

Council Meeting
June 28, 2011

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 \$195,102

RECOMMENDATION

Recommendation of the Acting Human Resources Director that City Council approve the renewal purchase of two layers of excess liability insurance from Alliant Insurance Services, for the period of July 1, 2011 to July 1, 2012, at a total premium not-to-exceed \$195,102.

Funding

Funds are available in the FY 2011/12 Self-Insurance Fund 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 2006/07)

The excess liability policies that expire on July 1, 2011 provide coverage limits of \$20,000,000, excess of a \$5,000,000 self-insured retention, at a total premium of \$224,766. There are two carriers each providing a \$10,000,000 layer of coverage. Both of these layers of coverage were 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.

The City received competitive bids from several insurance companies, and was offered the same coverage limits as the expiring policies, at a cost savings of \$29,664, a reduction of over 13%

ANALYSIS

The lowest premium offered was through the Alliant National Municipal Liability Program Insurance. The carrier offering the first layer of coverage has changed, from Everest National Insurance to Security National Insurance. The carrier offering the second layer of coverage is the same as the expiring coverage, Endurance National, but through a different subsidiary.

The City explored lowering its self-insured retention from \$5,000,000 to \$3,000,000. The additional cost would be \$98,854. This is not recommended as the City has enjoyed a good loss history, and the additional cost is not warranted.

Respectfully Submitted,



Randall Sellers
Human Resources Director (Acting)

CONCUR:



LeRoy J. Jackson
City Manager

ATTACHMENT A: Insurance Summary

Excess Liability Insurance Summary

POLICY PERIOD	(SELF-INSURED) RETENTION	LIMITS	PREMIUM
Proposed 07/01/11 – 07/01/12	\$5,000,000	\$20,000,000	\$195,102
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*

* 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.