



## EXECUTIVE SUMMARY

### HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

DATE: March 9, 2018

REPORT NO: HCR18-035

ORIGINATING DEPT: Financial Services

BOARD REPORT: 2018-2019 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 \$317,517 with effective dates of March 31, 2018, to March 31, 2019.
- Late February, the CSAC EIA has provided the Housing Commission with a preliminary premium estimate of \$317,517 for the 2018-2019 policy years. The 10% premium increase directly corresponds to the most recent CSAC EIA Property team's rate/loss ratio analysis, global trends and to the 2% increase of SDHC TIV.
- 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, 2018.





## REPORT

**DATE ISSUED:** March 1, 2018

**REPORT NO:** HCR18-035

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of March 9, 2018

**SUBJECT:** 2018-2019 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 \$317,517 with effective dates of March 31, 2018, to March 31, 2019.

### **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 \$317,517 with effective dates of March 31, 2018, to March 31, 2019.

### **SUMMARY**

Housing Commission staff is asking for authorization to procure and bind property insurance coverage from CSAC EIA in an amount not to exceed \$317,517 with effective dates of March 31, 2018, to March 31, 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). 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, 2018.

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:**

<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, 2018, to March 31, 2019
<b>Total Insured Values</b>	\$65.05 Billion

The CSAC EIA most recently estimated a 10 percent increase for the Housing Commission’s 2018 Property Program renewal. The driving force for this increase is the program’s overall loss history, actual property schedule updates and the global experience in catastrophic losses that occurred in 2017, including Hurricanes Harvey and Irma, the earthquakes in Mexico, the fires in California. Such events have shaped the framework for future renewals. These natural catastrophes caused \$353 billion in economic losses, which are 93 percent higher than the 2000-2016 average.

Because of such events, the market has demonstrated a “hardening” state, which results in rate increases across the board.

The CSAC EIA will be providing their final premiums after March 2, 2018; however, the premiums are expected not to exceed the amounts provided in Table 2 below.

**Table 2:**

	2017/18	2017/18	Inc/Dec (%)
Total Insured Values	\$329,810,476	\$337,015,217	2%
Premium	\$289,091	\$317,517	10%

**FISCAL CONSIDERATIONS**

The proposed funding sources and uses approved by this action were approved in the Fiscal Year (FY) 2018 Housing Authority Approved 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 March 31, 2019, will be budgeted in FY 2019.

**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 10, 2017, the Housing Commission unanimously approved a contract with CSAC EIA for property insurance coverage for the period of March 31, 2017, to March 31, 2018.

**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*

Tracey McDermott  
Vice President & Chief Financial Officer

Approved by,

*Jeff Davis*

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

Attachments:

1. SDHC Insurance Summary 2018
2. CSAC Excess Insurance Authority - 2018/19 Preliminary Premium Allocation

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).

ATTACHMENT 1



SAN DIEGO HOUSING COMMISSION  
FY2018 INSURANCE SUMMARY

Policy	Carrier	Effective Date	Premium	Limits	Deductible/ Retention	Description of Coverage
Property	CSAC EIA	3/31/2017	\$ 289,091	\$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. 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 <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	\$ 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.

## \*\*\*\*\*PRELIMINARY PREMIUM ALLOCATION\*\*\*\*\*

**CSAC EXCESS INSURANCE AUTHORITY  
PROPERTY PROGRAM  
POLICY TERM: March 31, 2018 to March 31, 2019**

**SAN DIEGO HOUSING COMMISSION**

**DATE: February 27, 2018**

REASON FOR REVISION OF PREMIUM ALLOCATION:      UPDATED RENEWAL ESTIMATE

2018/2019 TOTAL ANNUAL PREMIUM:	\$317,517
2017/2018 TOTAL ANNUAL PREMIUM:	\$289,091
PERCENTAGE INCREASE (DECREASE) IN ANNUAL PREMIUM:	9.83%
2018/2019 TOTAL REPORTED INSURABLE VALUES*:	\$337,015,217
2017/2018 TOTAL REPORTED INSURABLE VALUES:	\$329,810,476
PERCENTAGE INCREASE (DECREASE) IN TOTAL INSURED VALUES:	2.18%

**- CALCULATIONS -**

COVERAGE DESCRIPTION	DECLARED VALUES	RATE (\$/100)	ANNUAL PREMIUM
All Risk incl. Flood and Deductible Pool Contribution	\$337,015,217	0.0542	\$182,632
Terrorism, Boiler & Machinery and Brush Fire (Miscellaneous Other Coverages)			\$12,035
<b>OPTIONAL COVERAGES:</b>			
A. Earthquake per schedule including Rooftop (if applicable)	\$175,868,579	0.0660	\$116,053
B. Licensed Vehicles and Deductible Pool Buy Down Contribution	\$ 0	0.0000	\$ 0
Licensed Vehicles above \$250,000 in value	\$ 0	0.0000	\$ 0
Buses (Part of Coverage B. Licensed Vehicles)	\$ 0	0.0000	\$ 0
C. Mobile Equipment (Non-highway licensed)	\$ 0	0.0000	\$ 0
D. Fine Arts (scheduled)	\$ 0	0.0313	\$ 0
Total Annual Premium			\$310,720
Estimated Taxes and Fees			\$734
Estimated EIA Administration Fees			\$5,391
Estimated Pre-Paid Balance Adjustment			\$3,888
No Claims Bonus (2016/2017)			\$-3,216
School Loss Control Service Fee			\$ 0
*Total Insured Values (TIV) as of January 13, 2018		<b>TOTAL COLLECTIBLE PREMIUM</b>	\$317,517