



EXECUTIVE SUMMARY

MEETING DATE: June 15, 2023

HCR23-044

SUBJECT: 2023-2024 Procurement of General Liability Insurance Coverage

COUNCIL DISTRICT: Citywide

ORIGINATING DEPARTMENT: Financial Services Division

CONTACT/PHONE NUMBER: Suket Dayal (619) 578-7608

REQUESTED ACTION:

Authorize the San Diego Housing Commission to procure and bind general liability insurance coverage from Housing Authority Risk Retention Group, Inc., (HARRG) in an amount not to exceed \$354,130 plus a 5 percent contingency reserve with effective dates of July 1, 2023, to July 1, 2024.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The San Diego Housing Commission (Housing Commission) procures its general liability insurance coverage from the HARRG 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, Inc. (Alliant).
- The best practice is to market insurance coverage every four to five years to maintain bidding interest from insurance company underwriters.
- In 2023 Alliant marketed the general liability policy. Once again HARRG was identified as the best option for the Housing Commission, meeting the Housing Commission's policy requirements and competitive insurance premium.
- In May 2023, HARRG provided the Housing Commission with an estimated renewal proposal of \$354,130 for the 2023-2024 policy year. The 7 percent premium increase directly corresponds to unprecedented world events, in tandem with carriers depleting reserves for future losses. These factors have resulted in the market remaining hard.
- Prior to 2020, rate increases were largely tied to a soft market correction while factoring in increased attritional loss and adverse catastrophe loss development. In 2020, the pandemic, social unrest, rising reinsurance costs, financial market volatility and global recession greatly exacerbated the situation.
- A benefit of Joint Powers Authorities (also known as self-insurance pooling) is that they have provided stability in turbulent markets.
- The HARRG Program is expected to fare better than the market and better than public agencies trying to endure a hard market on their own. Shopping as an individual entity is extremely difficult, especially in California.
- The proposed funding sources and uses approved by this action are included in the Housing Commission's proposed Fiscal Year (FY) 2024 Budget, which will be presented to the Housing Authority of the City of San Diego for consideration and action on June 12, 2023. Approving this action will not change the FY 2024 Total Budget.



REPORT

DATE ISSUED: June 7, 2023

REPORT NO: HCR23-044

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of June 15, 2023

SUBJECT: 2023-2024 Procurement of General Liability Insurance Coverage

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Authorize the San Diego Housing Commission to procure and bind general liability insurance coverage from Housing Authority Risk Retention Group, Inc., (HARRG) in an amount not to exceed \$354,130 plus a 5 percent contingency reserve with effective dates of July 1, 2023, to July 1, 2024.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board) approve the procurement and binding of general liability insurance coverage from Housing Authority Risk Retention Group, Inc., (HARRG) in an amount not to exceed \$354,130 plus a 5 percent contingency reserve with effective dates of July 1, 2023, to July 1, 2024.

SUMMARY

The Housing Commission procures its general liability insurance coverage from the HARRG 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, Inc. (Alliant).

Alliant was re-selected to be the Housing Commission's insurance broker in a comprehensive procurement process in January 2022. 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 four to five years to maintain bidding interest from insurance company underwriters. In 2023 Alliant marketed the general liability policy. Once again HARRG was identified as the best option for the Housing Commission, meeting the

Housing Commission's policy requirements and competitive insurance premium.

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.

The HARRG Program is summarized below.

Commercial Liability Declarations

Limits of Coverage	\$20,000,000
General Aggregate (each Policy Year)	\$20,000,000
Deductible (Per Occurrence)	\$10,000

HAI Group is the marketing name for a family of companies including Housing Authority Risk Retention Group, Inc. (HARRG)

- Began operation on June 1, 1987, and was incorporated on March 20, 1987
- A nonprofit, tax-exempt captive mutual risk retention group, operating under the Federal Risk Retention Act, licensed and domiciled in Vermont
- Owned by the members it insures
- Long-time advocate for member housing agencies, their affiliates, and the housing industry as a whole
- Rated A (Excellent) by A.M. Best Company
- More than \$70 billion in property values insured
- \$131 million in dividends declared
- Available in 48 states and the District of Columbia
- In-house claims handling and risk control services
- Competitive pricing with flexible coverage options
- Hassle-free procurement with bid waiver from the U.S. Department of Housing and Urban Development (HUD)

In May, HARRG provided the Housing Commission with an estimated renewal proposal of \$354,130 for the 2023-2024 policy year. The 7 percent premium increase directly corresponds to unprecedented world events, in tandem with carriers depleting reserves for future losses. These factors have resulted in the market remaining hard. Prior to 2020, rate increases were largely tied to a soft market correction while factoring in increased attritional loss and adverse catastrophe loss development. In 2020, the pandemic, social unrest, rising reinsurance costs, financial market volatility and global recession greatly exacerbated the situation.

The HARRG's Commercial General Liability Renewal Proposal is summarized in Table 1, and Table 2 displays the five-year premium trend.

Table 1:

Commercial Liability Renewal Proposal	2023- 2024
Commercial Liability	\$334,776
Mold, Other Fungi or Bacteria Liability -	14,966
Terrorism Insurance Coverage	2,588
Third Party Discrimination	1,800
Total Premium	\$354,130

Table 2:

Policy year	Premium	Inc./Dec. (\$)	Inc./Dec. (%)
2019 - 2020	\$206,888	(\$7,949)	(4%)
2020 - 2021	\$208,368	\$1,480	1%
2021 - 2022	\$284,985	\$76,617	37%
2022 - 2023	\$331,407	\$46,422	16%
2023 - 2024	\$354,130	\$22,723	7%

A benefit of Joint Powers Authorities (also known as self-insurance pooling) is that they have provided stability in turbulent markets. Therefore, HARRG Program is expected to fare better than the market and better than public agencies trying to endure a hard market on their own. Shopping as an individual entity is extremely difficult, especially in California.

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action are included in the Housing Commission's proposed Fiscal Year (FY) 2024 Budget, which will be presented to the Housing Authority of the City of San Diego for consideration and action on June 12, 2023. Approving this action will not change the FY 2024 Total Budget.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to the Core Value "Believe in transparency and being good financial stewards" in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

HARRG is a nonprofit, member-directed, risk-sharing pool of public agencies and as such, is not subject to the requirement to submit a Workforce Report. HARRG is committed to equity and inclusion efforts and states that it does not discriminate based on race, color, religion, national origin, ancestry, gender, age, medical condition, sexual orientation, marital status, domestic partnership status, physical or mental disabilities, veterans, or any other consideration made unlawful by federal, state, or local laws.

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 parties agree that the provision of any federal funds as the result of this action is conditioned on the City of San Diego's final NEPA review and approval. A preliminary determination has been made that the proposed activities are Exempt pursuant to 24 CFR 58.34 of NEPA.

Respectfully submitted,

Suket Dayal

Suket Dayal
Executive Vice President of Business Administration
and Chief Financial Officer
San Diego Housing Commission

Approved by,

Jeff Davis

Jeff Davis
Interim President and Chief Executive Officer
San Diego Housing Commission

Hard copies are available for review during business hours at the information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.