



Commonwealth of Massachusetts
DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT

Charles D. Baker, Governor ♦ Karyn E. Polito, Lt. Governor ♦ Janelle Chan, Undersecretary

Public Housing Notice 2019-28

TO: All Local Housing Authority Executive Directors
FROM: Amy Stitely, Associate Director Division of Public Housing and Rental Assistance
SUBJECT: Massachusetts State-Aided Housing Programs Property, Boiler & Machinery and Crime Insurance
Policy Period – 11/17/19 to 11/17/20
DATE: November 15, 2019

Insurance Renewal and Invoicing:

The Massachusetts Housing Authorities Insurance Program, procured by Salem Housing Authority with the cooperation of the Department of Housing and Community Development, has just completed a renewal with Hays Companies for Property, Boiler & Machinery Insurance and Crime insurance for Local Housing Authorities' state-aided housing programs for the coverage period beginning 11/17/19 through 11/17/20. The primary property insurance carrier will continue to be Lexington Insurance. Liberty Mutual will continue as the insurer for Boiler & Machinery coverage and National Union remains the insurer for Crime coverage.

While all of our insurance carriers have remained the same, this policy renewal year has been exceptionally challenging and required some significant changes to the insurance program. These changes will impact Housing Authorities in three primary ways.

First, there will be an increase in the per-door rate of 15%. **The rate will be \$126 per door this year**, increased from a per-door rate of \$110 last year. As we previewed for you in October, the insurance market is extremely hard this year as a result of a high demand for insurance coverage and a reduced supply. Specifically, major insurance carriers have exited the habitational insurance market, and high losses incurred by those carriers still writing insurance for habitational risks, coupled with the high demand for their coverage has led to significant premium increases. In addition, insurers are disinclined to negotiate terms or write insurance on previously negotiated terms. This has led to the next important change.

You will receive an insurance premium invoice from Hays Insurance, by email, in the next week or so. The invoice will reflect the programs per-door rate of \$126 multiplied by the LHA's number of state-aided units¹ according to DHCD's Capital Planning System records. Note that MRVP units are excluded.

Please add insurance payment to the agenda for your next Board meeting to ensure that this bill is paid in a timely manner. You will not receive a bill in the mail.

You are requested to pay your bill WITHIN 10 DAYS directly to Hays Insurance (EID #411784898). You may make your check payable to Hays Companies, with a subject line stating Massachusetts Housing Authorities Insurance Program. The mailing address is: HAYS COMPANIES, MI-88, P.O. BOX 1414, MINNEAPOLIS, MN 55480-1414.

¹ Including Section 8 NC/SR properties.

Second, the community deductible program is being re-structured and the terms on which insurance has been offered in the past has been re-written. **All LHAs will have a deductible of \$5,000** which they will be responsible for out-of-pocket before an insurance claim can be submitted. We will provide further guidance regarding how to determine whether a loss is likely to exceed \$5,000, but you will need to exercise some judgment to determine whether a loss is insured and whether it will meet the minimum deductible threshold.

Three initial questions to ask will be:

Was this loss to the property of the housing authority?

The insurance policy only covers buildings in the state-aided housing program. It does not insure damage to cars, trees, landscaping, fencing, tenant's belongings, neighboring properties, or personal injuries.

Was this loss sudden and accidental?

Insurance is not a maintenance program. If a roof is missing ¼ of its shingles and develops a leak, this loss is not going to be covered by insurance. On the other hand, if a roof is in good condition and a tree branch falls through it and causes damage this is a sudden and accidental event. Similarly, if a pipe bursts suddenly and causes a water leak this will most-likely be insured, but an old and corroded water pipe in the ground is likely to have an insurance claim denied. It is likely that some claims which Lexington Insurance was willing to cover in the past, will now be subject to claim denials, as insurance companies become stricter about their policy language.

Are the damages likely to exceed the \$5,000 deductible?

You will need to consider the size of the loss and your knowledge of costs to make this assessment. Has a bad wind-storm damaged a few shingles on your roof, or does an entire section of roof need to be re-shingled. Also consider, is the damage to an expensive item like a fire alarm panel or boiler which may need complete replacement? When determining if the claim is over \$5,000, the LHA should contact its Construction Advisor.

Remember that even if the claim exceeds the deductible, the LHA will be responsible for the first \$5,000 of costs related to the claim. DHCD encourages LHAs to share this information with their boards and ensure that LHA reserves are made adequate to address the amount of insurance claims which your LHA has typically experienced in the past. Our Risk Management Specialist Sarah O'Leary can provide you with your LHAs historical claim information if you request the same by email, sarah.oleary@mass.gov.

Insurance Procedures:

The claim process will also change this year to improve claim service and responsiveness for LHAs. As of Sunday, November 17, 2019, all claims will be adjusted through a Massachusetts-based Executive General Adjuster from Sedgwick Claim Services. **Effective immediately, if your LHA sustains an insured property loss which is likely to exceed the deductible of \$5,000, the claim must be reported immediately by email to andy.ernst@sedgwick.com.** This email should include your contact information and a brief discussion of the loss. A claim reporting form will be provided to simplify the process for LHAs to file claims. In the case of a large loss (estimated to be over \$25,000) please contact Andy Ernst by phone at: (781)929-9026.

All pre-existing claims will remain with their prior-assigned claims adjuster.

We will provide you with updated **Claim Reporting Procedures** and **Insurance Coverage FAQs** in the coming weeks. In the meantime, if you have any concerns about the claims process, please contact Risk Management Specialist, Sarah O'Leary at sarah.oleary@mass.gov.

Loss Control:

As we noted last year, the recent loss history for this insurance program has shown a trend toward increased claims as a result of weather conditions, and numerous large fires. The high number of insurance claims is another driver of increased costs to obtain insurance for this property portfolio. Because of the increased deductible, your LHA will also be affected if unnecessary insurance claims are filed. We will be providing you with loss control advice and request that you consider risk prevention when you are walking the property or inspecting tenant units. Perform preventive maintenance to ensure your buildings are weather-tight. Look for and address fire hazards, such as candles near flammable objects, overloaded extension cords, portable heating units that appear to be unsafe or used improperly, and especially cooking hazards. These signs all demonstrate risk factors which can put the housing authority's residents, and its buildings at risk.

Role of Salem Housing Authority:

DHCD is greatly appreciative of the participation of Salem Housing Authority in the administration of the Local Housing Authorities Insurance program which allows participating LHAs to obtain excellent insurance coverage at an affordable cost and ensures that the Commonwealth's investment in public housing is preserved for current residents and future generations. You will notice that Salem Housing Authority is identified as the insurance policyholder on behalf of all Massachusetts Local Housing Authorities state-aided properties. This is not an error, Salem Housing Authority is the procuring LHA on behalf of all Massachusetts Local Housing Authorities with state-aided property.

Conclusion:

In closing, despite the changes to the insurance program this year, the Massachusetts Housing Authority Insurance Program continues to provide very comprehensive coverage for an affordable price. We are able to include flood coverage for properties in scheduled and unscheduled flood zones, and we are insured for earthquakes, hurricanes, and known storms, with higher deductibles applying to these losses. This program includes business interruption coverage, statutory relocation coverage for fires, and Boiler and Machinery coverage, including jurisdictional inspections of regulated objects, and crime insurance coverage. It is through the cooperation and joint buying power of all the Massachusetts LHAs that this program can successfully operate to ensure that all state-aided housing properties are able to secure insurance while maintaining a low deductible. We appreciate all of the LHAs' commitment to and participation in this program, ensuring that the Commonwealth's investment in affordable housing is preserved for future generations.

If you have any questions about the insurance program, please email DHCD's Risk Management Specialist Sarah O'Leary at sarah.oleary@mass.gov.