

COMMITTEE OF THE WHOLE JUNE 1-2010

CITY OF VAUGHAN'S GENERAL INSURANCE AND RISK MANAGEMENT SERVICES

Recommendation

The Commissioner of Legal and Administrative Services & City Solicitor, in consultation with the City Clerk, the Director of Purchasing Services and Manager of Special Projects, Licensing and Permits, Insurance and Risk Management recommends,

- 1) That the City Clerk be authorized to extend the current policy of insurance with Frank Cowan Company for a period of 70 days from June 30th, 2010.
- 2) That staff be directed to proceed with a Request for Proposal (RFP) for the city's insurance coverage and risk management services for a term of one year plus options to extend for two one-year periods upon successful negotiation of terms;
- 3) That the results of the RFP be brought forward to the September 7, 2010 meeting of Council for award; and
- 4) That staff be authorized to retain the services of such external resources as may be necessary with respect to the preparation and evaluation of the RFP.

Contribution to Sustainability

N/A

Economic Impact

The estimated cost of a 70 day insurance extension is estimated to be approximately \$448,330, plus applicable taxes, which represents an approximate increase of 50% above the current contract of insurance, on a pro rata basis. The final economic impact on the 2010 budget will not be known until such time as the RFP has been issued and renewed. Funding for any unbudgeted portion will be taken from the Insurance Reserve and form part of the City Clerk's 2011 budget submission.

Communications Plan

N/A

Purpose

The purpose of this request is to extend the existing policy of insurance with Frank Cowan Company for a period of 70 days, to provide for the issuance of and RFP for Insurance General Insurance and Risk Management Services.

Background - Analysis and Options

The City's current insurance policy with Frank Cowan Company Limited ("Cowan") for the 2009 to 2010 term is approaching expiry on June 30, 2010. In that regard, Cowan has provided to the City an offer to extend the policy. Staff recommend that the policy be extended for a short period only, in order to facilitate the receipt of competitive bids for insurance services.

Cowan's underwriting department has completed a renewal audit of the City's insurance account. The audit took into account changes in the schedule of assets and exposures since the last renewal, the building cost inflation factor applicable to Ontario, and an assessment of the current

claims experience. The impact of consolidating city offices into the new City Hall building has not yet formed part of the renewal costs.

Based on the Cowan analysis, the proposal for the City's 2010 Municipal Insurance renewal will increase costs by approximately 50%, with the driving factor being the deterioration of the most recent 3 year claims history.

Cowan explains the sharp increase in premiums as being due to the City's severity and frequency of claims in previous years, particularly in the area of personal injury liability claims that occur from slip, trip and falls on the municipality's roadways and sidewalks. The direct costs associated with liability claims are the awards (including jury awards) and professional fees for lawyers, adjusters and experts.

Preventive Measures

To address the incidents of liability claims involving municipal roads and sidewalks the City's Risk Management section has worked with City staff to recognize, reduce and mitigate risks found on City property. These efforts have included seminars that Cowan has held with Parks Operations on the recognition, documentation and repair of slip, trip and fall hazards. Risk Management has also instituted a hazard patrol exercise through which staff document and respond to hazards noted on municipal sidewalks.

Notwithstanding these efforts, Cowan is proposing a substantial increase in premiums based on the City's previous claims experience.

To ensure that the City continues to receive competitive, comprehensive and sustainable insurance coverage staff is proposing that an RFP be issued at this time.

In an effort to ensure that the RFP and submission requirements are met, staff propose that a consultant with a municipal insurance background and no affiliation with any potential RFP proponents be retained.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is in keeping with Vaughan Vision's of management excellence through the maintenance of the City's assets and infrastructure, its financial sustainability, and its commitment to service excellence through the enhancement of community safety, health and wellness by the promotion of risk management initiatives.

Regional Implications

N/A

Conclusion

The authority to allow an extension of up to 70 days will provide the City with adequate time to prepare and proceed with an RFP for insurance coverage and risk management services.

The authority to retain an insurance consultant will ensure that diligence is exercised in seeking a professional and unbiased evaluation of the submissions received.

Attachments

N/A

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Respectfully submitted,

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