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EXTENSION OF INSURANCE COVERAGE FROM DECEMBER 31, 2003 TO MARCH 31, 2004

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, August 22, 2003, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The following insurance policies be extended to March 31, 2004 at a cost of approximately $55,605 plus applicable taxes:

Table 1

Coverage	Insurance Company	Costs to Extend
Property	Zurich	$47,933
Marine	Zurich	$714
Crime	Zurich	$3,919
Boiler & Machinery	Chubb	$2,759
Group Accident	Cigna	$280
	Total	**$55,605**

2. During the period from December 31, 2003 to March 31, 2004;

a) Staff be authorized to use the following legal firms to provide services for insurance claims and related matters as required on a fee for service basis: PM Law LLP and Borden Ladner Gervais LLP.

b) Marsh Canada Ltd. be retained to provide risk management and insurance brokerage services to the Region at a cost not to exceed $25,000 plus applicable GST.

2. PURPOSE

The purpose of this report is to approve interim insurance coverages for 2004 due to restrictions resulting from Section 275 of the Municipal Act. Section 275 deals with the restrictions placed on council following the September 26, 2003 nomination date for the 2003 municipal elections. It also recommends deferring the review of insurance broker and legal defence firms until early 2004.

3. BACKGROUND

The Region obtains insurance coverage from two main sources.

Liability, automobile, and errors & omissions coverage is obtained through the Ontario Municipal Insurance Exchange (OMEX). OMEX is a reciprocal insurer comprised of 12 member municipalities, located mainly in the GTA. The Region has been a member of the reciprocal since September 1996. Coverages obtained through OMEX are not a subject of this report since the Region's arrangement will continue annually with them until cancelled by us with six months' notice. Staff is currently satisfied with these coverages and are not recommending that they be reviewed at this time.

The Region uses the traditional insurance market to provide coverage for several types of risks including coverage for property, crime, marine, group accident and boiler & machinery. We have been advised by our broker, Marsh Canada, that the underwriting insurance companies will not be able to provide quotes for the 2004 renewal until mid October. Due to the restrictions of Section 275 of the Municipal Act, Council is unable to approve the 2004 insurance expenditures at that time. Therefore, alternative arrangements must to be made now.

Furthermore, it is proposed that the insurance services RFPs for brokerage and risk management as well as legal services, be deferred until the spring of 2004.

4. ANALYSIS AND OPTIONS

4.1 Insurance Coverage For Property, Marine, Crime, Boiler & Machinery & Group Accident.

The Region uses the traditional insurance market for property, marine, crime, boiler and machinery and group accident insurance. The Region has been able to obtain good coverage and has been satisfied with the placement of insurance through its broker.
Marsh sought extension of these coverages on our behalf until March 31, 2004.

4.2 Insurance Services

4.2.1 Interim Re-Appointment of Legal Defence Counsel

Currently, the Region uses three external legal defence firms to represent the Region for insurance claims that proceed to litigation. These firms were appointed by the Region in 2000 for a term of three years. Originally a review of this service was contemplated in the fall of 2003 as part of the insurance renewal process. However, because of the delay in the renewal process and performance issues with one of the service providers, it is proposed that a more broad-based review be undertaken in early 2004.

4.2.2 Interim Re-Appointment of Risk Management and Brokerage Services

Marsh Canada was appointed the Region's insurance broker and risk management adviser as a result of a RFP for insurance services conducted in 1992. Originally this service was also scheduled for a review in the fall of 2003 as part of the insurance renewal process.

Marsh's primary responsibility is to provide risk management support services such as conducting loss control inspections, assisting with staff training sessions and reviewing insurance policy wordings. Marsh also markets the Region's traditional Insurance Program and provides standard broker services such as negotiating with traditional insurers and assisting with claims management. In 2003, Marsh was paid a fixed fee of $60,000 plus taxes for this service. The brokerage service fee was $19,500 and the risk management service fee was $$41,500 in 2003.

Since the Region will continue with its risk management program during the interim period as well as have Marsh proceed on our behalf to obtain renewal quotes for 2004 and carry out the majority of their brokerage service agenda, it is proposed that Marsh be retained during the period ending March 31, 2004 at a cost not to exceed $25,000 plus applicable taxes. Approximately $15,000 of this will be for the brokerage services involved in the renewal process and the remainder for ongoing risk management and claims services to be provided in the first quarter of 2004.

5. FINANCIAL IMPLICATIONS

It is estimated that the extension of the property policies will cost approximately $55,605 plus applicable taxes.

Coverage	2003 Premium	January – March 2004 Premium	% of 2003
Property	$211,703	$47,933	23%
Marine	$ 2,328	$ 714	31%
Crime	$ 15,457	$ 3,919	25%
Boiler & Machinery	$ 12,065	$ 2,759	23%
Group Accident	$ 1,223	$ 280	23%
TOTAL	$242,766	$55,605	

The premium for January – March 2004 is based on a pro-rata basis for a 3-month extension at existing rates. Risk management and brokerage services as provided by Marsh will cost $25,000 plus applicable taxes for the period of December 31, 2003 to March 31, 2004. Legal services for insurance claims and related matters are on a fee-for-service basis.

6. LOCAL MUNICIPAL IMPACT

There is no local municipal impact resulting from this report.

7. CONCLUSION

It is recommended that traditional insurance coverages be extended by 3 months until the end of March 2004.

Also it is recommended that during the interim period, the insurance brokerage and risk management services of Marsh Canada be retained and continue until the end of March 2004 and that legal services for insurance claims be handled by PM Law LLP and Borden Ladner Gervais LLP.

The Senior Management Group has reviewed this report.