3
INSURANCE AND RISK MANAGEMENT POLICY UPDATE

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report, October 3, 2007, from the Commissioner of Finance:

1. RECOMMENDATION

It is recommended that:

1. The Insurance and Risk Management Policy, shown as Attachment 1, be adopted.

2. PURPOSE

The purpose of this report is to update the policy governing the management of the Region's insurance and risk management program.

3. BACKGROUND

Insurance and risk management has long been recognized as a key element of the Region's current financial program. The Region's philosophy relating to insurance and risk has been developed through a historical prudence and the adoption of best practices among municipal governments. The existing Policy governing insurance and risk management practices was adopted by Council in September of 1994 and highlights the Region's long-term commitment to fiscal responsibility and sound risk management.

Since that time the Region has experienced tremendous growth in population, assets, staff and programs. With this growth, the complexities and responsibilities of insurance and risk management have also grown. The Policy needs to now be updated to reflect these added complexities and responsibilities as well as developments in insurance products and risk management best practices.

4. ANALYSIS AND OPTIONS

This Insurance and Risk Management Policy formalizes and defines the changes in practices which have occurred since the original Policy was written. Also, as found with most other municipalities, there is now a greater focus on risk management and the achievement of 'best practices'.

In addition, over the past few years, there has been an increase in the responsibilities taken on by Region internal staff in order meet the needs of the Region in a more favourable and economic manner. Self-insured deductibles, for example, have increased providing financial benefit by way of decreased insurance costs. With this change has come increased internal claims management and risk prevention requirements.

The new Policy updates the actions necessary to achieve a best practices risk management approach by clearly defining:

- The Region's insurance purchase practice and how funding for insurance deductibles and self-insured exposures are achieved;
- How claims are managed and settled within and above the Region's deductible;
- How potential loss exposures are to be identified, assessed and loss prevention measures implemented (through the efforts of the Risk Management Committee, risk profiling, claims analysis, and education and training);
- How risk exposures to the Region can be minimized or transferred to third parties in an appropriate manner (through the use of Certificates of Insurance, Indemnity Clauses, Waivers, or reduced obligations in contracts);
- When and how outside service providers can be utilized in the delivery of the responsibilities of insurance purchasing, claims management, and risk management under this Policy.

The Policy also now deals directly with the issue of insurance deductibles and self-insured exposures. In order to better manage insurance costs, the Region has taken on various levels of retentions (deductibles) ranging from $100,000/incident for most transit, liability and property claims to unlimited for environmental losses. Claims falling within the Region's retention levels are handled by in-house staff for claims following defined procedures.

Prior to recommending that Council self-insure an exposure or change a deductible, staff will formally be responsible for conducting an impact assessment which would include an actuarial or cost-benefit analysis. The Policy also identifies that reserve levels will be determined and budget amounts set aside annually to cover anticipated losses. Self-insured exposures are also to be re-assessed annually.

New sections have also been added to the Policy to ensure that all insurance activities are in the best interest of the Region through the use of a defined standard of care and a clearer description.

This Policy provides the necessary philosophy and structure to permit a greater focus on meeting the risk management needs of the Region. It brings the Region in alignment with the philosophies of other municipalities and with philosophy of the Region's own insurer OMEX (Ontario Municipal Insurance Exchange).

5. FINANCIAL IMPLICATIONS

Implementation of this policy will formalize and update the guidelines for effective insurance and risk management practices within the Region.

6. CONCLUSION

By approving this policy, Council is putting in place appropriate, updated practices for the management of the Region's insurance and risk exposures. This policy specifies the objectives and standards of care and ensures effective and prudent protection of the Region's assets and liabilities.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause is attached to this report.)