



## INFORMATIONAL REPORT

**DATE ISSUED:** July 20, 2017 **REPORT NO:** HCR17-061

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of July 28, 2017

**SUBJECT:** Annual Insurance Report – Fiscal Year 2017 - 2018

**COUNCIL DISTRICT:** Citywide

### NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

#### SUMMARY

The attached Fiscal Year (FY) 2018 (July 1, 2017 – June 30, 2018) Insurance Summary details the San Diego Housing Commission (Housing Commission) insurance policies as of July 28, 2017. The report includes both summary and detailed information on all lines of insurance coverage for the Housing Commission. The total insurance expense for FY 2017 was **\$1,041,293**. The total insurance expense budgeted for FY 2018 is **\$1,128,465**.

	<u>FY2017</u>	<u>FY2018</u>	<u>Difference in \$</u>
Total Insurance Expense	\$1,041,293	\$1,128,755*	\$87,462

\* Estimated

In general, insurance rates are based on total insured values (TIV), as well as loss history. Additional increases in TIV may result in premium increases. The estimated insurance cost is based on a conservative 13 percent assumed increase.

	<u>FY2017</u>	<u>FY2018</u>	<u>Difference in \$</u>
Total Insurable Value	\$321,608,158	\$329,810,492	\$8,202,334

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**
  - a. Crime Primary
  - b. Crime Excess
- 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
- 10. Contractors Pollution Liability**
- 11. Directors & Officers Liability**
  - a. Primary Directors & Officers
  - b. Excess Directors & Officers
- 12. Workers' Compensation**

(1) Property Insurance

Provides the 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 is March 31, 2017. 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 is July 1, 2017. The Housing Commission renews its crime coverage annually. The master crime program is composed of two insurance policies: a) crime primary and b) crime excess. Primary coverage manages the loss exposures resulting from criminal acts, such as robbery, burglary and other forms of theft. Excess coverage provides greater limits of crime coverage and follows the primary crime coverage.

(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 \$8,022 for the entire term (June 30, 2015 – June 30, 2018). This policy provides coverage for pollution conditions and includes first- and third-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” on 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 is July 1, 2017, 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 RLI Insurance Company. The fiduciary insurance effective date is July 1, 2017. The Housing Commission renews its fiduciary coverage annually.

#### (6) General Liability

General liability insurance 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 is July 1, 2017. The Housing Commission renews its general liability coverage annually.

#### (7) Auto Liability Program

The Housing Commission currently procures its auto insurance coverage from Travelers. The auto insurance effective date is July 1, 2017. The Housing Commission renews its property coverage annually. The auto liability insurance 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 if an employee is involved 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 property cyber coverage from the CSAC EIA. The cyber insurance effective date is July 1, 2017. 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 with a cyber breach, and this coverage does not erode the limit of liability or program aggregate associated with 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)

This program provides flood coverage for three Housing Commission properties located in flood prone areas. The Housing Commission currently procures its flood insurance coverage from The Hartford Services Group, Inc. (The Hartford). The flood insurance effective date for 3051 54th Street is August 7, 2016; for 5077 1/2 Muir Ave is October 4, 2016; and for 5077 Muir Ave is November 30, 2016. SDHC renews its flood coverage annually.

#### (10) Contractors Pollution Liability

This contractor-based policy 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 contractor’s pollution liability insurance effective date is August 15, 2017. The Housing Commission renews its contractor’s pollution liability 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 is December 8, 2016. 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

This insurance provides wage replacement and medical benefits for employees who are injured during the course of employment. It also provides coverage for Employment Practice Liability to include wrongful termination. The Housing Commission currently procures its workers' compensation insurance coverage from the California Housing Workers' Compensation Authority (CHWCA). The effective date is January 1, 2017. The Housing Commission renews this coverage annually.

### **Housing Commission broker:**

Alliant Insurance Services (Alliant) was assigned as the broker of record for the Housing Commission in 2014. Alliant provides commercial insurance brokerage, risk management, and employee benefits solutions with a history dating back to 1925 and ranks among the largest insurance brokerage firms in the United States.

As the Housing Commission's partnered broker, Alliant provides support to all facets of the Housing Commission's brokerage services including the marketing of all lines of coverage, the administrative support and servicing, loss control and claims management 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 abreast of any changes, trends and emerging risks within the public entity and commercial insurance industry.

### **Housing Commission insurance 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 is finding cost effective insurance solutions and risk management services for members.

#### Housing Authority Retention Group, Inc. (HARRG)

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.

California Housing Workers' Compensation Authority (CHWCA)

CHWCA is a Joint Powers Authority 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.

RLI Insurance Company

RLI is a specialty insurance company with a diversified portfolio of property and casualty coverages and surety bonds. RLI insurance subsidiaries are rated A+ "Superior" by A.M. Best and A+ "Strong" by Standard & Poor's.

The Travelers Insurance Companies (Travelers)

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.

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.

**FISCAL CONSIDERATIONS**

The FY 2017 funding sources and uses were approved by the Housing Authority in the FY 2017 Budget. The FY 2018 funding sources and uses were also approved by the Housing Authority in the FY 2018 Budget.

<b>Program</b>	<b>FY2017 Premium</b>	<b>FY2018 Premium</b>	<b>Variance \$</b>
Property Insurance	\$284,669	\$289,092	\$4,423
Fiduciary Liability	\$6,100	\$5,870	(\$230)
General Liability	\$182,579	\$205,947	\$23,368
Master Crime Program *	\$7,134	\$7,508	\$374
Pollution Program	\$2,674	\$2,674	\$0
Smart Corner Liability *	\$36,402	\$36,730	\$328
Auto Liability *	\$38,056	\$39,287	\$1,231

Cyber Insurance *	\$8,157	\$30,788	\$22,631
Flood Insurance ***	\$6,483	\$6,810	\$327
Contractors Pollution Liability	\$1,845	\$1,961	\$116
Directors & Officers Liability ***	\$131,989	\$139,000	\$7,011
Workers' Compensation **	\$335,204	\$363,088	\$27,884

<b>TOTAL</b>	<b>\$1,041,293</b>	<b>\$1,128,755</b>	<b>\$87,462</b>
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\* Contains multiple policies

\*\* Renewal date is after July 28, 2017 – Estimated Premium

\*\*\* Contains multiple policies and renewal date is after July 28, 2017 – Estimated Premium

### General Liability

Due to recent losses, HARRG is increasing its member's rates as much as 30 percent. Because of the Housing Commission's good loss history, the agency is seeing a rate increase of less than 13 percent. Despite the rate increase, the current rates from HARRG are substantially below market.

### Cyber Insurance

The Cyber Enhancement Option which provides dedicated "per life" coverage for notification costs associated with a cyber breach was increased to one million individuals.

<b>Total Operating Budget</b>	<b>50K Notified Individuals</b>	<b>100K Notified Individuals</b>	<b>250K Notified Individuals</b>	<b>500K Notified Individuals</b>	<b>1M Notified Individuals</b>	<b>2M Notified Individuals</b>
\$248,396,705	\$6,325	\$9,488	\$14,795	\$20,806	\$28,666	\$38,270

### Workers' Compensation

Renewal date for this coverage is after July 28, 2017. The provided amount (\$27,172 increase), is an estimated premium based on recently approved 26 staff additions.

## **CONCLUSION**

The Housing Commission had numerous casualty placements renewing on July 1, 2017, 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 to maintain bidding interest from insurance company underwriters. Earlier this year, staff worked with Alliant to competitively market its coverages to all carriers who write policies for similar classes of business (habitational) during the insurance renewal process for the period of July 1, 2017, to June 30, 2018 to assure the best value at renewal.

The comprehensive marketing of the Housing Commission's coverage confirmed that the current market for these lines of coverage is fairly flat with renewals ranging from flat premiums to single digit increases depending on the carrier, line and account. Overall, the Housing Commission's 2017-2018 insurance program fits in line with the industry standard, also considering Housing Authorities are a unique risk among the public entity and commercial industry.

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In addition, the Housing Commission will also be marketing brokerage services this fall to ensure it has the most competitive insurance design available.

Respectfully submitted,



Tracey McDermott  
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) FY2018 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](http://www.sdhc.org).





SAN DIEGO HOUSING COMMISSION  
FY2018 INSURANCE SUMMARY

Policy	Carrier	Effective Date	Premium	Limits	Deductible/ Retention	Description of Coverage
Property	CSAC EIA	3/31/2017	\$ 289,092	\$25,000,000	\$ 25,000	Provides coverage for damage to Real and Personal property, and Business Income as a result of a covered peril such as a fire.
Fiduciary Liability	FLIP	7/01/2017	\$ 5,870	\$ 2,000,000 aggregate	-	If your company sponsors a retirement or health plan for the employees and if you are involved in any way with the management of that plan, you are likely considered a "Fiduciary" and can be held personally liable for what happens to the plan. This provides coverage for losses that arise as a result of alleged errors or omissions or breach of the fiduciary duties.
Pollution	CSAC EIA	7/1/2015	\$ 2,674	\$10,000,000 per Pollution Condition; \$10,000,000 per member aggregate	\$75,000	Provides coverage for pollution conditions and includes 1 <sup>st</sup> and 3 <sup>rd</sup> party coverages
Master Crime	CSAC EIA	6/30/2017	\$ 7,508	\$15,000,000	\$ 2,500	Coverage that manages the loss exposures resulting from criminal acts such as robbery, burglary and other forms of theft.

Policy	Carrier	Effective Date	Premium	Limits	Deductible/ Retention	Description of Coverage
Smart Corner- Premises Liability	Travelers	7/1/2017	\$ 19,722	\$5,000,000	-	Provides coverage for claims from SDHC's liability to damage or injury (caused by negligence or acts of omission) during performance of business. Premises liability coverage only, as operations are excluded. Example would be a "slip and fall" in the Smart corner premises.
Smart Corner- Excess Liability	Travelers	7/1/2017	\$ 17,009	\$20,000,000	-	Provides excess coverage specific to the Smart Corner location and follows the primary liability placement.
General Liability	HARRG	7/1/2017	\$ 205,947	\$20,000,000	\$ 10,000	Provides third party coverage for SDHC liabilities that occur as a result of negligence or omissions. Coverage includes bodily injury, physical damage and personal injury.
Commercial Auto	Travelers	7/1/2017	\$ 30,154	\$1,000,000	\$1000 Comp and Collision	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. Example includes an employee gets in an accident while driving a SDHC owned vehicle during the scope of work.

Policy	Carrier	Effective Date	Premium	Limits	Deductible/ Retention	Description of Coverage
Excess Auto	Travelers	7/1/2017	\$ 9,133	\$9,000,000	-	Provides excess auto coverage following the primary auto placement.
Cyber	CSAC EIA	7/1/2017	\$ 1,832	\$20,000,000 with \$2,000,000 Aggregate for each Member	\$ 50,000	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.
Excess Cyber	CSAC EIA	7/1/2017	\$ 290			Provides excess cyber coverage following the primary cyber placement.
Cyber Buy Up Option	CSAC EIA	7/1/2017	\$ 28,666	1M Notified Individuals	-	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 SDHC experiences a data breach and \$800,000 lives were effected, the cost to notify the individuals would be covered by this buy up option.
Flood- 3051 54th Street	Hartford	8/7/2016	\$ 660	\$250,000 building / \$1,000 contents	\$1,000 building and contents	Provides flood (NFIP) coverage for the 3051 54 <sup>th</sup> Street location.

Policy	Carrier	Effective Date	Premium	Limits	Deductible/ Retention	Description of Coverage
Contractors Pollution Liability	One Beacon	7/1/2017	\$ 1,961	\$2,000,000	\$5,000 Contractors Pollution and Professional Services Liability, \$10,000 Non-Owned Disposal Site Liability	Contractor-based policy that 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.
Flood- 5077 1/2 Muir Ave	Hartford	10/4/2016	\$ 2,869	\$250,000 building	\$ 2,000	Provides flood (NFIP) coverage for the 5077 ½ Muir Ave location.
Flood- 5071 Muir Ave	Hartford	11/30/2016	\$ 3,000	\$250,000 building	\$ 2,000	Provides flood (NFIP) coverage for the 5071 Muir Ave location.
Director's & Officers	Western World	12/8/2016	\$ 99,989	\$5,000,000	\$ 150,000	Liability insurance 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 such a loss as a result of 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 Director's & Officers	Ironshore	12/8/2016	\$ 32,000	\$3,000,000	\$0 Deductible at \$5,000,000 attachment point	Provides excess coverage following the primary Director's & Officers placement.

Policy	Carrier	Effective Date	Premium	Limits	Deductible/ Retention	Description of Coverage
Workers' Compensation	CHWCA	1/1/2017	\$ 335,204	Statutory for WC and \$5,000,000 for EPLI	First Dollar	Form of insurance that 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.