



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: March 8, 2019

REPORT NO: HCR19-025

ORIGINATING DEPT: Financial Services

BOARD REPORT: 2019-2020 Procurement of Property 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 property insurance coverage from California State Association of Counties Excess Insurance Authority (CSAC EIA) in an amount not to exceed \$355,000 with effective dates of March 31, 2019, to March 31, 2020.
- Late December, the CSAC EIA has provided the Housing Commission with a preliminary premium estimate of \$355,000 for the 2019-2020 policy years, an estimated 19 percent increase from the 2018-2019 policy years.
- This estimated increase is based on multiple factors, including: the rising cost of earthquake insurance coverage for public agencies; the effects the insurance industry as a whole has experienced due to losses sustained through earthquakes, hurricanes and California fires; and losses the Housing Commission incurred due to fires at two properties in prior years that were paid out in Fiscal Year 2019.
- The Housing Commission currently procures its property insurance coverage from the CSAC EIA 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).
- 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.
- The best practice is to market insurance coverage every three years to maintain bidding interest from insurance company underwriters. Therefore, staff does not recommend a new competitive process for the policy year beginning March 31, 2019.



REPORT

DATE ISSUED: February 28, 2019

REPORT NO: HCR19-025

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of March 8, 2019

SUBJECT: 2019-2020 Procurement of Property Insurance Coverage

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Approve the procurement and binding of property insurance coverage from the California State Association of Counties Excess Insurance Authority (CSAC EIA) in an amount not to exceed \$355,000 with effective dates of March 31, 2019, to March 31, 2020.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) approve the procurement and binding of property insurance coverage for the Housing Commission from the California State Association of Counties Excess Insurance Authority (CSAC EIA) in an amount not to exceed \$355,000 with effective dates of March 31, 2019, to March 31, 2020.

SUMMARY

Housing Commission staff is asking for authorization to procure and bind property insurance coverage from CSAC EIA in an amount not to exceed \$355,000 with effective dates of March 31, 2019, to March 31, 2020.

The Housing Commission currently procures its property insurance coverage from the CSAC EIA 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). The marketing process resulted in five bids received, and CSAC EIA was determined to provide the most comprehensive and lowest price coverage available.

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 three years to maintain bidding interest from insurance company underwriters. In addition, marketing conducted on a three-year rotation allows

time to foster a relationship with the carrier. Therefore, staff does not recommend a new competitive process again for the policy year beginning March 31, 2019.

The Housing Commission has been a long-time member of the CSAC EIA’s Property Program, joining in conjunction with San Diego County on June 13, 1993. This group purchase program has been highly successful over the years in providing extremely broad coverage and substantial limits (including more combined California earthquake limits than purchased by any other entity). The CSAC EIA Program is summarized in Table 1 below.

Table 1:

PROPERTY PROGRAM SUMMARY	
Program	CSAC EIA Property Program
Type of Insurance	All Risk, including Flood, Earthquake and Boiler & Machinery
Number of Members	97 Members, including 52 counties and 45 other public entities
Policy Period	March 31, 2019, to March 31, 2020
Total Insured Values	\$65.05 Billion

The CSAC EIA most recently estimated a 19 percent increase for the Housing Commission’s 2019 Property Program renewal. This estimated increase is based on multiple factors, including: the rising cost of earthquake insurance coverage for public agencies; the effects the insurance industry as a whole has experienced due to losses sustained through earthquakes, hurricanes and California fires; and losses the Housing Commission incurred due to fires at two properties in prior years that were paid out in Fiscal Year 2019.

The CSAC EIA will be providing their final premiums after March 4, 2019; however, the premiums are expected not to exceed the amounts provided in Table 2 below.

Table 2:

	2018/19	2019/20	Inc/Dec (%)
Premium	\$298,963	\$355,000	19%

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action were approved in the Fiscal Year (FY) 2019 Housing Authority Approved Budget. Approving this action will not change the FY 2019 Total Budget. Funding sources for the portion of the policy year from July 1, 2019, to March 31, 2020, will be budgeted in FY 2020.

EQUAL OPPORTUNITY/CONTRACTING

CSAC EIA 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

On March 9, 2018, the Housing Commission unanimously approved a contract with CSAC EIA for property insurance coverage for the period of March 31, 2018, to March 31, 2019.

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. A preliminary review of this action stipulates that this activity is exempt from the National Environmental Policy Act pursuant to Section 58.34(a)(2) and Section 58.34(a)(3) Title 24 of the Code of Federal Regulations.

Respectfully submitted,



Tracey McDermott
Senior Vice President & Chief Financial Officer
San Diego Housing Commission

Approved by,



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

Attachment: CSAC Excess Insurance Authority - 2019/20 Early Budget Estimates – December 2018

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 “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org.



CSAC Excess Insurance Authority
2019/20 Early Budget Estimates, December 2018

San Diego Housing Commission

This second round of early estimates have been prepared to further aid you in budgeting for the 2019/20 fiscal year. It is important to keep in mind it is early on in the process of determining each Program's total cost. Since the initial version provided in October, we have updated the budget estimates to reflect the estimated 2019/20 payroll submitted via the renewal applications and losses evaluated as of 6/30/2018. The estimates provided are intended to be conservative; however, since there is a chance that final premiums may be in excess of these estimates, we recommend you budget towards the high end of the range.

If you are aware that you have had any substantial changes over the past 12 months, please contact Brian Kelley and a better estimate can be developed for you.

Property Program

Premium

17/18 Premium:	\$289,091	2019/20 AR TIV:	\$318,600,353
18/19 Premium:	\$298,963	2019/20 EQ TIV:	\$183,643,528
19/20 Estimated Premium:	\$355,000		

The 2019/20 premium budget estimates sent out in October had an overall premium increase of 17%-25% for most members. This estimate was based on 2018/19 binding total insured values (TIV) and did not take into consideration property schedule updates. The December premium estimates are based on updated TIV as of November 28, 2018 and loss history. As indicated in the initial budget estimates, members with adverse loss history and/or significant TIV increases between the initial estimate and the December estimate may result in a premium increases that are higher than the range provided in October. Finally, large catastrophic events or economic downturn prior to the March 31, 2019 renewal could impact the property insurance marketplace, resulting in further hardening of the market, potentially impacting the premium estimate.

Master Crime Program

Premium

17/18 Premium:	\$9,101
18/19 Premium:	\$9,101
19/20 Estimated Premium:	\$10,100 to \$10,500

The program is in the first year of a 2 year agreement with AIG. Premium estimates provided assume a 10-15% increase over the expiring premium and do not contemplate any exposure changes.



CSAC Excess Insurance Authority
2019/20 Early Budget Estimates, December 2018

San Diego Housing Commission

Cyber Liability Program

Premium

17/18 Premium:	\$2,310
18/19 Premium:	\$2,310
19/20 Estimated Premium:	\$2,800 to \$2,900

The estimated premiums shown are based on a 20-25% premium increase. The premium does not include the Cyber Enhancement Option (CEO). Please note these premium estimates do not contemplate any additional TIV increases excluding appraisals.

Cyber Liability - Cyber Enhancement Option

Premium

17/18 Premium:	\$28,666
18/19 Premium:	\$25,575
19/20 Estimated Premium:	\$30,700 to \$32,000

The estimated premiums shown are based on a 20-25% premium increase. Please note these premium estimates do not contemplate any increases in total operating budget.

Pollution Program

Premium

18/19 Premium:	\$2,037
19/20 Premium:	\$1,858

The program is in the first year of a three year policy term. The prior year premium reflects the annual installment premium for the policy.