



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

DATE: March 2, 2017

HCR17-025

ORIGINATING DEPT: Financial Services

BOARD REPORT: 2017-2018 Procurement of Property Insurance Coverage

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EXECUTIVE SUMMARY OF KEY FACTORS:

- 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).
- 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, 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, this year, Alliant conducted a comprehensive marketing of the Housing Commission property program to the marketplace, in addition to the incumbent CSAC EIA.
- 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.
- Based on the response from the marketplace, staff recommends that the Housing Commission continue its property insurance coverage with the CSAC EIA as their proposed total premium is significantly lower than any other indicated provided in the marketplace and their program provides extremely broad coverage and substantial limits (including California earthquake limits).



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:

Market		Indication
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:

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

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

Approved by,

Jeff Davis

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

SAN DIEGO HOUSING COMMISSION
CURRENT vs. ESTIMATED INSURANCE PREMIUM
SUMMARY



Policy	Carrier	Effective Date	Current Premium	Est. Premium	Percentage Increase
Property	CSAC EIA	3/31/2017	\$ 284,669	\$ 314,100	10%
Fiduciary Liability	FLIP	7/1/2017	\$ 6,100	\$ 7,000	15%
Pollution	CSAC EIA	7/1/2017	\$ 2,674	\$ 2,674	0%
Master Crime	CSAC EIA	6/30/2017	\$ 8,647	\$ 9,600	11%
Smart Corner- Premises Liability	Travelers	7/1/2017	\$ 17,670	\$ 18,555	5%
Smart Corner- Excess Liability	Travelers	7/1/2017	\$ 18,732	\$ 19,670	5%
General Liability	HARRG	7/1/2017	\$ 182,579	\$ 200,900	10%
Commercial Auto	Travelers	7/1/2017	\$ 28,923	\$ 31,000	7%
Excess Auto	Travelers	7/1/2017	\$ 9,133	\$ 10,000	9%
Cyber	CSAC EIA	7/1/2017	\$ 1,832	\$ 3,000	64%
Cyber Buy Up Option	CSAC EIA	7/1/2017	\$ 6,325	\$ 7,900	25%
Flood- 3051 54th Street	Hartford	8/7/2017	\$ 614	\$ 650	6%
Flood- 5077 1/2 Muir Ave	Hartford	10/4/2017	\$ 2,869	\$ 3,000	5%
Flood- 5071 Muir Ave	Hartford	11/30/2017	\$ 3,000	\$ 3,150	5%
Contractors Pollution Liability	One Beacon	8/15/2017	\$ 1,845	\$ 2,215	20%
Director's & Officers	Western Worlds Ins.	12/8/2017	\$ 99,989	\$ 105,000	5%
Excess Director's & Officers	Ironshore	12/8/2017	\$ 32,000	\$ 34,000	6%
Workers' Compensation	CHWCA	1/1/2018	\$ 330,559	\$ 396,671	20%
Broker Fee	Alliant	12/15/2017	\$ 46,529	\$ 50,000	7%
TOTAL			\$ 1,084,689	\$ 1,219,085	12%

**SAN DIEGO HOUSING COMMISSION
2017 INSURANCE SUMMARY**

Policy	Carrier	Effective Date	Premium	Limits	Deductible/ Retention	Description of Coverage
Property	CSAC EIA	3/31/2017	\$ 314,100	\$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	7/01/2016	\$ 6,100	\$ 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	7/1/2016	\$ 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
Master Crime	CSAC EIA	6/30/2016	\$ 7,134	\$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	7/1/2016	\$ 17,670	\$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	7/1/2016	\$ 18,732	\$20,000,000	-	Provides excess coverage specific to the Smart Corner location and follows the primary liability placement.
General Liability	HARRG	7/1/2016	\$ 182,579	\$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	7/1/2016	\$ 28,923	\$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	7/1/2016	\$ 9,133	\$9,000,000	-	Provides excess auto coverage following the primary auto placement.
Cyber	CSAC EIA	7/1/2016	\$ 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.
Cyber Buy Up Option	CSAC EIA	7/1/2016	\$ 6,325	50,000 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 \$20,000 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	\$ 614	\$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	8/15/2016	\$ 1,845	\$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- 5077 Muir Ave	Hartford	11/30/2016	\$ 3,000	\$250,000 building	\$ 2,000	Provides flood (NFIP) coverage for the 5077 Muir Ave location.
Director's & Officers	AIG	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	\$ 330,059	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.