



## FAQ – Insurance Requirements

### **Q: What do I need to do when my property suffers a casualty loss?**

A: MHDC tax credit only properties must notify MHDC's Asset Management Department via email when a casualty loss occurs, and when all required work is complete. MHDC held mortgage properties must submit an insurance claim notification via MHDC's Asset Management Reporting System, upload required documents, submit the endorsed insurance check to MHDC, and submit requests for payment as work is completed.

### **Q: What procedures do I follow if the city/county my property is located in also requires the check to be deposited with them per city/county ordinance?**

A: Please contact MHDC immediately to discuss further.

### **Q: What will I be required to enter in AMRS?**

A: Properties with 13 or more units will be required to submit notifications of loss and payment requests with all required supporting documentation into the AMRS system.

### **Q: What are the required items for submitting a notification of loss?**

A: The following items will be required to be entered into the AMRS system to notify MHDC of an insurance loss.

- Notify MHDC of the date, type, description, and amount of loss
- Notify MHDC of the name of the insurance provider
- Provide MHDC a listing of building/units affected.

### **Q: What are the required items for submitting an insurance claim payment requests?**

A: The following items will be required to be entered and uploaded into the AMRS system before a payment request may be processed.

- Must provide location of work performed
- Must provide the invoice amount for work performed
- Must provide copies of invoices and cancelled checks (if applicable) for all work performed
- Must provide vendor name, and vendor billing information if MHDC needs to pay vendor directly
- Must submit copy of the insurance estimate
- Must provide before and after pictures of all items replaced/repared

### **Q: Will the work need to be 100% complete in order for a request for payment to be submitted?**

A: No. MHDC will allow properties to submit multiple payment requests as long as the work can be substantiated with photos and/or inspection reports for the work completed to date. In addition, MHDC will allow advance vendor deposits to commence work. Advance vendor deposits may not exceed more than 50% of the total work performed per vendor.

### **Q: What should the project do when they receive an insurance claim check?**

A: All insurance reimbursement proceeds must include MHDC as a loss payee, and be mailed to the MHDC Saint Louis office with the proper owner endorsement. MHDC will remit payments upon completion of work and MHDC's inspection.

### **Q: What is considered a proper endorsement?**

A: Insurance checks should be endorsed by each payee or authorized individual. In most cases, the payee is an entity and not an individual. Thus an authorized individual must endorse by virtue of their position in the entity. For example, "Bob Jones"

endorses checks for ABC, LP. The endorsement would read “ABC, LP by Bob Jones (signature)(typed/printed name) its Fiscal & Accounting manager.”

**Q: What is MHDC’s turnaround time for processing insurance claim payment requests?**

A: Insurance claim payment requests are to be processed within 15 days from the date MHDC receives the property’s request in the AMRS system. This turnaround time should be communicated to your vendor. MHDC processes requests in the order they are received. Turnaround times should be considered in determining how long the property holds the request before submitting it to MHDC. Note: The turnaround clock does not start until all required information is submitted.

**Q: How should the insurance claim be reported for accounting purposes?**

A: The project is responsible for the appropriate accounting of insurance reimbursement transactions. For assets previously capitalized, GAAP requires writing off the net book value of the damaged asset, and recognizing a gain or loss on disposal depending on whether the insurance proceeds are greater or less than the net book value. The fixed assets that are purchased with the insurance proceeds are capitalized as fixed assets and depreciated accordingly. The gain or loss should be recorded in Entity Expense section of the income statement on account line 7190 - Other Expenses. In the event insurance proceeds are received on an asset that was originally expensed, the proceeds would hit (credit) other income, and expense (debit) when the replacement item is incurred. For presentation purposes, these items should not be “netted” on the same P&L line, and appropriate footnote disclosure or supplemental schedule is required to discuss the nature of the loss.