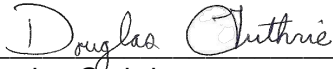


Report of the President and CEO

January 28, 2021

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR HIS DESIGNEE, TO PURCHASE PUBLIC OFFICIALS LIABILITY AND EMPLOYMENT PRACTICES LIABILITY INSURANCE FROM IRONSHORE SPECIALTY INSURANCE COMPANY, ALLIED WORLD SURPLUS LINES INSURANCE, INDIAN HARBOR INSURANCE AND RSUI INDEMNITY COMPANY, EXCESS WORKERS' COMPENSATION INSURANCE FROM STATE NATIONAL, AND TO EXECUTE RELATED ACTIONS



Douglas Guthrie,
President and CEO



Annie Markarian,
Director of Labor & Employee Relations

Purpose: The purpose of this item is to authorize the Housing Authority of the City of Los Angeles' (the "Authority") President and CEO, or his designee, to purchase insurance policies and execute related actions as follows: (1) Public Officials Liability Insurance for an annual premium (including surplus taxes and broker of record (BOR) fees) of \$448,890 from Ironshore Specialty Insurance Company, Allied World Surplus Lines Insurance, Indian Harbor Insurance & RSUI Indemnity; (2) Employment Practices Liability Insurance ("EPLI") for an annual premium (including surplus taxes and BOR fees) of \$436,343 from Ironshore Specialty Insurance Company and Allied World Surplus Lines Insurance; and (3) Excess Workers' Compensation Insurance from State National for an annual premium (including BOR fees) of \$134,211.

Regarding: On January 23, 2020, pursuant to Board Resolution No 9570, the Board of Commissioners authorized the purchase of Public Officials Liability, Employment Practices Liability Insurance and Excess Workers' Compensation Insurance for a one-year term.

Issues: The Authority maintains Public Officials Liability Insurance, Employment Practices Liability Insurance and Excess Workers' Compensation Insurance to protect against potential lawsuits and claims arising out of the acts of employees, executives, Board of Commissioners, and employment related claims filed by employees. The three current policies will expire on January 31, 2021.

On October 31, 2019, pursuant to board Resolution No. 9540, the Authority executed a contract with AON Risk Services West, Inc. (AON), to provide Broker of Record ("BOR") services for insurance procurement. The BOR is authorized to find a competitive and reasonable rate to purchase coverage for Public Officials Liability Insurance, EPLI, and Excess Workers' Compensation Insurance on behalf of the Authority.

For the upcoming renewal, in consideration of the difficult market environment and consistent with prior years, AON performed a thorough marketing for the upcoming public officials' liability and employment liability renewals for 2021-2022. AON requested proposals from the following insurers: AIG, AWAC, Ascot, Axis, Allied World Surplus Lines Insurance, Indian Harbor Insurance, Balanced Partners, Berkshire Hathaway, Chubb, Euclid, Great American, Hiscox, Ironshore, Markel, Nationwide, One Beacon, QBE, PGU, RSUI, Sompco, Starr, Travelers and Zurich. Most of the insurers declined to quote due to the

Authority's type of business as a public entity-housing authority. Others indicated they could not be competitive with the Authority's current pricing or coverage.

Due to the current litigation environment, including increased exposure related to potential COVID-19 claims, the industry is seeing significant increase in premiums and retentions, and decrease in coverage limits for both EPLI and Public Officials policies. However, AON was successful in securing policies that match the Authority's existing coverage limits by supplementing coverage through Allied World Surplus Lines, and Indian Harbor Insurance. The current renewal proposal by Ironshore, World Allied Surplus Lines Insurance, Indian Harbor Insurance and RSUI and State National, provides the Authority with the appropriate level of protection at the most competitive cost.

The total premium for Public Officials, primary and excess coverage is up by five percent (5%) over the prior year. The premium for EPLI is up by thirteen percent (13%) over the prior year. The premium increase in the industry is averaging about 25-30% annually, which makes the renewal proposal by Ironshore, World Allied Surplus, Indian Harbor Insurance, and RSUI competitive.

For the excess workers' compensation coverage, the increase in premium is averaging about 6-10%. The Self-Insured Retention for the excess workers' compensation remains \$5 million. All other terms remain unchanged. The excess workers' compensation coverage also remains unchanged for this renewal at \$0.1627 per \$100 payroll.

The following chart shows a comparison of coverages and cost between 2020 and 2021.

Type of policy	Coverage limit	2021 Premium	2020 Premium
Public Officials	\$20 million	\$448,890	\$431,718
Employment Practices	\$10 million	\$436,343	\$388,648
Excess Workers' Comp	\$150 million	\$134,211	\$130,881

The deductible for both employment practices liability and public officials policies will remain at \$250,000 per occurrence. The policies will continue to be an insurer duty to defend policy. The insurer will bill the Authority for amounts paid within the deductible. The insurer will pay for covered loss (including defense costs) above the deductible.

Vision Plan: Purchase of these insurance coverages is in nature administrative; coverage is to protect the Authority and to stay within the best practices.

Funding: The Chief Administrative Officer confirms the necessary funds are included and available in the 2021 budget and will be earmarked for the 2022 budget.

Source of Funds: The cost of public officials' liability, employment practices liability and excess workers' compensation insurance is allocated to the various programs of the Authority based on staff salaries. Amounts by program/funding source are as follows:

	Public Housing	Section 8	Strategic Development	Central Office	Total
Public Officials Liability	\$ 142,344	\$ 187,456	\$ 31,108	\$ 87,982	\$ 448,890
Employment Practices Liability	138,364	182,217	30,239	85,523	436,343
Excess Workers Compensation	42,558	56,047	9,301	26,305	134,211
	<u>\$ 323,266</u>	<u>\$ 425,720</u>	<u>\$ 70,648</u>	<u>\$ 199,810</u>	<u>\$ 1,019,444</u>

Budget and Program Impact: The necessary funds for premiums and any other payments up to the deductible amount are available and included in the 2021 operating budget.

Attachment: Resolution

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR HIS DESIGNEE, TO PURCHASE PUBLIC OFFICIALS LIABILITY AND EMPLOYMENT PRACTICES LIABILITY INSURANCE FROM IRONSHORE SPECIALTY INSURANCE COMPANY, ALLIED WORLD SURPLUS LINES INSURANCE, INDIAN HARBOR INSURANCE AND RSUI INDEMNITY COMPANY, EXCESS WORKERS' COMPENSATION INSURANCE FROM STATE NATIONAL, AND TO EXECUTE RELATED ACTIONS

WHEREAS, the Housing Authority of the City of Los Angeles maintains Public Officials Liability Insurance, Employment Practices Liability Insurance and Excess Workers' Compensation Insurance to protect against potential lawsuits arising out of the acts of employees, executives, Board of Commissioners, and employment related claims;

WHEREAS, the Authority executed a contract with AON Risk Services West, Inc. (AON), a Broker of Record, pursuant to board Resolution No. 9540 adopted on October 31, 2019, to procure insurance coverage on behalf of the Authority for its Public Officials Liability, Employment Practices Liability, and Excess Workers' Compensation coverage;

WHEREAS, AON has been successful in obtaining a renewal of the current policies with Ironshore Specialty Insurance Company, Allied World Surplus Lines Insurance, Indian Harbor Insurance, and RSUI Indemnity Company, and State National Insurance;

WHEREAS, the Public Officials Liability Insurance and Employment Practices Liability Insurance policies with Ironshore Specialty Insurance Company, the deductible for employment practices will remain at \$250,000 deductible per occurrence;

WHEREAS, claims and defense costs incurred will be paid upfront by Ironshore Specialty Insurance Company, which will bill the Authority within the deductible; and

WHEREAS, there will continue to be a \$5 million-dollar Self-Insured Retention for the Excess Workers' Compensation Coverage.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners Authorizes the President and CEO, or his designee, to: 1) purchase \$20 Million Public Officials Liability insurance from Ironshore Specialty Insurance Company, Allied World Surplus Lines Insurance, Indian Harbor Insurance, and RSUI Indemnity Company through AON, broker of record, for a premium not to exceed \$448,890, (including surplus lines taxes and the broker of record fee); 2) purchase \$10 Million Employment Practices Liability Insurance for a premium not to exceed \$436,343 (including surplus taxes and broker of record fee); 3) purchase Excess Workers' Compensation Insurance for an estimated annual fee of \$134,211 from State National (including broker of record fee), and 4) undertake actions related to said policies.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately.

APPROVED AS TO FORM:
JAMES JOHNSON

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

BY: _____
General Counsel

By _____
Chairperson

DATE ADOPTED: _____