



SAN DIEGO  
HOUSING  
COMMISSION

## INFORMATIONAL REPORT

**DATE ISSUED:** July 21, 2016

**REPORT NO:** HCR16-065

**ATTENTION:** Chair and Members of the San Diego Housing Commission  
For the Agenda of July 29, 2016

**SUBJECT:** Annual Insurance Report – Fiscal Year 2016 - 2017

**COUNCIL DISTRICT:** Citywide

**NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION**

### SUMMARY

The attached 2016 Insurance Summary details the San Diego Housing Commission (Housing Commission) insurance policies as of July 29, 2016. The report includes both summary and detailed information on all lines of insurance coverage for the Housing Commission. The total insurance expense for Fiscal Year 2016 (FY2016) was \$969,377. The total insurance expense budgeted for Fiscal Year 2017 (FY2017) is \$1,091,535.

Program	FY2016 Premium	FY2017 Premium	Variance \$	Variance %
Property Insurance	\$ 231,186	\$ 284,669	\$ 53,483	23%
Fiduciary Liability	\$ 5,600	\$ 6,100	\$ 500	9%
General Liability	\$ 183,090	\$ 182,579	\$ (511)	(0.2%)
Master Crime Program *	\$ 7,134	\$ 7,134	---	---
Pollution Program	\$ 2,674	\$ 2,674	---	---
Smart Corner Liability *	\$ 36,402	\$ 36,402	---	---
Auto Liability *	\$ 36,676	\$ 38,056	\$ 1,380	6%
Cyber Insurance *	\$ 9,428	\$ 8,157	\$ (1,271)	(17%)
Flood Insurance *	\$ 6,093	\$ 7,140 **	\$ 931	15%
Contractors Pollution Liability	\$ 2,005	\$ 2,305 **	\$ 301	15%
Director's & Officers Liability *	\$ 108,067	\$ 124,277 **	\$ 16,210	15%
Note Employment Insurance				
Workers' Compensation	\$ 340,906	\$ 392,041 **	\$ 51,135	15%
<b>TOTAL</b>	<b>\$ 969,377</b>	<b>\$ 1,091,535 **</b>	<b>\$ 122,158</b>	<b>12.6%</b>

\* Contains multiple policies

\*\* Renewal date is after July 29, 2016 – Estimated Premium based on a conservative 15% assumed increase.

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The 23% property insurance premium shown above increase corresponds to a 13% annual rate increase (an overall rate increase of 10-17% was included for most members) and to a 10% increase in the SDHC total insured value (TIV), shown below, which is largely due to the Village North Senior addition.

	<u><b>FY2016</b></u>	<u><b>FY2017</b></u>	<u><b>Difference in %</b></u>	<u><b>Difference in \$</b></u>
Total Insurable Value	\$283,519,780	\$313,208,158	10%	\$29,688,378

The general liability program as a whole expected a 3% increase overall due to loss performance and exposure. However, the Commission premium remains flat because of the SDHC favorable loss experience. The Smart Corner premium remains flat, while the total auto premium is up about 6%. The carrier has advised the Commission that 4% of the auto increase is industry driven as opposed to SDHC specific. The use of mobile devices (both drivers and pedestrians), more traffic, higher medical costs, higher vehicle repair costs – all continue to contribute to increases in auto accidents and the related costs associated with them thus driving this increase.

The Commission's favorable loss history also moved the agency into the lower pricing tier for the cyber insurance, thus the 17% premium decrease.

Staff makes every effort to ensure the most comprehensive and lowest price coverage available for the agency. The Commission is a member of several directed insurance risk sharing pools, and with its broker, has developed effective risk management solutions to help proactively control losses and prepare for different exposures.

Currently, the Housing Commission comprehensive insurance coverage contains 12 insurance programs and 19 insurance policies:

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| <ul style="list-style-type: none"><li><b>1. Property Insurance</b></li><li><b>2. Master Crime Program</b><ul style="list-style-type: none"><li>a. Crime Primary</li><li>b. Crime Excess</li></ul></li><li><b>3. Pollution Program</b></li><li><b>4. Smart Corner Liability</b><ul style="list-style-type: none"><li>a. Smart Corner- Premises Liability</li><li>b. Smart Corner- Excess Liability</li></ul></li><li><b>5. Fiduciary Liability</b></li><li><b>6. General Liability</b></li><li><b>7. Auto Liability Program</b><ul style="list-style-type: none"><li>a. Primary Auto</li><li>b. Excess Auto</li></ul></li></ul> | <ul style="list-style-type: none"><li><b>8. Cyber Insurance Program</b><ul style="list-style-type: none"><li>a. Cyber Primary</li><li>b. Cyber Buy Up Option</li></ul></li><li><b>9. Flood Insurance (NFIP)</b><ul style="list-style-type: none"><li>a. Flood - 5077 1/2 Muir Ave</li><li>b. Flood - 5071 Muir Ave</li><li>c. Flood - 3051 54th Street</li></ul></li><li><b>10. Contractors Pollution Liability</b></li><li><b>11. Directors &amp; Officers Liability</b><ul style="list-style-type: none"><li>a. Primary Director's &amp; Officers</li><li>b. Excess Director's &amp; Officers</li></ul></li><li><b>12. Workers' Compensation</b></li></ul> |
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(1) Property Insurance

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Provides the Commission coverage for damage to real and personal property and business income as a result of a covered peril such as a fire. The Housing Commission currently procures its property insurance coverage from the California State Association of Counties Excess Insurance Authority (CSAC EIA). The property insurance effective date is March 31, 2016. SDHC renews its property coverage annually.

#### (2) Master Crime Program

The Housing Commission currently procures its crime insurance coverage from the CSAC EIA. The master crime insurance effective date is July 1, 2016. SDHC renews its crime coverage annually. The master crime program is composed of two insurance policies: a) crime primary and b) crime excess. Primary coverage manages the loss exposures resulting from criminal acts such as robbery, burglary and other forms of theft. Excess coverage provides greater limits of crime coverage and follows the primary crime coverage.

#### (3) Pollution Program

The Housing Commission currently procures its pollution insurance coverage from the CSAC EIA. This is a three year policy with a premium of \$ 8,022.00 for the entire term (6/30/2015-6/30/2018). This policy provides coverage for pollution conditions and includes 1st and 3rd party coverages.

#### (4) Smart Corner Liability

The Smart Corner liability program is composed of two insurance policies: a) Smart Corner premises liability and b) Smart Corner excess liability. Premises liability provides coverage for claims for damage or injury (caused by negligence or acts of omission) at the Smart Corner location. An Example would be a “slip and fall” in the Smart Corner premises. Excess liability provides excess coverage specific to the Smart Corner location and follows the primary liability placement. The Housing Commission currently procures its Smart Corner liability insurance coverage from Travelers Insurance Companies (Travelers). The Smart Corner liability insurance effective date is July 1, 2016 and it is renewed annually.

#### (5) Fiduciary Liability

Since the Housing Commission sponsors a retirement and health plan for its employees and is involved in with the management of those plans, it is considered a "Fiduciary" and can be held personally liable for what happens to the plan. This insurance provides coverage for losses that arise as a result of alleged errors or omissions or breach of the fiduciary duties. The Housing Commission currently procures its fiduciary insurance coverage from RLI Insurance Company. The fiduciary insurance effective date is July 1, 2016. SDHC renews its fiduciary coverage annually.

#### (6) General Liability

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. The Housing Commission currently procures its general liability insurance coverage from the Housing Authority Retention Group, Inc. (HARRG). The general liability insurance effective date is July 1, 2016. SDHC renews its property coverage annually.

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#### (7) Auto Liability Program

The Housing Commission currently procures its auto insurance coverage from Travelers. The auto insurance effective date is July 1, 2016. SDHC renews its property coverage annually. Auto liability program is composed of two insurance policies: a) primary auto and b) excess auto. Primary coverage 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. An example would be an employee gets in an accident while driving a SDHC owned vehicle during the scope of work. Excess coverage provides excess auto coverage following the primary auto placement.

#### (8) Cyber Insurance Program

The Housing Commission currently procures its property cyber coverage from the CSAC EIA. The cyber insurance effective date is July 1, 2016. SDHC renews its property coverage annually. Cyber insurance program is composed of two insurance policies: a) cyber primary and b) cyber buy up option.

The cyber primary 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. The cyber buy up option 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 affected, the cost to notify the individuals would be covered by this buy up option.

#### (9) Flood Insurance - National Flood Insurance Program (NFIP)

Provides flood coverage for three SDHC properties located in flood prone areas. The Housing Commission currently procures its flood insurance coverage from The Hartford Services Group, Inc. (The Hartford). The flood insurance effective date for 3051 54th Street is August 7, 2016; for 5077 1/2 Muir Ave is October 4, 2016 and for 5077 Muir Ave is November 30, 2016. SDHC renews its flood coverage annually.

#### (10) Contractors Pollution 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. The Housing Commission currently procures its contractors pollution liability coverage from OneBeacon Insurance Group (OneBeacon). The contractors pollution liability insurance effective date is August 15, 2016. SDHC renews its property coverage annually.

#### (11) Director's & Officers Liability

The Housing Commission currently procures its directors & officers liability insurance coverage from the American International Group, Inc. (AIG) – Primary and Ironshore Inc.-Excess. The directors & officers liability insurance effective date is December 8, 2016. SDHC renews this coverage annually. This program is composed of two insurance policies: a) primary Directors & officers and b) excess directors & officers. Primary liability insurance is 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 a loss such as 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 directors & officers provides excess

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coverage following the primary directors & officers placement. This policy also provides insurance covering claims by employees against the Commission for various types of loss.

#### (12) Workers' Compensation

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. The Housing Commission currently procures its workers' compensation insurance coverage from the California Housing Workers' Compensation Authority (CHWCA). The effective date is January 1, 2017. SDHC renews this coverage annually.

#### **Our broker:**

Alliant Insurance Services (Alliant) was assigned as the broker of record for the San Diego Housing Commission (SDHC) in 2014. Alliant provides commercial insurance brokerage, risk management, and employee benefits solutions with a history dating back to 1925 and ranks among the largest insurance brokerage firms in the United States.

As SDHC's partnered broker, Alliant provides support to all facets of SDHC's brokerage services including the marketing of all lines of coverage, the administrative support and servicing, loss control and claims managements handling. Alliant ensures the Commission has the most effective insurance program design, with the broadest terms and conditions, at the most competitive premium available. As the Commission's risk consultant, Alliant is also responsible for keeping SDHC abreast of any changes, trends and emerging risks within the public entity and commercial insurance industry.

#### **Our carriers:**

##### California State Association of Counties Excess Insurance Authority (CSAC EIA)

The CSAC Excess Insurance Authority (EIA) is a member directed insurance risk sharing pool. The EIA has developed effective risk management solutions to help California public entities proactively control losses and prepare for different exposures. The sole purpose of this JPA is finding cost effective insurance solutions and risk management services for members.

##### HARRG – Housing Authority Retention Group, Inc.

HARRG provides liability insurance to public housing authorities. Available coverages include general liability, public officials' errors and omissions, employment practices, law enforcement, lead-based paint, employee benefit, auto, hired and non-owned auto, mold, and terrorism. HARRG is owned by the members it insures. HARRG is a nonprofit, tax-exempt captive mutual risk retention group.

##### CHWCA - California Housing Workers' Compensation Authority

The California Housing Workers' Compensation Authority (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.

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#### RLI Insurance Company

RLI is a specialty insurance company with a diversified portfolio of property and casualty coverages and surety bonds. RLI insurance subsidiaries are rated A+ "Superior" by A.M. Best and A+ "Strong" by Standard & Poor's.

#### The Travelers Insurance Companies

Travelers is the second largest writer of U.S. commercial property casualty insurance and the third largest writer of U.S. personal insurance through independent agents.

#### The Hartford Insurance Services Group, Inc. (The Hartford)

The Hartford is part of the Fortune 500 list and is the 12th-largest property and casualty company in the United States.

#### Ironshore Inc (Ironshore)

Ironshore has over 25 years of experience as an insurance business and is rated A (Excellent) by A.M. Best and A+ from both Standard and Poor's and Fitch Group.

#### OneBeacon Insurance Group

OneBeacon provides specialty insurance solutions backed by financial strength, expertise and a commitment to excellence. It is rated "A" (excellent) from A.M. Best

#### American International Group, Inc. (AIG)

AIG is a multinational insurance corporation with more than 88 million customers in 130 countries. AIG companies employ over 64,000 people in 90 countries.

### **FISCAL CONSIDERATIONS**

The Fiscal Year (FY) 2016 funding sources and uses were approved by the Housing Authority in the FY 2016 Budget. The Fiscal Year (FY) 2017 funding sources and uses were also approved by the Housing Authority in the FY 2017 Budget.

### **CONCLUSION**

State of the Market: Both the property and casualty markets are pretty soft. Considering good loss history and flat exposures, we are seeing flat to reductions in pricings. In instances where we see increases in loss and/or exposures, we are seeing slight increases in pricing. We are seeing new players join the competition in the marketplace, while others drop from covering certain types of risks or lines of coverage as a whole. Overall, the SDHC's 2016-2017 insurance program fits in line with the industry standard, also considering Housing Authorities are a unique risk among the public entity and commercial industry.

Early in 2014 staff worked with Alliant to competitively market its coverages to all carriers who write policies for similar classes of business (habitational) during the insurance renewal process for the period of July 1, 2014, to June 30, 2015. The best practice is to market insurance coverage every three years in order to maintain

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bidding interest from insurance company underwriters. Therefore, the Commission will be marketing all lines of coverage for the 2017-2018 to ensure it has the most competitive insurance design available.

Respectfully submitted,

Approved by,



Tracey McDermott  
Vice President & Chief Financial Officer  
San Diego Housing Commission



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

Attachments: 1) 2016 Insurance Summary

Hard copies are available for review during business hours at the security information desk in the main lobby 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 on the San Diego Housing Commission website at [www.sdhc.org](http://www.sdhc.org).



SAN DIEGO HOUSING COMMISSION  
2016 INSURANCE SUMMARY

Policy	Carrier	Effective Date	Premium	Limits	Deductible/ Retention	Description of Coverage
Property	CSAC EIA	3/31/2016	\$ 284,669	\$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	7/1/2015	\$ 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
Master Crime	CSAC EIA	6/30/2015	\$ 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	8/7/2015	\$ 609	\$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	8/15/2015	\$ 2,318	\$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	10/4/2015	\$ 2,772	\$250,000 building	\$ 2,000	Provides flood (NFIP) coverage for the 5077 ½ Muir Ave location.
Flood- 5077 Muir Ave	Hartford	11/30/2015	\$ 2,858	\$250,000 building	\$ 2,000	Provides flood (NFIP) coverage for the 5077 Muir Ave location.
Director's & Officers	AIG	12/8/2015	\$ 89,009	\$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	12/8/2015	\$ 19,057	\$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	1/1/2016	\$ 340,906	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.