



## REPORT

**DATE ISSUED:** March 2, 2017

**REPORT NO:** HCR17-025

**ATTENTION:** Chair and Members of the San Diego Housing  
Commission for the Agenda of March 10, 2017

**SUBJECT:** 2017-2018 Procurement of Property Insurance Coverage

**COUNCIL DISTRICT:** Citywide

### **REQUESTED ACTION**

ALL ACTIONS OF THE SAN DIEGO HOUSING COMMISSION (HOUSING COMMISSION) BOARD OF COMMISSIONERS ARE SUBJECT TO REVIEW BY THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO (HOUSING AUTHORITY) UPON THE REQUEST OF ANY TWO HOUSING AUTHORITY MEMBERS WITHIN SEVEN DAYS OF THE ACTION BY THE HOUSING COMMISSION BOARD.

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 \$314,100 with effective dates of March 31, 2017, to March 31, 2018.

### **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 \$314,100 with effective dates of March 31, 2017, to March 31, 2018.

### **SUMMARY**

Housing Commission staff is asking for authorization to procure and bind property insurance coverage from CSAC EIA in an amount not to exceed \$314,100 with effective dates of March 31, 2017, to March 31, 2018.

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 2014 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 selected to be the Housing Commission's insurance broker in a comprehensive procurement process in January 2014. 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, this year, Alliant conducted a comprehensive marketing of the Housing Commission property program to the marketplace, in addition to the incumbent CSAC EIA.

The established methodology for marketing this year was as follows:

- Identify the total universe of potential, qualified markets;
- Focus on those markets that entertain housing risks, which in this case, included more than 15 markets;
- Eliminate those markets that either participate in the current CSAC EIA program or are being considered for the 2017-2018 program renewal;
- Provide proper notification to CSAC EIA of potential withdrawal;
- Send submissions to the remaining qualified markets; and
- Compare options.

Based on results reported by Alliant, a majority of the markets that reviewed the Housing Commission's current program declined to quote because they either are not currently writing coverage for habitational properties or could not compete with the current pricing. The four markets, including the CSAC EIA, which did provide pricing indications are shown in the Table 1 below:

**Table 1:**

<b>Market</b>		<b>Indication</b>
CSAC EIA (incumbent)		\$314,100*
AIG		\$620,000
Arch		\$900,000
Chubb		\$980,000

\*CSAC EIA pricing negotiations are still ongoing; final numbers will be released after March 1.

Based on the response from the marketplace, staff recommends that the Housing Commission continue its property insurance coverage with the CSAC EIA.

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 2 below.

**Table 2:**

<b>PROPERTY PROGRAM SUMMARY</b>	
<b>Program</b>	CSAC EIA Property Program
<b>Type of Insurance</b>	All Risk, including Flood, Earthquake and Boiler & Machinery
<b>Number of Members</b>	97 Members, including 52 counties and 45 other public entities
<b>Policy Period</b>	March 31, 2017 to March 31, 2018
<b>Total Insured Values</b>	\$65.05 Billion

In addition, as demonstrated in Table 3 below, for the 2017-2018 Policy Term, the Housing Commission has been provided with a “not-to-exceed” rate of .0951 cents, which is a 7.5 percent increase in the rate, which is driven by the more than 11 percent increase in earthquake total insurable values compared to last year. The proposed total premium of \$314,100 is significantly lower than any other indicated provided in the marketplace. Of special note: The CSAC EIA will be providing their final premiums after March 1; however, the premiums are not to exceed the amounts provided in Table 3 below.

**Table 3:**

	2016/2017	2017/18	Inc/Dec (%)
Total Insured Values	\$321,608,158	\$329,810,492	2.5%
Earthquake TIV	\$174,877,533	\$194,002,247	10.9%
Earthquake Rate	6.08 cents	6.24 cents	2.6%
Overall- Rate per \$TIV	8.85 cents	9.51 cents	7.5%
Earthquake Premium	\$106,343	\$121,079	13.8%
Premium	\$284,668	\$314,100	10.3%

### **FISCAL CONSIDERATIONS**

The proposed funding sources and uses approved by this action were approved in the Fiscal Year (FY) 2017 Housing Authority Approved Budget. Approving this action will not change the FY 2017 Total Budget. Funding sources for the portion of the policy year from July 1, 2017, to March 31, 2018, will be budgeted in FY 2018.

### **PREVIOUS COUNCIL and/or COMMITTEE ACTION**

On February 12, 2016, the Housing Commission approved a recommendation to the Housing Authority of the City of San Diego (Housing Authority) to approve a contract with CSAC EIA for property insurance coverage for the period of March 31, 2016, to March 31, 2017.

On March 22, 2016, the Housing Authority approved a contract with CSAC EIA for property insurance coverage for the period of March 31, 2016, to March 31, 2017.

**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,



Tracey McDermott  
Vice President of Finance &  
Chief Financial Officer  
Financial Services Department

Approved by,



Jeff Davis  
Executive Vice President &  
Chief Of Staff  
San Diego Housing

Commission Attachments:

- 1) SDHC Insurance Summary 2017

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](http://www.sdhc.org)