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INSURANCE COVERAGE RENEWAL FOR YORK REGION

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated May 25, 2011, from the Director of Financial Services and Deputy Treasurer.

1. RECOMMENDATION

It is recommended that Council authorize insurance coverages as identified in Table 1 be renewed with Travelers Canada (St. Paul Fire & Marine Insurance Company) for the period of July 1, 2011 to December 31, 2012 at a cost of approximately $8,075,000.00 (which includes applicable premium tax of 8% on all coverages except automobile) with no change to coverages or the level of Self Insured Retention at this time.

2. PURPOSE

This report presents the results of the insurance marketing exercise conducted by BFL Canada, the Region's Insurance broker.

3. BACKGROUND

Travelers Canada has provided the insurance coverages as noted in Table 1 for the Corporation since January 1, 2010, for a term of eighteen months. These coverages expire as of July 1, 2011 and renewal quotations were obtained by the Region's broker, BFL Canada, in order to bind coverage for the next eighteen month period.

The Owner Controlled Insurance Program (OCIP) for most construction projects was not reviewed in this report as it was addressed in a separate RFP.

Self-insured retentions directly impact insurance premiums

For most coverages the Corporation currently carries a Self-Insured Retention of $100,000 (similar to a deductible) for each loss. Retaining such a Self Insured Retention requires the Corporation to ensure it has sufficient funds in the Insurance Reserve to pay for incurred losses up to this amount potentially for each and every loss. It also means that the premiums charged should be reduced since the Corporation is taking on some of the risk. The insurers are responsible for loss amounts over the $100,000 for each loss. In addition, the Corporation has some input into the handling and settlement of the claims that do occur. Part of BFL's mandate for renewal was to secure higher Self Insured

Retention options so that the feasibility of increasing the retention level could be examined.

4. ANALYSIS AND OPTIONS

Two comprehensive insurance proposals were received

BFL Canada approached insurers who understand and provide coverage for municipalities and received two comprehensive insurance proposals; Zurich Canada and the incumbent Travelers Canada. Table 1 summarizes the premiums for each policy offered by each insurer. Insurance premiums shown are for an 18 month period.

Table 1
Quotations for Eighteen Month Period

Policy	Existing Premium	Traveler's Quotation	Zurich's Quotation
Property	493,818	536,853	490,501
Boiler	35,001	65,646	Incl.
Crime	76,000	35,001	37,875
Liability	1,555,952	1,969,100	2,824,669
Excess Liability	375,000	400,000	400,000
Public Entity	239,063	256,846	Incl.
Medical Malpractice	31,875	45,000	45,000
Corporate Automobile	1,541,722	1,592,748	4,077,620
Transit Automobile	2,912,205	2,971,741	Incl.
Garage Automobile	3,040	2,970	3,030
AD&D	7,000	9,000	9,000
Marine	12,099	6,079	9,120
TOTALS*	**$7,282,775**	**$7,890,984**	**$7,896,815**

** Does not include 8% PST which is applicable to all premiums except Automobile.*

Recommend existing coverage levels until further review is completed

It is recommended that the insurance coverages should be renewed from July 1, 2011 to December 31, 2012 with Travelers Canada. Staff will explore whether to modify the Self Insured Retention to gauge whether overall cost benefits would be achieved after the additional cost of staffing and reserve contributions are factored in. Travelers Canada have agreed to hold their quotations open until October 2011 and adjust the premium on a pro rata basis should the analysis results be favourable for increasing the Self Insured Retention level.

5. FINANCIAL IMPLICATIONS

The eighteen month premium from Travelers of approximately $7,891,000 represents an increase of 8% over expiring premiums. This increase is primarily as a result of increased property values, the addition of buildings and automobiles, and the additional professionals requiring coverage under corporate policies. The cost of insurance as well as the cost to fund the self insured retention, is allocated to all departments on a yearly basis based on underwriting experience and is included in every Annual Budget.

6. LOCAL MUNICIPAL IMPACT

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

7. CONCLUSION

It is recommended that our current insurance policies with Travelers Canada be renewed for a further eighteen month term with no change in coverage or Self Insured Retention at this time. A cost benefit analysis will be conducted to determine if an increase to the Self Insured Retention level is warranted. The results of this analysis will be available by August 31, 2011.

For more information on this report, please contact Tina Gardiner, Manager Insurance & Risk at Ext. 1656.

The Senior Management Group has reviewed this report.