



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY  
FOR PUBLIC AND INDIAN HOUSING

MAY 16 1986

Mr. Robert A. Haneline  
Executive Secretary  
SERC-NAHRO Benefit Plan  
P.O. Box 846  
Nashville, TN 37202

Dear Mr. Haneline:

This is in response to your request for approval of the Southeastern Regional Council of the National Association of Housing and Redevelopment Officials (SERC/NAHRO) health benefit plan. As you noted, the restructured plan does not comply with HUD requirements with respect to reduction of the out-of-pocket deductible. However, the ability of the plan to eliminate any rate increases for three years and improve its loss ratio, are indicators that the plan is effectively operating. In light of this fact, we hereby waive the out-of-pocket deductible to the level provided.

With respect to your request for comments as to bidding requirements, there is no HUD requirement that employee benefit plans be competitively bid. This is due to the non-standardization in policy forms and benefit levels common within the life/health insurance industry. We do, however, encourage solicitation of proposals and selection of the best overall plan based on an objective analysis. Further, it is suggested that employee benefit plans be evaluated periodically to determine cost/benefit effectiveness. Solicitation of proposals or periodic evaluations are not a HUD requirement, but rather a matter of prudent business practice.

Sincerely,

*James E. Baugh*  
James E. Baugh, Ph.D.  
General Deputy Assistant Secretary