



INFORMATIONAL REPORT

DATE ISSUED: July 5, 2018

REPORT NO: HCR18-069

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of July 13, 2018

SUBJECT: Annual Insurance Report – Fiscal Year 2018 - 2019

COUNCIL DISTRICT: Citywide

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

The attached Fiscal Year (FY) 2018 Insurance Summary details the San Diego Housing Commission (Housing Commission) insurance policies as of July 7, 2018. The report includes both summary and detailed information on all lines of insurance coverage for the Housing Commission. The total insurance expense for FY 2018 was **\$1,126,043**. The total insurance expense budgeted for Fiscal Year 2019 (FY2019) is **\$1,163,900**.

	<u>FY2018</u>	<u>FY2019</u>	<u>Difference in \$</u>	<u>Difference in %</u>
Total Insurance Expense	\$1,126,043	\$1,163,900*	\$37,857	3%

* Estimated

Staff makes every effort to obtain the most comprehensive and lowest price coverage available for the agency. The Housing Commission is a member of several directed insurance risk sharing pools, and with its broker, has developed effective risk management solutions to help proactively control losses and prepare for different exposures.

Currently, the Housing Commission’s comprehensive insurance coverage contains 12 insurance programs and 19 insurance policies:

1. **Property Insurance**
2. **Master Crime Program**
3. **Pollution Program**
4. **Smart Corner Liability**
 - a. Smart Corner- Premises Liability
 - b. Smart Corner- Excess Liability
5. **Fiduciary Liability**
6. **General Liability**
7. **Auto Liability Program**
 - a. Primary Auto
 - b. Excess Auto
8. **Cyber Insurance Program**
 - a. Cyber Primary
 - b. Cyber Buy Up Option
9. **Flood Insurance (NFIP)**
 - a. Flood - 5077 1/2 Muir Ave
 - b. Flood - 5071 Muir Ave
 - c. Flood - 3051 54th Street
 - d. Flood – 355 S. 33rd Street
10. **Contractors Pollution Liability**
11. **Directors & Officers Liability**
 - a. Primary Director's & Officers
 - b. Excess Director's & Officers
12. **Workers' Compensation**

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(1) Property Insurance

Property insurance provides the Housing Commission coverage for damage to real and personal property and business income as a result of a covered peril such as a fire. The Housing Commission currently procures its property insurance coverage from the California State Association of Counties Excess Insurance Authority (CSAC EIA). The property insurance effective date was March 31, 2018. The Housing Commission renews its property coverage annually.

(2) Master Crime Program

The Housing Commission currently procures its crime insurance coverage from the CSAC EIA. The master crime insurance effective date was July 1, 2018. The Housing Commission renews its crime coverage annually. The master crime program manages the loss exposures resulting from criminal acts such as robbery, burglary and other forms of theft.

(3) Pollution Program

The Housing Commission currently procures its pollution insurance coverage from the CSAC EIA. This is a three-year policy with a premium of \$5,575 for the entire term (June 30, 2018 – June 30, 2021). This policy provides coverage for pollution conditions and includes 1st and 3rd party coverages.

(4) Smart Corner Liability

The Smart Corner liability program is composed of two insurance policies: a) Smart Corner premises liability and b) Smart Corner excess liability. Premises liability provides coverage for claims for damage or injury (caused by negligence or acts of omission) at the Smart Corner location. An example would be a “slip and fall” in the Smart Corner premises. Excess liability provides excess coverage specific to the Smart Corner location and follows the primary liability placement. The Housing Commission currently procures its Smart Corner liability insurance coverage from Travelers Insurance Companies (Travelers). The Smart Corner liability insurance effective date was July 1, 2018, and it is renewed annually.

(5) Fiduciary Liability

Since the Housing Commission sponsors a retirement and health plan for its employees and is involved with the management of those plans, it is considered a "Fiduciary" and can be held personally liable for what happens to the plan. This insurance provides coverage for losses that arise as a result of alleged errors or omissions or breach of the fiduciary duties. The Housing Commission currently procures its fiduciary insurance coverage from Hudson Insurance Company. The fiduciary insurance effective date was July 1, 2018. The Housing Commission renews its fiduciary coverage annually.

(6) General Liability

General liability provides third party coverage for Housing Commission liabilities that occur as a result of negligence or omissions. Coverage includes bodily injury, physical damage and personal injury. The Housing Commission currently procures its general liability insurance coverage from the Housing Authority Retention Group, Inc. (HARRG). The general liability insurance effective date was July 1, 2018. The Housing Commission renews its property coverage annually.

(7) Auto Liability Program

The Housing Commission currently procures its auto insurance coverage from Travelers. The auto insurance effective dates were July 1, 2018. The Housing Commission renews its auto insurance coverage annually. The auto liability program is composed of two insurance policies: a) primary auto and b) excess auto. Primary coverage provides comprehensive and collision. “Any auto” applies to the liability and “Owned

auto” applies to all other coverages such as medical payments and physical damage. An example would be an employee gets in an accident while driving a Housing Commission-owned vehicle during the scope of work. Excess coverage provides excess auto coverage following the primary auto placement.

(8) Cyber Insurance Program

The Housing Commission currently procures its cyber insurance coverage from the CSAC EIA. The cyber insurance effective dates were July 1, 2018. The Housing Commission renews its property coverage annually. The cyber insurance program is composed of two insurance policies: a) cyber primary and b) cyber buy up option. The cyber primary provides first and third party coverage for cyber incidents such as liabilities that arise from, but not limited to, a breach of secured data, the notification costs associated with a breach, and taxes and penalties. The cyber buy up option provides dedicated “per life” coverage for notification costs associated to a cyber breach, and this coverage does not erode the limit of liability or program aggregate associated to the primary cyber placement. For example: If the Housing Commission experiences a data breach and 900,000 individuals were effected, the cost to notify the individuals would be covered by this buy up option.

(9) Flood Insurance - National Flood Insurance Program (NFIP)

The National Flood Insurance Program (NFIP), managed by the Federal Emergency Management Agency (FEMA), provides flood coverage for four Housing Commission properties located in flood prone areas. The Housing Commission currently procures its flood insurance coverage for three of its properties from The Hartford Services Group, Inc. (The Hartford) and one from Wright National Insurance Company (Wright). The flood insurance effective date for 355 S 33rd Street was February 21, 2018 (Wright); for 3051 54th Street was August 7, 2017 (The Hartford); for 5077 1/2 Muir Ave was October 4, 2017 (The Hartford); and for 5077 Muir Ave was November 30, 2017 (The Hartford). The Housing Commission renews its flood coverage annually.

(10) Contractors Pollution Liability

Contractor pollution liability insurance provides third-party coverage for bodily injury, property damage, defense, and cleanup as a result of pollution conditions arising from contracting operations performed by or on behalf of the contractor. The Housing Commission currently procures its contractors pollution liability coverage from OneBeacon Insurance Group (OneBeacon). The contractors pollution liability insurance effective date is August 15, 2018. The Housing Commission renews its property coverage annually.

(11) Directors & Officers Liability

The Housing Commission currently procures its directors & officers liability insurance coverage from the Western World Insurance Group Primary and Ironshore Inc. Excess. The directors & officers liability insurance effective date was December 8, 2017. The Housing Commission renews this coverage annually. This program is composed of two insurance policies: a) primary directors & officers and b) excess directors & officers. Primary liability insurance is payable to the directors and officers of a company as indemnification (reimbursement) for losses or advancement of defense costs in the event an insured suffers a loss such as a legal action brought for alleged wrongful acts in their capacity as directors and officers. Examples could include liabilities that arise from poor management decisions. Excess directors & officers provides excess coverage following the primary directors & officers placement.

(12) Workers' Compensation

Provides wage replacement and medical benefits for employees that are injured during the course of employment. Also provides coverage for Employment Practice Liability to include wrongful termination.

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The Housing Commission currently procures its workers' compensation insurance coverage from the California Housing Workers' Compensation Authority (CHWCA). The effective date was January 1, 2018. The Housing Commission renews this coverage annually.

Housing Commission broker:

Alliant Insurance Services (Alliant)

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, including the marketing of all lines of insurance coverage, as well as the administrative support and servicing, loss control, and claims managements handling. Alliant with a history dating back to 1925 ranks among the largest insurance brokerage firms in the United States.

Housing Commission carriers:

California State Association of Counties Excess Insurance Authority (CSAC EIA)

The CSAC EIA is a member-directed insurance risk sharing pool. The CSAC EIA has developed effective risk management solutions to help California public entities proactively control losses and prepare for different exposures. The sole purpose of this Joint Powers Authority (JPA) is finding cost effective insurance solutions and risk management services for members.

HARRG – Housing Authority Retention Group, Inc.

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. HARRG is owned by the members it insures. HARRG is a nonprofit, tax-exempt captive mutual risk retention group.

CHWCA - California Housing Workers' Compensation Authority

The California Housing Workers' Compensation Authority (CHWCA) is a JPA established in 1991 by public housing authorities in the state of California. CHWCA is a special district in the state of California providing its members with a comprehensive workers' compensation coverage program for the sharing of risk for self-insured losses, as well as jointly purchasing claims adjusting services, actuarial services, risk control services, and legal services connected with the program.

Hudson Insurance Company

Hudson is a market-leading specialty insurer that offers a wide range of property and casualty insurance products to corporations, professional firms and individuals through retailers, wholesalers and program administrators. Hudson is rated A "Excellent" by A.M. Best Guide Rating as of February 28, 2018.

The Travelers Insurance Companies

Travelers is the second largest writer of U.S. commercial property casualty insurance and the third largest writer of U.S. personal insurance through independent agents. A.M. Best has affirmed the Financial Strength Rating (FSR) of A++ (Superior).

The Hartford Insurance Services Group, Inc. (The Hartford)

The Hartford is part of the Fortune 500 list and is the 12th-largest property and casualty company in the United States.

Ironshore Inc (Ironshore)

Ironshore has more than 25 years of experience as an insurance business and is rated A (Excellent) by A.M. Best and A+ from both Standard and Poor's and Fitch Group.

OneBeacon Insurance Group (OneBeacon)

OneBeacon provides specialty insurance solutions backed by financial strength, expertise and a commitment to excellence. It is rated "A" (excellent) from A.M. Best

Western World Insurance Group (Western World)

Western World is a Better Business Bureau accredited insurance provider. The company largely specializes in general liability, commercial property, commercial auto and professional liability insurance.

Wright National Flood Insurance Company (Wright)

Wright is the industry's largest provider of flood insurance through the Independent Agency System. A.M. Best has affirmed the Financial Strength Rating of A- (Excellent).

FISCAL CONSIDERATIONS

The Fiscal Year (FY) 2018 funding sources and uses were approved by the Housing Authority in the FY 2018 Budget. The FY 2019 funding sources and uses were also approved by the Housing Authority in the FY 2019 Budget.

Program	FY2018 Premium	FY2019 Premium	Variance \$	Variance %
Property Insurance	\$289,092	\$298,963	\$9,871	3%
Fiduciary Liability	\$5,870	\$5,614	(\$256)	(4%)
General Liability	\$205,947	\$214,837	\$8,890	4%
Master Crime Program *	\$7,508	\$7,508	\$0	0%
Pollution Program	\$2,674	\$2,037	(\$637)	(24%)
Smart Corner Liability *	\$36,730	\$36,904	\$174	0%
Auto Liability *	\$43,586	\$48,297	\$4,710	11%
Cyber Insurance *	\$30,788	\$30,976	\$188	1%
Flood Insurance ***	\$6,810	\$11,700	\$4,890	72%
Contractors Pollution Liability	\$1,961	\$2,086	\$125	6%
Director's & Officers Liability ***	\$131,989	\$134,629	\$2,640	2%
Workers' Compensation **	\$363,088	\$370,350	\$7,262	2%
TOTAL	\$1,126,043	\$1,163,900	\$37,857	3%

* Contains multiple policies

** Renewal date is after July 7, 2018 – estimated premium based on historical trends

*** Contains multiple policies and renewal date is after July 7, 2018 – estimated premium

Property Insurance

The CSAC EIA estimated a 10 percent increase for its member's 2018 Property Program renewal. The driving force for this increase is the program's overall loss history, actual property schedule updates and the global experience in catastrophic losses that occurred in 2017, including Hurricanes Harvey and Irma, the earthquakes in Mexico, the fires in California. Such events have shaped the framework for future renewals. These natural catastrophes caused \$353 billion in economic losses, which are 93 percent higher than the 2000-2016 average. Because of such events, the market has demonstrated a "hardening" state, which results in rate increases across the board. Because of the Housing Commission's good loss history, the agency was seeing a rate increase of less than 4 percent. The Housing Commission Board approved the procurement and binding of property insurance coverage for the Housing Commission from the California State Association of Counties Excess Insurance Authority (CSAC EIA) during its meeting on March 9, 2018.

General Liability

Due to recent losses, HARRG is increasing its member's rates as much as 15 percent. Because of the Housing Commission's good loss history, the agency is seeing a rate increase of less than 5 percent. Despite the rate increase, the current rates from HARRG are substantially below market.

Auto Liability

This year the Housing Commission has increased its vehicle fleet from 22 to 26 vehicles. The \$4,710 increase of the FY 2019 premium reflects the fleet increase.

Flood Insurance

Due to a recent flood zoning changes, the Housing Commission added its 355 S. 33rd Street to The National Flood Insurance Program (NFIP). The \$4,876 increase of the estimated FY 2019 premium reflects the program expansion.

Workers' Compensation

Renewal date for this coverage is after July 7, 2018; the provided amount (\$7,262 or 2 percent increase), is an estimated premium based on historical trends. Housing Commission staff will be presenting to this board a renewal request during the upcoming November 16 Board Meeting.

CONCLUSION

The Housing Commission had numerous casualty placements renewing on July 1, 2018, including: General Liability, Auto Liability, Smart Corner Premises Liability, Crime, Cyber Liability and Contractors Pollution Liability.

The best practice is to market insurance coverage every three years in order to maintain bidding interest from insurance company underwriters. Therefore, last year, staff worked with Alliant to competitively market Housing Commission coverages to all carriers who write policies for similar classes of business (habitational) to assure the best value at renewals.

The comprehensive marketing confirmed that the Housing Commission's insurance programs fits in line with the industry standard, also considering Housing Authorities are a unique risk among the public entity and commercial industry.

Respectfully submitted,



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Vice President & Chief Financial Officer
San Diego Housing Commission

Approved by,



Jeff Davis
Executive Vice President & Chief of Staff
San Diego Housing Commission

Attachments: 1) FY2019 Insurance Summary

Hard copies are available for review during business hours at the security information desk in the main lobby and the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the “Public Meetings” section of the San Diego Housing Commission website at www.sdhc.org.