



***Affordable Housing Risk Pool***

***Rates and Terms for 2020***

On December 5, 2019, the Affordable Housing Risk Pool (AHRP) Board of Directors approved rates for the upcoming 2020 program year.

We’re confident that most of you have read or heard about the hardening insurance market. The causation of an insurance hard market is complex and is based on global conditions affecting insurance. The short story of a hard market is that insurance providers are not meeting profitability goals, typically caused by high frequency and/or severe claims. While there are many contributing factors to a hard market, the result is that insurance companies pull back on issuance of policies and increase rates.

No one escapes a hard insurance market, be it commercial or personal lines (such as homeowner’s insurance). One of the best ways to mitigate the effects of a hard market is to belong to a pooling arrangement such as AHRP. While our renewal costs for reinsurance and excess property insurance increased over 100% each, the reinsurance portion is just one element in establishing rates. The development of risk pooling as an alternative insurance program was spawned by this very condition we now face – the hard market. Pools have historically performed better under hard market conditions.

Currently, 2019 will conclude with claims just under projected. However, the pool is still feeling the effects of the losses from 2018, including a total loss due to wildfire. While the 2019 projected claims were in line, the amount of money spent in 2019 on previous claims and the claims occurring in 2019 put additional pressures on AHRP.

The rates for 2020, unfortunately, will increase as follows:

Property            +15.1%  
 Liability:            + 3.9%

Below is a synopsis of the rates per tier for the various lines of coverage:

	Property (per \$1,000 TIV)	Liability (per Unit)
Tier 1	\$0.9453	\$ 27.27
Tier 2	\$1.0503	\$ 30.30
Tier 3	\$1.1553	\$ 33.33
Tier 4	\$1.3129	\$ 37.87
Tier 5	\$1.5755	\$ 45.45
Tier 6	\$3.1509	\$ 90.90

There will also be two structural changes to AHRP, effective on January 1, 2020:

**1. Crime and Fidelity**

**Current:**                    First \$100,000 of coverage provided by AHRP at no cost.  
                                       Optional limits in \$50,000 increments can be purchased at an additional \$50 per increment.

**January 1, 2020:**

First \$100,000 of coverage provided by AHRP at no cost.

Optional limits in \$100,000 increments can be purchased at an additional \$200 per increment.

Due to lenders requiring increasingly higher limits for crime coverage, AHRP is forced to start collecting more premium to cover the exposure of loss. Please check with your lender to assure that your organization is required to have higher limits than the \$100,000 provided by the pool.

**2. Group/Master Policies**

There are several policyholders that have multiple locations under one policy. These group policies will need to be broken out by the tax identification numbers. Several group policyholders have requested that a singular location be separated from the group policy because a claim occurred and now that one location is pushing the entire group into a higher tier, thus costing locations with no losses a higher rate. The tiers play an integral part on the distribution of costs of funding the pool, which is driven by claims experience. By breaking the group policies out, AHRP will be able to better serve the wishes of the pool, while increasing the accuracy of certificates issuance, claims administration and overall customer service support. Breaking out the group policies will also allow AHRP the opportunity to build the new risk management information system software with increased flexibility to meet the request of the pool participants. Those group policies administrators have been very responsive to our request for separating locations by tax ID, and for that, we thank you! These changes will be applied to your 2020 renewals.

Additional changes to AHRP for 2020 will include increasing the rate for non-owned and hired auto (NOH). Again, lenders have been requiring higher and higher limits for NOH, which increases the exposure of loss to the pool. In order to mitigate this increased exposure, AHRP will be increasing the NOH rates from \$70 per year to \$100 per year. This is the first increase for NOH since the pool's inception in 2010.

Other big news for AHRP in 2020 was briefly mentioned above. The Board of Directors approved the recommendation to purchase new software for both AHRP and the Housing Authorities Risk Retention Pool (HARRP). The pools will be purchasing the CHSI Connections risk management information system (RMIS) and will be launching the program in 2020. The current software was adapted from HARRP when AHRP was formed in 2010. The existing software has not kept pace with technology. The cost of the RMIS is shared by both pools and promises to provide a substantially elevated experience for AHRP policyholders with expedited online renewals, access to claim data, loss trending reports, certificates, etc. AHRP is extremely excited to introduce the system to the AHRP policyholders!

**BOARD OF DIRECTORS' MEETINGS**

The AHRP Board of Directors has set their meeting schedule for 2020, as follows:

March 26, 2020 @ 8:30 am	Vancouver, WA
June 4, 2020 @ 8:00 am	Vancouver, WA
October 15, 2020	TBD
December 3, 2020 @ 8:00 am	Vancouver, WA

If you would like to attend any or all these meetings or ask that have AHRP consider having their October 2020 meeting in your region, please contact Bill at 360-574-9035 x102 or bill@harrp.com.

**STAFF DIRECTORY**

AHRP contracts annually with HARRP for space and services. The management agreement is reviewed and approved by both Board of Directors in December.

HARRP's full time staff members are responsible for a wide range of duties. All staff members bring a high level of expertise and broad experience with the issues typically faced by pools, the insurance industry, housing operations, agency functions, not to mention specific tasks housing authorities face daily.

William (Bill) Gregory, Executive Director

Overall management, risk management issues, risk control, compliments, complaints, suggestions, coverage issues, board relations, and human resources.

Adiah Mattern, Risk Control and Underwriting Specialist

Loss control issues, contractual risk transfer issues, risk/loss analysis, training needs, and insurance contract evaluation.

Rick Gehlhaar, Director of Claims

New and existing claims, claim status and resolution issues, litigation issues, and loss control issues.

Michelle Frye, Director of Finance

Accounts receivable, accounts payable, financial statements, and human resources.

Robin Cox, Policy & Claims Administrator

New and existing claims, claim status and resolution issues, litigation issues, and ORWACA Agency operation.

Rebecca Plummer, Policy and Agency Administrator

Assistance in AHRP policy development, renewals, certificates, billings, database management, and agency support services.

Torey Plummer, Policy Administrator

HARRP invoicing and data management, annual coverage renewal issues, requests for insurance certificates, adds and deletes, and ORWACA agency operation. Torey will be cross training with AHRP policy administration beginning on January 1, 2020.

Rachel O'Neil, Administrative Assistant

Comprehensive administrative support and office operations. Rachel will be cross training with HARRP policy administration beginning on January 1, 2020.

As with most small offices, HARRP relies heavily on cross training to ensure smooth transitions and uninterrupted service to its members. There is over 100 years of combined experience in the HARRP office. Stability not only applies to HARRP's rates and coverage, but also to the dedicated staff that serves its members.

## **Preventing Frozen Pipes**

As a huge contributor to the losses reported to AHRP in the last few years, especially in 2017, another reminder and tips on preventing frozen pipes is included in this edition. It is such an expensive and largely preventable loss, the HARRP staff feels it's prudent to remind all of its members on precautions as we endure another winter!

### **Why Pipes Burst**

Surprisingly, ice forming in a pipe does not typically cause a break where the ice blockage occurs. It's not the radial expansion of ice against the wall of the pipe that causes the break. Rather, following a complete ice blockage in a pipe, continued freezing and expansion inside the pipe causes water pressure to increase downstream -- between the ice blockage and a closed faucet at the end.

It's this increase in water pressure that leads to pipe failure. Usually, the pipe bursts where little or no ice has formed. Upstream from the ice blockage, the water can always retreat back towards its source, so there is no pressure build-up to cause a break. Water has to freeze for ice blockages to occur. Pipes are usually safe when they are adequately protected along their entire length by placement within a building's insulation, insulation on the pipe itself, or heating. Pipes in attics, crawl spaces and outside walls are all vulnerable to freezing, especially if there are cracks or openings that allow outside cold air to flow across the pipes. Research at the University of Illinois has shown that wind chill, the cooling effect of air and wind that causes the human body to lose heat, can play a major role in accelerating ice blockage, and thus bursting, in water pipes. Holes in an outside wall where television, cable or telephone lines enter, can provide access for cold air to reach pipes. The size of pipes and their composition (such as copper or PVC) have some bearing on how fast ice forms, but they are relatively minor factors in pipe bursting compared with the absence of heat, pipe insulation and exposure to a flow of subfreezing air.

### **When is it Cold Enough to Freeze?**

When should homeowners be alert to the danger of freezing pipes? That depends, but the widely accepted temperature alert threshold is 20°F. This threshold is based upon research conducted by the Building Research Council at the University of Illinois. Field tests of residential water systems subjected to winter temperatures demonstrated that, for uninsulated pipes installed in an unconditioned attic, the onset of freezing occurred when the outside temperature fell to 20°F or below. However, freezing incidents can occur when the temperature remains above 20°F. Pipes exposed to cold air (especially flowing air on a windy day) because of cracks in an outside wall or lack of insulation is vulnerable to freezing at temperatures above the threshold. However, the 20°F temperature alert threshold should address the majority of potential burst-pipe incidents.

### **Mitigating the Problem**

Water freezes when heat in the water is transferred to subfreezing air. The best way to keep water in pipes from freezing is to slow or stop this transfer of heat. Ideally, it is best not to expose water pipes to subfreezing temperatures by placing them only in heated spaces and keeping them out of attics, crawl spaces and vulnerable outside walls. In new construction, proper placement can be designed into the building. In existing units, a plumber may be able to reroute at-risk pipes to protected areas, although this may not be a practical solution. If the latter is the case, vulnerable pipes that are accessible should be fitted with insulation sleeves or wrapping (which slows the heat transfer), the more insulation the better. It is important not to leave gaps that expose the pipe to cold air.

Cracks and holes in outside walls and foundations near water pipes should be sealed with caulking to keep cold wind away from the pipes. Kitchen and bathroom cabinets can keep warm inside air from reaching pipes under sinks and in adjacent outside walls. It's a good idea to keep cabinet doors open during cold spells to let the warm air circulate around the pipes. Electric heating tapes and cables are available to run along pipes to keep the water from freezing. These must be used with extreme caution; follow the manufacturer's instructions carefully to avoid the risk of fire and check to make sure the product conforms to UL 2049. Tapes and cables with a built-in thermostat will turn heat on when needed. Tapes without a thermostat have to be plugged in each time heat is needed and may be forgotten.

### **Letting the Water Run**

Letting a faucet drip during extreme cold weather can prevent a pipe from bursting. It's not that a small flow of water prevents freezing; this helps, but water can freeze even with a slow flow. A dripping faucet wastes some water, so only pipes vulnerable to freezing should be left with the water flowing. The drip can be very slight. Even the slowest drip at normal pressure will provide pressure relief when needed. Where both hot and cold lines serve a spigot, make sure each one contributes to the drip, since both are subjected to freezing. If the dripping stops, leave the faucet(s) open, since a pipe may have frozen and will still need pressure relief.

## **If You Suspect a Frozen Pipe**

If you open a faucet and no water comes out, don't take any chances. Call a plumber. If a water pipe bursts, turn off the water at the main shut-off valve and leave the faucet(s) open until repairs are completed. Don't try to thaw a frozen pipe with an open flame. This will damage the pipe and may even start a building fire. You might be able to thaw a pipe with a hand-held hair dryer. Slowly apply heat, starting close to the faucet end of the pipe, with the faucet open. Work toward the coldest section. Don't use electrical appliances while standing in water, as you could get electrocuted.

## **Going on a Trip**

When away from the house for an extended period during the winter, be careful not to set your heat too low. A lower temperature may save on the heating bill, but there could be a disaster if a cold spell strikes and pipes that would normally be safe freeze and burst. The best safeguard against this is to drain your home's water system. With no water in the pipes, there can be no freezing. This remedy should be considered even when the tenant is not leaving but is concerned about a serious overnight freeze. To drain the water system, shut off the main valve and turn on every water fixture (both hot and cold lines) until water stops running. It's not necessary to leave the fixtures open, since the system is filled mostly with air at that point and not subject to freezing. When returning to the house, turn on the main valve and let each fixture run until the pipes are full again.

## **Holiday Fire Statistics**

The holidays are a time for celebration, family and decorations. These joyous times also bring new hazards and safety considerations for homes and businesses alike. Each year, nearly 47,000 fires occur during the winter holidays, claiming more than 50 lives, causing more than 2,200 injuries, and costing \$554M in property damage, according to the National Fire Protection Association. If you would like ideas to safeguard your properties this holiday season, please contact the HARRP office.

## **Slips and Falls**

As you can probably imagine, we get a lot of slip and fall claims this time of year and one of the first things we request is a copy of the ice/snow removal policy and procedures. It used to be that when a person took it upon themselves to trek across ice or snow they assumed the risks, because it's reasonable that everyone understands that ice and snow can be slippery and potentially hazardous; as long as the landlord made some type of attempt to clear the walkways on their property they were not liable for a person making a personal decision to travel across ice/snow covered walkways; not anymore...

Unfortunately, the courts over the last several years have put much more responsibility on landlords to maintain a snow/ice removal procedure (you can always make allowances for staff's ability to make it to the property, or other circumstance); however, the courts want to see some kind of written policy showing that there is a consistent reasonable procedure to address ice/snow removal so they can determine if a reasonable procedure was being followed. The courts do hold to a reasonableness standard, however; i.e., they only expect the owner to reasonably respond and address an ice/snow event, but it is current case law that landlords are required to remove ice/snow from common areas. You are not required to go out in the middle of the night or in the middle of a storm, but ASAP afterward and work in a pre-determined order to reasonably clear common area walkways, entrances, parking lots, adjacent/abutting public sidewalks, etc. as outlined in some kind of a pre-determined procedure.

You can include disclaimers in the policy if you feel it's appropriate, such as, maintenance, or management will begin the ice/snow removal as soon as reasonably possible after weather permits; there may be times when severe weather or road conditions delay the start of the removal process because of safety concerns for employees and managers."

We have examples of ice/snow removal policies, some very detailed and complex and others very brief. We feel it's important that all members have some type of predetermined procedure for staff to follow so we can prove that the member was reasonably attempting to address ice/snow from the common areas as required by current case law. If you have any questions, please feel free to contact the HARRP office.

## **Ice and Snow Removal Policy and Procedure**

HARRP has developed a policy designed to safeguard your premises through the winter months. The purpose of the policy is to provide employees with guidance and to set priorities for removing ice and snow from housing complexes. The policy is available on line ([www.harrp.com](http://www.harrp.com) or [affordablehousinginsurance.org](http://affordablehousinginsurance.org)) or by requesting it from the HARRP office. This policy provides basic steps in assuring processes in safeguarding against winter related claims are followed and provides a line of defense when claims occur.

## **Property Management Agreements**

Contractual risk transfer is an underwriting requirement for participation in the HARRP and AHRP self-insured programs and is a requirement of the reinsurance partners used by the pools. Simply put, contractual risk transfer requires entities, such as property managers, that you do business with to have insurance for claims that their staff may cause.

We view dozens of contracts and agreements annually. We consistently identify two main areas where these contracts greatly benefit the contractor and place a significant amount of risk on the property owner. The leading shortfall is the contractor requiring the owner to indemnify the contractor for "All Claims". These words need to be amended to state only claims caused by a condition of the property or claims caused by the property owner's negligence. This identifies that the property owner will only be responsible for claims that they are responsible for. The purpose of utilizing contracts is to shift the expertise and liability to the contractor. By inking a contract that states the property owner will be responsible for all claims now makes you responsible for claims that are out of your control.

The second most common issue is that the contractor sets their indemnification of the property owner to either the contract price or a value that is under their insurance limit.

All contract property managers must have Errors and Omissions insurance with coverage for allegations of tenant discrimination.

The only exception to our risk transfer policy are:

- a) sole source vendors.
- b) Industries who all contain identical indemnification wording, such as elevator or alarm servicing contractors.
- c) Insurance sold through ORWACA where there is a property manager. Commercial insurance policies automatically insure the general liability acts of the manager. This does not extend to their errors and omissions. Transfer the risk to your contractor for claims they cause. Failure to do so may bring higher deductibles and increase insurance costs to your entity.

If you have any questions on a contract or agreement for contractors, please contact the staff. Some simple language modifications can provide you and the pools the needed defense in the event of a claim for which you did not cause.