



## EXECUTIVE SUMMARY

### HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: June 10, 2022

HCR22-022

SUBJECT: 2022-2023 Procurement of General Liability Insurance Coverage

COUNCIL DISTRICT: Citywide

ORIGINATING DEPARTMENT: Financial Services

CONTACT/PHONE NUMBER: Suket Dayal/619-578-7608

#### REQUESTED ACTION:

Authorize the Housing Commission to procure and bind general liability insurance coverage from Housing Authority Risk Retention Group, Inc., (HARRG) in an amount not to exceed \$347,681 with effective dates of July 1, 2022, to July 1, 2023.

#### EXECUTIVE SUMMARY OF KEY FACTORS:

- In late May, HARRG provided the Housing Commission with an estimated renewal proposal of \$347,681 for the 2022-2023 policy year. The 22 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 general liability 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, 2023.
- 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.
- The proposed funding sources and uses approved by this action are included in the Housing Commission's proposed Fiscal Year (FY) 2023 Budget, which will be presented to the Housing Authority of the City of San Diego for consideration on June 13, 2022. Approving this action will not change the FY 2023 Total Budget.



## REPORT

**DATE ISSUED:** June 2, 2022

**REPORT NO:** HCR22-022

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of June 10, 2022

**SUBJECT:** 2022-2023 Procurement of General Liability Insurance Coverage

**COUNCIL DISTRICT:** Citywide

### **REQUESTED ACTION**

Authorize the Housing Commission to procure and bind general liability insurance coverage from Housing Authority Risk Retention Group, Inc., (HARRG) in an amount not to exceed \$347,681 with effective dates of July 1, 2022, to July 1, 2023.

### **STAFF RECOMMENDATION**

That the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board) approve the procurement and binding of general liability insurance coverage from Housing Authority Risk Retention Group, Inc., (HARRG) in an amount not to exceed \$347,681 with effective dates of July 1, 2022, to July 1, 2023.

### **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 \$347,681 with effective dates of July 1, 2022, to July 1, 2023.

The Housing Commission currently procures its general liability 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, Inc. (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's. They provided feedback 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 2022. 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, the Housing Commission did not competitively market Housing Commission 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, 2023.

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 below.

### **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 provided the Housing Commission with an estimated renewal proposal of \$347,681 for the 2022-2023 policy year. The 22 percent premium increase directly corresponds to unprecedented world events, in tandem with carriers depleting reserves for future losses. 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 greatly exacerbated the situation.

The HARRG's Commercial General Liability Renewal Proposal is summarized in Table 1 and the five year premium trend in Table 2 below.

**Table 1:**

<b>Commercial Liability Renewal Proposal</b>	<b>2022- 2023</b>
Commercial Liability	\$326,805
Mold, Other Fungi or Bacteria Liability -	18,240
Terrorism Insurance Coverage	2,026
Third Party Discrimination	610
<b>Total Premium</b>	<b>\$347,681</b>

**Table 2:**

<b>Policy year</b>	<b>Premium</b>	<b>Inc./Dec. (\$)</b>	<b>Inc./Dec. (%)</b>
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%
2022 - 2023	\$347,681	\$62,696	22%

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 included in the Housing Commission’s proposed Fiscal Year (FY) 2023 Budget, which will be presented to the Housing Authority of the City of San Diego for consideration on June 13, 2022. Approving this action will not change the FY 2023 Total Budget.

**HOUSING COMMISSION STRATEGIC PLAN**

This item relates to the Core Value “Believe in transparency and being good financial stewards” in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024

**EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE**

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. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this

action.

Respectfully submitted,

*Suket Dayal*

Suket Dayal  
Executive Vice President of Business Administration  
San Diego Housing Commission

Approved by,

*Jeff Davis*

Jeff Davis  
Interim President and Chief Executive Officer  
San Diego Housing Commission

Docket materials are available online in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org).