



Good Neighbors

San Diego  
Housing Commission

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# REPORT

**DATE ISSUED:** May 27, 2005

**ITEM: 102**

**REPORT NO.:** HCR05-51  
For the Agenda of June 3, 2005

**SUBJECT:** Housing Authority Insurance Group Procurement for Insurance

## SUMMARY

**Issue:** Should the Housing Commission ratify a sole source contract with the Housing Authority Insurance Group for Commercial Liability, Public Official's Errors and Omissions, Employment Practices, Terrorism and Mold or Other Fungus insurance with effective dates of July 1, 2005 through June 30, 2006?

**Recommendation:** Ratify a sole source contract in the amount of \$139,435 with the Housing Authority Insurance Group for the purpose of procuring Commercial Liability, Employment Practices, Public Official's Errors and Omissions, Terrorism and Mold or Other Fungus insurance effective from July 1, 2005 through June 30, 2006.

**Fiscal Impact:** Approval of this action will result in an expenditure of \$139,435. Funding for this contract is contained in the FY06 Budget.

**Environmental Review:** This activity is "not a project" for the purposes of the California Environmental Quality Act ("CEQA"). Further this activity is exempt and excluded under the applicable provisions of NEPA. Notices of Exemption and Exclusion have previously been issued in connection with this activity at the time of the budget review for FY 2006. Copies of those notices of Exemption and Exclusion are on file in the offices of the San Diego Housing Commission.



A state agency authorized by the City of San Diego

## **BACKGROUND**

The Housing Authority Insurance Group currently insures the Housing Commission for Commercial Liability, Public Official's Errors and Omissions, and Employment Practices, and Mold or Other Fungus via the Housing Authority Risk Retention Group ("HARRG"). HARRG is a risk retention group comprised of housing authorities and housing commissions throughout the United States, including the San Diego Housing Commission.

Risk retention groups can provide more competitive insurance rates than traditional insurers because the risk of loss is spread among only the members of the risk retention group, and the members of the risk retention group often share common business characteristics.

The Housing Commission has not published a Request for Qualifications ("RFQ") in connection with its purchase of insurance through HARRG. However, administrative regulation 203.100 allows the sole sourcing of a contract if, among other reasons, "HUD authorizes the use of noncompetitive proposals."

This item is being brought before the Housing Commission at this time because the total cost of the annual insurance premium exceeds the \$100,000 threshold of the Chief Executive Officer's signature authority.

## **DISCUSSION**

HUD generally requires housing authorities to publish a RFQ seeking low bidders before choosing an insurance company. HUD has, however, made a special exception for Housing Authority Insurance Group.

Since 1987, HARRG has held a HUD Bid Waiver for its insurance products. With this waiver, all coverage -- except flood insurance -- offered through the company is exempt from HUD bidding requirements.

The Bid Waiver in part reads as follows: "Housing Authority Risk Retention Group, Inc. and Housing Authority Property Insurance, Inc. are recognized by the Department of Housing and Urban Development (HUD) as insurance companies controlled by public housing authorities (PHA). Furthermore, these organizations are qualified under HUD regulations as being substantially equivalent to "financially sound and responsible insurance companies." Public Law 101-507 and Federal regulations waive bidding requirements of the Annual Contributions Contract for any PHA that joins as a policyholder for the period of time the PHA remains a member of the program."

The Housing Authority Insurance Group offers excellent coverage at competitive rates and has traditionally been responsive to claims filed by the Housing Commission.

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**ALTERNATIVE**

Pay the minimum premiums necessary to enable the Housing Commission to continue coverage pending preparation of a request for qualifications for other commercial general liability insurance services.

Respectfully submitted,

Approved by,

Edward P. Mauk  
Director of Financial Services

Elizabeth C. Morris  
President & Chief Executive Officer

**Signature on File  
With Original Document**

Information: E. Mauk (619) 578-7711

Attachment 1. Justification for Sole Source Contract with the Housing Authority Insurance Group

JUSTIFICATION FOR SOLE SOURCE CONTRACT WITH THE HOUSING AUTHORITY INSURANCE GROUP FOR INSURANCE SERVICES RENDERED IN CONNECTION WITH THE HOUSING AUTHORITY RISK RETENTION GROUP

WHEREAS, the San Diego Housing Commission has an immediate need for commercial general liability insurance coverage.

WHEREAS, the Housing Authority Insurance Group administers the Housing Authority Risk Retention Group, which consists of housing authorities and housing commissions throughout the United States.

WHEREAS, the Housing Authority Insurance Group provides commercial general liability coverage for the San Diego Housing Commission via the Housing Authority Risk Retention Group.

WHEREAS, the Housing Authority Insurance Group has held a Department of Housing and Urban Development Bid Waiver for its insurance products, since 1987.

WHEREAS, the San Diego Housing Commission desires to sole source a contract with the Housing Authority Insurance Group for commercial general liability coverage for the period July 1, 2005 through June 30, 2006.

WHEREAS, the San Diego Housing Commission has an immediate need for the Commercial Liability, Public Official's Errors and Omissions, Employment Practices, Terrorism and Mold or Other Fungus insurance coverage.

WHEREAS, San Diego Housing Commission administrative regulation 203.100 authorizes the sole sourcing of contracts in specified circumstances, and justification exists for the sole sourcing of a contract with Housing Authority Insurance Group.

WHEREFORE, the San Diego Housing Commission makes the following findings:

- A. The Housing Authority Insurance Group holds a HUD Bid Waiver for its insurance products, and as such, satisfies AR203.100, 3.5A(a)(3).
- B. The reasonableness of the price charged by the Housing Authority Insurance Group for participation in the Housing Authority Risk Retention Group has been determined in accordance with AR203.100, 3.6B(2).

Dated: May 27, 2005

**Signature on File  
With Original Document**

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Carrol Vaughan  
Chief Operating Officer