

Council Meeting  
June 19, 2012

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

Members of the City Council

**Subject: Finance – Approve purchase of excess liability insurance.  
Expenditure: \$205,488**

### **RECOMMENDATION**

Recommendation of the Finance Director that City Council approve the renewal purchase of two-layers of excess liability insurance through Alliant Insurance Services, at a total premium of \$205,488, for the period of July 1, 2012 to July 1, 2013.

### **Funding**

Funds are available in the FY 2012/13 Self-Insurance Fund Budget.

### **BACKGROUND**

Many public entities as well as large corporations are largely self-insured for liability, due in part to the relatively high cost and somewhat limited availability of insurance coverage. However, many of these entities, including the City, purchase excess liability insurance providing financial protection from high exposure liability claims and lawsuits. The cost of the excess liability insurance has varied, based upon market conditions. (ATTACHMENT A provides a summary of excess liability insurance purchased since FY 2007/08)

The excess liability policies that expire on July 1, 2012, 12:01 AM, provide coverage limits of \$20,000,000, excess of a \$5,000,000 self-insured retention, at a total premium of \$195,102. There are two carriers each providing a \$10,000,000 layer of coverage. Both of these layers of coverage were obtained through the Alliant National Municipal Liability Program, a joint purchase program consisting of over 30 public entities. There is no sharing of risk between members and each member receives individual insurance policies.

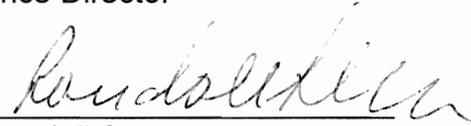
The Program received competitive bids from several insurance companies, and the City was offered the same coverage limits as the expiring policies, at an increase in premium of \$10,386, approximately 5%.

**ANALYSIS**

The broker marketed the program to other insurance carriers. The lowest premium offered was again provided by Security National Insurance for the first layer of coverage and Endurance Risk Solutions for the second layer of coverage. (Attachment B provides the Market Survey) The City also contacted a governmental insurance pool to provide a proposal. The pool declined to provide a proposal advising that they could not compete with the pricing offered.

Respectfully Submitted,

ERIC E. TSAO  
Finance Director

By   
Randall Sellers  
Risk Manager

CONCUR:



Eric E. Tsao, Finance Director



LeRoy J. Jackson  
City Manager

ATTACHMENT A: Insurance Summary  
ATTACHMENT B: Market Survey

ATTACHMENT A

Excess Liability Insurance Summary

POLICY PERIOD	(SELF-INSURED) RETENTION	LIMITS	PREMIUM
Proposed 07/01/12 – 07/01/13	\$5,000,000	\$20,000,000	\$205,488
07/01/11 – 07/01/12	\$5,000,000	\$20,000,000	\$195,102
07/01/10 – 07/01/11	\$5,000,000	\$20,000,000	\$224,766
07/01/09 – 07/01/10	\$5,000,000	\$20,000,000	\$224,766
07/01/08 – 07/01/09	\$5,000,000	\$20,000,000	\$228,388
07/01/07 – 07/01/08	\$5,000,000	\$20,000,000	\$258,652

**CALIFORNIA MUNICIPAL EXCESS LIABILITY PROGRAM (CAMEL)****JULY 1, 2012 MARKETING REPORT**

<b>CARRIER</b>	<b>RESPONSE</b>
Security National Insurance Co. (AmTrust)	Quote provided
Ironshore Insurance Company	Unable to compete on price and form
Civic Risk	Unable to compete on price, form and retention levels
Chartis	Declined, not competitive
Starr Indemnity & Liability Co.	Declined – not competitive on pricing and retention levels