

REPORT OF THE PRESIDENT AND CEO

August 25, 2022

RESOLUTION AUTHORIZING THE PURCHASE OF COMMERCIAL GENERAL LIABILITY, LAW ENFORCEMENT, LEAD-BASED PAINT LIABILITY AND PROPERTY INSURANCE FROM THE HOUSING AUTHORITY INSURANCE GROUP

Douglas Guthrie

Douglas Guthrie
President and CEO

Annie Markarian

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 the 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 \$603,545; and (2) Commercial Property Insurance (including terrorism coverage) for all HACLA owned and leased properties for a premium cost of \$1,398,710.

Regarding: HACLA insurance policies are renewed annually. On August 26, 2021, the Board of Commissioners adopted Resolution 9738 to purchase a 10 Million Dollar Commercial General Liability Insurance Policy (including \$1 Million in Law Enforcement Liability Insurance and \$1 Million in Lead-Based Paint Liability Insurance) and Property Insurance for all HACLA owned and leased properties. The policies will expire on September 12, 2022.

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:

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 removing 544 units owned by Los Angeles LOMOD South, Inc., from the HACLA Policy, and absorbing a \$21,818 premium increase for the

Commercial General Liability Policy. We are also seeing a nominal increase of \$216 for the Law Enforcement Liability and no rate change for Lead-Based Paint Liability renewal. HACLA’s overall increase is 3.8%.

HACLA’s Commercial General Liability Insurance Policy renews on September 12, 2022, for a total premium (inclusive of Law Enforcement and Lead-Based Paint coverages) of \$603,545. The coverage terms remain the same as the expiring policy. Specifically, the general liability coverage limit is \$10 Million Dollars and Law Enforcement and Lead Based-Paint coverage is \$1 Million Dollars.

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 HACLA assets with limits of coverage for all properties at a replacement cost value (RCV).

In this renewal period, we are removing 544 units currently owned by Los Angeles LOMOD South, Inc. from the HACLA policy. The cost of the renewed policy is \$1,398,710, which reflects a premium increase of three percent (3%). Some of the factors impacting the rate increases include the current insurance market, inflation, labor shortages and demand surges. 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 2022 premiums compared to that of 2021:

Policy	Coverages & Deductibles	Premium 2021	Premium 2022
Commercial General Liability	\$10MM, (\$100k deductible)	\$543,696	\$565,514
Law Enforcement	\$1MM (\$100k deductible)	\$2,087	\$2,303
Lead-Based Paint	\$1MM (\$25k deductible)	\$35,728	\$35,728
Commercial Property/Terrorism	Replacement cost value (\$50,000 deductible)	\$1,412,700	\$1,398,710

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 and property insurance is allocated to the various HACLA programs by number of units in each property. The cost of commercial liability – law enforcement 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	\$ 253,757	\$ 241,932	\$ 58,140	\$ 11,685	\$ 565,514
Law Enforcement	-	-	-	2,303	2,303
Lead-Based Paint	32,175	-	3,553	-	35,728
Commercial Property/Terrorism	1,033,665	-	281,316	83,729	1,398,710
	<u>\$ 1,319,597</u>	<u>\$ 241,932</u>	<u>\$ 343,009</u>	<u>\$ 97,717</u>	<u>\$ 2,002,255</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 2022 operating budget and will be budgeted in 2023 as required.

Environmental Review: Not applicable

Section 3: Not applicable

Attachments: 1. Resolution

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PURCHASE OF COMMERCIAL GENERAL LIABILITY, LAW ENFORCEMENT LIABILITY, LEAD-BASED PAINT LIABILITY AND PROPERTY INSURANCE FROM THE HOUSING AUTHORITY INSURANCE GROUP

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, 2022; and

WHEREAS, for the reasons set forth in the Report of the President and CEO of the same date herewith, the Board of Commissioners desires to authorize the President and CEO, or designee, to: (1) purchase from HAI Commercial General Liability Insurance (including coverage for Law Enforcement and Lead-Based Paint) for a premium cost of \$603,545 and Property Insurance for all HACLA owned and leased properties for a premium cost of \$1,398,710; (2) pay deductibles for claims covered under these policies; and (3) execute related documents as may be necessary to administer and effectuate said policies.

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 \$603,545 and Property Insurance for all HACLA owned and leased properties for a premium cost of \$1,398,710; (2) pay deductibles for claims covered under these policies; and (3) execute related documents as may be necessary to administer and effectuate said policies.

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

APPROVED AS TO FORM:

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

By: _____
James Johnson, General Counsel

By: _____
Cielo Castro, Chairperson

DATE ADOPTED: _____