4
EXTENSION OF CONTRACTS FOR INSURANCE SERVICE PROVIDERS

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, October 19, 2007, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The contracts for the following insurance service providers be extended from December 31, 2007 to December 31, 2009 under their existing terms and conditions:

   a) The firm of Marsh Canada Ltd. to provide insurance brokerage and risk management services for a flat fee of $60,000 per year excluding taxes, adjusted annually by the CPI; and

   b) The firms of PM Law, Borden, Ladner, Gervais (BLG) and Nicholl, Paskell, Mede (NPM) to provide legal services for insurable claims and related matters as required, on a fee for service basis.

2. The contract for the firms of Cunningham Lindsey, Crawford and Company Canada Inc., and RGM Claims Services Inc. be extended from December 31, 2008 to December 31, 2009 to provide claims adjusting services for insurable claims as required on a fee for service basis.

2. PURPOSE

This report recommends the extension of existing agreements for various insurance service providers including outside legal counsel for insurable claims, adjusting services for insurable claims and insurance brokerage/risk management services. The extension would allow the existing firms to continue working for the Region as needed until December 31, 2009. This report is needed as Purchasing Bylaw Clause 18.1d stipulates that any renewal of a contract that results in an aggregate duration of longer than three (3) years requires Council approval.

3. BACKGROUND

The Region requires a number of outside service providers in order to achieve the deliverables under the Insurance and Risk Management Program. These outside services include insurance brokerage, risk management, claims adjusting and specialized legal advice and/or services.

Insurance brokerage services are currently provided by Marsh Canada. Marsh has been the broker of record for the Region since 1992. They primarily provide services in the area of risk management including advice, training, site risk inspections and reports. Marsh also places specialized insurance coverages which are not offered through OMEX (Ontario Municipal Insurance Exchange) including marine coverage, accident death and dismemberment and Owner Controlled Insurance Program (OCIP) coverages (wrap up liability and builders risk). This contract expires December 31, 2007.

Insurance adjusting services are being provided by three (3) firms, namely: Cunningham Lindsey, Crawford & Company Canada and RGM Services Inc. Claims presented against the Region must be investigated, managed and brought to resolution. While many claims are managed by staff in accordance with the Insurance and Risk Management Policy, complex claims require the use of insurance adjusters to perform the field investigation portion of a claim on behalf of the Region. Each of the firms utilized for this process specialize in investigating specific types of claims. With the complement of three (3) adjusting firms, the Region has access to specialists for accident benefit claims, transit claims, general liability claims, and suspected fraud and others. The claims adjusting services contract will expire on December 31, 2008.

Our current arrangement with OMEX allows the Region to appoint outside legal counsel (with the insurer's approval) to defend insurable claims. The law firms of PM Law, BLG and NPM currently provide these services. As with the insurance adjusters, these legal firms each have special disciplines that bring valuable experience to defend claim situations and provide legal advice which will assist with claim resolution. This contract expires December 31, 2007.

The existing contracts for these firms provide that they may be increased by the proposed extensions at the Region's discretion.

4. ANALYSIS AND OPTIONS

As required by the Purchasing By-law, the selection of insurance service providers is subject to a rigorous RFP process. The last RFP process was conducted in 2004 and each provider was selected only after obtaining a high overall score. Since that time, the recommended service providers have continued to meet all of their objectives and maintain a high level of customer service while carrying out their duties.

Service providers must follow a stringent and detailed practice in order to meet the service needs of the Region. The learning curve is steep and takes several months to achieve a full and seamless implementation. In addition, long term relationships, knowledge of the Region and municipal liability experience are all valuable assets which assist with the best delivery of the Region's Insurance and Risk Management Program.

Staff for both the Policy, Risk and Treasury Branch and Legal Services as well as our principal insurers OMEX are very pleased with the performance of these providers and support the recommended extensions.

Finally, the Insurance and Risk Management Policy has recently been updated and the recommended period for conducting an RFP for these services is now being proposed to increase from three (3) to four (4) years. By extending the contracts by up to two (2) years, the total term between reviewing these services will now be consistent with the new Policy, in keeping with the practices of other major municipalities and will have all insurance service contracts end at the same time.

5. FINANCIAL IMPLICATIONS

Each of the legal firms, adjusting firms and the insurance broker have agreed to an extension of service at their existing rates and fees. With the advent of no increase for the next two (2) years, this will result in at least four (4) years of stable pricing for the insurance program service providers.

Table 1 below outlines the costs to the Region for each of the service providers paid as at Sept. 31, 2007 for the current contract period noted in the table.

Table 1 - Payments to Insurance Service Providers

Service Type	Service Provider	Fee for Service during Contract Period	Average Cost per File	Current Contract Period	New Contract Period
Brokerage/Risk Management	Marsh Canada Ltd.	$60,000	n/a	Annual fee with 3 year term	Jan. 1/07 – Dec. 31/09
Adjusting	Cunningham Lindsey	$152,000	$1,700	January 1, 2005 to December 31, 2008	Jan. 1/08 – Dec. 31/09
	Crawford and Company Canada Inc.	$187,100	$1,800	January 1, 2005 to December 31, 2008	Jan. 1/08 – Dec. 31/09
	RGM Claims Services Inc.	$199,700	$1,800	January 1, 2005 to December 31, 2008	Jan. 1/08 – Dec. 31/09
Adjusting Total		**$538,800**			
Legal	PM Law	$135,000*	$10,300	April 1, 2004 to December 31, 2007	Jan. 1/07 - Dec. 31/09
	Borden, Ladner, Gervais (BLG)	$345,000	$8,000	April 1, 2004 to December 31, 2007	Jan. 1/07 - Dec. 31/09
	Nicholl, Paskell, Mede (NPM)	$285,000	$6,600	April 1, 2004 to December 31, 2007	Jan. 1/07 - Dec. 31/09
Legal Total		**$765,000**			

* In addition, PM Law has 50 files from the previous service contract term for which $1.3M in fees were paid from April 1, 2004 to September 31, 2007.

6. CONCLUSION

This report recommends the extension of the service contracts with our current insurance providers. This would give us service terms that are consistent with the proposed Insurance and Risk Management Policy as well as the practices of other major municipalities and give us coordinating end dates of insurance contracts.

The Senior Management Group has reviewed this report.