Council Meeting
June 23, 2009

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

Members of the City Council

SUBJECT: Human Resources - Approve Purchase of Property Insurance

Expenditures: $146,979

RECOMMENDATION

Recommendation of the Human Resources Director that City Council approve the renewal purchase of property insurance, for the period of July 1, 2009 to July 1, 2010, through Alliant Insurance Services, at a premium of $146,979.

Funding

Funds are available in the Fiscal Year 2009/10 Self-Insurance Fund Budget and the Fiscal Year 2009/10 Transit Operations Budget.

BACKGROUND

The City purchases property insurance covering buildings, contents, boilers and machinery, all vehicles valued over $100,000 and buses and vans. The insurance provided is "all risk" coverage, subject to exclusions. The current coverage expires on July 1, 2009.

Alliant Insurance Services, the City's insurance broker, obtained a price proposal from PEPIP, the program that insures the City. As compared with the expiring coverage through PEPIP, PEPIP is offering coverage with an increase in values of City property of 7%, at a premium of $146,979, an increase in premium of $25,100 (just over 20%). The broker advises that there are two reasons for the price increase, the increase in values as well as a general hardening of the commercial property insurance market.

Since Fiscal Year 1993/94 the City purchased property insurance through the Public Entity Public Insurance Program (PEPIP). PEPIP is a joint purchase plan that includes the City of Torrance and hundreds of other governmental entities

within. Each of the members has its own insurance policy and there is no sharing of risk between members.

ANALYSIS

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 2003/04)

In addition to the premium proposal from PEPIP, the broker explored proposal from insurance carriers offering stand alone policies, but the price indications are at least double the premium offered by PEPIP.

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

Respectfully Submitted,

ELAINE M. WINER
HUMAN RESOURCES DIRECTOR

Randall Sellers

By Randall Sellers
Risk Manager

CONCUR:

Elaine M. Winer by R Sellers, Acting

Elaine M. Winer
Human Resources Director

LeRoy J. Jackson
City Manager

ATTACHMENT: A - Summary of Property Insurance Since 2003/04

ATTACHMENT A

SUMMARY OF PROPERTY INSURANCE

Proposed July 1, 2009 to July 1, 2010	$146,979
July 1, 2008 to July 1, 2009 Property and Boiler & Machinery	$121,879
July 1, 2007 to July 1, 2008 Property and Boiler & Machinery	$123,158
July 1, 2006 to July 1, 2007 Property and Boiler & Machinery	$113, 616
July 1, 2005 to July 1, 2006 Property and Boiler & Machinery	$ 94,023
July 1, 2004 to July 1, 2005 Property and Boiler & Machinery	$111,025
May 15, 2003 to July 1, 2004 Property and Boiler & Machinery	$129,165