



REPORT

DATE ISSUED: August 8, 2003

ITEM 104

REPORT NO.: HCR03-062
For the Agenda of August 15, 2003

SUBJECT: Sole Source 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, and Employment Practices insurance with effective dates of July 1, 2003 through June 30, 2004?

Recommendation: Ratify a sole source contract in the amount of \$133,216 with the Housing Authority Insurance Group for the purpose of procuring Commercial Liability, Public Official’s Errors and Omissions, and Employment Practices insurance effective from July 1, 2003 through June 30, 2004.

Fiscal Impact: Approval of this action will result in an expenditure of \$133,216. Funding for this contract is contained in the FY04 Budget.

Certificate of Funding Availability:

Certificate No:	04-021
Amount:	\$133,216
Revenue Source:	Various
Division:	Operations & Housing Programs
Line Item:	4510 Liability Insurance

BACKGROUND

The Housing Authority Insurance Group currently insures the Housing Commission for Commercial Liability, Public Official’s Errors and Omissions, and Employment Practices via the Housing Authority Risk Retention Group (“HARRG”). HARRG is a risk retention group



For the Agenda of August 15, 2003
HCR03-048

Page 2

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 good coverage at competitive rates and has traditionally been responsive to claims filed by the Housing Commission.

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.

For the Agenda of August 15, 2003
HCR03-048

Page 3

Respectfully submitted,

Approved by,

Signature on File with Original Document

Edward P. Mauk
Director of Financial Services

Elizabeth C. Morris
Chief Executive Officer

Information: E. Mauk (619) 578-7711

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