

Council Meeting
June 27, 2006

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

Members of the Council

SUBJECT: Request for Approval to Purchase Property Insurance for the period of July 1, 2006 through June 30, 2007.

Expenditures: \$113,616

RECOMMENDATION

The Human Resources Director recommends that the City Council approve the renewal purchase of property insurance from Public Entity Public Insurance Program (PEPIP), through Driver-Alliant Insurance Services, the City's insurance broker, at a premium of \$113,616. The policy period will be July 1, 2006 to June 30, 2007.

Funding

Funds are available in the Fiscal Year 2006/07 Self-Insurance Fund and the Transit Enterprise Fund operating 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, 2006. This coverage was based on estimated property values of \$181,794,231, and the premium was \$94,023. The estimated property values for FY 2006/07 are \$204,188,777, an increase in value of over 12%, primarily due to higher construction costs.

Driver-Alliant Insurance Services, The City's insurance broker, obtained price proposals from PEPIP, the program that currently insures the City, and solicited price indications from other insurance companies. The lowest proposal was again provided by PEPIP. ATTACHMENT A provides the property renewal proposal from PEPIP. As compared with the expiring coverage, PEPIP is offering insurance providing coverage with an increase in values of City property of over 12%, at a premium of \$113,616. The proposed premium increase is primarily

due to two factors, significant property losses suffered by insurers due to recent hurricane losses, and the increase in insurable property values.

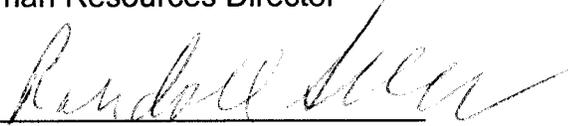
Since Fiscal Year 1993/94 the City purchased property insurance through the Public Entity Public Insurance Program (PEPIP). PEPIP is a joint purchase plan that includes the City of Torrance and over 50 other governmental entities within California, and many more nationwide. Each of the members has its own insurance policy and there is no sharing of risk between members.

ANALYSIS

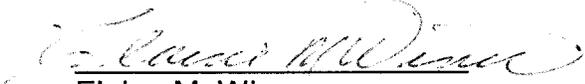
In recent years the property insurance market has fluctuated. In order to mitigate cost increases, five years ago the City elected to forego costly earthquake coverage, and three years ago the City increased its deductible. (ATTACHMENT B provides a summary of property insurance premiums since FY 1998/99) The City has had an excellent property loss record with no known building and contents losses in at least ten years. The only property claims submitted in many years involved two buses damaged in collisions in the mid-1990's. Staff recommends the renewal purchase of property insurance from PEPIP because the insurance provides high quality property coverage at a 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

ATTACHMENTS: A. Property Insurance Renewal Proposal
B. Summary of Property Insurance Premiums

**COVERAGES &
 LIMITS (Continued):**

\$	5,000,000	Scheduled Landscaping, tees, sand traps, greens and athletic fields and further subject to \$25,000 / 25 gallon maximum per tree. Higher limits available for members with scheduled values greater than \$5,000,000 for an additional premium with underwriting approval
\$	40,000,000	Errors & Omissions
\$	25,000,000	Course of Construction and remodeling projects (including new) with project values not exceeding \$25,000,000. Projects valued between \$25,000,001 and \$50,000,000 can be added for an additional premium with underwriting approval
\$	2,500,000	Money & Securities
\$	2,500,000	Unscheduled Fine Arts
\$	250,000	Accidental Contamination per occurrence and annual aggregate per member with \$500,000 annual aggregate for all insureds / members in this declaration
\$	500,000	Unscheduled Tunnels, Bridges, Dams, Catwalks (except those not for public use), Roadways, Highways, Streets, Sidewalks, Culverts, Street Lights and Traffic Signals unless a specific value has been declared (excluding coverage for the peril of Earthquake Shock, and excluding Federal Emergency Management Agency (FEMA) and/or Office of Emergency Services (OES) declared disasters)
\$	25,000,000	Increased Cost of Construction due to the enforcement of building codes
\$	25,000,000	Transit
\$	1,000,000	Unscheduled Animals; not to exceed \$50,000 per Animal
\$	2,500,000	Watercraft up to 27 feet
\$	2,500,000	Per acquisition for Newly Acquired Vehicles for members who participate in the Optional Licensed Vehicle - Off Premises Coverage
\$	25,000,000	Off Premises Services Interruption including Extra Expense resulting from a covered peril at non-owned/operated locations
\$	5,000,000	Per Occurrence and Annual Aggregate for Earthquake shock on Licensed Vehicles, Unlicensed Vehicles, Contractor's Equipment and Fine Arts for all insured/members in this declaration combined that do not purchase Earthquake coverage
\$	5,000,000	Per Occurrence and Annual Aggregate for Flood on Licensed Vehicles, Unlicensed Vehicles, Contractor's Equipment and Fine Arts for all insured/members in this declaration combined that do not purchase Flood coverage
\$	2,500,000	Contingent Business Interruption, Contingent Rental Values, and Contingent Extra Expense separately

**COVERAGES &
LIMITS (Continued):**

\$	500,000	Jewelry, Furs, Precious Metals and Stones Separately
\$	500,000	Claims Preparation Expenses
\$	40,000,000	Expediting Expenses
\$	500,000	Personal Property Outside of the USA
\$	10,000,000	Per Occurrence, subject to \$70,000,000 annual aggregate shared by all members of Declarations 1-9, 11 and 12 combined as respects Property Damage, Business Interruption, Rental Income and Extra Expense Combined for Terrorism (Primary Layer)
\$	75,000,000	- 100,000,000 Per Occurrence, Per Member in any one Occurrence for Terrorism (Excess Layer) (See Notes on the last page.)
\$	150,000,000	- 200,000,000 Per Occurrence, All Members combined for Terrorism (Excess Layer) (See Notes on the last page.)
\$	300,000,000	- 400,000,000 Annual Aggregate shared by all Members/Entities combined in Declarations 1-9, 11 and 12 for Terrorism (Excess Layer) (See Notes on the last page.)

VALUATION:

- Repair or Replacement Cost
- Actual Loss Sustained for Time Element Coverages
- Vehicles & Contractor's Equipment / either Replacement Cost or Actual Cash Value as declared by each member. If not declared, valuation will default to actual cash value

**EXCLUSIONS
(Including but not
limited to):**

- Seepage & Contamination
- Cost of Clean-up for Pollution
- Mold

**ALL RISK BASIC
DEDUCTIBLE:**

\$	100,000	Except \$1,000 for Traffic Signals, and \$10,000 for Fine Arts Per Occurrence
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**DEDUCTIBLES FOR
SPECIFIC PERILS
AND COVERAGES:**

Not Covered	Per Occurrence for Flood Zones A & V
Not Covered	All Flood Zones Per Occurrence excluding Flood Zones A & V
Not Covered	Per occurrence for Earthquake Shock (Real & Personal Property and Time Element) subject to \$100,000 minimum

**DEDUCTIBLES FOR
SPECIFIC PERILS
AND COVERAGES
(Continued):**

\$	1,000	Per Occurrence for Specially Trained Animals
\$	500,000	Per Occurrence for Unscheduled Tunnels, Bridges, Dams, Catwalks (except those not for public use), Roadways, Highways, Streets, Sidewalks, Culverts, Street Lights and Traffic Signals unless a specific value has been declared (excluding coverage for the peril of Earthquake Shock, and excluding Federal Emergency Management Agency (FEMA) and/or Office of Emergency Services (OES) declared disasters)
\$	10,000	Minimum subject to \$100,000 Maximum per Vehicle or Item for Licensed Vehicles, Unlicensed Vehicles and Contractors Equipment Per Occurrence and Annual Aggregate and shared by all members of this Declaration for the peril of Earthquake for members who do not purchase dedicated Earthquake limits
\$	50,000	Per Occurrence and Annual Aggregate and shared by all members of this Declaration for Fine Arts for the peril of Earthquake for members who do not purchase dedicated Earthquake limits
\$	10,000	Minimum subject to \$100,000 Maximum per Vehicle or Item for Licensed Vehicles, Unlicensed Vehicles and Contractor's Equipment Per Occurrence and Annual Aggregate and shared by all members of this Declaration for the peril of Flood for members who do not purchase dedicated Flood limits
\$	50,000	Per Occurrence and Annual Aggregate and shared by all members of this Declaration for Fine Arts for the peril of Flood for members who do not purchase dedicated Flood limits
		24 Hour Waiting Period for Service Interruption for All Perils and Coverages
		2.5% of Annual Tax Value per Location for Tax Interruption
\$	10,000	For Van Pool Vans; \$10,000 for all vehicles with Total Insurable Values less then \$100,000; and \$25,000 for all vehicles with Total Insurable Values in excess of \$100,000 Vehicle Physical Damage
\$	100,000	Per Occurrence for Contractor's Equipment
\$	100,000	Except \$1,000 for Traffic Signals, and \$10,000 for Fine Arts Per Occurrence for Primary Terrorism
\$	500,000	Per Occurrence for Excess Terrorism (Applies only if the Primary Terrorism Limit is exhausted)

CONDITIONS: 25% Minimum Earned Premium and cancellations subject to 10% penalty

2006-Public Entity Property Insurance Program (PEPIP)Property Proposal
City of Torrance

NOTICE OF CANCELLATION: 90 days except 10 days for non-payment of premium

Annual Cost*

Total Property

Premium:	\$	105,420
Excess Boiler:	\$	1,675
DSS Fee:	\$	3,174
SLT&F's (Estimate)	\$	3,347
Broker Fee:	\$	<u>0</u>

TOTAL COST:

(Including Taxes and Fees) \$ 113,616

*Premiums are based on the TIV's above. Changes in TIV's will require a premium adjustment.

QUOTE VALID

UNTIL: July 1, 2006

ATTACHMENT B

SUMMARY OF PROPERTY AND BOILER AND MACHINERY PREMIUMS

July 1, 2005 to June 30, 2006	
Property and Boiler and machinery	\$113, 616
July 1, 2005 to June 30, 2006	
Property and Boiler & Machinery	\$ 94,023
July 1, 2004 to June 30, 2005	
Property and Boiler & Machinery	\$111,025
May 15, 2003 to June 30, 2004	
Property	\$121,930*
Boiler & Machinery	\$ 7,235
May 15, 2002 to May 15, 2003	
Property	\$144,606**
Boiler & Machinery	\$ 9,247
May 15, 2001 to May 15, 2002	
Property	\$ 89,405***
Boiler & Machinery	\$ 7,867
May 15, 2000 to May 15, 2001	
Property	\$128,124
Boiler & Machinery	\$ 6,067
May 15, 1999 to May 15, 2000	
Property	\$115,772
Boiler & Machinery	\$ 5, 951
May 15, 1998 to May 15, 1999	
Property	\$147,458
Boiler & Machinery	\$ 7,137
May 15, 1997 to May 15, 1998	
Property	\$170,992
Boiler & Machinery	\$ 7,137

*Deductible \$100,000 and no earthquake coverage

**Deductible increased from \$25,000 to \$100,000, and no earthquake coverage

***No earthquake coverage