



Commonwealth of Massachusetts  
**DEPARTMENT OF HOUSING &  
COMMUNITY DEVELOPMENT**

Charles D. Baker, Governor ♦ Karyn E. Polito, Lieutenant Governor ♦ Jennifer D. Maddox, Undersecretary

**Public Housing Notice 2020-37**

To: All Local Housing Authority (LHA) Executive Directors  
From: Ben Stone, Director, Division of Public Housing  
Re: Massachusetts State-Aided Housing Programs Property, Boiler & Machinery and Crime Insurance  
Policy Period – 11/17/20 to 11/17/21  
Date: November 19, 2020

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**NEED TO KNOW:**

1. Insurance Renewal for 11/17/20 - 11/17/21 will entail a 35% increase in per-door rate from \$126 to \$170.
2. Traveler's Insurance replaces Liberty Mutual as Insurer for Boiler & Machinery.
3. Invoice will come by email only. Full payment due by 12/30/2020. Critical to make payment in timely manner.
4. Training opportunities and attached summary of claim reporting procedures.

**INSURANCE RENEWAL OVERVIEW:**

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 11/17/20 through 11/17/21.

The primary Property Insurance carrier will continue to be Lexington Insurance. This policy renewal year continued the recent trend of challenging insurance renewals, with this program renewal being exceptionally challenging. Many insurers have pulled back from the residential multi-family insurance market, which limits the number of insurance companies willing to write insurance for our portfolio. In addition, the insurance program had a number of large losses in the 2019-2020 program year, which resulted in a high loss ratio with the program's primary insurance carrier Lexington Insurance Company. The excess insurance and underwriting markets have less capital to invest in insurance leading to higher policy prices. Our brokers at Hays have culled through all existing insurers writing coverage in the affordable housing market segment, and the best insurance program available is still with Lexington Insurance, our incumbent carrier, even though they are requiring a substantial cost increase in order to offer renewal coverage.

**Notable Changes to Policy**

The carrier for the Boiler and Machinery policy has changed from Liberty Mutual Insurance to Travelers Insurance Company. DHCD made this change to take advantage of a \$20,000 reduction in premium. Travelers Insurance has a different approach to state-required boiler inspections than Liberty Mutual. We will be holding a webinar for all LHAs that have regulated boilers and equipment to provide guidance regarding the change.

The Commercial Crime policy, which includes *impersonation fraud coverage* as an additional coverage this year, will continue with National Union.

Unfortunately, there will be a substantial increase in the per-door rate from \$126 per door last year, to \$170 per door this year. As we previewed for you during an all-LHA call in October, the insurance market is extremely “hard” this year because 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, have led to significant premium increases. In addition, insurers are disinclined to negotiate terms or even to offer insurance on the same terms that they negotiated in earlier years. This year’s total cost of insurance is \$7.3 million. This year’s insurance cost increase is \$1.9 million over the 2019 policy year cost of \$5.4 million. The total cost of insurance in the 2018 policy year was a comparatively affordable \$4.5 million.

### **INSURANCE INVOICING:**

You will receive an insurance premium invoice from Hays Insurance, by email, in the next week or so. The invoice will reflect the program’s per-door rate of \$170 multiplied by the LHA’s number of state-aided public housing units according to DHCD’s Capital Planning System records. Note that Sec 8 NC/SR properties are included in this renewal and MRVP units are excluded.

**Please add insurance payment to the agenda for your December Board meeting to ensure that this bill is paid in a timely manner.** You will not receive a physical bill in the mail – the only invoice you will receive is the invoice that Hays Insurance will send via email. You are requested to pay your bill **WITHIN 10 DAYS** directly to Hays Insurance (EID #411784898). Please make your check payable to Hays Companies, and list Massachusetts Housing Authorities Insurance Program in the subject line. The mailing address is: HAYS COMPANIES, MI-88, P.O. BOX 1414, MINNEAPOLIS, MN 55480-1414.

In the past, a small percentage of housing authorities have been repeatedly late in submitting their insurance payments, which puts the entire program in jeopardy of cancellation. **Your LHA’s insurance bill must be paid by the December 30<sup>th</sup> deadline.** Payment after the deadline may result in late charges or adverse administrative findings by DHCD.

Please check your junk mail inbox if you do not get your invoice from Hays and if your LHAs email address has changed recently please email [gmathews@hayscompanies.com](mailto:gmathews@hayscompanies.com) so your invoice will be sent to the correct address.

### **LOSS CONTROL:**

For the past three years, the state housing portfolio has had a loss history in excess of the premiums paid to the insurer. Because insurers are charged with showing a return on investment to their stockholders, the adverse loss history for this portfolio figures into the rate setting process for the account. We have been warned that another large loss year may lead Lexington Insurance to decline to offer comparable coverage next year.

While much of the losses that occur are outside an LHA's sphere of control, there are steps that LHAs can take to minimize risk to their buildings. DHCD's FMS and Risk Management teams will be providing LHAs with information and training opportunities throughout the year in an effort to prevent loss events and protect your housing as well as its residents and guests. Much of this loss control advice is simple:

- Perform regular inspections and conduct preventive maintenance to ensure your buildings are weather-tight, hazard free, and have proper drainage in place.
- Be proactive not reactive: prepare for adverse weather and have an immediate response plan in place to prevent damage from intensifying.
- Identify risks and if necessary, adopt policies that 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.
- Engage with tenants who may need additional support for independent living and work with family and other social supports, including your local Aging Service Access Point agency (<https://www.mass.gov/service-details/aging-services-access-points-asap>), to help minimize household and property risks.

### **INSURANCE PROCEDURES:**

**Property damage claims** are adjusted through a Massachusetts-based Executive General Adjuster from Sedgwick Claim Services. **If your LHA sustains an insured property loss that is expected to exceed the deductible of \$5,000, the claim must be reported immediately as follows:**

- **Send an email to:** [andy.ernst@sedgwick.com](mailto:andy.ernst@sedgwick.com)
- **CC on email:** [sarah.oleary@mass.gov](mailto:sarah.oleary@mass.gov) and [william.m.miller@mass.gov](mailto:william.m.miller@mass.gov)
- **Include:**
  - Property address, and building CPS number if known
  - Brief discussion of the loss
  - Photographs if available
  - Your contact information including cell phone
  - Maintenance person contact information if they can assist in evaluating the loss
  - If loss is estimated over \$25,000, please contact Andy Ernst at: (781) 929-9026

**Boiler and Machinery claims and Business Crime claims should be reported to DHCD Risk Management and our team at Hays Companies. ([acroteau@hayscompanies.com](mailto:acroteau@hayscompanies.com), [khoggins@hayscompanies.com](mailto:khoggins@hayscompanies.com), [gmathews@hayscompanies.com](mailto:gmathews@hayscompanies.com), [sarah.oleary@mass.gov](mailto:sarah.oleary@mass.gov))**

Please circulate the attached **Claim Reporting Guide** and **Claim Decision Chart** to your administrative and maintenance staff so that all LHA employees know when and how to report a claim.

### **EVALUATION OF LESS EXPENSIVE COVERAGE:**

Given this difficult hard insurance market, Hays solicited bids from 85 insurance companies to procure the current program. Included were the HAI Group, Philadelphia Insurance Company, Travelers and Liberty Mutual. Many of these carriers write insurance for housing authorities with federal buildings or other owned housing. HAI group, which insures many housing authorities, engaged in lengthy discussions but ultimately felt it could not bid on providing coverage for this policy year due to lack of internal capacity as well as the high wind risks in Massachusetts. HAI group remains in contact with our brokers and could

play a role in insuring the state portfolio at some point in the future. Travelers, Philadelphia, and Liberty Mutual all declined to offer an insurance quote for our portfolio based on the property class, combustible construction and wind risks the portfolio is exposed to.

## **ROLE OF SALEM HOUSING AUTHORITY:**

As you review your invoice and insurance claim paperwork, 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. DHCD greatly appreciates the involvement of Salem Housing Authority in the administration of the Local Housing Authorities Insurance program.

## **TRAINING OPPORTUNITIES:**

DHCD will be offering three on-line training opportunities described earlier in this PHN:

### **Insurance Program Overview – will review insurance coverage and scope of the crime policy.**

**Date and time:** December 3, 2020, 12:00 – 1:00 p.m.

**Web**

**address:** <https://us02web.zoom.us/j/4831654292?pwd=WnNidk1kcC9sUTNDMmhJbXZKMHRJQT09>

**Q&A:** Please email any questions you would like answered at the session to [sarah.oleary@mass.gov](mailto:sarah.oleary@mass.gov) by Monday November 30th.

### **Boiler & Machinery Coverage – tips for working with our new carrier.**

**Date and time:** December 17, 2020, 11:00 – 12:00 p.m.

**Web**

**address:** <https://us02web.zoom.us/j/4831654292?pwd=WnNidk1kcC9sUTNDMmhJbXZKMHRJQT09>

**Q&A:** Please email any questions you would like answered at the session to [sarah.oleary@mass.gov](mailto:sarah.oleary@mass.gov) by Friday December 11th.

### **Loss Control Training – tips to help prevent loss and rapidly respond to developing claims.**

**Date and time:** January 7, 2020, 9:00 – 10:30 a.m.

**Web address:**

<https://us02web.zoom.us/j/4831654292?pwd=WnNidk1kcC9sUTNDMmhJbXZKMHRJQT09>

**Q&A:** Please email any questions you would like answered at the session to [sarah.oleary@mass.gov](mailto:sarah.oleary@mass.gov) and [robert.garrett@mass.gov](mailto:robert.garrett@mass.gov) by Tuesday, January 5th.

## **CONCLUSION:**

While it was an extremely difficult year for the insurance program, both in terms of program losses and cost escalation across the industry, the state-aided housing program secured comprehensive coverage that protects LHA properties and provides the means to restore or rebuilt units in cases of losses exceeding the

LHA deductible. This difficult insurance market is expected to continue for at least another year and possibly more. The factors that will help determine the market for our program are, world-wide insurance loss trends, the ability of insurance investors to make investment gains, and the loss history of our specific program.

Despite the significant increase in the cost of insurance this year, the Massachusetts Housing Authority Insurance Program continues to provide affordable comprehensive coverage including coverage for flood, earthquake, hurricanes and named storms as well as business interruption, statutory relocation and contents coverage for fires, Boiler & Machinery insurance including the cost of state-required equipment inspections, and a crime insurance policy. The cooperation and joint buying power of all the Massachusetts LHAs is the most important factor to ensuring that that this program can successfully operate to provide comprehensive coverage with a low deductible at an affordable rate that is best in-market for the level of coverage provided. We appreciate all 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](mailto:sarah.oleary@mass.gov).

**Attachments:**

Attachment A: *Claim Decision Chart*

Attachment B: *Claim Reporting Guide*