


Report of the President and CEO

January 23, 2020

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO TO PURCHASE PUBLIC OFFICIALS LIABILITY AND EMPLOYMENT PRACTICES LIABILITY INSURANCE FROM IRONSHORE SPECIALTY INSURANCE COMPANY AND RSUI INDEMNITY COMPANY, AND 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 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 \$435,529 from Ironshore Specialty Insurance Company & RSUI Indemnity, (2) Employment Practice Liability Insurance ("EPLI") from Ironshore for an annual premium (including surplus taxes and BOR fees) of \$390,648, and (3) Excess Workers Compensation Insurance from State National for an annual premium (including BOR fees) of \$130,881.

Regarding: On January 24, 2019, pursuant to Board Resolution No. 9484, the Board of Commissioners authorized the purchase of Public Official Liability, Employment Practice Liability Insurance and Excess Workers Compensation Insurance for a one-year term.

Issues: The Authority currently maintains Public Officials Liability, Employment Practice 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 filed by employees. The three current policies will expire on January 31, 2020.

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.

AON, as the BOR, markets the three policies annually for the Authority; however, for the 2020 renewal, since the Excess Workers Compensation has a rate guarantee for 2020, AON only marketed the Public Officials and EPLI liability policy.

AON requested proposals from the following eight carriers: AIG, Euclid, Chubb, Beasley, CNA, Hiscox, RSUI, and Travelers, most of which declined, indicating that their rates were "non-competitive" to either the Authority's current premium pricing or coverage with Ironshore, or that they were not interested. AON received proposals from the incumbents, Ironshore and RSUI.

When compared to other insurers of public entities, the Authority's current insurers, Ironshore, RSUI and State National, are competitive.¹ The total premium for Public Official, primary and excess coverage is up by 6% over the prior year. The premium for EPLI is up by 5.06% over the prior year. The premium increase in the industry is averaging about 10-17% annually which makes Ironshore's renewal proposal competitive.

The premium increase for the Authority is driven by a combination of the market environment and the payment of a recent claim. The Excess Worker's Compensation remains unchanged for this renewal at \$0.1612 per \$100 payroll.

The following chart shows a comparison of coverages between 2019 and 2020.

Type of policy	Coverage limit	2020 Premium	2019 Premium
Public Officials	\$20 million	\$435,529	\$417,165
Employment Practice	\$10 million	\$390,648	\$371,515
Excess Worker's Comp	\$150 million	\$130,881	\$131,248

There will be no changes to the policies, and the deductible will remain at \$250,000 per occurrence for Public Officials Liability policies and EPLI. 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. The Self-Insured Retention for the Excess Worker's Compensation remains \$5 million.

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 2020 budget and will be earmarked for the 2021 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:

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¹ The Authority has had the Public Officials Liability insurance coverage with Ironshore as the primary carrier for the first \$10 million and RSUI Indemnity Company as the excess carrier for an additional \$10 million since 2014.

	Public Housing	Section 8	Strategic Development	Central Office	Total
Public Officials Liability	\$ 139,979	\$184,577	\$ 27,003	\$ 83,970	\$ 435,529
Employment Practices Liability	125,554	165,557	24,220	75,317	390,648
Excess Workers Compensation	42,065	55,467	8,115	25,234	130,881
	\$ 307,598	\$405,601	\$ 59,338	\$184,521	\$ 957,058

Budget and Program Impact: The necessary funds for premiums and any other payments up to the deductible amount are available and included in the 2020 operating budget.

Attachment: Resolution

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO TO PURCHASE PUBLIC OFFICIALS LIABILITY AND EMPLOYMENT PRACTICES LIABILITY INSURANCE FROM IRONSHORE SPECIALTY INSURANCE COMPANY AND RSUI INDEMNITY COMPANY, AND EXCESS WORKERS COMPENSATION INSURANCE FROM STATE NATIONAL, AND TO EXECUTE RELATED ACTIONS

WHEREAS, the Housing Authority of the City of Los Angeles currently maintains Public Officials Liability Insurance, Employment Practice 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 filed by employees; and

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 Practice Liability, and Excess Workers' Compensation coverage; and

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

WHEREAS, the Public Officials Liability Insurance and Employment Practices Liability Insurance policies with Ironshore Specialty Insurance Company will continue to have a \$250,000 deductible per occurrence; and

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

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

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners Authorizes the President and CEO to: 1) purchase \$20 Million Public Officials Liability insurance from Ironshore Specialty Insurance Company and RSUI Indemnity Company through AON, broker of record, for a premium not to exceed \$435,529, (including surplus lines taxes and the broker of record fee); 2) purchase \$10 Million Employment Practice Liability Insurance from Ironshore for a premium not to exceed \$390,648 (including surplus taxes and broker of record fee); 3) purchase Excess Workers Compensation Insurance for an estimated annual fee of \$130,881 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: _____