


REPORT OF THE PRESIDENT AND CEO

August 26, 2021

**RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO PURCHASE
COMMERCIAL GENERAL LIABILITY, LAW ENFORCEMENT, LEAD-BASED PAINT LIABILITY AND
PROPERTY INSURANCE FROM HOUSING AUTHORITY INSURANCE GROUP FOR ALL HACLA
OWNED AND LEASED PROPERTIES AND TO EXECUTE RELATED ACTIONS**



 Douglas Guthrie
 President and CEO



 Annie Markarian,
 Director of Labor and Employee Relations

Purpose: The purpose of this item is to authorize the Housing Authority of the City of Los Angeles' (HACLA) President and CEO or designee to purchase from Housing Authority Insurance Group (HAI) the following insurance policies: (1) Commercial General Liability (including coverage for Law Enforcement and Lead-Based Paint) for a premium cost of \$581,511; and (2) Commercial Property Insurance (including terrorism coverage) for all HACLA owned and leased properties for a premium cost of \$1,412,700.

Regarding: The HACLA insurance policies are renewed annually. On July 30, 2020, the Board of Commissioners adopted Resolution 9614 to purchase 10 Million Commercial General Liability Insurance (including \$1 Million Law Enforcement Liability Insurance and \$1 Million Lead-Based Paint Liability Insurance) and Property Insurance for all HACLA owned and leased properties. The general liability coverage expired on August 1, 2021; however, coverage was extended through September 12, 2021.

Issues: The U.S. Department of Housing and Urban Development (HUD) requires HACLA to maintain commercial general liability insurance coverage and property insurance to mitigate liability related to property owned or leased by HACLA. HUD has recognized HAI Group as an insurance company that is controlled by Public Housing Authorities (PHA); and, as such, the procurement bidding requirement is waived.

HACLA seeks board approval to renew coverage of the following policies:

Commercial General Liability:

HACLA's Commercial General Liability Insurance Policy expired August 1, 2021, and was extended through September 12, 2021. This policy provides coverage to HACLA against third party claims alleging personal injury or property damage occurring on properties owned or leased by HACLA. Although HUD's Annual Contributions Contract (ACC) does not require that HACLA maintain Law Enforcement Liability or Lead Based Paint coverage; HACLA continues to elect the coverage to mitigate exposure.

In this renewal period, we are absorbing a \$12,873 premium increase for the Commercial General Liability Insurance Policy. We are also seeing a nominal increase of \$216 for the Law Enforcement Liability renewal but a \$2,390 reduction for the Lead-Based Paint Liability renewal. The increases are attributable to a rate increase in all lines of coverage in California.

HACLA Commercial General Liability Insurance Policy renews on September 12, 2021, for a total premium (inclusive of Law Enforcement and Lead-Based Paint coverages) of \$581,511. The coverage terms remain the same as the expiring policy. Specifically, the general liability coverage limit is \$10 million and Law Enforcement and Lead Based-Paint coverage is \$1 million.

The carrier remains responsible for investigating and defending HACLA legal interests and pays upfront costs associated with investigating the claims. The deductible for general liability and law enforcement will remain at \$100,000 per occurrence and \$25,000 for lead-based paint.

Commercial Property Insurance:

HACLA’s Commercial Property insurance protects HACLA in case of a loss or damage to any of the HACLA owned properties. This type of insurance covers the HACLA assets with limits of coverage for all properties at a replacement cost value (RCV). The cost of the renewed policy is 1,412,700, which reflects a premium increase of two percent (2%) or \$27,500. The increase in premiums is attributable to a rate increase in the insurance market.

The deductible will continue to be \$50,000 per occurrence. All other aspects of this policy will remain the same.

The following chart reflects upcoming renewal changes 2021 premiums compared to that of 2020:

Policy	Coverages & Deductibles	Premium 2020	Premium 2021
Commercial General Liability	\$10MM, (\$100k deductible)	\$530,823	\$543,696
Law Enforcement	\$1MM (\$100k deductible)	\$1,871	\$2,087
Lead-Based Paint	\$1MM (\$25k)	\$38,118	\$35,728
Commercial Property/Terrorism	Replacement cost value \$50,000	\$1,385,205	\$1,412,700

Vision Plan: The purchase of Commercial Property Insurance and Commercial General Liability Insurance is administrative in nature and it is a requirement under the Annual Contributions Contract.

Funding: The Chief Administrative Officer confirms the following:

Source of Funds: The cost of commercial general liability, lead-based paint liability and property insurance is allocated to the various HACLA programs by number of units in each property. The cost of law enforcement liability is allocated based on staff salaries. Amounts by program/funding source are as follows:

	Public Housing	Section 8	Strategic Development	Central Office	Total
Commercial General Liability	\$ 239,643	\$ 227,118	\$ 65,137	\$ 11,798	\$ 543,696
Law Enforcement	-	-	-	2,087	2,087
Lead-Based Paint	30,158	-	5,570	-	35,728
Commercial Property/Terrorism	966,604	-	369,804	76,292	1,412,700
	<u>\$ 1,236,405</u>	<u>\$ 227,118</u>	<u>\$ 440,511</u>	<u>\$ 90,177</u>	<u>\$ 1,994,211</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 and will be budgeted in 2022 as required.

Environmental Review: Not applicable

Section 3: Not applicable

Attachments: 1. Resolution

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO PURCHASE COMMERCIAL GENERAL LIABILITY, LAW ENFORCEMENT LIABILITY, LEAD-BASED PAINT LIABILITY AND PROPERTY INSURANCE FROM HOUSING AUTHORITY INSURANCE GROUP FOR ALL HACLA OWNED AND LEASED PROPERTIES AND EXECUTE RELATED ACTIONS

WHEREAS, the Department of Housing and Urban Development (HUD) requires the Housing Authority of the City of Los Angeles (HACLA) to maintain commercial property insurance based upon current replacement cost value, and commercial general liability insurance, for all HACLA owned or leased properties.

WHEREAS, HUD recognizes the Housing Authority Insurance Group ("HAI") as an insurance company that is controlled by Public Housing Authorities (PHA) and, as such, has waived the bidding requirements for procuring such insurance policies through HAI;

WHEREAS, HACLA's current Commercial General Liability Insurance and Property Insurance policy will expire on September 12, 2021; and

WHEREAS, the deductibles and sub-limits under the renewed policies for any single loss shall remain the same from prior years.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners authorizes the President and CEO, or designee, to do the following: (1) Purchase from HAI Commercial General Liability Insurance (including coverage for Law Enforcement and Lead-Based Paint) for a premium cost of \$581,511 and Property Insurance for all HACLA owned and leased properties for a premium cost of \$1,412,700; (2) Authorize the deductible payments for claims covered under these policies; and (3) execute related documents.

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

APPROVED AS TO FORM:

HOUSING AUTHORITY OF THE CITY
OF LOS ANGELES

By: _____
Cielo Castro, Chairperson

By: _____
General Counsel, James Johnson

DATE: _____

