

Council Meeting
June 22, 2010

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

Members of the City Council

**Subject: Human Resources – Approve the Purchase of Excess
Liability Insurance**

Expenditure: Not to exceed \$224,766.

RECOMMENDATION

Recommendation of the Human Resources Director that City Council approve the renewal purchase of two layers of excess liability insurance, for the period of July 1, 2010 to July 1, 2011, from Alliant Insurance Services, at a total premium of \$224,766.

Funding

Funds are available in the FY 2010-11 Self-Insurance Fund operating 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 amount of self-insurance as well as the levels of insurance purchased by the City has varied, based upon the cost and the availability of coverage. (ATTACHMENT A provides a summary of excess liability insurance purchased since FY 2004/05)

The excess liability policies that expire on July 1, 2010 provide coverage limits of \$20,000,000, excess of a \$5,000,000 self-insured retention, at a total premium of \$224,766. The first layer of coverage, with \$10,000,000 in coverage excess of the \$5,000,000 self-insured retention, is provided by Everest National. The second layer of coverage, with limits of \$10,000,000 above \$15,000,000, is provided by American Merchants. Both of these layers of coverage are 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.

ANALYSIS

Alliant Insurance Services obtained proposals offering coverage at two retention levels - \$4,000,000 and \$5,000,000.

Primary coverage of \$10,000,000, excess of a \$5,000,000 self-insured retention, and a secondary layer of coverage of \$10,000,000, excess of \$15,000,000, is offered at a combined premium of \$224,766, which is the same as the expiring coverage.

Staff recommends the purchase, through Alliant, of primary coverage of \$10,000,000, provided by Everest National, at a premium of \$151,438 and a secondary layer of coverage of \$10,000,000 from American Merchants, at premium of \$73,328, for the total premium of \$224,766.

The CSAC excess insurance pool offered coverage of \$20,000,000 excess of a \$4,000,000 self-insured retention at a premium of \$375,000. However the same limits offered through the current carriers would cost \$282,328, which is significantly less. (Attachment B provides the proposals)

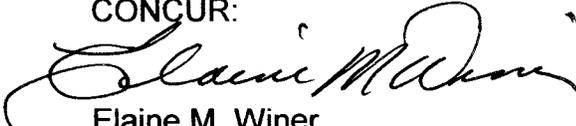
Respectfully Submitted,

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: Insurance Summary
ATTACHMENT B: Insurance Proposals

Excess Liability Insurance Summary

POLICY PERIOD	(SELF-INSURED) RETENTION	LIMITS	PREMIUM
Proposed 07/01/10 – 7/01/11	\$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
07/19/06 – 07/01/07	\$5,000,000	\$20,000,000	\$280,719**
07/01/06 – 07/19/06	\$3,000,000	\$10,000,000	\$281,843*
07/01/05 – 07/01/06	\$3,000,000	\$10,000,000	\$319,000
07/01/04 – 07/01/05	\$3,000,000	\$10,000,000	\$313,933

* Starting this year the premium proposal was net of commission, as broker is on annual flat fee paid separately. The actual premium was reduced by approximately \$14,600, which represents 19 days. This policy was in effect for only 19 days, as the coverage was revised to obtain higher limits, but with a higher retention.

** This is the premium quoted for a full year. The actual premium was less, as the policy period was 19 days less than a year.

ATTACHMENT B

EXCESS LIABILITY INSURANCE PROPOSALS

With \$4,000,000 Self-Insured Retention

INSURANCE COMPANY	LIMITS	RETENTION	PREMIUM
Everest National	\$10,000,000	\$4,000,000	\$189,000
American Merchants	\$10,000,000	\$14,000,000	<u>\$ 93,328</u>
TOTAL			<u>\$282,328</u>
 CSAC	 \$20,000,000	 \$4,000,000	 \$375,000

With \$5,000,000 Self-Insured Retention

INSURANCE COMPANY

Everest National	\$10,000,000	\$5,000,000	\$151,438
American Merchants	\$10,000,000	\$15,000,000	<u>\$ 73,328</u>
TOTAL			<u>\$224,766</u>