

Report of the President and CEO

January 26, 2023

**RESOLUTION AUTHORIZING THE PURCHASE OF PUBLIC OFFICIALS LIABILITY AND
EMPLOYMENT PRACTICES LIABILITY INSURANCE FROM IRONSHORE SPECIALTY
INSURANCE COMPANY, ALLIED WORLD SURPLUS LINES INSURANCE, INDIAN
HARBOR INSURANCE AND RSUI INDEMINTY COMPANY, EXCESS WORKERS
COMPENSATION INSURANCE FROM STAR INSURANCE**



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' ("HACLA") 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 \$470,621 from Ironshore Specialty Insurance Company, Allied World Surplus Lines Insurance, Indian Harbor Insurance & RSUI Indemnity; (2) Employment Practice Liability Insurance ("EPLI") for an annual premium (including surplus taxes and BOR fees) of \$446,574 from Ironshore Specialty Insurance Company and Allied World Surplus Lines Insurance; and (3) Excess Workers Compensation Insurance from Star Insurance Company for an annual premium (including BOR fees) of \$163,602.

Regarding: On January 27, 2022, pursuant to Board Resolution No 9893, the Board of Commissioners authorized the purchase of Public Official Liability, EPLI and Excess Workers Compensation Insurance for a one-year term.

Issues: HACLA maintains Public Officials Liability Insurance, EPLI, 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. The three current policies will expire on January 31, 2023.

On October 31, 2019, pursuant to board Resolution No. 9540, HACLA 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 HACLA.

For this upcoming renewal due to the current litigation environment for both public officials and employment practices liability, the public officials and employment practices liability insurers are continuing to manage limits and adjust retentions and premiums to mitigate risk and address profitability issues resulting from elevated loss ratios. Despite this trend, HACLA has secured a reduction of premium in both the public officials and employment practices policies.

Aon performed a thorough marketing for both the public officials liability and employment liability renewals for 2023-2024, including requests for proposals from the following insurers: AIG, Allied World, Ascot, Berkshire Hathaway, Chubb, Euclid, Great American, Hartford, Intact, Liberty, Markel, Nexus, PGUI, QBE, RSUI, Sampo, Travelers and Zurich. Most of the insurers declined to quote due

to HACLA's class of business (public entity - housing authority), domicile (California) and size. However, Aon was successful in negotiating renewal quotes from the incumbent insurers for both EPLI and Public Officials coverage with no changes to the expiring coverage limits and deductible. The proposed renewal by Ironshore Specialty Insurance Company, World Allied Surplus Lines Insurance, Indian Harbor Insurance, RSUI, and Star Insurance provides HACLA with the appropriate level of protection at the most competitive cost.

For the EPLI the proposed premium cost is \$413,574, which is a \$9,464 or 2.24% reduction compared to 2022. For Public Officials primary coverage, Aon negotiated a proposed premium cost of \$437,621, which is an \$8,073 or 1.81% reduction compared to 2022.

For the excess workers' compensation quote Aon reached out to the incumbent Star Insurance Company, the proposed quote for this renewal has increased from \$127,131 to \$130,602 with the \$0.1714 per \$100 payroll renewing at the same rate as the expiring year. The increase in premium is attributed to the increase in payroll. The Self-Insured Retention for the excess workers' compensation remains \$5 million. All other terms remain unchanged.

The following chart shows a comparison of coverages and cost between 2022 and 2023.

Type of policy	Coverage limit	2022 Premium	2023 Premium
Public Officials	\$20 million	\$478,694	\$470,621
Employment Practice	\$10 million	\$456,037	\$446,574
Excess Workers' Comp	\$150 million	\$160,131	\$163,602

The deductible for both employment practice 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 HACLA 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 administrative in nature and coverage levels are intended to protect HACLA and to stay within the best practices.

Funding: The Chief Administrative Officer confirms the following:

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

	Public Housing	Section 8	Strategic Development	Central Office	Total
Public Officials Liability	\$ 135,651	\$ 203,960	\$ 38,195	\$ 92,815	\$ 470,621
Employment Practices Liability	128,720	193,538	36,243	88,073	446,574
Excess Workers' Compensation	47,156	70,903	13,278	32,265	163,602
	<u>\$ 311,527</u>	<u>\$ 468,401</u>	<u>\$ 87,716</u>	<u>\$ 213,153</u>	<u>\$ 1,080,797</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 2023 operating budget.

Attachment: Resolution

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PURCHASE OF PUBLIC OFFICIALS LIABILITY AND EMPLOYMENT PRACTICES LIABILITY INSURANCE FROM IRONSHORE SPECIALITY INSURANCE COMPANY, ALLIED WORLD SURPLUS LINES INSURANCE, INDIAN HARBOR INSURANCE AND RSUI INDEMINTY COMPANY, EXCESS WORKERS COMPENSATION INSURANE FROM STAR INSURANCE

WHEREAS, the Housing Authority of the City of Los Angeles maintains Public Officials Liability Insurance, Employment Practice Liability Insurance (“EPLI”) 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, HACLA 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 HACLA for its Public Officials Liability, EPLI, 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, RSUI Indemnity Company, and Star Insurance Company;

WHEREAS, the coverage limits and deductibles for EPLI and Public Officials Liability Insurance policies remain unchanged from the expiring year. Claims and defense costs incurred will be paid upfront by the insurer, and will be billed to HACLA monthly, within the deductible; and

WHEREAS, there will continue to be a \$5 million-dollar Self-Insured Retention for the Excess Worker’s Compensation Coverage provided by Star Insurance Company.

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 \$470,621 (including surplus lines taxes and the broker of record fee); 2) purchase \$10 Million Employment Practice Liability Insurance from Ironshore Specialty Insurance for a premium not to exceed \$446,574 (including surplus taxes and broker of record fee); 3) purchase Excess Workers’ Compensation Insurance for an estimated annual fee of \$163,602, from Star Insurance (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 _____
Cielo Castro, Chairperson

DATE ADOPTED: _____