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2013 INSURANCE RENEWAL FOR YORK REGION

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated November 1, 2012, from the Commissioner of Finance.

1. RECOMMENDATIONS

1. Council approve the binding of the following insurance policies for the period January 1, 2013 to June 30, 2014, with no change to the existing coverages or the level of self-insured retention (SIR):

   a) The policies with Travelers Canada (St. Paul Fire & Marine Insurance Company), as shown in Table 1 of this report, at a cost of approximately $7,824,381 (plus applicable taxes); and

   b) The speciality policies with the various insurers identified in Table 2 of this report, at a cost of approximately $466,627 (plus applicable taxes).

2. PURPOSE

This report presents the results of the insurance marketing conducted by Integro Insurance Brokers on behalf of the Region for the period January 1, 2013 to June 30, 2014.

3. BACKGROUND

All of the Region's major insurance policies will expire on December 31, 2012. The marketing of the renewal policies is the responsibility of the Region's broker of record, Integro Broker Services, which was the successful proponent of an RFP conducted earlier this year. Integro was requested to approach the insurance market to obtain quotations for similar or better insurance coverages compared to current policies and, where possible, obtain them for a period of up to eighteen months (the maximum term available) in order to provide greater certainty with respect to future premium costs. The actual purchase of insurance policies does not require an RFP as it is exempt under the Purchasing Bylaw (Schedule A, 3e).

A review of the commercial insurance market in Canada indicated that the premium increases on renewals for clients with lower loss experience had been up to 5% for property, between 3% and 5% for casualty, and between 2% and 5% for automobile coverages.

Self-insured retentions lower the cost of insurance premiums

For most policies the Region has a self-insured retention of $100,000 (similar to a deductible) for each loss. Administering a self-insured retention requires that the Region keep sufficient funds in its Insurance Reserve to pay for potential losses. In return for taking on some of the risk, the Region pays lower premiums than it otherwise would. Part of Integro's mandate was to examine whether or not going to a higher self-insured retention level might be financially beneficial.

4. ANALYSIS AND OPTIONS

Integro received two comprehensive insurance proposals on behalf of the Region

In their role as the Region's insurance broker, Integro approached the market for quotes for the insurance program. There are only a few insurance underwriters active in the municipal market. The main underwriters are Zurich, Travelers Canada and the Ontario Municipal Insurance Exchange (OMEX). However, OMEX, which is a reciprocal underwriter that focuses on small to medium sized municipalities in Ontario, was not invited to provide a quote at this time due to the Region's prior experience with "retro-assessments".

Integro obtained two comprehensive eighteen month insurance proposals, one from Zurich Canada, and the other from the Region's current provider, Travelers Canada. Staff are recommending the proposal from Travelers Canada for the following reasons:

- There are components of our current program that Zurich is unable to underwrite. These include coverages for Excess Crime and Marine Liability.

- Travelers' policy wordings are much broader in scope. For example, Travelers' definition of covered professionals is less specific, reporting of newly acquired locations has a blanket limit, and they have added coverage for our volunteer entertainers in long term-care facilities.

- Travelers accepts and works well with the Region's choices for adjusting and legal firms, including internal examiners and lawyers. The Region is permitted to be actively involved in claims handling within our retention, allowing for cost savings, loss prevention opportunities and Regional control. Zurich has not been clear about whether it would allow this same level of involvement by Regional staff and has indicated a strong preference for determining the adjusting and legal firms utilized on our account, and a potential requirement for collateral in the form of a Letter of Credit to cover the retention exposure.

- Travelers, which has been the incumbent for the past eighteen months, has provided excellent service in managing and paying claims in a very fair manner to the Region.

Table 1 summarizes the premiums for each policy offered by Travelers and Zurich for an eighteen month period.

Table 1: Quotations from Travelers & Zurich

Policy	Existing Premium	Travelers' Quotation (Recommended)	Zurich's Quotation
Property /Equipment/Crime	$632,994	$812,349	$780,742
Municipal Liability	$2,225,946	$2,114,649	$2,585,160
Automobile	$4,936,979	$4,897,383	$4,418,408
TOTALS	**$7,815,303**	**$7,824,381**	**$7,784,310**

Note 1 Does not include 8% PST which is applicable to all premiums except Automobile.
Note 2: Quoted Premiums are for 18 months.
Note 3 Travelers' quote includes marine liability, specialty volunteer coverage, a higher crime limit and a more favourable treatment of sewer backup claims.
Note 4 Zurich's automobile quote contained several caveats regarding exposure reviews and contingencies for increased premium and/or change to limits of coverage that were not yet defined at time of quote. In addition, Zurich requires claims handling control and financial collateral for the self-insured retention.

Table 2 summarizes the premiums for policies underwritten by specialty insurers. These coverages are not available through Travelers or Zurich.

Table 2: Recommended Coverages with Specialty Insurers

Policy	Existing Premium	Recommended Quotation
Excess Liability ($45M Limit) (Lloyds of London	$375,000	$424,087
Medical Malpractice ($5M Limit) (Creechurch)	$37,500	$37,500
Accidental Death & Dismemberment (for Councillors) (Chartis)	$7,576	$5,040
TOTAL	**$420,076**	**$466,627**

Note 1: Does not include 8% PST which is applicable to all premiums except Automobile.
Note 2: Quoted Premiums are for eighteen months.
Note 3 Insurance is purchased to accommodate certain limits of primary coverage. These limits are the maximum amount of coverage available per occurrence in the event of a loss. To increase this primary layer of coverage, corporations often purchase higher levels of coverage than those available in the primary policies.
Note 4: Medical malpractice coverage is required for the exposure the Region has from the doctors who work on our behalf in Public Health and Long-Term Care.

Integro solicited quotes for these types of coverages and has proposed policies with the same or better coverage at a premium increase of approximately 13%.

No changes to self-insured retention level recommended at this time

Currently, the Region maintains a self-insured retention of $100,000 for many of the policies it purchases. Integro performed an actuarial analysis of the anticipated cost to fund future claims compared to the premium savings offered for various self-insured retention levels to gauge whether or not an overall cost benefit could be achieved.

Based on loss analysis and proposed premiums from Travelers at retention levels of $250,000, $500,000 and $1,000,000 for the next eighteen months, the premium reductions combined with the potential increased costs of retained losses do not warrant increasing retention levels at this time.

Link to Key Council-approved Plans

The binding of insurance policies supports the 2011 to 2015 Strategic Plan objective of managing the Region's finances prudently. The policies provide potential liability funding and recovery mechanisms in the event of an insured loss.

5. FINANCIAL IMPLICATIONS

The total premium of approximately $8,291,008 represents an increase of less than 1% over current rates. This increase is primarily a result of increased property values, the addition of buildings and automobiles, and higher excess coverage costs.

Commercial insurance is most often purchased for twelve months. The Region has been able to negotiate eighteen month policy terms for the past three renewals. This provides us with longer term, stable premium expenses and lower internal costs, including not having to market our program every year. The cost of insurance and the self-insured retention is allocated to departments on a yearly basis.

6. LOCAL MUNICIPAL IMPACT

There is no direct local municipal impact resulting from this report.

7. CONCLUSION

It is recommended that the insurance policies identified in this report be bound for an eighteen month term with no change in coverage or self-insured retention.

For more information on this report, please contact Ed Hankins, Director, Treasury Office, at Ext. 1644.

The Senior Management Group has reviewed this report.