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ADJUSTING SERVICES FOR INSURABLE CLAIMS

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, November 19, 2004, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The following firms be retained for the period January 1, 2005 to December 31, 2007 to provide claims adjusting services as required, on a fee for service basis:

    a) Crawford Adjusters Canada Limited;
    b) Cunningham Lindsey Canada Ltd.; and
    c) RGM Claims Services.

2. The Regional Solicitor be authorized to prepare the retainer agreements.

3. The Regional Treasurer be authorized to execute the retainer agreements on behalf of the Region.

4. Staff is authorized to take all other actions necessary to implement this recommendation.

2. PURPOSE

The purpose of this report is to recommend the appointment of insurance claim adjusting firms for the period of January 1, 2005 to December 31, 2007.

3. BACKGROUND

The Region currently uses two adjusting firms, Cunningham Lindsey and CGI, to investigate and settle insurable claims on an as needed basis. Their appointment will expire December 31, 2004.

The Request for Proposals for adjusting services closed on October 25, 2004 with eight highly reputable claims adjusting firms responding. These firms were:

a) CGI Adjusters Inc.
b) Crawford Adjusters Canada Limited
c) Cunningham Lindsey Canada Ltd.
d) Custard Insurance Adjusters Canada Inc.

e) Faber Insurance Adjusters Ltd.
f) RGM Claims Services Inc.
g) Shumka, Craig and Moore Adjusters
h) S.J. Kernaghan Adjusters Limited

In addition to a written submission, each firm made an oral presentation to an evaluation panel consisting of staff from the Policy, Risk and Treasury Branch as well as representative from the Region's insurer.

4. ANALYSIS AND OPTIONS

As part of the RFP process, the staff committee considered whether there was a need for more than two firms. The following facts were considered:

a) Since the Region went from one adjuster to two adjusters in 2001, the number of claims have increased by over 137% (see Table 1). Furthermore, the volume of claims is expected to increase significantly over the next few years given the growth of the Region, the increased ridership of YRT and the addition of Rapid Transit.

b) Primary claims growth is expected to be in the auto area including accident benefits and bodily injury claims. These types of claims tend to be very detailed and prolonged requiring a specific adjusting skill set.

Table 1 – Claims Volume by Year

	2001	2002	2003	2004 Forecasted	2005 Forecasted
Liability	79	65	128	200	240
Property	6	16	8	8	9
Auto	341	421	532	800	960
Total	426	502	668	1008	1209
Cum. % increase	----	18%	57%	137%	184%

c) Local municipalities also assign claims tasks to adjusting firms. There have been instances where the firm assigned by the Region and the one assigned by the local municipality were the same which creates a potential conflict. This is when a different branch office or a different firm should be used. The preference is to utilize the services of a different firm to ensure confidentiality and control conflict.

As a result, the evaluation panel recommended the addition of a third firm to the Region's retainer which would allow for broader selection of service provider to avoid such a scenario.

With respect to the RFP, the criteria used to evaluate the adjuster's proposals consisted of: qualifications and experience of the firm and personnel, including direct municipal experience (25 pts); quality and completeness of the submission (10 pts); proposed work plan (15 pts); value-added services (10 pts); oral presentation (15 pts); and pricing/financial considerations (25 pts).

While evaluation resulted in several highly qualified firms being identified, the three representing the best value to the Region are noted below:

Table 2 – Recommended Adjusting Firms and Evaluation Scores

Crawford	Cunningham Lindsey	RGM
90.9/100	86.3/100	70.2/100

It is therefore recommended that Crawford, Cunningham Lindsey and RGM be appointed to provide adjusting services for insurable claims.

5. FINANCIAL IMPLICATIONS

Adjusting fees for insurable claims are paid directly by the Region and are not reimbursable. With the growth in claims volume noted earlier, there has been a corresponding increase in adjusting expenses. The table below illustrates the trend in adjusting expense.

Table 3 – Adjusting Fees 2002 - 2005

2002	2003	2004 Forecasted	2005 Forecasted
$60,546	$103,995	$165,000	$200,000

The Region anticipates handling approximately 1200 claims in 2005, which would translate to approximately $200,000 in claims adjusting costs. Adjusting costs are paid from the Region's insurance reserves and therefore have only an indirect impact on the operating budget.

6. LOCAL MUNICIPAL IMPACT

There is no local municipal impact.

7. CONCLUSION

This report recommends that the Region retain the services of Crawford, Cunningham Lindsey and RGM to provide claims adjusting services as required.

The Senior Management Group has reviewed this report.