

Council Meeting
June 22, 2010

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

Members of the City Council

SUBJECT: Human Resources – Approve the Purchase of Property Insurance

Expenditures: \$144,861

RECOMMENDATION

Recommendation of the Human Resources Director that City Council approve the renewal purchase of property insurance, for the period of July 1, 2010 to July 1, 2011, through Alliant Insurance Services, at a premium of \$144,861.

Funding

Funding is available Self-Insurance Fund and Transit Fund Operating Budget for FY 2010/11.

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, 2010.

Alliant Insurance Services, the City’s insurance broker, obtained a price proposal from the Public Entity Insurance Program (PEPIP), the program that insures the City. As compared with the expiring coverage PEPIP is offering coverage with an increase in values of City property of almost 2%, at a premium of \$144,861, a decrease in premium of \$2,018 (1.37%), from the prior premium of \$146,879. There are two reasons for the price decrease, a softening of commercial property insurance market and the City’s relatively good loss history.

For many years the City has purchased property insurance through PEPIP. PEPIP is a joint purchase plan that includes the City of Torrance and hundreds 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.

ANALYSIS

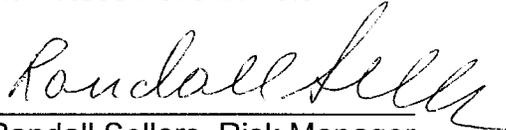
In recent years the property insurance market has fluctuated significantly. In order to mitigate cost increases, starting in FY 2001/02 the City elected to forego costly earthquake coverage, and in FY 2002/03 the City increased its deductible. (ATTACHMENT A provides a summary of property insurance since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

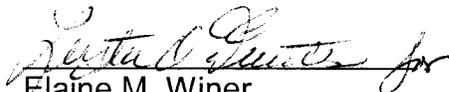
Staff recommends the renewal purchase of property insurance from PEPiP as the insurance provides high quality property coverage at reasonable cost.

Respectfully Submitted,

Elaine M. Winer
Human Resources Director

By 
Randall Sellers, Risk Manager

CONCUR:


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, 2010 to 2011	\$ 144,861
July 1, 2009 to July 1, 2010 Property and Boiler & Machinery	\$ 146,879
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