



Commonwealth of Massachusetts EXECUTIVE OFFICE OF HOUSING & LIVABLE COMMUNITIES

Maura T. Healey, Governor ◆ Kimberley Driscoll, Lieutenant Governor ◆ Edward M. Augustus Jr., Secretary

Public Housing Notice 2023-21

To: All Local Housing Authority (LHA) Executive Directors
From: Ben Stone, Director, Division of Public Housing & Acting Director, Division of Rental Assistance
Re: Massachusetts State-Aided Housing Programs Property, Boiler & Machinery and Crime Insurance for Policy Period – 11/17/23 to 11/17/24
Date: November 21, 2023

NEED TO KNOW:

1. HLC is implementing a change to the insurance program rate structure beginning this policy year. In recognition of the greater insured property square footage and increased claim risk, and higher per unit Allowable Non-Utility Expense Level (ANUEL), family housing (chapter 200 and 705) will be charged at a different rate than other state aided housing programs. The per-door rate for insurance renewal for policy year 11/17/23 - 11/17/24 will be \$321 per family unit and \$272 per all other units.
2. Insurance Program LHA deductible will now be \$9,000 per claim.
3. Incumbent claims administrator and property, boiler and machinery and crime insurers will continue.
4. Invoice will come by email only. Full payment due by 12/30/2023. Housing Authorities should include insurance payment on their December Board Meeting Agenda in order to make payment in timely manner.
5. Updated claim reporting procedures summary and flow chart is attached.

INSURANCE RENEWAL OVERVIEW:

The Massachusetts Housing Authorities Insurance Program, procured by Salem Housing Authority with the cooperation of the Executive Office of Housing and Livable Communities (HLC), 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 11/17/23 through 11/17/24.

Last year, the Massachusetts Housing Authorities Insurance Program had a catastrophic year with losses over \$10 million dollars and the highest number of claims ever filed. Losses included numerous house fires where the property was totally destroyed, over 26 losses as a result of the February 4th Arctic Blast Emergency, multiple groundwater flooding losses, and other challenges related to climate stresses, aging properties and human factors. We are pleased that Lexington Insurance Company continues as the primary property insurance carrier for our program, however the terms and conditions of coverage have changed somewhat, as detailed in the Coverage Changes section below. To reflect the cost of insurance more proportionately, this year the per door cost for family units will be different than the per door cost for other program units, which have smaller insured square footage. We also have increased the program deductible from \$5,000 to \$9,000 per LHA insured loss this year.

In addition to a program high number of claims and cost of claims this year, the global insurance market also continues to drive an increase in insurance costs. The insurance landscape for all housing providers is rapidly shifting, with an increasing volume of claims with higher per-claim costs. Insurers are demanding higher premiums while also tightening up policy language and reducing coverage limits. The state-aided property insurance program

needed to increase the insured value of properties significantly this year to keep up with the cost of repairing property after damage. We also have seen more losses due to the hazard of “flood” which is when groundwater enters a property. This is significant because the policy limits its coverage on flood damages, particularly when the property is in a designated flooding zone. Because state subsidy is higher to family units, we determined that it was the right time to adjust our insurance billing method to have family units pay a per door fee closer to the cost of insuring these units.

Traveler’s Insurance will continue in its role as Insurer for Boiler & Machinery and providing jurisdictional inspections for boilers. The Commercial Crime policy will continue with National Union.

This year’s total cost of insurance is over \$13 million, and the \$272/321 per-door rate represents an increase of 33% and 57% respectively over the 2022 policy year per-door rate of \$204. Despite the jump in rates this year, we are still confident that this program represents a significant benefit for LHAs, particularly compared to recent pricing indications in the affordable housing market.

COVERAGE CHANGES:

Notable coverage changes this year include:

- Claim deductible has increased to \$9,000 from \$5,000. Only 7 claims fell within the bracket between \$5,000 and \$9,000 in the last policy year, so this is not a change that will make a significant impact on the program. Please work with your team at HLC when you have a property loss which does not meet insured amounts that you need help or guidance on.
- Relocation funding of up to \$3,500 per household is available in the event of a fire loss, with up to \$750 of coverage which can be used for tenant personal property losses. However, this relocation coverage is no longer available to help fund temporary hoteling and can instead be used to relocate and move tenant belongings to temporary quarters. Relocation funding is available only when property damage has occurred in the unit and relocation of belongings will aid in timely restoration of the property. Please contact your Housing Management team at EOHLHC if your LHA’s operating reserves cannot support the cost of relocation to hotels due to an insurance event.
- Impersonation and social engineering coverage in the crime insurance policy may cover up to \$100,000 in losses, this coverage is reduced from \$250,000 in available coverage last year because we cannot secure higher limits without uniform computer safety measures in place across all LHAs.

INSURANCE INVOICING:

Program invoicing has been extremely challenging over the past few years and we are going to implement some changes to improve the timeliness of collection. Each LHA will receive a preliminary invoice from HLC Risk Management stating the program cost for PY23-24, including a breakdown of the number of insured units of family and other housing. The preliminary invoice will be followed by an official insurance premium invoice from our coverage broker Brown & Brown Insurance (the corporate parent of Hays Companies, Inc.). Both the preliminary and broker’s invoice will arrive by email. The invoice will reflect the program’s per-door rate multiplied by the LHA’s number of state-aided public housing units, and program types, according to HLC’s Capital Planning System (CPS) records. Units that have been repurposed for other uses, including additional administrative space, are still included in the per-door count.

Please add insurance payment to the agenda for your December board meeting to ensure that your LHA pays this bill in a timely manner. If you do not receive your invoice from Brown & Brown by December 5, 2022, [please check your junk mail inbox.](#) While we work with the most recent address list available, if your LHA’s email address has changed recently, or you would like the invoice directed to a second person at the housing authority, please email Ryan Dye, ryan.dye@bbrown.com, so your invoice will be received promptly.

You are requested to pay your bill WITHIN 10 CALENDAR DAYS directly to Brown & Brown Insurance/Hays Companies (EID #411784898). Please make your check payable to “**Hays Companies, Inc.**” and list Massachusetts Housing Authorities Insurance Program in the subject line. The mailing address is HAYS COMPANIES, INC., BMO-88, P.O. BOX 1414, MINNEAPOLIS, MN 55480-1414. Full payment due by 12/30/2023.

As you review your invoice and any insurance claim paperwork that you may receive during the year, you will notice that Salem Housing Authority is identified as the insurance policyholder on behalf of all Massachusetts Local Housing Authorities state-aided properties. Salem Housing Authority is the procuring LHA on behalf of all Massachusetts Local Housing Authorities with state-aided public housing property in cooperation with HLC.

LOSS CONTROL:

As explained above this policy year was not profitable for Lexington Insurance and this has led to increased costs both for primary insurance and the excess insurance layers. Unfortunately, this caused a significant increase to insurance costs, particularly as the cost of property restoration has continued to suffer significant inflationary pressures in the cost of labor and materials.

LHAs showed good interest in loss control activities, particularly with strong attendance at the April 2023 NAHRO spring conference session on loss control and in attendance at the FMS workshop where Travelers Insurance, our Boiler and Machinery carrier, offered boiler maintenance training. Travelers has also noted that the cooperation of LHAs and attention to completing recommended repairs noted at Boiler Inspections with appreciation. This is an important factor at keeping our cost of Boiler and Machinery Insurance coverage stable.

Our loss experiences this year suggests that LHAs should direct attention to 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. LHAs also may consider use of stove-top fire extinguishing devices to prevent cooking fires.

HLC’s FMS and Risk Management teams are available to provide LHAs with information and training opportunities throughout the year to help prevent loss events and protect your property, residents, and guests. While many losses are outside an LHA’s control, we can try to avoid losses by remaining alert to signs of risk and educating tenants about property risks. LHAs should consider the following measures to better control losses:

- Ensure all staff know how to report an insurance loss – the attached Claim Decision Chart and Claim Reporting Guide should be posted and reviewed by all staff. An important element of loss control is reporting and addressing damage as soon as possible to the time of the loss.
- Perform regular inspections and conduct preventive maintenance to ensure your buildings are weather-tight, hazard free, and have proper drainage in place.
- Be proactive:
 - prepare for adverse weather and have an immediate response plan in place to prevent damage from intensifying.
 - Identify risks and act to protect LHA property ahead of losses, for example by addressing leaking toilets or sinks as priority items.
- Use caution to prevent creating an environmental hazard in the aftermath of a sudden and unexpected insured loss.

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 which is expected to exceed the deductible of \$9,000, the claim must be reported immediately as follows:**

- Send an email to: andy.ernst@sedgwick.com

- **CC on email:** sarah.oleary@mass.gov and thomas.mulvey@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, in addition to reporting the claim by email, so that loss response can be expedited.

LHAs should report Boiler and Machinery claims and Business Crime claims to HLC Risk Management and our team at Brown & Brown Insurance. (joseph.croteau@bbrown.com, ken.hoggins@bbrown.com, ryan.dye@bbrown.com, 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.

RETAINED RISK LIABILITY PROGRAM:

The LHA contribution to matters accepted by the Retained Risk Liability program will remain at \$3,000 per claim. To participate in the program, LHAs must email any legal Summons related to state program operations to HLC Risk Management immediately upon receipt. The email header must say "Legal Summons Received by _____ LHA." Please review the information in section D of the claims guide for more important information about the Retained Risk Liability Program.

CONCLUSION:

The Massachusetts Housing Authority Insurance Program continues to provide affordable comprehensive coverage and recognizes LHAs' commitment to and participation in this program, which ensures that the Commonwealth's investment in affordable housing is preserved for future generations. If you have any questions about the insurance program, please email HLC's Risk Management Specialist Sarah O'Leary at sarah.oleary@mass.gov.