

HARRP NOTES

Housing Authorities Risk Retention Pool
2500 Main Street, Suite 120
Vancouver, Washington 98660
(360) 694-3500 • (360) 694-3600 FAX
Website: www.harrp.com

PLEASE ROUTE:

_____ Executive Director
_____ Accounting / Finance
_____ Maintenance
_____ Property Management
_____ Personnel
_____ Safety Program Coordinator
_____ Other

JUNE 2006

Volume 14, Issue 2

RENEWAL FORMAT CHANGES

For those members who renew coverages in the coming months, you will see changes in our renewal process. HARRP has completed the transition from Excel database management to a Risk Management Information System (RMIS), known as RiskMaster. RiskMaster is a very powerful program and will be the hub of all HARRP's member data in the future.

Many of you have noticed the first changes in the renewal packets issued by HARRP, primarily in the database of properties. The new property database is being generated from the RiskMaster program, rather than the Excel format you are accustomed to. It is our intention to discontinue utilizing Excel as a database and generate all reports and inventories straight from RiskMaster. Many members have requested the property inventories be transferred electronically, which we have done as an export into Excel.

As with any conversion, there are bumps in the road! We fully understand that the new reports are more difficult to read and edit. We are developing new canned report formats for ease of identification of your inventory along with a streamlined invoicing format. We are developing this new renewal process in conjunction with asset based management criteria established by HUD. We need to hear from you if you have changed your asset groupings or names so that our database coincides with your property inventory. In the meantime, it is **imperative** that you review the property databases when you receive the renewal packet 30-60 days prior to renewal! We are finding, mostly from our increased field presence, that there are numerous discrepancies in the field observations versus the database. Examples of our findings include:

1. Very low declared value: We are able to track per foot costs on our RMIS. These square foot cost values indicate quickly whether or not a structure is over or under-insured. HARRP is finding that the majority of the structures are undervalued for replacement costs. Construction costs have skyrocketed and by undervaluing properties, our members run a strong risk of only partial recovery in the event of a loss. Please remember that structures are only covered at 125% of the value you provide us. The extra 25% is quickly absorbed by inflation and code upgrades so it is very important that your values are accurate.
2. Contents: We have found a very high incident rate of administration, community, storage and maintenance facilities having \$0 of contents coverage. Contents are only covered at 100% of the value you provide us.
3. Addresses, cities and zip codes: Inaccurate information could jeopardize our coverage agreement.
4. Structures: We have discovered that many of the larger developments have structures not listed on our database and several have buildings listed on our database that don't exist!
5. Units: We have found several instances of units that have been "decommissioned" and are now being utilized by community service organizations. These buildings, or units, require the Authority to be responsible for the structures loss (property insurance) and the community service organization is responsible for the operation and contents. However, if these buildings or units do not appear on our database and the value is undeclared, HARRP would not be responsible for its replacement.

6. HUD Cost Multipliers: HUD releases a regional cost multiplier factor annually to allow for inflation of construction costs. This factor is applied by HARRP for all members at the time of renewal. This annual practice has not kept pace with actual construction costs and serves only as a base rate adjustment.

HARRP has begun to aggressively address the property values reported to us by the members. All preliminary renewal packets will be reviewed by additional staff members to assure that values fall within a range consistent with what we are seeing as far as replacement costs are concerned for your region. All questionable values will be analyzed using Marshall and Swift valuation software. The Coverage Agreement stipulates that property coverage is based on the agreed values indicated on the renewal packet. Both parties must agree to the declared values for coverage to be in force. We are sensitive to the needs of our members to control insurance costs and properly budget for the possibility of increased costs. Therefore, these changes will be implemented gradually over the next 6 to 12 months. It is the HARRP Board of Directors' intent to inform our members of the need for correction of values, but allow members the ability to adjust accordingly.

SEND US YOUR SITE MAPS



If you have site maps of your developments, we want them! Site maps showing the development, buildings, addresses, units, square footages....anything! We will use this information to cross reference our database to obtain the most accurate information possible until such time a site visit can occur. Additionally, if your Authority is realigning properties into different asset groupings, any information you can provide us will assist in database maintenance. Many thanks from the staff!

ON LINE TRAINING



HARRP has discontinued subscribing to the HR That Works on-line training and reference module. Unlike AgosNet, New Media and the Attorney Helpline, this human resources module was underutilized by our members. In the last year, only 19 members logged on and spent under eight minutes on the site. We concluded that our limited loss control funds would be better utilized by using other modules.

NON PROFITS COVERED?!

As you know, HARRP is a governmental risk sharing pool operating in four states for risk pooling of common exposures conducive to operations of a housing authority. As a governmental pool, the IRS prohibits HARRP from providing any benefits to non-members of the pool.

The question continually arises; Can HARRP cover our non-profits, third party contracted vendors, tax credit partnerships and other entities providing services to our members. The answer to the question, unfortunately, remains no! However, under certain circumstances, HARRP has extended coverage to a non-profit. The entity must be a non-profit, that is wholly owned and wholly operated by the housing authority commissioners and staff.

The Board of Directors must be exclusively commissioners and management staff of the housing authority. The staff members who work in eligibility, finance, maintenance, on-site management, etc. are all employees of the housing authority who are assigned to this particular non profit.

Under this scenario, HARRP has concluded that no HARRP benefit would be extended to anyone who is not already covered by HARRP for liabilities that might arise in the course and scope of their housing authority employment. If your authority has any entities that are identical to the one described above and is not covered currently by HARRP, please submit an underwriting request. We will analyze your request and assist in any way possible to accommodate coverage.

This coverage possibility also exists for tax credits if the authority is a named defendant. If coverage exists, HARRP will defend the authority, however, this coverage does not extend to the partnership. Tax credit coverage would be a bit more complicated and certainly would justify extensive research and legal opinions regarding under what parameters coverage could be extended.

CONTRACTING WITH CONTRACTORS – POSSIBLE PITFALLS



It has recently come to our attention that some members have run into problems getting contracts completed by contractors, or being surprised that the finished product wasn't what they expected. This magnifies the importance of spelling out exactly what is expected by all parties in your contracts – getting it all included and understood up front eliminates potential problems later.

As an example: you have a construction contract out for bid, the lowest reasonable bidder is selected and the contract is awarded. The contractor begins the project on the agreed upon commencement date. You are expecting several of your units to be off line for 30-45 days which is ample time to complete the project. However, the contractor doesn't show up on the job site consistently or, has a smaller crew assigned to the project than you expected. Maybe only one or two workers show up occasionally. Now, you are 90 days into the project and it is still far from complete – what do you do at this point?

This has happened to several of our members in the recent past. We recommend that you ALWAYS include an agreed upon "time limit for completion" clause into your contract. This clause should require the project be completed on, or before, a specified date. The clause should also have liquidated damages imposed for non-compliance, requiring the contractor to pay so much a day for every day subsequent to the completion date. This will not only provide the necessary incentive for the contractor to get the project completed, but you will have the answer to your question – what do we do? Under this scenario, optional commercial coverage is available. Performance and Completion Bonds are available on the market and would provide a level of coverage to address this exposure.

Another area of potential problems arises when the scope of work to be completed is not detailed or specific. Make sure the scope of work, even on smaller projects, is specific and leaves no room for misunderstanding or misinterpretation. It is not a good result if the project gets completed on time if not everything you expected to be done was included or the workmanship is less than what you expected or, the quality of the materials was less than you anticipated. Detailing the type of construction and the grade of materials is just as important as the dollar amount of the project, etc. A contractor can always use a lesser grade of carpet, wood finish, cabinets, paint, etc.

You want to get your projects completed in a timely manner and you want the completed product to be what you expected. If this is all agreed and detailed out in the contract ahead of time, it will save you from potential pitfalls, problems and even litigation afterwards. And you will never need to ask us: what do we do at this point?

And – always remember, **Risk Transfer, Risk Transfer, and Risk Transfer.** If you have any questions regarding your contracts (before the contract is finalized), please feel free to call either Al Alvarez, Risk Manager, at extension 104; or Rick Gehlhaar, Claims Manager, at extension 106.

INTERACTIVE FORM

HARRP has launched its new interactive property addition/deletion form on our website! This will allow you, the member, to submit your changes electronically to HARRP. Additionally, you will be able to track the progress of the form, from start to finish. You will see to whom the form is submitted, when it is reviewed, the current status and when the change is approved. Once staff approves the submission, the information will be directly integrated into our new risk management system! The form is available at www.harrp.com/procedures_forms.htm. Simply log on using your city or county (e.g. Housing Authority of the City of Salem is just Salem; Housing Authority of Skagit County is just Skagit) as your user ID. The password is the same one you use to access the member only portion of our website. Let us know if you have any difficulty, we would be happy to walk you through it. Please assist HARRP in providing the ultimate in customer service by utilizing this form. Thanks!!

WWW.HARRP.COM

HARRP will be redesigning our webpage in the coming year. This redesign will focus on ease of navigation, enhancing our interactive reporting forms, augmenting our search engine and providing more links to sites that provide information and resources for our membership. In addition, financial information about the solvency of HARRP will be provided.



As we embark on this task, we would like to hear from you! If you have any comments, complaints or suggestions on our webpage redesign, we want them! Good or bad...we can take it! Our members are the greatest resource HARRP has on what your needs are! Let us know!

COMMERCIAL PROPERTY ACQUISITIONS

HARRP has experienced an increase in the number of requests for coverage associated with commercial businesses. These commercial risks are incidental to a land purchase intended to be developed for affordable housing.

The Insurance/Underwriting Committee and the Board of Directors are addressing these unique exposures. HARRP is developing some procedural steps to identify the commercial risk, its activities, loss control and potential proper risk transfer tactics. Determination of if, and under what circumstances, HARRP can cover the risk will be on a case-by-case basis.

If you are contemplating purchasing land for future development and there are commercial buildings being leased, please include HARRP in on the process as soon as possible. We may be able to extend coverage at the favorable HARRP rate, but it is very important for us to review and discuss the situation early in the process!



Have a Safe and Enjoyable Summer!!