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2004 INSURANCE RENEWALS

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report , February 5, 2004, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The following insurance policies be placed for the period of April 1, 2004 to December 31, 2004 at a cost of approximately $163,078 plus applicable taxes.

Coverage	Insurance Company	9 Month Premium
Property	Royal SunAlliance/ OMEX	$140,488
Crime	Royal SunAlliance/ OMEX	$9,000
Boiler & Machinery	Chubb	$10,441
Marine	ING	$2,142
Councillor A&D	Cigna	$1,007
		$163,078

2. a) The firms of PM Law and Borden, Ladner, Gervais LLP be approved to provide legal services for insurable claims and related matters as required, on a fee for service basis through a Retainer Agreement for the period April 1, 2004 to December 31, 2007, subject to any renewal or extension of the specified time period;

   b) The firm of Gowling, Lafleur, Henderson LLP be approved as an alternate legal service provider in the event of a conflict of interest of a primary provider or for additional service requirements, under the same conditions as given above; and

   c) The Regional Solicitor be authorized to prepare and execute on behalf of the Region, all Retainer Agreements and related documents necessary to implement this recommendation.

3. a) The firm of Marsh Canada Limited be approved to provide insurance brokerage and risk management services to the Region for the period April 1, 2004 to December 31, 2007, subject to any renewal or extension of the specified time period, for a fee of $60,000 per year (excluding taxes), adjusted annually by the CPI;

   b) The prorated amount of this fee of $45,000 (excluding taxes) to provide this service for the remainder of 2004 be approved.

4. Staff be authorized to take all actions necessary to implement these recommendations.

2. PURPOSE

The purpose of this report is to approve certain insurance coverages for the period April 1, 2004 to December 31, 2004. It also recommends firms be approved to provide legal services and brokerage and risk management services for the period of April 1, 2004 to December 31, 2007.

3. BACKGROUND

The Region has been a member of the Ontario Municipal Insurance Exchange (OMEX) since 1996. Coverages obtained through this membership include: Commercial General Liability; Auto; Non-owned Auto; Errors & Omissions; and Transit. OMEX policies automatically renew each year on January 1st so long as the Region remains a member and therefore are not addressed in this report.

The Region has also used traditional insurance markets to provide coverage for several types of risks not previously offered by OMEX including coverage for: Property; Crime; Marine; Group Accident; and Boiler & Machinery.

In addition, as part of Policy, Risk & Treasury's work plan, a review of legal services for insurable claims and related work was planned for the fall of 2003. These services are currently provided by the firms of PM Law, and Blaney, McMurtry LLP, as a result of a Request for Proposal (RFP) conducted in 1998. In addition, Borden, Ladner, Gervais LLP has been authorized to be used in cases of conflict of interest.

Insurance brokerage and risk management services were also to be the subject of a review during 2003. Currently, the Region utilizes the services of Marsh Canada Limited, who were appointed as a result of an RFP that was conducted in 1992.

Normally, traditional insurance coverages and the appointment of service providers are approved in advance by Council to be effective on January 1st to coincide with the start of the Region's fiscal year. However, due to the timing restrictions placed on Council associated with 2003 municipal elections, Council extended these policies and service agreements to March 31, 2004 at their meeting of September 18, 2003.

4. ANALYSIS AND OPTIONS

4.1 Insurance Coverage Renewal

The insurance industry is anticipating that 2004 will be a year of stabilization. Notwithstanding, challenges continue to exist for reinsurance capacity, auto rates and coverages, and exposure due to corporate governance issues under Directors and Officers insurance. Premium increases in the range of 10% to 20% will be common for 2004 in the traditional insurance market. We have also been advised by OMEX, which currently insures the Region's liability coverages, to anticipate a 10% increase for 2004 premiums.

Also, there continues to be only a handful of markets that are interested in municipal and police risk. However given the Region's attention to risk management, proactive claims handling, and favourable loss ratios, it presents well to available markets and benefits from highly competitive insurance rates.

As our Broker of Record, Marsh Canada performed a search of nine insurance markets on behalf of the Region to find coverages for 2004 which are both broad in scope and provide the best value. The quotations that were obtained were very competitive given the restricted markets available to municipal type risks.

In addition to obtaining quotes in the traditional market, the Region also approached OMEX about providing insurance coverage in conjunction with their new partner, Royal SunAlliance, for property, crime and boiler and machinery.

The quotes from both sources are summarized in Table 1.

Table 1
Comparison of Annual Premium Quotations

Coverage	Traditional	OMEX/Royal SunAlliance
Property	$238,405	$187,318*
Crime	$15,275	$12,000
Boiler & Machinery	$13,922	$29,000
Marine	$2,856	--------
Councillor AD&D	$1,342	$1,520

(annual premiums shown)

*Note: On our behalf, Marsh Canada reviewed the wordings of this property policy. They advised that the OMEX/SunAlliance policy for property is more broadly worded than that of our current insurance provider and offers as good, if not better coverage, to the Region.

Based on the selection of the lowest quotations received (as indicated by shaded values in Table 1), prorated premiums for the period April 1 to December 31, 2004 have been recommended.

4.2 Review and Appointment of Legal Service Providers

It has been the Region's practice to retain three firms to provide legal services for insurable claims. Two firms are assigned work on a day to day basis, whereas the third firm is used in situations where a primary firm has a conflict of interest or when there are additional work requirements. While the right to appoint legal counsel to defend claims for amounts over our deductible normally rests with the insurance company, the Region has negotiated the right to appoint legal counsel (acceptable to the insurer) for any insurable claim because of the high deductibles it maintains. In addition, legal counsel may be retained, in consultation with the Regional Solicitor, to defend insurable claims less than the deductible, as required.

As part of our review, nine firms responded to the RFP and made presentations to an evaluation panel comprised of representatives from Finance, Corporate Services, York Region Police and OMEX (as our insurer).

The criteria used in the evaluation process included: qualifications and experience in municipal and police liability (25 pts); completion and responsiveness 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 Legal Firms and Evaluation Scores

PM Law	BLG	Gowlings
78.8/100	77.9/100	77.8/100

It is therefore recommended that PM Law and Borden, Ladner, Gervais LLP be appointed to provide legal services for insurable claims. Since situations may arise where one of the appointed law firms may be unable to act due to a conflict of interest, it is also recommended that the firm of Gowling, Lefleur, Henderson LLP be approved as an alternate service provider.

4.3 Review and Appointment of Insurance Broker and Risk Management Services Provider

The Region uses a Broker of Record to provide both risk management services and insurance brokerage. The Broker of Record also assists with bonding issues and specialty insurance such as that required for the Region's "Quick Start" rapid transit initiative. These services are purchased as part of an annual work plan negotiated between the Broker and the Region. During 2004, the work plan will be again heavily weighted to provide risk management advice, inspections and support.

As part of our review, two well respected global firms responded to the RFP and presented to a panel of staff from the Finance Department. Criteria used in the evaluation process included: qualifications and experience in municipal and police liability (25 pts); completeness and responsiveness of the submission (10 pts); proposed work plan (15 pts); value added services (10 pts); oral presentation (15 pts); and pricing/financial (25 pts).

It is recommended that Marsh Canada Limited, with the highest score of 75.4/100, be retained to provide insurance brokerage and risk management services for an annual fee of approximately $60,000 per year. Marsh has guaranteed that fees will only increase in future years by the rate of CPI. The evaluation concluded Marsh Canada represented the best value for the Region.

5. FINANCIAL IMPLICATIONS

Total insurance premium for 2004 is projected to be approximately $2.8 million. Of this amount $2.6 million is for liability and transit coverages that are provided on an ongoing basis by OMEX and are not the subject of this report. The remaining amount of $219K pertains to coverages identified in this report.

Table 3
Year-Over-Year Premium Comparison

Coverage	2004 Renewal Premium (a)	2004 Combined Premium* (b)	2003 Actual (c)	Increase/ Decrease (b-c)	Change %
Property	$187,318	$188,408	$192,500	$(4,092)	(2.1)
Crime	$12,000	$12,919	$11,750	$1,169	9.9
Boiler & Machinery	$13,922	$13,224	$11,171	$2,053	18.4
Marine	$2,856	$2,856	$2,570	$286	11.1
Councillor AD&D	$1,342	$1,289	$1,132	$157	13.9
	$217,438	$218,696	$219,123	$(427)	(0.2)

*Note: Combined Premium includes 9 months of 2004 renewal plus the cost of extending 2003 policies to March 31, 2004.

Compared to 2003, the 2004 Combined Premium is lower by approximately $427. This was primarily due to lower property rates that were acquired, partially offset by higher Boiler and Machinery, and Crime programs.

Broker and risk management service fees last year were $60,000 which was comprised of $18,500 for insurance placement and $41,500 for risk management services and special projects. The proposal that has been recommended will remain the same overall, but the allocation of cost to services will be reviewed annually.

The costs of providing all insurance coverages and services identified in this report, including those provided by OMEX on an ongoing basis, are reflected in the individual department budgets that have been presented as part of the 2004 Regional Budget.

6. LOCAL MUNICIPAL IMPACT

There is no local municipal impact resulting from this report.

7. CONCLUSION

This report recommends that insurance coverages for property, marine, crime, boiler and machinery and group accident be renewed as shown in Table 1.

It also recommends that insurance legal services be awarded to PM Law, Borden, Ladner Gervais LLP and Gowling, Lafleur, Henderson LLP.

Furthermore, it recommends that insurance brokerage and risk management services be awarded to Marsh Canada Limited.

The Senior Management Group has reviewed this report.