



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

DATE: June 3, 2021

REPORT NO: HCR21-063

ORIGINATING DEPT: Financial Services

BOARD REPORT: 2021-2022 Procurement of General Liability Insurance Coverage

CONTACT/PHONE NUMBER: Tracey McDermott, 619-578-7737

EXECUTIVE SUMMARY OF KEY FACTORS:

- Housing Commission staff is asking for authorization to procure and bind general liability insurance coverage from Housing Authority Risk Retention Group, Inc., (HARRG) in an amount not to exceed \$284,985 with effective dates of July 1, 2021, to July 1, 2022.
- Late May, HARRG provided the Housing Commission with a renewal proposal of \$284,985 for the 2021-2022 policy year. The 37 percent premium increase directly corresponds to the hardening of the insurance market and the fundamental disruption caused by the COVID-19 pandemic.
- The Housing Commission currently procures its property insurance coverage from the HARRG insurance pool through a contract awarded based on competitive marketing of the Housing Commission's coverage in 2017 by its insurance broker, Alliant Insurance Services (Alliant).
- HARRG provides liability insurance to public housing authorities. Available coverages include general liability, public officials' errors and omissions, employment practices, law enforcement, lead-based paint, employee benefit, auto, hired and non-owned auto, mold, and terrorism.
- The best practice is to market insurance coverage every four to five years to maintain bidding interest from insurance company underwriters. Due to the novel coronavirus pandemic and the current state of the insurance industry, SDHC did not competitively market SDHC coverages this year; however, to follow best practice the property insurance coverage is scheduled to be marketed next year for the policy year beginning July 1, 2022.



REPORT

DATE ISSUED: June 3, 2021

REPORT NO: HCR21-063

ATTENTION: Chair and Members of the San Diego Housing
Commission For the Agenda of June 11, 2021

SUBJECT: 2021-2022 Procurement of General Liability Insurance Coverage

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Housing Commission staff is asking for authorization to procure and bind general liability insurance coverage from Housing Authority Risk Retention Group, Inc., (HARRG) in an amount not to exceed \$284,985 with effective dates of July 1, 2021, to July 1, 2022.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) approve the procurement and binding of general liability insurance coverage from Housing Authority Risk Retention Group, Inc., (HARRG) in an amount not to exceed \$284,985 with effective dates of July 1, 2021, to July 1, 2022.

SUMMARY

Housing Commission staff is asking for authorization to procure and bind general liability insurance coverage from Housing Authority Risk Retention Group, Inc., (HARRG) in an amount not to exceed \$284,985 with effective dates of July 1, 2021, to July 1, 2022.

The Housing Commission currently procures its property insurance coverage from HARRG insurance pool through a contract awarded based on competitive marketing of the Housing Commission's coverage in 2017 by its insurance broker, Alliant Insurance Services (Alliant).

In 2018, the general liability insurance coverage was also marketed to Philadelphia Insurance Companies as they have been successful in writing other accounts similar to the Housing Commission. The feedback we received from them was that they could not compete with the coverage limits and the price.

Alliant was re-selected to be the Housing Commission's insurance broker in a comprehensive procurement process in January 2018. As the broker of record for the Housing Commission, Alliant provides support to all facets of brokerage services for the Housing Commission, including the marketing of all lines of insurance coverage, as well as the administrative support and servicing, loss control, and claims managements handling. Alliant ensures that the Housing Commission has

the most effective insurance program design, with the broadest terms and conditions, at the most competitive premium available. As the Housing Commission's risk consultant, Alliant is also responsible for keeping the Housing Commission informed of any changes, trends and emerging risks within the public entity and commercial insurance industry.

The best practice is to market insurance coverage every four to five years to maintain bidding interest from insurance company underwriters. Due to the novel coronavirus pandemic and the current state of the insurance industry, SDHC did not competitively market SDHC coverages this year; however, to follow best practice the property insurance coverage is scheduled to be marketed next year for the policy year beginning July 1, 2022.

HARRG provides liability insurance to public housing authorities. Available coverages include general liability, public officials' errors and omissions, employment practices, law enforcement, lead-based paint, employee benefit, auto, hired and non-owned auto, mold, and terrorism.

The HARRG Program is summarized in Table 1 below.

Table 1:

Commercial Liability Declarations

Limits of Coverage_____	\$20,000,000
General Aggregate (each Policy Year)_____	\$20,000,000
Deductible (Per Occurrence)_____	\$10,000

Housing Authority Risk Retention Group, Inc. (HARRG)

- Began operation on June 1, 1987, and was incorporated on March 20, 1987
- A nonprofit, tax-exempt captive mutual risk retention group, operating under the Federal Risk Retention Act, licensed and domiciled in Vermont.
- Owned by the members it insures
- Long-time advocate for member housing agencies, their affiliates, and the housing industry as a whole
- Rated A (Excellent) by A.M. Best Company
- More than \$70 billion in property values insured
- \$131 million in dividends declared
- Available in 48 states and the District of Columbia
- In-house claims handling & Risk control services
- Competitive pricing with flexible coverage options
- Hassle-free procurement with bid waiver from the US Department of Housing and Urban Development (HUD)

In May, HARRG has provided the Housing Commission with a renewal proposal of \$284,985 for the 2021-2022 policy year. The 37 percent premium increase directly corresponds to unprecedented world events, in tandem with carriers not turning a profit. These factors have resulted in the market

remaining hard. Prior to 2020, rate increases were largely tied to a soft market correction while factoring in increased attritional loss and adverse catastrophe loss development. In 2020 the pandemic, social unrest, rising reinsurance costs, financial market volatility and global recession have greatly exacerbated the situation.

The HARRG’s Commercial Liability Renewal Proposal is summarized in Table 2 and the five-year premium trend in Table 3 below.

Table 2:

Commercial Liability Renewal Proposal	2021- 2022
Commercial Liability	\$267,873
Mold, Other Fungi or Bacteria Liability -	14,951
Terrorism Insurance Coverage	1,661
Third Party Discrimination	500
Total Premium	\$284,985

Table 3:

Policy year	Premium	Inc./Dec. (\$)	Inc. /Dec. (%)
2017 - 2018	\$205,947	n/a	n/a
2018 - 2019	\$214,837	\$8,890	4%
2019 - 2020	\$206,888	(\$7,949)	(4%)
2020 - 2021	\$208,368	\$1,480	1%
2021 - 2022	\$284,985	\$76,617	37%

A benefit of Joint Powers Authorities (also known as self-insurance pooling) is that they have provided stability in turbulent markets. Therefore, HARRG Program is expected to fare better than the market and better than public agencies trying to endure a hard market on their own. Shopping as an individual entity is extremely difficult, especially in California.

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action are expected to be approved in the Fiscal Year (FY) 2022 Housing Authority Approved Budget. Approving this action will not change the FY 2022 Total Budget.

EQUAL OPPORTUNITY/CONTRACTING

HARRG is a nonprofit, member-directed, risk-sharing pool of public agencies and is not subject to the requirement to submit a Workforce Report.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

There are no previous Council and/or Committee Actions

ENVIRONMENTAL REVIEW

The purchase of insurance is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

Respectfully submitted,

Approved by,



Tracey McDermott
Senior Vice President & Chief Financial Officer
Financial Services Department



Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments:

1. Bid waiver from the US Department of Housing and Urban Development (HUD)
2. 2021/2022 Renewal Proposal

Docket materials are available online in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org.



HAI Group

RENEWAL PROPOSAL
for the
San Diego Housing Commission, CA



189 Commerce Court
PO Box 189
Cheshire, CT 06410-0189

203-272-8220 or 800-873-0242
fax 203-271-2265
www.housingcenter.com

Housing Insurance Services, Inc.
Acceptance Form and Compensation Disclosure Notice

In order to bind coverage, please fax or mail this form to the address or fax number listed below.

Insured Name: _____ Effective Date: _____

Proposal Acceptance: Please check [X] one of the following:

- [] The Proposal and Schedule have been reviewed and are accepted for all coverages quoted.
- [] The Proposal and Schedule have been reviewed and need the following changes:

THIS NOTICE DOES NOT AMEND ANY PROVISION OF OR AFFORD ANY COVERAGE UNDER YOUR POLICY. YOU SHOULD REVIEW YOUR ENTIRE POLICY CAREFULLY FOR COMPLETE INFORMATION ON THE COVERAGES PROVIDED AND TO DETERMINE YOUR RIGHTS AND DUTIES UNDER YOUR POLICY. IF THERE IS ANY CONFLICT BETWEEN YOUR POLICY PROVISIONS AND THIS NOTICE, THE PROVISIONS OF YOUR POLICY PREVAIL. PLEASE CONTACT YOUR AGENT OR BROKER IF YOU HAVE ANY QUESTIONS ABOUT THIS NOTICE OR ITS CONTENTS.

HAI Group is a registered trademark for a family of companies which includes Housing Authority Risk Retention Group, Inc. (HARRG); Housing Authority Property Insurance, A Mutual Company (HAPI); Housing Enterprise Insurance Company, Inc. (HEIC); Housing Specialty Insurance Company, Inc. (HSIC); Housing Insurance Services, Inc. (HIS) (DBA Housing Insurance Agency Services in NY and MI); Housing Authority Insurance, Inc. (HAI); Housing Telecommunications, Inc. (HTI); Housing Investment Group, Inc. (HIG); Public and Affordable Housing Research Corporation (PAHRC); Innovative Housing Insurance Company, Inc. (IHIC); and Housing Alliance Group, LLC (HAGL). Member companies carry an "A (Excellent)" rating by A.M. Best Company. In many cases, HIS will obtain proposals from insurers offering coverage in connection with the HARRG, HAPI, and HEIC programs.

As a Member of HAI Group, there are benefits associated with placing your coverage with one or more of their programs.

HIS is an agent for HEIC and HAPI. If your proposal includes coverage from either of these insurance companies, HIS will receive compensation from them if the proposed coverage is purchased. HIS represents the insurance company(ies) and in such capacity will provide services to you relating to your insurance coverage.



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HIS is also the appointed agent of other insurance companies that are not affiliated with the HAI Group programs and may provide you with a proposal from one or more of those companies.

Please note: Your policies and all related documents will be delivered electronically via e-mail. If you prefer that a hard copy of the policy is mailed, please notify us at AccountServices@housingcenter.com to opt out of the electronic delivery. If you do not indicate a preference in delivery method, we will interpret this as your consent to receive your policies through your e-mail address electronically.

I acknowledge that I have read and understand this Disclosure Notice and agree to its terms.

Signature: _____ Date: _____
Title: _____



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Commercial Liability Renewal Proposal for:

PHA: San Diego Housing Commission

1122 Broadway, Suite 300
 San Diego, CA 92101

Renewal of Policy No: HARRG-407-203691-2020

Effective Date: 7/1/2021

THE FOLLOWING OUTLINES THE COVERAGE FORMS, LIMITS OF INSURANCE, POLICY ENDORSEMENTS AND OTHER TERMS AND CONDITIONS PROVIDED IN THIS PROPOSAL. ANY POLICY COVERAGES, LIMITS OF INSURANCE, POLICY ENDORSEMENTS, COVERAGE SPECIFICATIONS, OR OTHER TERMS AND CONDITIONS THAT YOU HAVE REQUESTED THAT ARE NOT INCLUDED IN THIS PROPOSAL HAVE NOT BEEN AGREED TO BY HOUSING AUTHORITY RISK RETENTION GROUP (HARRG). PLEASE REVIEW THIS PROPOSAL CAREFULLY AND IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT YOUR UNDERWRITER.

No. of Units	Family	Elderly	Section 8
	1567	495	15602

Commercial Liability: General Aggregate: \$20,000,000

Comments:

Commercial Liability

The following forms will be added to the renewal:

HACL 736 07 19 Coverage Section O - Abusive Conduct Liability (Claims-Made Form)

ABUSIVE CONDUCT LIABILITY SCHEDULE:

Abusive Conduct Liability Wrongful Act Limit: \$1,000,000
 Abusive Conduct Liability Aggregate Limit: \$1,000,000
 Abusive Conduct Liability Deductible: \$10,000
 Abusive Conduct Liability Retroactive Date: 07/01/2021

Coverage / Deductible	Limits	Premium
Commercial Liability	\$20,000,000 Commercial Liability Limit Per Occurrence	
	\$50,000 Fire Damage Liability Sub-Limit Per Occurrence	
	\$250,000 Athletic Sports Liability Sub-Limit Per Occurrence	
\$10,000 Deductible	\$20,000,000 Commercial Liability Limit Aggregate	\$267,873



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Commercial Liability Renewal Proposal for:

PHA: San Diego Housing Commission

1122 Broadway, Suite 300
 San Diego, CA 92101

Renewal of Policy No: HARRG-407-203691-2020

Effective Date: 7/1/2021

Coverage / Deductible	Limits	Premium
Commercial Liability	\$250,000 Athletic Sports Liability Sub-Limit Aggregate	
Pesticide <i>\$2,500 Deductible</i>	\$50,000 Pesticide Liability Limit Per Occurrence	
	\$50,000 Pesticide Liability Limit Aggregate	
Terrorism		\$1,661
Mold, Other Fungi or Bacteria Liability - Claims Made <i>\$25,000 Deductible</i>	\$250,000 Mold, Other Fungi or Bacteria Liability Limit of Coverage	\$14,951
Third Party Discrimination - Claims Made <i>\$10,000 Deductible</i>	\$500,000 Third Party Discrimination - Claims Made Aggregate	\$500
	\$500,000 Third Party Discrimination - Claims Made Per Wrongful Act	



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Commercial Liability Renewal Proposal for:

PHA: San Diego Housing Commission

1122 Broadway, Suite 300
San Diego, CA 92101

Renewal of Policy No: HARRG-407-203691-2020

Effective Date: 7/1/2021

Coverage / Deductible	Limits	Premium
Total Premium		\$284,985

THIS PROPOSAL DOES NOT AMEND, OR OTHERWISE AFFECT, THE PROVISIONS OF COVERAGE OF ANY RESULTING INSURANCE POLICY ISSUED BY HARRG. IT IS NOT A REPRESENTATION THAT COVERAGE DOES OR DOES NOT EXIST FOR ANY PARTICULAR CLAIM OR LOSS UNDER ANY SUCH POLICY. COVERAGE DEPENDS ON THE APPLICABLE PROVISIONS OF THE ACTUAL POLICY ISSUED, THE FACTS AND CIRCUMSTANCES INVOLVED IN THE CLAIM OR LOSS AND ANY APPLICABLE LAW.

TERRORISM INSURANCE COVERAGE OFFER

You are hereby notified that under the Terrorism Risk Insurance Act, as amended (the Act), you have a right to purchase insurance coverage for losses resulting from acts of terrorism, as defined in Section 102(1)(A) of the Act. As defined in Section 102(1)(A) of the Act, "The term 'act of terrorism' means any act that is certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security, and the Attorney General of the United States ---- (i) to be an act of terrorism; (ii) to be a violent act or an act that is dangerous to (I) human life; (II) property; or (III) infrastructure; (iii) to have resulted in damage within the United States, or outside the United States in the case of (I) an air carrier or vessel described in paragraph (5)(B); or (II) the premises of a United States mission; and (iv) to have been committed by an individual or individuals, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion."

You should know that where coverage is provided by this policy for losses resulting from certified acts of terrorism, such losses may be partially reimbursed by the United States government under a formula established by federal law. However, your policy may contain other exclusions which might affect your coverage, such as an exclusion for nuclear events. Under the formula, the United States government reimburses 80% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The premium charged for this coverage is shown below and does not include any charges for the portion of loss that may be covered by the federal government under the Act.

You should also know that the Act contains a \$100 billion cap that limits U.S. government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses in any one calendar year exceeds \$100 billion. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced.

PLEASE INDICATE ACCEPTANCE OR REJECTION BY "x" in applicable box below.

Acceptance of Terrorism Insurance Coverage (X)	
<input type="checkbox"/>	I accept the offer to purchase terrorism coverage for the Terrorism Premium shown. Terrorism Premium
<input type="checkbox"/>	Commercial Liability \$ 1,661

Rejection of Terrorism Insurance Coverage (X)	
<input type="checkbox"/>	Commercial Liability
<input type="checkbox"/>	I reject terrorism coverage. I understand that I will not have coverage for losses resulting from certified acts of terrorism, whether arising from domestic or foreign-inspired acts.

San Diego Housing Commission

 Named Insured
 TBD

 Policy Number / Policy Period

 Signed by Authorized Representative / Date

 Print Name / Title



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

AUG 22 2019

To Whom It May Concern:

The purpose of this letter is to advise you that Housing Authority Risk Retention Group, Inc. (“HARRG”) and Housing Authority Property Insurance, a Mutual Company (“HAPI”) is each “a nonprofit insurance entity owned and controlled” by public housing authorities (“PHAs”), as described at 24 CFR §965.205(a) and is approved by HUD as “a nonprofit self-funded insurance entity created by PHAs”, as provided by 24 CFR §965.205(c). HARRG has certified that it is a risk retention group domiciled in the State of Vermont and is authorized to do business in all states through the authority granted by the federal Liability Risk Retention Act of 1996 (LRRRA). HAPI has certified that it is a property and casualty company domiciled in the State of Vermont and is licensed in every state in which it conducts business.

Therefore, PHAs are authorized to obtain any line of insurance from HARRG or HAPI without regard to the competitive selection process, and the bidding requirements of the Annual Contributions Contract are hereby waived, provided that: (i) HARRG, upon request, provides any proposed insured with written confirmation of its status as a risk retention group under the LRRRA; and (ii) HAPI, upon request, provides written confirmation to any proposed insured that it is licensed to do business in the applicable state.

Should you have any questions regarding this matter, please contact Kevin J. Gallagher at (202) 402-3630.

Sincerely,

Danielle Bastarache
Deputy Assistant Secretary for
Public Housing and Voucher Programs

