



December 18, 1998

TO: All Tribal Government Leaders and Tribally Designated Housing Entities (TDHE)

FROM: Karen Garner-Wing, Acting Deputy Assistant Secretary, 8APIN

TOPIC: Insurance

SUBJECT: Transition Guidance for Insurance Requirements

As of October 1, 1997, the Native American Housing Assistance and Self-Determination Act (NAHASDA) of 1996 became effective. NAHASDA requires recipients to maintain adequate insurance coverage for housing units that are owned and operated or assisted with grant amounts provided under the Act. Until final regulations are effective, Tribes/TDHEs should assure that housing units formerly covered by an Annual Contributions Contract (ACC) under the USHA continue to be adequately insured.

Property insurance policies shall be written to cover all housing authority-owned property based on their current replacement value. The ACC required that property insurance be written on a replacement 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. In order to obtain replacement cost coverage, the property must be insured for at least 80% (preferably 100%) of what it would cost to replace the property. The insurable value of the property must include the housing authority-owned contents of the buildings. The policy shall not cover property owned by residents. It is a resident's responsibility to insure their household property if they desire to do so.

Insurance must be procured on a competitive basis pursuant to 24 CFR Part 85 unless the recipient purchases the insurance from a non-profit insurance entity owned and controlled by Indian Housing Authority (IHA) and approved by HUD, such as Amerind. The Public and Indian Housing Property/Casualty Insurance Requirements Guidebook, 7401.5G is available to provide guidance in this area. To order a copy of the Insurance Guidebook, you may call the HUD Hotline at 1-800-767-7468.