed;
- Name of the contractor performing the stated work;
- Sworn statement and lien waiver should be gathered for all work being completed, if applicable.

MSHDA staff may also need to perform an inspection of the work completed prior to release of the insurance claim funds.

Monthly Income and Expense Report Items

When recording receipt of insurance claim payments, the agent should record the funds received as offsets to the expense items for which the claim is being paid.

Forms

521A – Insurance Claim Release Request