

Council Meeting of
June 27, 2006

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

Members of the Council:

SUBJECT: Recommendation to Renew Pollution Liability Insurance

Expenditure: Not to exceed \$54,617.75

RECOMMENDATION

The Directors of Public Works and Human Resources recommend that the City Council approve the renewal purchase of Non-Owned Disposal Site Pollution Liability Insurance from Indian Harbor Insurance Company, through Driver-Alliant Insurance Services, the City's insurance broker, at a premium of \$54,617.75. The policy period will be July 1, 2006 to July 1, 2007.

Funding

Funding is available in the Sanitation Enterprise Fund (AB 939 Waste Management) that is reimbursed by payments from commercial waste haulers into the City's California Environmental Response Comprehensive Liability Act (CERCLA) Indemnification Account.

BACKGROUND

In August 1998, the City Council adopted Ordinance No. 3454, relating to new reporting and diversion requirements for commercial waste haulers operating in the City. As part of the ordinance and related resolution 98-88, a fee of .70 per ton of waste disposed was placed on the commercial waste haulers. This fee is placed in the CERCLA Indemnification Fund, a fund used to protect the City in the event of liability pertaining to the improper disposal of hazardous materials.

Since July 1, 1999 the City has purchased Disposal Site Pollution Liability Insurance. The premiums are, in part, based upon the number of landfills used by waste haulers to dispose of waste. The current coverage expires on July 1, 2006. Under the expiring policy 28 disposal sites were covered. The expiring policy provides coverage limits of \$10,000,000 per occurrence with an annual aggregate (maximum) of \$10,000,000 subject to a \$100,000 deductible, at a premium of \$59,971.66. The renewal policy offers identical coverage to the expiring policy, except an additional disposal site will be covered, bringing the

contract with the Driver-Alliant for insurance brokerage services at an annual fee, instead of a commission basis. Therefore the lower premium proposed for this renewal is because a commission is not included in the proposal.

Indian Harbor is also offering two and three year coverage options at a lower annual cost, but with an aggregate of \$10,000,000 combined over all three years, instead of a separate \$10,000,000 annual aggregate limit per year. This is a significant reduction in coverage, not worth the lower cost.

ANALYSIS

There are a limited number of insurers offering non-owned disposal site pollution liability insurance. The City's insurance broker marketed the renewal of this coverage and contacted three such insurers. One insurer indicated a premium proposal double the cost of the renewal offered by Indian Harbor, and the other insurer declined to quote. Therefore Indian Harbor has offered the only viable option.

Indian Harbor is a financially secure company with a Best's Rating of A+ (Superior) class xi.

Respectfully Submitted,


By Robert Brewer
Sanitation Services Manager


By Randall Sellers
Risk Manager

CONCUR:


Robert Beste
Public Works Director


Elaine M. Winer
Human Resources Director


LeRoy J. Jackson
City Manager

ATTACHMENT A: INSURANCE PROPOSAL

driver♦alliant | INSURANCE SERVICES

INTEGRATED INSURANCE & FINANCIAL SERVICES

June 15, 2006

Mr. Randall Sellers
 City of Torrance
 3031 Torrance Blvd.
 Torrance, CA 90503-5053

RE: NON-OWNED DISPOSAL SITE POLLUTION LIABILITY INSURANCE

Dear Randy:

The following is a revised quotation net of commission on the renewal of the Non-owned Disposal Site Pollution Liability Policy. We added the Antelope Valley Landfill to the schedule, which was a 3.5% increase in number of sites (29/28) and resulted in a 3.5% increase in premium over expiring.

Insurance Company:	Indian Harbor Insurance Company
Best's Guide Rating:	A+, Superior, Class XI, Policyholders' Surplus of \$750,000,000 to \$1 Billion
Standard & Poor rating:	AA, Very Strong
California Status:	Non-Admitted
Limits:	\$10,000,000 Each Occurrence \$10,000,000 Annual Aggregate *
	*On multi-year policies the aggregate limit applies to the entire policy period and does not reinstate annually
Self-Insured Retention options:	\$100,000
Covered locations:	Per list attached

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Premium:	<u>One year</u>	<u>Two years</u>	<u>Three years</u>
	\$52,937	\$76,758	\$96,345
Premium tax & SL fee:	\$ 1,680.75	\$ 2,437.07	\$ 3,058.95
Total:	\$54,617.75	\$79,195.07	\$99,403.95

Plus 2% for Terrorism Option per attached
 100% of premiums are earned at inception

Coverage:

CLAIMS MADE FORM

Third Party bodily injury and property damage coverage, on and off-site, including off-site cleanup, as a result of pollution conditions at, on or emanating from scheduled sites.

Defense costs inside limits

Exclusions (including but not limited to):

Known & undisclosed conditions
 Punitive, exemplary damages, fines
 Workers' Compensation
 Employer's Liability
 Known, undisclosed underground tanks
 Contractual liability (except an "insured contract")
 Automobiles, aircraft and watercraft
 Divested property
 Damage to property owned, leased or in the care of the insured
 Intentional disregard of statute or ordinance
 Products Liability
 Lead paint & Asbestos
 War / hostile acts
 Nuclear Hazard
 Naturally occurring radioactive materials
 Terrorism (unless TRIA coverage elected)
 Mold, rot or other fungi

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Retroactive date:	Per list attached
Extended Reporting period:	60 days automatically provided without additional charge. 36 months Supplemental Extended Reporting Period for not more than 100% of the annual premium.
Cancellation:	30 days, 10 days for non-payment
Subject to (prior to binding):	Most recent FYE financial statement

Analyzing insurers' over-all performance and financial strength is a task that requires specialized skills and in-depth technical understanding of all aspects of insurance company finances and operations.

Insurance brokerages such as Driver Alliant Insurance Services, Inc. typically rely upon rating agencies for this type of market analysis. Both A.M. Best and Standard and Poor have been industry leaders in this area for many decades, utilizing a combination of quantitative and qualitative analysis of the information available in formulating their ratings.

A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at www.ambest.com

For additional information regarding insurer financial strength ratings visit Standard and Poor's website at www.standardandpoors.com

To learn more about companies doing business in California, visit the California Department of Insurance website at www.insurance.ca.gov

Sincerely, ,



Dennis E. Maring, CPCU
 First Vice President