

## Additional Guidance on Bond and Insurance Requirements

24 CFR 3286.205 states that an installer can hold either a surety bond or maintain insurance coverage. HUD has determined that installers can choose to have any one of the following options to meet this requirement:

1. Surety Bond Only
2. Insurance Only
3. Irrevocable Letter of Credit Only
4. Combination of Surety Bond and Insurance
5. Combination of Irrevocable Letter of Credit and Insurance

The requirements for each of the different coverage options are noted below.

1. **Bond Only Coverage:** If an installer chooses to have bond-only coverage, the bond must be sufficient to replace the home. The minimum amount of coverage required is \$100,000.
2. **Irrevocable Letter of Credit:** If an installer chooses to have an irrevocable letter of credit only, the amount of credit must be sufficient to replace the home. The minimum amount required is \$100,000.
3. **Combination of Bond and Insurance Coverage:** Installers choosing this coverage must have both a minimum \$250,000 general liability insurance policy and a \$10,000 bond.
4. **Combination of Irrevocable Letter of Credit and Insurance Coverage:** Installers choosing this coverage must have both a minimum \$250,000 general liability insurance policy and a \$10,000 irrevocable letter of credit.
5. **Insurance Only Coverage:** If the installer chooses to have insurance-only coverage, the insurance requirements are:
  - A \$250,000 general liability insurance policy that will cover all warranty issues with no deductible for one year after any installations.
  - The insurance policy must be paid in full for a minimum of one year.
  - The policy must stay in force the entire time the installer's license is valid.
  - The insurance will need to be renewed 60 days before the policy expires to ensure that there is continuous coverage.
  - The insurance will have to cover damages in small amounts with no deductible for warranty items and general liability items.
  - Determination of liability will be at the discretion of the Office of Manufactured Housing Programs.