



Department Staff And Program Participants

January 1993

Public and Indian Housing Property/ Casualty Insurance Requirements

1.4. FINANCIALLY SOUND AND RESPONSIBLE INSURANCE COMPANIES.

- a. The ACC/MHACC requires that insurance be purchased from financially sound and responsible insurance companies. The insurance company must also be licensed or duly authorized to write insurance in the state where the HA is located. An insurance company may be duly authorized to write insurance in a particular state, even though they are not licensed. These companies are referred to as "excess and surplus lines" companies. They are specialty insurance companies that do not deposit funds in the state, but qualify to write certain types of coverage not handled by other companies. Some state laws publish a list of approved companies, but others remain silent.
- b. The Field Office should verify that the companies selected by the HA are licensed or duly authorized to write insurance in the state where the HA is located. Although HUD does not set mandatory standards for a financially sound and responsible insurance company, it is recommended that the HA accept as satisfactory evidence of adequate capital/surplus and reserves, a rating received within one year before its selection by the HA, of at least "Class VI" for financial status and at least "B+" for performance from the A. M. Best Company, or a rating of at least "A" from Demotech, Inc., or a Financial Performance Index (FPI) rating from the A. M. Best Company of "6" or higher for a company in the NA-3 category (Insufficient Operating Experience). A company not rated by A. M. Best Company or Demotech, Inc. should demonstrate the adequacy of its capital/surplus and reserves by submitting a current audited financial statement or an actuarial review.



Equal Housing
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