

EMPLOYEE DISHONESTY\CRIME COVERAGE POLICY

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Purpose of Employee Dishonesty Insurance

MSHDA 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 helps secure the Authority's mortgage interest and the financial stability of the development in the event of a loss.

Insurance Policy Submission Requirements

The development owner(s) and management agent must ensure that the following requirements are included in Employee Dishonesty\Crime Coverage policy submissions.

Initial Submission (e.g. new agents or coverage has been changed)

Proof must be provided no less than seven days prior to the anticipated closing date or assumption of management responsibilities. A copy of the complete original policy with a Certificate of Insurance is acceptable proof of coverage.

The policy must:

- Indicate effective and ending dates of coverage.
- Indicate the Management Agent as named-insured.
- Cover all employees without exception against the theft of the collected rent money each month.
- Indicate total amount of the policy. The **minimum coverage** required for each policy is the greater of \$100,000 or the combined amounts of each developments minimum coverage.

- For Section 8 developments – one month’s gross rent potential.
- For all non-Section 8 developments – two month’s gross rent potential.
- 'Per occurrence' policies are also required to maintain the coverage limits.
- Indicate the owners as loss payees for blanket policies provided by managers.
- Provide MSHDA with a 30-day notice in the event of a cancellation.
- Indicate amount of Forgery coverage. Each policy regardless of program type must provide Forgery coverage in an amount not less than \$100,000.
- Indicate MSHDA as an additional insured.
- Include a List/Endorsement/Declarations page of covered developments:
 - All covered developments must be MSHDA-financed.
 - The amount of coverage afforded to each development must meet the minimum coverage requirements identified above and be stated on the policy and renewal certificate.
 - The total amount of coverage for the policy, at a minimum, must equal the sum of the required coverage amounts for all the developments covered by the policy.

Renewal of Existing Coverage

Proof of renewal of coverage must be received prior to the anniversary/effective date of the coverage. Submit an updated Certificate of Liability Insurance as evidence of coverage renewal. Binders are not acceptable proof of insurance.

The Certificate must:

- Indicate the policy number.
- 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.

Adding a New Development to the Existing Policy

Submit the following Endorsements:

- Owner(s) as a loss payee.
- Schedule of development(s) and their corresponding amount of coverage.
- Increases in the policy coverage amount to include additional development(s).

An updated Certificate of Liability Insurance following the requirements in the “Renewal of Existing Coverage” section.

Blanket Coverage

Blanket coverage is acceptable provided the policy follows the requirements outlined under the “Initial Submission” section and includes only MSHDA-financed developments.

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 the "Renewal of Existing Coverage" section.

Notice of Increased Coverage Limits

If the rent increase makes the existing coverage insufficient, a notice from the insurance company of increased coverage limits must be provided to the Authority prior to the effective date of a rent increase. 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 the "Renewal of Existing Coverage" section.

Proof of Receipt

Receipt of required documentation will be considered acceptable if any of the following can be demonstrated:

- 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.
- 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),
 - A sworn affidavit of mailing with a copy of the document as mailed.
- 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.
- 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,
 - A sworn affidavit of delivery.

If the above acceptable documentation cannot be provided, any other receipt documents may be reviewed by the Authority's Legal Affairs Division to determine if the document is acceptable proof.

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. The cost proration must be verified in the annual certified audit.