



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

DATE: March 2, 2017

HCR17-084

ORIGINATING DEPT: Financial Services

BOARD REPORT: 2018 Procurement of Workers' Compensation Insurance Coverage

CONTACT/PHONE NUMBER: Tracey McDermott, 619-578-7737

EXECUTIVE SUMMARY OF KEYFACTORS:

- San Diego Housing Commission (Housing Commission) staff are asking for authorization to procure workers' compensation insurance coverage from the California Housing Workers' Compensation Authority (CHWCA) in an amount not to exceed \$363,000, a 10% increase from last year's premium, with effective dates of January 1, 2018, to December 31, 2018.
- The Housing Commission currently procures its workers' compensation insurance coverage from the CHWCA insurance pool. CHWCA is a Joint Powers Authority (JPA) established in 1991 by public housing authorities in the state of California. CHWCA has 33 member agencies/Housing Authorities.
- At its recent meeting in Sacramento, the CHWCA Executive Committee (EC) voted to update a portion of the rating methodology used to determine member contributions for workers' compensation. The new model will have a minimum experience modification of 0.75 and a maximum of 1.50. Secondly, there will be year-over-year limiters, so that no agency's ex-mod will rise or drop too precipitously in any single budget cycle. For program year 2018, the limiter will be 10 percentage points. For 2019 and subsequent years, the limiter will be 25 percentage points.
- Due to the recent changes on rating methodology and due to the and the fact that the policy was competitively marketed for the policy year beginning January 1, 2015, staff and its broker plan to conduct comprehensive marketing of SDHC Workers' Compensation Insurance Coverage in 2018 for the policy year beginning January 1, 2019, to ensure the Housing Commission has the most effective insurance program design, with the broadest terms and conditions, at the most competitive premium available.



REPORT

DATE ISSUED: November 8, 2017

REPORT NO: HCR17-084

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of November 17, 2017

SUBJECT: 2018 Procurement of Workers' Compensation Insurance Coverage

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Approve the procurement of workers' compensation insurance coverage (which is required under California Labor Code) covering the calendar year January 1, 2018, to December 31, 2018, from the California Housing Workers' Compensation Authority in an amount not to exceed \$363,000, a 10 percent increase from last year's premium due to the agency's increase in personnel and associated salary costs.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) approve the procurement of the Housing Commission's required workers' compensation insurance coverage for the calendar year January 1, 2018, to December 31, 2018, from the California Housing Workers' Compensation Authority (CHWCA) in an amount not to exceed \$363,000, a 10 percent increase from last year's premium due to the Housing Commission's increase in personnel and associated salary costs.

SUMMARY

Housing Commission staff is asking for authorization to procure the required workers' compensation insurance coverage from CHWCA, with effective dates January 1, 2018, to December 31, 2018, in an amount not to exceed \$363,000, a 10 percent increase from last year's premium, due to the Housing Commission's increase in personnel and associated salary costs, primarily for the Rental Assistance Division and Homeless Housing Innovations Department.

The Housing Commission currently procures its workers' compensation insurance coverage from the CHWCA insurance pool. CHWCA is a Joint Powers Authority (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. Currently, CHWCA has 33 member agencies/housing authorities.

At a recent meeting in Sacramento, the CHWCA Executive Committee (EC) voted to update a portion of the rating methodology used to determine member contributions for workers' compensation. Experience modifications ("ex-mods") are a widely used tool, both in public-

sector risk pooling and in private insurance, to move an individual agency's rates upward or downward, based on how its own loss history compares to that of the larger group. Ex-mods work toward two major CHWCA goals: They encourage risk control efforts, and they help distribute annual contributions among the members in a reasonable and equitable manner.

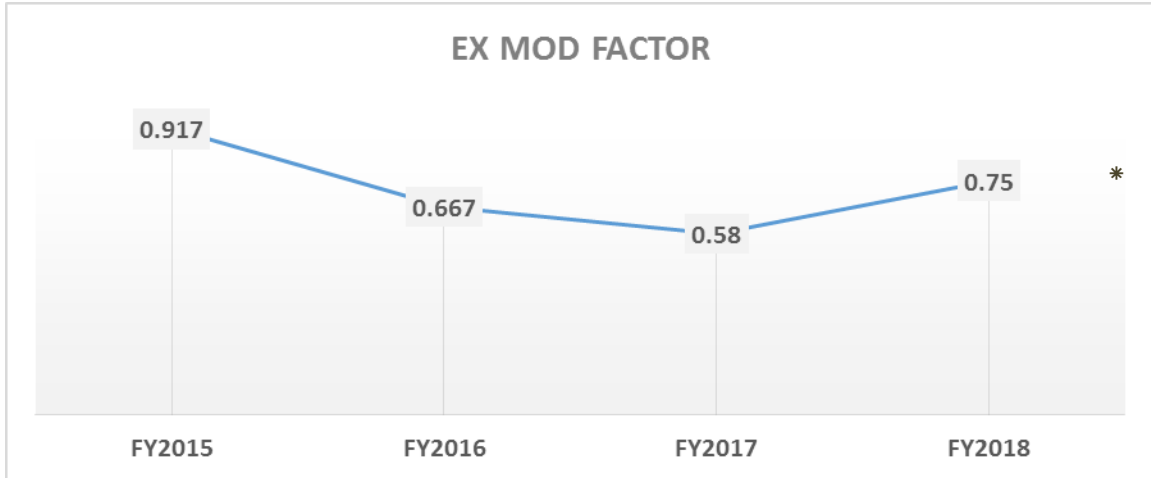
The second of those two goals brought about the change in the CHWCA pricing plan. CHWCA's calculation had allowed the ex-mods of some agencies to drop below factors that would be derived in the workers' compensation insurance marketplace, either by the Workers' Compensation Insurance Rating Bureau (WCIRB) method or by internal methods used by other workers' compensation insurance JPAs. As a result, some agencies were paying a substantially lower contribution than they might otherwise obtain from another provider. The EC and CHWCA staff determined that, in the interest of fairness to all risk-sharing member agencies, a change in the calculation was called for.

The EC's ad hoc ex-mod committee worked closely with CHWCA staff to compare numerous models before arriving at the calculation method that was then approved by the full EC. In short, the new model will have a minimum ex-mod of 0.75 and a maximum of 1.50. Secondly, there will be year-over-year limiters, so that no agency's ex-mod will rise or drop too precipitously in any single budget cycle. For program year 2018, the limiter will be 10 percentage points. For 2019 and subsequent years, the limiter will be 25 percentage points.

These changes will take effect as part of the rates developed for the January 1, 2018 contributions. Based on the letter the Housing Commission received from CHWCA, Housing Commission staff anticipate that this agency's ex-mod factor could increase from 0.58 to 0.75 in 2018. Based on recent dialogue with CHWCA, CHWCA has confirmed that the rationalization of the pool's ex-mod factor will not impact the pricing of the Housing Commission's 2018 premium; however, the anticipated increase in Housing Commission personnel and associated salary costs will be reflected in the Housing Commission's premium.

Attachment 1 is the September 8, 2017, letter the Housing Commission received from CHWCA regarding the changes that will go into effect in 2018 based on the recent CHWCA Executive Committee Meeting, which was summarized above. In FY 2018, due to the increase in personnel and associated salary costs, the Housing Commission budgeted the worker's compensation premium at \$397,000, which reflected a 20 percent increase. Based on recent discussions with CHWCA, the Housing Commission's 2018 premium is anticipated to be less than \$363,000; thus, Housing Commission staff do not anticipate an adverse impact to the Housing Commission's FY 2018 budget.

Table 1:



* Per CHWCA ex-mod methodology change, not indicative of SDHC's true experience.

Table 2:

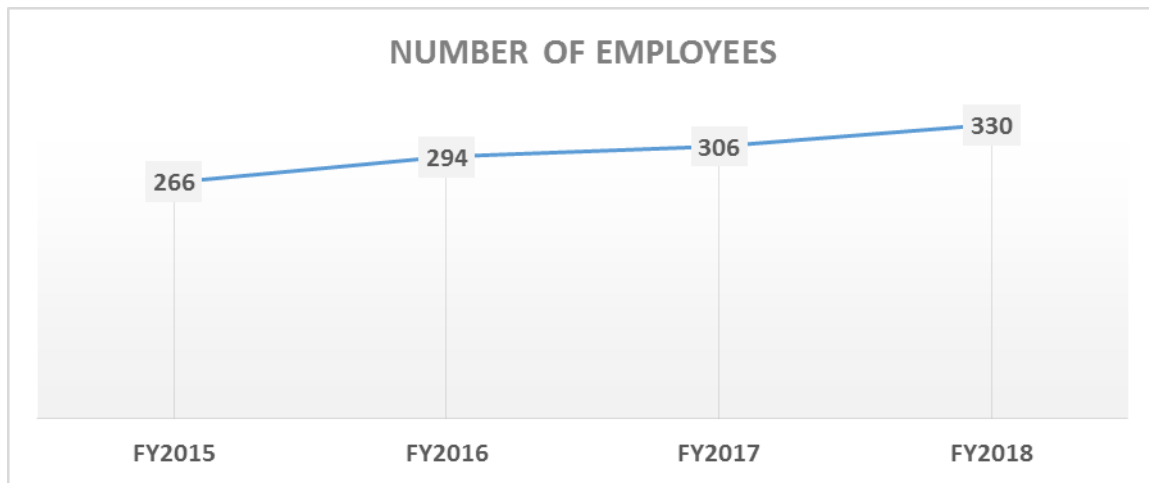
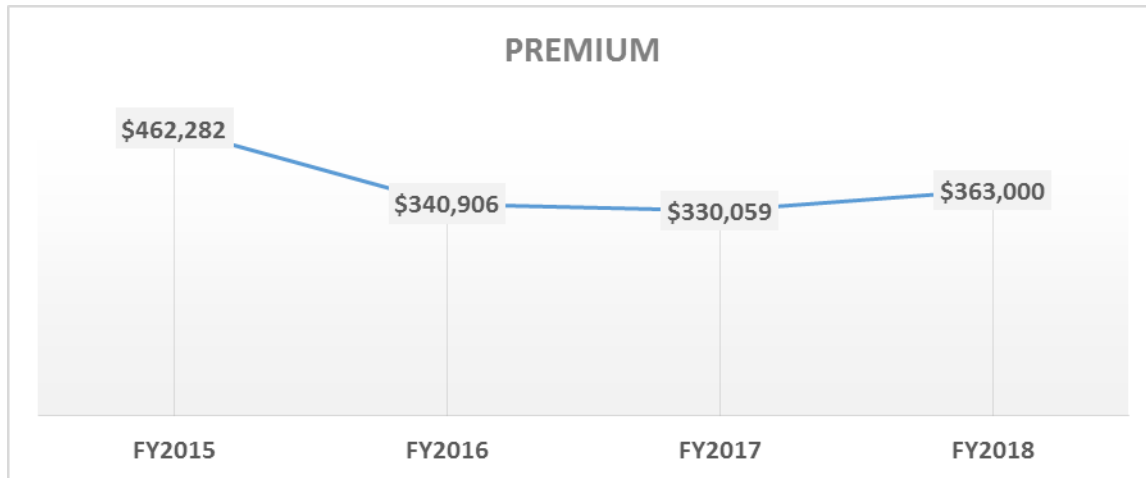


Table 3:



Although it is generally best practice to re-market insurance coverages every three years, staff does not recommend a new competitive process for the policy year beginning January 1, 2018, based on a combination of pricing, continuity of coverage, coverage terms, exclusions, policy form and sub-limits. In addition, the Housing Commission will competitively bid its insurance broker in 2018.

With the selection of an insurance broker in January 2018, Housing Commission staff plans to work with the selected broker to conduct a comprehensive marketing of SDHC Workers' Compensation Insurance Coverage for the policy year beginning January 1, 2019, to ensure the Housing Commission has the most effective insurance program design, with the broadest terms and conditions, at the most competitive premium available.

FISCAL CONSIDERATIONS

The proposed Fiscal Year (FY) 2018 funding sources and uses approved by this action were approved by the Housing Authority in the FY 2018 Budget. Approving this action will not change the FY 2018 Total Budget.

Funding sources for the portion of the policy year from July 1, 2018, to December 31, 2018, will be budgeted in FY 2019.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On December 2, 2016, the Housing Commission Board of Commissioners recommended that the Housing Authority of the City of San Diego approve the procurement of workers' compensation insurance coverage from CHWCA in an amount not to exceed \$330,059, with effective dates of January 1, 2017, to December 31, 2017.

On December 13, 2016, the Housing Authority of the City of San Diego authorized the Housing Commission's President & CEO to approve the procurement of workers' compensation insurance coverage from CHWCA, with effective dates of January 1, 2017, to December 31, 2017.

ENVIRONMENTAL REVIEW

The purchase of insurance is not a project as defined by the California Environmental Quality Act (CEQA) 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. This activity is also exempt from the National Environmental Policy Act (NEPA) pursuant to Section 58.34(a)(6) of the Title 24 Code of Federal Regulations.

Respectfully submitted,

Tracey McDermott

Tracey McDermott
Vice President &
Chief Financial Officer
Financial Services Department

Approved by,

Jeff Davis

Jeff Davis
Executive Vice President &
Chief of Staff
San Diego

Housing Commission Attachments:

- 1) 09/08/2017 CHWCA Memo re: Update of the Rating Methodology
- 2) 2017 Insurance Summary

Hard copies are available for review during business hours at the security information desk in the main lobby and at 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

California Housing Workers' Compensation Authority

1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833
(800) 541-4591 FAX (916) 244-1199
<http://www.chwca.org/>

September 8, 2017

Dear CHWCA Members:

At its recent meeting in Sacramento, the CHWCA Executive Committee (EC) voted to update a portion of the rating methodology used to determine member contributions for workers' compensation. Experience modifications ("ex-mods") are a widely-used tool, both in public-sector risk pooling and in private insurance, to move an individual agency's rates upward or downward, based on how its own loss history compares to that of the larger group. Ex-mods work toward two major CHWCA goals: they encourage risk control efforts, and they help distribute annual contributions among the members in a reasonable and equitable manner.

It is the second of those two goals that brought about the change in the CHWCA pricing plan. CHWCA's calculation had allowed the ex-mods of some agencies to drop below factors that would be derived in the work comp marketplace, either by the Workers' Compensation Insurance Rating Bureau (WCIRB) method or by internal methods used by other work comp JPAs. As a result, some agencies were paying a substantially lower contribution than they might otherwise obtain from another provider. It appeared to your EC and staff that in the interest of fairness to all risk-sharing member agencies, a change in the calculation was called for.

The Executive Committee's ad hoc experience modification committee worked closely with staff to compare numerous models before arriving at the calculation method that was then approved by the full EC. In short, the new model will have a minimum experience modification of 0.75 and a maximum of 1.50. Secondly, there will be year-over-year limiters, so that no agency's ex-mod will rise or drop too precipitously in any single budget cycle. For program year 2018, the limiter will be ten (10) percentage points. For 2019 and subsequent years, the limiter will be twenty five (25) percentage points.

These changes will go into effect as part of rates developed for the January 1, 2018, contributions. Well before then, staff will be providing estimates of individual outcomes for your individual agency. We also encourage any questions you might have about either the nature of the calculation or the expected outcomes for your Housing Authority. Thank you.

Sincerely,



Ric Burwell
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Finance Manager
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**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 st and 3 rd party coverages. This is a three year policy with a premium of \$8,022 for the entire term (6/30/2015-6/30/2018)
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	\$ 493			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 th 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	\$ 3,013	\$250,000 building	\$ 2,000	Provides flood (NFIP) coverage for the 5077 ½ Muir Ave location.
Flood- 5071 Muir Ave	Hartford	11/30/2016	\$ 3,151	\$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	1/1/2018	\$ 363,000	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.