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INSURANCE RENEWAL 2009

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, November 21, 2008, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The Region bind insurance coverages, at existing deductibles and limits, with OMEX as outlined herein for the policy period January 1, 2009 to December 31, 2009.

2. Authority be delegated to the Commissioner of Finance to review these policies for the next consecutive four years.

3. Staff be authorized to take all actions necessary to implement this recommendation.

2. PURPOSE

The purpose of this report is to describe the recent Request for Proposal (RFP) process for insurance coverages and outline the resulting staff recommendations.

3. BACKGROUND

Since 1996 the Region has obtained its insurance through the Ontario Insurance Municipal Exchange (OMEX). For 2009, a formal RFP process was utilized to ensure due diligence and an even playing field for all respondents. In addition a consultant, RiskPro, was selected to spearhead this exercise due to Region direct involvement on the OMEX Board and the appearance of any conflict of interest this might bring.

All insurance coverages were marketed with an option to quote on Housing York Inc. Each respondent was asked to present various deductible options, limit increases as well as value added services.

The objectives of the RFP were to:

1) Source alternative municipal insurance markets;
2) Obtain the best coverages for the best price with long term benefits for the Region;
3) Obtain most competitive renewal quotation from OMEX; and

4) Source value added products and services.

Several meetings were held with RiskPro to develop process design and familiarize the consultant with Region underwriting and policy information. The RFP document was compiled and distributed via Biddingo. In response to inquires made, two addendums were produced and distributed. A Proponent's meeting was held on October 9, 2008. The RFP was open for 34 days.

During the time our RFP was open there were RFPs from both Newmarket (open 30 days) and Brampton (open 30 days) issued. With the insurance market as small as it is for this type of exposure, the underwriters may have been more inclined to quote on these smaller risks.

Insurance is placed either through direct writers or via brokers. In the case of commercial insurance, brokers are most often utilized to place insurance for a client. An insurance reciprocal has a direct relationship with its clients therefore a broker is not required.

Marsh Canada is the Region's Broker of Record providing us with primarily loss prevention services and some speciality insurance placement. Marsh Canada is also OMEX's insurance broker helping the organization purchase reinsurance. Due to this dual broker role, Marsh found themselves in conflict acting as our broker for this marketing exercise. This compounded our need for a consultant.

The insurance marketplace for municipal business is limited with one reciprocal and approximately four insurance companies interested in this type of business. Several insurance companies have exclusive relationships with specific brokers for this type of placement. OMEX aside, the other companies include Frank Cowan Company Ltd., St Paul's/Travellers, and affiliated insurance companies with the following brokers; Jardine Lloyd Thompson Canada, Gallagher Lambert Group, BF Lorenzetti and Associates Inc..

4. ANALYSIS AND OPTIONS

RFP Results

On October 22, the RFP closed and the envelopes were opened. The Region received one response to this RFP for insurance coverage and services. This response came from our incumbent OMEX. We received two letters of declination; one from Cowan and one from Gallagher Lambert, both stating that they would require more time to properly quote this risk.

The Region's best practice guideline as outlined by Supplies and Services is that any RFP remain open for a minimum of two weeks.

The quote for OMEX was acceptable. They declined to quote the Housing York Inc. portfolio as they have no insurance market for the required coverages. Housing York Inc. has renewed with the Social Housing Services Corporation (SHSC) program that has been their carrier for many years.

The OMEX quote obtained through this competition process was more aggressive than expected. OMEX's RFP quote results in an increase of only 4.2% over 2008 actual premium costs, at existing program deductible levels.

Table 1- Comparison of premium by line of coverage; 2008 actual premiums versus 2009 preliminary estimate and 2009 OMEX RFP premiums:

Coverage	**2008 Actual Premiums**	**2009 OMEX RFP Premiums****
Property*	$361,264	$373,964
Boiler & Machinery	$19,706	$20,047
Crime	$13,935	$13,935
General Liability	$1,387,906	$1,486,859
Errors & Omissions	$194,600	$179,915
Auto Corporate Fleet	$316,450	$360,000
Auto YRT	$1,726,952	$1,820,674
Auto Viva	$566,665	$527,130
AD&D	$1,632	$1,642
TOTALS	**$4,589,110**	**$4,784,166**

* Note: Property values have increased from $743,427,002 in 2008 to $796,007,049 for 2009 therefore an even higher Property Premium was anticipated for 2009.
** applicable taxes included

Insurance Marketplace Analysis

The insurance market for municipal coverage is limited to only a few companies. Recently the insurance marketplace in general has experienced an economic downturn and some uncertainty. AIG's financial woes are a prime example. This occurred within the thirty days of our RFP release.

Second tier municipalities are more complex, in particular respecting police and transit exposures. Feedback from prospective respondents indicated that underwriters were uncertain of this risk.

Our RFP evaluation criteria included a scoring component for long term partnership indications e.g. history of long term municipality underwriting with stable rates and premiums. With the current financial climate, insurers may have been reluctant to commit to our larger risk.

As previously mentioned some insurance companies that underwrite municipal business are in strategic alliance with brokers. The Region's broker of record is Marsh Canada therefore any company with a broker affiliation may have felt ineligible to quote based on their interpretation that we were not planning on changing brokers.

5. FINANCIAL IMPLICATIONS

The actual cost of insurance premium for 2009 as a result of the RFP process is $4,784,166.00. These funds will be included in the 2009 operating budget.

6. CONCLUSION

This report provides a summary of the results of the recent RFP for Insurance services. It is recommended that the Region bind coverage with OMEX based on the quote provided. This represents an increase of 4.2 % for premium over 2008 actual costs.

For more information on this report, please contact Tina Gardiner at Ext. 1656.

The Senior Management Group has reviewed this report.