Insurance Guidance

Public Housing Authorities (PHAs) are being impacted by significant increases in insurance costs.

HUD is aware of and concerned about the financial impact of the rising insurance costs across the Public Housing Portfolio. The agency is analyzing insurance costs in the Public Housing Portfolio, its impact on the financial conditions of PHAs, and the adequacy of the Operating Fund formula to address such cost increases.

Additionally, HUD is seeking to ensure that PHAs have adequate resources to operate effectively and maintain affordable housing for residents. HUD created an Insurance Working Group that convenes regularly to examine the factors causing increased insurance costs to portfolios and provide potential insurance policy options to address this issue. HUD will continue to monitor insurance costs, the impact on PHA operating costs and its effects on the ability of a PHA to meet current as well as ongoing financial obligations.

Insurance Risk Pools are an important tool enabling PHAs to obtain cost effective insurance coverage. PHAs are not required to follow competitive selection procedures (24 CFR 965.205(b)) when they obtain insurance from HUD approved insurance risk pools. Please find a list of approved insurance risk pools here.

HUD has initiated collaboration with insurance risk pools to obtain market intelligence, determine major cost drivers, assess future cost expectations, and identify opportunities for HUD to have a positive impact on this important issue.

HUD will be providing guidance, such as that enumerated below, on options PHAs may have to mitigate the impact of increased insurance costs.

Commonly Asked Questions

1. *Where are Insurance Requirements identified?*

   Insurance requirements are codified in regulation at 24 CFR 965, Subpart B, and further delineated in the Annual Contributions Contract (ACC), (HUD Form 53012 Part B, Attachment VII) for PHAs under the 1995 version of ACC and section 7 of the ACC (HUD Form 53012) for PHAs under the 2018 version of ACC.

2. *Is it still necessary for a PHA to maintain property insurance for vacant buildings set for demolition?*

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The ACC requires PHAs to maintain property insurance. The ACC does not create an exception for vacant properties that have been approved for demolition or disposition. However, the ACC does provide for the submission of waiver requests. Where PHAs have been approved for the demolition of buildings, and the buildings are vacant, PHAs can request a waiver from insurance requirements. To submit a request to waive the ACC insurance and regulations at section 965.205 , PHAs must follow the process to requests waivers of regulations found in PIH Notice 2018-16.

3. *What options are available to PHAs that discover the increased insurance costs have caused the operating costs to exceed its Project Expense Level (PEL)?*

   When a PHA determines its calculated PEL is inadequate, an appeal can be submitted. A PHA has the option to select from two of the five types of appeals listed in 24 CFR 990.245–Appeal for specific local conditions and Appeal to substitute actual project data. Guidance concerning the submission of PEL Appeals can be found in the annal Operating Subsidy Processing Notice, the latest version of which is PIH Notice 2-23-25, the CY 2024 Operating Subsidy Processing Notice.

   Appeal for specific local conditions.

   A PHA is able to submit this type of appeal when it can provide data proving that the PEL is not representative of costs in the local market. The PHA must secure and pay for an independent cost assessment that supports that the PEL is inaccurate based upon comparable properties in its market area. To qualify for a *Specific Local Conditions* appeal, PHAs must demonstrate a variance of ten percent or greater at the Public Housing program level.

   Appeal to substitute actual project data.

   PHAs must have complied with Asset Management Requirements for two consecutive PHA Fiscal Years to qualify for this appeal type. Only data from audited FDS submissions approved by HUD can be used for this type of appeal. The PHA must submit an independent cost assessment, which is paid for by the PHA.

4. *What is the timeframe for PHAs to submit appeals for the 2024 Operating Fund?*

   PEL appeals must be submitted within 120 days of the PHA's initial submission of the CY 2024 forms HUD-52722 and HUD-52723. The forms were due 11/20/2023, thus the deadline for most PHAs will be 3/18/2024 or sooner.

5. *If a PHA's Monthly Operating Reserves (MOR) drops to less than three months due to increased insurance costs, is the PHA eligible for Shortfall Funding?*

   Where insurance costs have diminished the PHA's MOR, it may be eligible for Shortfall Funding. Annually, HUD publishes a Shortfall Funding Notice providing guidance on eligibility, the application process, and additional requirements. PHAs should review the Shortfall Funding Notice in detail when it is published, to determine if they are eligible to apply.

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6. *What if my State does not have an Insurance Risk Pool?*
   There are 21 HUD approved Insurance Risk Pools, with some of them providing insurance in more than one state. While all existing Insurance Risk Pools were initially approved in the 1980s and 1990s, nothing in the regulation precludes the approval of additional Insurance Risk Pools

7. *How can technical assistance be obtained if a PHA has additional inquiries or needs assistance with the PEL appeals process?*

   All PEL appeal inquiries can be emailed to OBPHFMDHUD@hud.gov.