

Council Meeting  
June 19, 2012

Honorable Mayor and Members  
of the Torrance City Council  
City Hall  
Torrance, CA

Members of the City Council

**SUBJECT: Finance – Approve purchase of property insurance.  
Expenditure: \$167,910**

### **RECOMMENDATION**

Recommendation of the Finance Director that City Council approve the renewal purchase of property insurance through Alliant Insurance Services in the amount of \$167,910, for the period of July 1, 2012 to July 1, 2013.

### **Funding**

Funding is available in the 2012/13 Self-Insurance Fund and Transit Fund operating budget.

### **BACKGROUND**

The City purchases property insurance covering buildings, contents, boilers & machinery, and vehicles, subject to deductibles between \$1,000 and \$100,000 depending upon the type of property. The insurance provided is “all risk” coverage, subject to exclusions. The current coverage expires on July 1, 2012 at 12:01 AM.

For many years the City has purchased property insurance through PEP (Public Entity Insurance Program). PEP is a joint purchase plan that includes the City of Torrance and thousands of other governmental entities. Each of the members has its own insurance policy and there is no sharing of risk between members. However, very competitive rates are received due to the large size of the program.

In recent years the property insurance market has fluctuated significantly. In order to mitigate cost increases, starting in FY 2001/02 the City elected to forego costly earthquake coverage, and in FY 2002/03 the City increased its deductible. (ATTACHMENT A provides a summary of property insurance since FY 2002/03)

## ANALYSIS

Alliant Insurance Services, the City's insurance broker, obtained a renewal proposal from the Public Entity Insurance Program (PEPIP), the current insurer for the City. PEPIP is proposing coverage at a premium of \$167,910, an increase of \$20,192 (13%) from the prior premium of \$147,718. There are two reasons for the price increase, an increase in the City's insurable property values and large property losses worldwide. The increase in premium due to market conditions is approximately 11%, with an additional 2% increase as the City's insurable property values increased (2%) from \$267,931,060 to \$273,339,205.

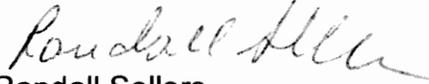
The City also contacted an insurance pool. The pool indicated they could not complete with the PEPIP Program. In addition to the premium proposal from PEPIP, the broker indicated premiums on stand-alone policies would provide limited policy terms, with premiums 10% to 15% higher than those offered by PEPIP.

Staff recommends the renewal purchase of property insurance from PEPIP as the insurance provides high quality property coverage at reasonable cost.

Respectfully Submitted,

ERIC E. TSAO  
FINANCE DIRECTOR

By

  
Randall Sellers  
Risk Manager

CONCUR:

  
Eric E. Tsao

  
LeRoy J. Jackson  
City Manager

ATTACHMENT: A - Summary of Property Insurance since 2002/03

**SUMMARY OF PROPERTY INSURANCE PREMIUMS SINCE FY2002/03**

July 1, 2012 to July 1, 2013 (Proposed)	\$167,910
July 1, 2011 to July 1, 2012	\$147,718
July 1, 2010 to July 1, 2011	\$144,861
July 1, 2009 to July 1, 2010	\$146,879
July 1, 2008 to July 1, 2009	\$121,879
July 1, 2007 to July 1, 2008	\$123,158
July 1, 2006 to July 1, 2007	\$113,616
July 1, 2005 to July 1, 2006	\$ 94,023
July 1, 2004 to July 1, 2005	\$111,025
May 15, 2003 to July 1, 2004	\$129,165
May 15, 2002 to May 15, 2003	\$153,853*

\* - Deductible increased from \$25,000 to \$100,000. Limited earthquake coverage was discontinued in 2001/02.