



## EXECUTIVE SUMMARY

MEETING DATE: March 14, 2025

HCR25-012

SUBJECT: 2025-2026 Procurement of Property Insurance Coverage

COUNCIL DISTRICT: Citywide

ORIGINATING DEPARTMENT: Business Administration

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

### REQUESTED ACTION:

Authorize the San Diego Housing Commission to procure and bind property insurance coverage from Public Risk Innovation, Solutions, and Management (PRISM) in an amount not to exceed \$1,677,000 plus 5 percent as a contingency reserve, with effective dates of March 31, 2025, to March 31, 2026.

### EXECUTIVE SUMMARY OF KEY FACTORS:

- The San Diego Housing Commission (SDHC) currently procures its property insurance coverage from PRISM insurance pool through a contract awarded based on competitive marketing of SDHC's coverage by its insurance broker, Alliant Insurance Services (Alliant).
- PRISM continues to provide the most comprehensive and lowest price coverage available.
- In 1979, 29 California counties, formed PRISM, previously known as the California State Association of Counties Excess Insurance Authority. Later, membership was offered to cities and to other non-county public entities, such as housing authorities, fire districts, etc.
- The insurance market has been in an unprecedented "hard" cycle since 2017. Previous updates on the property insurance market have focused on the frequent and severe natural catastrophes around the world, the restricted terms and conditions offered by carriers due to lack of profitability, and inflation.
- A major contributor to the current market conditions is the continued increases in extreme weather events, including wildfires, winter storms and floods. While PRISM's design has effectively managed these losses, that attention from underwriters on this exposure is expected to intensify in upcoming renewal negotiations.
- In February 2025, PRISM provided SDHC with a preliminary premium estimate of \$1,677,000 for the 2025-2026 policy year. Most members with a history of low loss ratios were estimated to have increases up to 12 percent. The 19 percent estimated premium increase for SDHC corresponds to growing total insured values (TIV) and SDHC's claims experience.
- SDHC's five-year loss ratio is attributable to a several major fires and to a number of significant water damage incidents taking place at SDHC-owned properties in the last five years. Reviews of these incidents have demonstrated that they were not caused by any structural issues with the properties; the majority involved situations specific to the tenants at the properties at the time of the incidents.
- The proposed funding sources and uses proposed for approval by this action were approved in SDHC's Fiscal Year (FY) 2025 Housing Authority-approved budget. Approving this action will not change the FY 2025 total budget. Funding sources for the portion of the policy year from July 1, 2025, to March 31, 2026, will be budgeted in FY 2026.



## REPORT

**DATE ISSUED:** March 6, 2025

**REPORT NO:** HCR25-012

**ATTENTION:** Chair and Members of the San Diego Housing Commission Board of Commissioners  
For the Agenda of March 14, 2025

**SUBJECT:** 2025-2026 Procurement of Property Insurance Coverage

**COUNCIL DISTRICT:** Citywide

***Advance notice of San Diego Housing Commission hearing of the following matter has been provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(A)-(B).***

### **REQUESTED ACTION**

Authorize the San Diego Housing Commission to procure and bind property insurance coverage from Public Risk Innovation, Solutions, and Management (PRISM) in an amount not to exceed \$1,677,000 plus 5 percent as a contingency reserve, with effective dates of March 31, 2025, to March 31, 2026.

### **STAFF RECOMMENDATION**

That the San Diego Housing Commission (SDHC) Board of Commissioners (Board) authorize the procurement and binding of property insurance coverage for SDHC from Public Risk Innovation, Solutions, and Management (PRISM) in an amount not to exceed \$1,677,000 plus 5 percent as a contingency reserve, with effective dates of March 31, 2025, to March 31, 2026.

### **SUMMARY**

Alliant Insurance Services (Alliant) was re-selected to be SDHC's insurance broker in a comprehensive procurement process in January 2022. As the broker of record for SDHC, Alliant provides support to all facets of brokerage services for SDHC, 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 SDHC has the most effective insurance program design, with the broadest terms and conditions, at the most competitive premium available. As SDHC's risk consultant, Alliant is also responsible for keeping SDHC informed of any changes, trends and emerging risks within the public entity and commercial insurance industry.

SDHC currently procures its property insurance coverage from PRISM insurance pool through a contract awarded based on competitive marketing of SDHC's coverage by its insurance broker, Alliant. PRISM continues to provide the most comprehensive and lowest price coverage available.

In 1979, 29 California counties formed PRISM, previously known as the California State Association of Counties Excess Insurance Authority, for the sole purpose of finding cost-effective insurance and risk management solutions. Today, 51 of the 58 counties in California participate. Later, membership was offered to cities and to other non-county public entities, such as housing

authorities, public authorities, educational organizations, fire districts, etc., tasked with supporting the public.

SDHC has been a long-time member of the PRISM's Property Program, which is one of the largest public entity property placements worldwide, 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 PRISM Program is summarized in Table 1 below.

**Table 1:**

**PROPERTY PROGRAM SUMMARY**

<b>Program</b>	Public Risk Innovation, Solutions, and Management (PRISM)
<b>Type of Insurance</b>	All Risk, including Flood, Earthquake and Boiler & Machinery
<b>Members</b>	118 members, including 51 counties in California and other public entities
<b>Policy Period</b>	March 31, 2025, to March 31, 2026
<b>Excess All Risk Limit</b>	\$600 Million
<b>Total Insured Values</b>	\$101.4 Billion

Prior to 2017, the property insurance market was in a "soft" market cycle that allowed consumers to take advantage of extremely competitive pricing and expanded terms and conditions. However, beginning in 2017, increases in attritional losses along with historically severe catastrophe claims, resulted in carriers collecting insufficient premium to cover the surging claims.

As noted in the February 4, 2025, Property Market Update from PRISM CEO Gina Dean (Attachment 1), the property insurance market is finally stabilizing from a hard cycle that began in 2017. For the first time in seven years, a more stable property insurance market keen on growth is occurring. At the same time, PRISM has experienced unprecedented losses within the property program, primarily from winter storms. These conflicting scenarios are leading to a disjointed renewal with quite different expectations in the self-funded primary layer versus the excess carrier renewals.

Previous updates on the property insurance market have focused on the frequent and severe natural catastrophes around the world, the restricted terms and conditions offered by carriers due to lack of profitability, and inflation.

A major contributor to the current market conditions is the continued increases in extreme weather events, including wildfires, winter storms and floods. For California, wildfires have long been a key concern, and the recent losses for the January 2025 wildfires have underscored the escalating risk. While PRISM's design has effectively managed these losses, that attention from underwriters on this exposure is expected to intensify in upcoming renewal negotiations.

In February 2025, PRISM provided SDHC with a preliminary premium estimate of \$1,677,000 for the 2025-2026 policy year. Most members with a history of low loss ratios were estimated to have

increases up to 12 percent. The 19 percent estimated premium increase for SDHC corresponds to growing total insured values (TIV) and SDHC’s claims experience.

Businesses, organizations and public entities with commercial property and liability policies are expected to maintain adequate loss ratios. Otherwise, they may face premium increases and cancellations. To determine if and for what amount a premium increase is warranted, carriers review claims history and loss ratios for the current year plus the past five years. In general, for PRISM’s Property Program, loss ratio below 55 percent means low future risk. Loss ratio above 55 percent means high future risk. SDHC’s five-year loss ratio is 117 percent; therefore, SDHC is considered to be a high-risk entity. The growing total insured values and rate/loss ratios are summarized in Table 2 and Table 3 below.

**Table 2:**

**INCREASE OF TOTAL INSURED VALUES SUMMARY**

	<b>2024 - 2025</b>	<b>2025 – 2026*</b>	<b>Change</b>
SDHC’s Total Insured Values	\$543.8 M	\$556.9 M	\$13.1 M
PRISM’s Total Insured Values	\$106.6 B	\$111.8 B	\$5.2 B

*\*Values as of November 26, 2024*

**Table 3:**

**CURRENT YEAR + FIVE YEAR RATE / LOSS RATIO SUMMARY**

<b>Policy year</b>	<b>Premium</b>	<b>Claim</b>	<b>Difference</b>	<b>Loss ratio</b>
2019 - 2020	341,991	445,033	(103,042)	130%
2020 - 2021	429,320	269,013	160,307	63%
2021 - 2022	720,226	1,944,384	(1,224,158)	270%
2022 - 2023	809,867	563,529	246,338	70%
2023 - 2024	1,028,569	2,111,614	(1,083,045)	205%
* 2024 - 2025	1,408,280	200,000	1,208,280	14%
<b>Total</b>	<b>\$4,738,253</b>	<b>\$5,533,573</b>	<b>(795,320)</b>	<b>117%</b>

*\* Estimate as of December 31, 2024*

SDHC’s five-year loss ratio is attributable to several major fires and to a number of significant water damage incidents occurring at SDHC-owned properties in the last five years. Reviews of these incidents have demonstrated that they were not caused by any structural issues with the properties; the majority involved situations specific to the tenants at the properties at the time of the incidents.

In summary, the PRISM Property Program has had a tough few years. PRISM’s sophistication and robust net position has allowed the program to absorb these losses and remain in a positive funding position. In addition, the program structure has prevented negative loss experience to most of the long-term carrier partners. Finally, PRISM provides members the most comprehensive coverage at a more favorable price than any member could obtain on their own.

PRISM’s Property Program size is an advantage. A positive for PRISM members is that the size of the program creates stability and offers economies of scale that could not be realized without being in a large pool. Because of its size, PRISM is able to leverage the volume of capacity being

purchased to benefit all program members.

As a self-insurance pooling joint powers authority, PRISM is expected to fare better than the market and public agencies trying to endure a hard market on their own. Shopping as an individual entity with large losses is extremely difficult, especially in California.

While PRISM attempts to be conservative with preliminary premium estimates, the number on the estimate is not a not-to-exceed amount. Therefore, SDHC staff added 5 percent as a potential contingency reserve because the amount to be approved by the proposed action is defined as a not-to-exceed amount.

PRISM will be providing their final premiums after mid-March 2025. The premiums are not expected to exceed the amounts provided in Table 4 below. However, large catastrophic events or economic downturn prior to the March 31, 2025, renewal could impact the property insurance marketplace, resulting in further hardening of the market and potentially resulting in premiums that vary from this estimate.

**Table 4:**

	<b>2024 -2025</b>	<b>2025- 2026*</b>	<b>Inc. /Dec. (%)</b>
Premium	\$1,408,000	\$1,677,000	19%
5 percent Contingency Reserve		\$83,800	
<b>Total</b>		<b>\$1,760,800</b>	

**FISCAL CONSIDERATIONS**

The proposed funding sources and uses proposed for approval by this action were approved in SDHC’s Fiscal Year (FY) 2025 Housing Authority-approved Budget. Approving this action will not change the FY 2025 Total Budget. Funding sources for the portion of the policy year from July 1, 2025, to March 31, 2026, will be budgeted in FY 2026.

**SDHC STRATEGIC PLAN**

This item relates to the Core Value “Believe in transparency and being good financial stewards” in SDHC’s Strategic Plan for Fiscal Year (FY) 2022-2024. SDHC is in the process of developing a new Strategic Plan.

**NONDISCRIMINATION ASSURANCE**

At SDHC, we’re about people. We are committed to ensuring a compassionate, person-centered approach to SDHC’s programs, policies, projects and activities and serving our community impartially, fairly and without bias. We are also committed to ensuring compliance with all applicable federal, state and local laws and protections to the extent that they affect this action relative to nondiscrimination.

PRISM is a nonprofit, member-directed, risk-sharing pool of public agencies and is not subject to the requirement to submit a Workforce Report. PRISM 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.

**PREVIOUS COUNCIL and/or COMMITTEE ACTION**

On March 15, 2024, the SDHC Board of Commissioners unanimously authorized SDHC to procure and bind property insurance coverage with PRISM for the period of March 31, 2024, to March 31, 2025 (Report No. HCR24-041).

**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. Federal funds constitute a portion of the funding. NEPA approval was obtained from the City of San Diego on August 21, 2024.

Respectfully submitted,

*Suket Dayal*

Suket Dayal  
Executive Vice President of  
Business Administration and  
Chief Financial Officer

Approved by,

*Jeff Davis*

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

Attachment: PRISM Property Market Update

A printed copy is available for review during business hours at the information desk in the main lobby of SDHC's offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the "Governance & Legislative Affairs" section of SDHC's website at [www.sdhc.org](http://www.sdhc.org).



February 4, 2025

To: Property Program Members

From: Gina Dean, CEO

**Re: Property Market Update**

Entering the first quarter of 2025, the PRISM Property Program continues to navigate a property insurance market that, while more stable than in recent years, is still shaped by significant weather-related events across the country including hurricanes and severe convective storms. In addition to industry losses resulting from those types of events, this year, the Program has experienced a notable challenge with a large loss from the Eaton fire in Southern California. Despite this loss, the Program remains strong, and the design has performed as intended, particularly in helping to absorb the primary loss through the self-funded layer. As a result, the primary premium will remain stable, shielding the Program from large premium increases. However, the wildfire loss has brought heightened attention to California wildfire risks for excess underwriters and we anticipate this will factor into renewal pricing.

Insurance Market Background

The property insurance market has undergone a significant shift over the past year and is finally stabilizing from a hard cycle that began in 2017. The hard market cycle was due to large hurricane losses, perpetuated by world events and frequent and large industry losses. In response, PRISM made the strategic decision to retain the primary \$10M of the Program, effective March 31, 2022, to better manage pricing and coverage. While PRISM continues to leverage its size and relationships to negotiate favorable terms on the excess layers, we've seen an ongoing tightening in the broader insurance market, with particular focus on climate-related risks.

A major contributor to the current market conditions is the continued increase in extreme weather events, including wildfires, winter storms, and floods. For California, wildfires have long been a key concern, and the recent losses from the January 2025 wildfires have underscored the escalating risk. While PRISM's design has effectively managed these losses, the attention from underwriters on this exposure is expected to intensify in upcoming renewal negotiations.



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A Public Agency

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### Excess Capacity Renewal

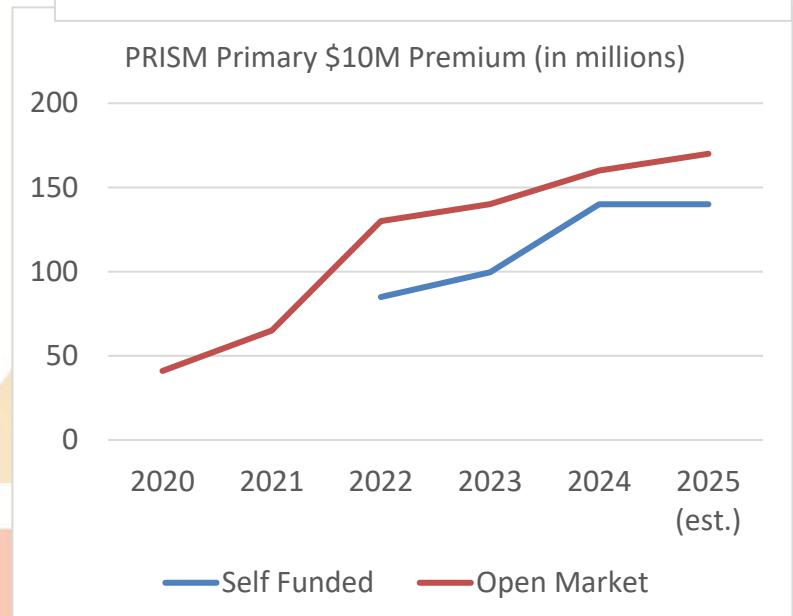
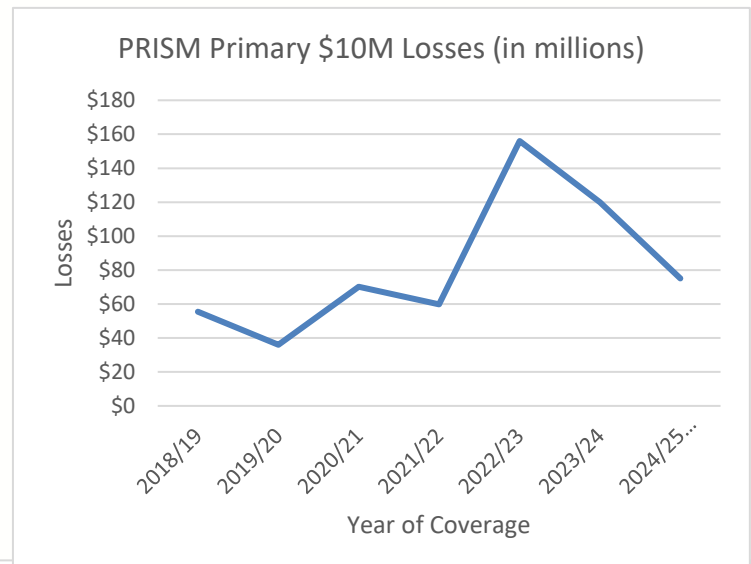
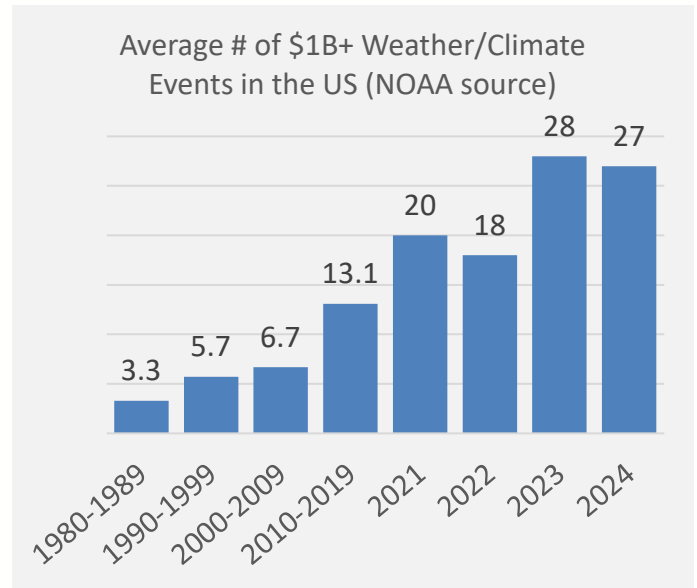
Despite continued severe natural catastrophes at unprecedented levels, 2024 was a profitable year for most carriers. This profitability has resulted in the easing of rate increases and has shifted many carriers into a growth mode, which we have not seen in many years. While excess capacity is expected to be available, rates will definitely increase in excess layers due to the January 2025 wildfires, but will be tempered by a more stable market environment.

### Primary Capacity Renewal

While loss experience for carriers excess of \$25M has been minimal except for the recent wildfires, the primary has experienced unprecedented losses. In the 5 years leading up to PRISM self-insuring the primary \$10M, the average annual loss trend for this layer was \$60M. Since self-insuring the primary \$10M layer, losses to this layer have been:

- 2022/23: \$156M (approximately \$70M of this was due to winter storms)
- 2023/24: \$120M
- 2024/25: \$71M (estimated to date)

Fortunately, the PRISM exposure is limited by purchase of reinsurance and the exposure is now fully funded. As a result, pricing for this layer is not expected to increase at the upcoming renewal. Prior to 2024/25, the Program subsidized about \$40M of member premiums, which eroded the Net Position (often referred to as surplus). The surplus was robust enough to manage these losses and despite suspending the premium subsidy, pricing for this layer of coverage is still well below what the Program or any individual entity would cost in the open marketplace. The move to self-insurance in 22/2023 was necessary due to the open market offering unacceptable pricing, terms, and conditions. As losses have increased, so has the open market pricing. PRISM's retention of the primary \$10M layer has shielded members from gaps in coverage, restrictive renewal terms and exorbitant





pricing increases. It is estimated that the Program will have saved a total of \$135M in premium by self-funding.

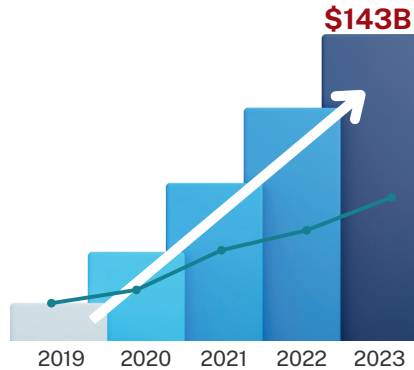
In summary, although the PRISM Property Program has had a few difficult years, PRISM's sophistication and robust Net Position has allowed the Program to absorb these significant losses and still remain in a positive funding position. In addition, the Program structure has prevented negative loss experience to most of the long-term carrier partners. Finally, PRISM provides members the most comprehensive coverage at a more favorable price than members could obtain on their own. PRISM's power is in pooling, and together with the members, the Program will be able to work through the challenges resulting from unforeseen events and continue to provide the lowest cost to members for the foreseeable future.



## LIABILITY HARD MARKET CAUSES

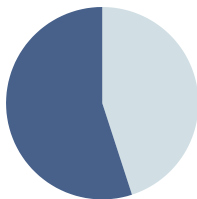
### RISING LIABILITY LOSSES

Liability losses are up an average of 11% per year over the last five years.



● Liability losses were 33% more than global insured losses for natural catastrophes in 2023

### STRAIN ON CARRIERS



45% of Property/Casualty carriers saw adverse reserve development (highest since 2002)

### SOCIAL INFLATION & LITIGATION FINANCING

👥 Third Party Litigation Financing market projected to exceed **\$20B** in 2025

📈 Social Inflation hit a 20 year high of **7%** in 2023

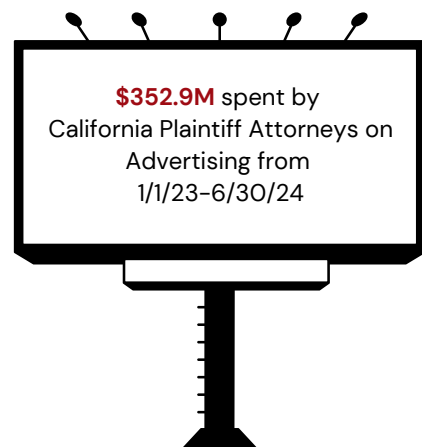
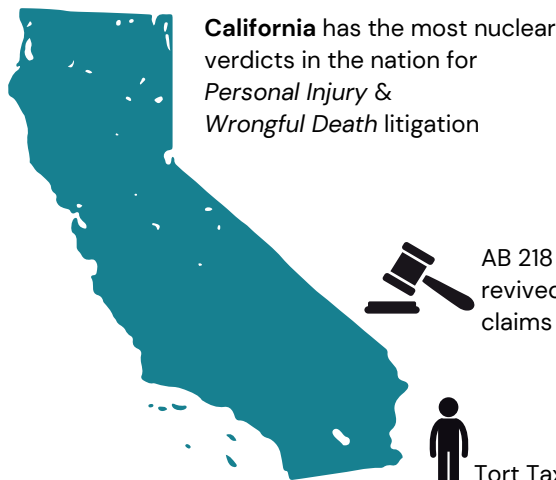
🌱 **\$6.9B** in plaintiff attorney advertising from 2017 to 2021

### IMPACT ON THE MARKET







- 👁️ Less Coverage
- 👁️ Higher deductibles & retentions
- 👁️ Aggregate limits
- 👁️ More exclusions
- 👁️ Much higher premiums

### FREQUENCY OF SEVERITY









Nuclear verdicts have reached an all-time high with a record 27 \$100M+ awards



## WHAT IS PRISM DOING?

-  Providing the most efficient program structures possible
-  Leveraging data analytics to identify exposures and loss control opportunities
-  Developing and distributing risk prevention and cost control programs
-  Allocating costs equitably among the members
-  Providing claims oversight and expertise
-  Working to effect legislative change

## WHAT CAN MEMBERS DO?

-  Take advantage of **risk prevention** and **cost control programs** offered through PRISM
-  **Stay current** on maintenance, inspections and training
-  Consider assuming more risk
-  Vigorously **defend claims** that are defensible
-  Ensure you can provide high-quality data
-  Support **legislative change** that is beneficial to defendants
-  Consider purchasing additional coverage limits
-  Help **educate the public** that the costs of nuclear verdicts are not borne by the insurance industry, but rather by public entities and ultimately the taxpayers