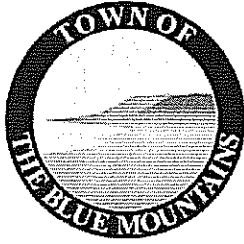


**STAFF REPORT: FINANCE**



**REPORT TO: Council**  
**MEETING DATE: December 18, 2007**  
**REPORT NO.: FS.07.44**  
**SUBJECT: 2008 General Insurance and Risk Management Services**  
**PREPARED BY: Sherri Adams, Manager of Purchasing**

**A. Recommendations**

THAT Council receive Staff Report FS.07.44 entitled 2008 General Insurance and Risk Management Services and further that Council does approve the recommendation to place the Town's 2008 General Insurance and Risk Management Program with Frank Cowan Company for the annual premium of \$414,947 subject to Cowan's right to adjust the program to reflect any material changes in risk which may have occurred since Cowan's last underwriting process in November of 2006.

**B. Background**

Council passed a recommendation to place the Town's 2007 General Insurance and Risk Management program with Jardine Lloyd Thompson on December 18, 2006 contingent upon Jardine satisfying conditions #1 thru #6 as detailed in the recommendation provided by RiskPro, Risk Management Consulting and dated December 6, 2007.

Jardine Lloyd Thompson provided assurances, including a signed letter, that the Town would enjoy insurance coverage that was the same or better than provided by the former insurer and indicated their willingness and ability to satisfy the six conditions.

Conditions #5 and #6 have been met to the satisfaction of the Town and RiskPro. The two conditions are listed below:

5. Confirmation that coverage will be in place for the outstanding Builders' Risk insurance that the Town currently has in place with its incumbent.
6. Provide proof or evidence of current Professional Liability Insurance (Errors and Omissions).

Staff has continued to work with RiskPro Management Consulting to review policy wordings received from Jardine Lloyd Thompson throughout the 2007 year in an effort to ensure the satisfaction of all six conditions. As of December 14, 2007, conditions #1 thru #4 remain unsatisfied in the opinion of Town staff and RiskPro. The four conditions are listed below:

1. Agreement on behalf of Jardine to present the Town with copies of all final, legal specimen wordings, whereby all errors, typos, problematic references, duplications, policy flow, and punctuation, etc. have been corrected and meet with the Town's approval.
2. The receipt and acceptable review of all missing policy wordings quoted in Jardine's proposal, especially the Excess policy.
3. Confirmation of all applicable policy limits, aggregate limits, sub-limits, deductibles and other variables provided by Jardine and approved by the Town.
4. The provision of an appropriate and corresponding summary of coverage and presentation to match Jardine's new program be received and accepted by the Town. Some specific examples of differences are:
  - Reference to "Public Officials Liability" policy in the presentation, but the wording calls this Municipal Errors and Omissions Liability.
  - Incidental Medical Malpractice is shown in the presentation, however the wordings seem to include this cover automatically.
  - Abuse/Molestation is shown with separate limits in the presentation, but no wordings to coincide with this cover.
  - Insurance Coverage listing in presentation refers to Municipal Nursing Home and Health Care Facilities Professional Liability.

A meeting was held on December 5, 2007 with representatives of Jardine and the Town in an effort to resolve staff's concern that policy inadequacies exist, which, in the opinion of staff and RiskPro have resulted in four conditions remaining unsatisfied. Jardine was requested to provide to Town staff, all outstanding adjustments and documentation by December 14, 2007 in order for staff to be comfortable in recommending to Council the option to renew with Jardine for the 2008 year.

Staff requested the 2008 Policy Renewal information from Jardine to be sent to the Town as soon as possible in order to budget premium costs for 2008. The RFP issued in 2006 stated that renewals were to be provided to the Town ninety days prior to the renewal period. The renewal terms were received by the Town on December 4, 2007.

RiskPro was requested to review the 2008 Renewal package and the adjustments and alterations expected to be received from Jardine by December 14, 2007, in order to determine the following:

- the compliance of the remaining 4 conditions;
- all coverage's in the policies match those submitted in the proposal received from Jardine in 2006; and
- that the 2008 Renewal package matches the original proposal in coverage

On December 14, 2007, Jardine sent a letter to the Town indicating that their policy documents have been supported by their various insurers and Jardine and in accordance with the Town's Request for Proposal specifications in December 2006. No adjustments or documentation were received by the Town from Jardine.

RiskPro has provided the Town with a final review summary of the 2007 Insurance Program and the 2008 Renewal. RiskPro's summary has been attached to this Staff Report.

Jardine's representatives have provided very courteous and professional service in a timely fashion throughout the year for general inquiries and other queries, which has been very accommodating to the Town's day to day needs. That being said, staff believes there to be a potential risk to the Town associated with the legal contract between the Town and Jardine (including the underwriters) due to the current policy wordings should there be a discrepancy in coverage as a result of a claim.

**Recommendation:**

Place the Town's General Insurance and Risk Management program with Frank Cowan Company for the 2008 term. Frank Cowan Company has provided assurance to the Town that Cowan's will provide an alternative to the Town's current insurance program for 2008 term if requested by the Town. Further that the terms and conditions of Cowan's last Municipal Insurance Proposal to the Town which was presented at the end of November 2006 by Noble Insurance will still apply. Cowan's reserves the right to adjust the program to reflect any material changes in risk which may have occurred since their last underwriting process.

Staff will research the Town's options for the 2009 General Insurance and Risk Management Program in the second quarter of 2008.

**C. The Blue Mountains' Strategic Plan** (Statement(s) identifying how actions further the goals of the Strategic Plan)

5. Ensuring long-term financial sustainability
6. Providing a strong, well managed municipal government

**D. Budget Impact** (cc: Treasury if required)

1. Cowan (2007/pricing)	\$414,947
Jardine (2007/pricing)	<u>\$246,255</u>
Premium Savings for 2007	\$168,692
Less: Consulting Fees to date for 2007	<u>\$ 11,700</u>
Balance of Premium Savings for 2007	\$156,992
2. Cowan (2008/pricing)	\$414,947*
Jardine (2008/pricing)	<u>\$256,049</u>
Premium Difference for 2008	\$158,898

\*Cowan's premium is based on the Proposal received in December 2006.

**E. Attached** (Relevant documentation not personal information about an identifiable person)

1. Staff Report T-2006-25, 2007 General Insurance and Risk Management Services, Contract # TBM-2007-26, Dated December 18, 2006
2. Letter dated December 12, 2007 from Jardine Lloyd Thompson
3. Letter dated December 10, 2007 from National Compliance Officer at Jardine Lloyd Thompson
4. Memorandum from RiskPro Management Consultant dated December 17, 2007

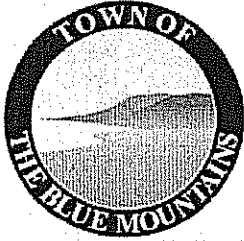
Respectfully submitted,



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Sherri Adams, Manager of Purchasing

**STAFF REPORT: Financial Services Department**



**REPORT TO:** Council

**MEETING DATE:** December 18, 2006

**REPORT NO.:** T-2006-25

**SUBJECT:** 2007 General Insurance and Risk Management Services, Contract # TBM-2006-26

**PREPARED BY:** Chris Fawcett, Director of Finance  
Teresa Oakley, Manager of Revenue  
Sherri Adams, Manager of Purchasing

**A. Recommendations**

THAT Council does approve the recommendation of Staff Report T-2006-25, awarding the Town's General Insurance and Risk Management Services for the period of January 1, 2007 to January 1, 2008 to Jardine Lloyd Thompson Canada Ltd. for the annual premium of \$246,255.48 (including taxes), with the consideration to renew to be based upon satisfactory performance, service and price; contingent upon Jardine satisfying conditions #1 thru #6 as detailed in the recommendation provided by RISKPRO and dated 12/06.

**B. Background**

The Town issued an RFP for General Insurance and Risk Management Services to ensure that an adequate and cost effective municipal insurance program was in place for the Town. The programs include the following:

- |                          |                                |
|--------------------------|--------------------------------|
| Municipal Liability      | Firefighters' Accident         |
| Errors and Omissions     | Municipal Conflict of Interest |
| Non Owned Automobile     | Legal Expense                  |
| Environmental Impairment | Property                       |
| Automobile               | Boiler & Machinery             |
| Councillors' Accident    | Crime                          |

Frank Cowan Company has been the Town's insurance provider since amalgamation in 1998 and was the former Township's insurance provider for many years prior to the amalgamation. Cowan's has continuously provided satisfactory service to the Town over the years.

The RFP was issued to 6 interested parties. Proposals (describing their products, levels of service and related costs) were received from three

proponents being Ontario Municipal Insurance Exchange (Omex), Jardine Lloyd Thompson Canada Ltd. and Frank Cowan Company.

The Town retained the services of RiskPro, an independent insurance consultant, to assist the evaluation committee in providing a recommendation to council.

**C. Budget Impact** (cc: Treasury if required)

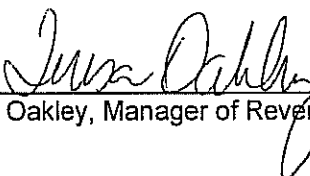
- |    |  |                  |
|----|--|------------------|
| 1. | 2006 Budget with Cowan   | \$363,547        |
|    | 2007 Budget with Jardine   | <u>\$246,255</u> |
|    | Premium Savings  | \$117,292        |
| 2. | The competitive RFP process has resulted in the following potential savings:   |                  |
|    | Cowan (2007/ pricing)  | \$414,947        |
|    | Jardine (2007/ pricing)  | <u>\$246,255</u> |
|    | Potential Savings  | \$168,692        |
| 3. | Finance will provide Council with a subsequent report recommending the allocation or use of premium savings including consideration of appropriate deductible reserves and insurance program transition costs. |                  |


**D. Attached** (Relevant documentation not personal information about an identifiable person)

1. RiskPro Report

Respectfully submitted,

  
\_\_\_\_\_  
Chris Fawcett, Director of Finance

  
\_\_\_\_\_  
Teresa Oakley, Manager of Revenue

  
\_\_\_\_\_  
Sherri Adams, Manager of Purchasing



JARDINE LLOYD THOMPSON CANADA  
Inc

December 12, 2007

Sherri Adams  
Corporation of the Town of The Blue Mountains  
Box 310, 26 Bridge Street East  
Thornbury, ON  
N0H 2P0

Public Sector Division  
Box 3  
Suite 800, 55 University Avenue  
Toronto, Ontario M5J 2H7  
Telephone 416 941 9551  
Facsimile 416 941 9323  
Toll Free 1 800 268 9189

Dear Sherri:

Please find enclosed our Renewal Presentation for the next policy period of 2008-09.

Some of the changes that have incurred compared to December 2006 when Jardine Lloyd Thompson Canada (JLT) were successful at winning The Town of The Blue Mountain's (The Town) tender for general insurance are as follows:

- ◆ Adjustments in Property values due to inflation and review
  - Due to the increase in property, the rates were negotiated lower to accommodate and minimize additional premium impact
- ◆ Increased population from 5747 to 6116 resulted in increase in premium
  - Rate adjustments were negotiated with the carriers to accommodate and minimize additional premium impact
- ◆ Increase number of automobiles in fleet from 44 to 50
  - 3 additional trailers
  - 3 additional heavy unit vehicles

All other lines of coverage included in the overall program remain unchanged resulting in approximately 3% increase in comparison to 2007.

We would like to emphasize that **specific content of coverage** respecting limits and intent of your program have at no time been limited in performance as a legal contract. It is supported by the various insurers and JLT as outlined in all Declarations of Coverage in comparison to the outline in the original tender specifications utilized by The Town in the December 2006 General Insurance and Risk Management Services.

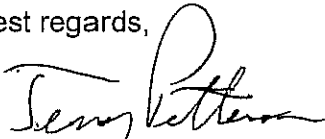
Our office has worked diligently with The Town's staff to meet all service requirements and would like to review the service regiment followed throughout the previous year.

- ◆ JLT Building Inspections were completed by Steve Pacheco during 2007 and the formal report was sent to The Town
- ◆ JLT Risk Management Seminar - Terry Patterson met with Senior Administration to review Risk Management principles and review the RiskeMAP Council Enterprise Management software
- ◆ JLT Risk Management (RiskeMAP) – An organizational chart was received from The Town and a website was created and delivered to The Town in June-July 2007
- ◆ JLT Risk Management (RiskeMAP) - Lindsay Donelson's meeting with The Town was cancelled due to Internet Explorer 7 release and update. A new date was to be established to release JLT updates.
- ◆ Andrew Cooksley, Claims Manager - JLT and Tracy Drew, Claim Administrator – SCM met with Senior staff to review claims protocol
- ◆ New Policy was issued in May 2007
- ◆ Paul Dorman, Senior Vice President, National Practice Leader – Public Sector Division, met with The Town to review the Special Event Liability Program.
- ◆ Policy review performed October 2007
- ◆ The 2008 – 2009 Renewal process engaged in November 2007 to review any changes to Automobile & Property Schedules and review claims
- ◆ Our office and The Town ("Consultant") continue to review policy formats, punctuation, and typo corrections
- ◆ JLT and The Town, Staff met to review Renewal Proposal
- ◆ JLT and The Town ("Consultant") request further review to policy formats, punctuation and typo corrections
- ◆ Meeting scheduled with The Town to deliver the 2008 – 2009 Renewal Proposal

Please also find enclosed a letter confirming that JLT National Compliance Officer, Caroline Humphreys, has reviewed all documentation presented and can assure The Town that all documentation is organized and meets the requirements of our Global Standards Compliance Committee. All documentation is accepted and considered as a compliant legal contract and is supported by the insurers as represented in your Declarations of Coverage on all policies in The Town's program by JLT.

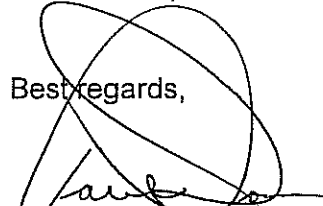
If there are any questions regarding the proposed renewal program and our on going service regiment, I would look forward to a meeting with The Town, Staff and/or Council to discuss.

Best regards,



Terry Patterson FCIP CRM  
Senior Vice President

Best regards,



Paul Dorman RF  
Senior Vice President  
National Practice Leader – Public Sector Division

cc. Robert Cummings

cc. Mayor and Council, The Town of The Blue Mountains



JARDINE LLOYD THOMPSON CANADA  
Inc

10 December, 2007

Town of The Blue Mountains  
Box 310, 26 Bridge Street E.,  
Thornbury, ON N0H 2P0

Sun Life Plaza, East Tower  
Suite 300, 112 - 4<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 0H3  
Telephone 403 264 8600  
Facsimile 403 264 8608

FAO Sherri Adams

Delivered by Hand.

Dear Ms. Adams

**Re: General Insurance and Risk Management Program Policies**

I understand from Terry Patterson that you have expressed some concerns about the Declaration pages provided by Jardine Lloyd Thompson. All our standard documents, including these Declaration pages, are approved by the Compliance Department. I can assure you that they are not in draft form, and that they are designed to ensure that all relevant information is provided to the client.

If you have any specific comments about the format, I would be happy to address them.

Yours truly,

Caroline Humphreys  
National Compliance Officer  
Phone: 403 537-9270  
E-mail: [chumphreys@jltcanada.com](mailto:chumphreys@jltcanada.com)

***Memorandum***

*To:* Sherri Adams, Purchasing Manager  
Corporation of the Town of The Blue Mountains

*From:* Barbra Anne Vaspori, RiskPro

*Date:* December 17, 2007

*Re:* **2007 Insurance Program Review/ 2008 Renewal**

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We have been asked to provide our comments regarding the 2007 Insurance Program provided to date by your incumbent insurance provider—Jardine Lloyd Thompson Canada Inc. (JLT)—as well as provide you with our comments on the proposed renewal terms recently provided.

*2007 Insurance Program:*

It is our respectful opinion that JLT has not satisfied all of the conditions of Council's December 16<sup>th</sup>, 2006 approval.

The errors that we have noted within the various policies provided are numerous—many of which have been acknowledged by JLT staff, yet they failed to provide the final adjustments and documentation by Friday, December 14<sup>th</sup>, 2007 as promised. Instead the Town received renewal information (discussed under separate heading) with no mention of the missing documents.

A very short letter was also provided from JLT's own internal compliance officer stating that the Declaration pages are standard documents and approved forms. Unfortunately, this does not address our concerns, which were largely that the declarations pages did not correspond with the attached policy wordings and that there were many errors noted within many of the declarations pages concerning limits, forms attached, policy numbers, and other references.

The following summarizes the most serious of errors noted within the policy documents:

- The Liability package policy wording has still not been cleaned up as required (even though JLT has been given an entire year and made several attempts to do so).
- The replacement cost endorsement provided under the current Automobile policy is limited to the physical damage section of the policy only. This is a big discrepancy from what the Town had previously been insured for. For example, if one of the Town's vehicles is struck and damaged by a vehicle owned by another party, the loss would be settled on an actual cash value basis (not replacement cost). Let's assume

that you have a fire truck that is 10 years old that is destroyed by a third party and it is 100% the fault of the third party. Under your current Automobile policy, replacement cost coverage would not apply, thus the insurer would only pay the Town the depreciated value of that truck. We will assume the repairs would cost \$180,000 using new parts, but only \$90,000 with used parts. The replacement cost of this truck is approximately \$150,000. Under your previous insurer, this loss would be considered a total loss since the amount to repair with new parts will cost more than the replacement cost, thus the Town would have the option to purchase a new fire truck for \$150,000 or accept a cash settlement for \$150,000.00 (which may happen if the Town had just recently purchased new trucks with the idea of retiring this old one in the next few years). Under the current JLT endorsement, replacement cost would not apply. Let's further assume that the depreciated value of this old fire truck was determined to be \$75,000. In this case since the repairs (even with used parts) cost more than the depreciated value, the insurer would likely pay the Town \$75,000 (less the applicable deductible) to settle this claim. That would equate to an economic disadvantage of at least \$75,000 using these random numbers.

- Concern that the coverage provided under the Property policy with Royal Sunalliance is not as broad as the wording provided in JLT's original submission through Lloyds of London. This could equate to substantial economic loss to the Town in the event of a serious claim whereby the coverage provided to the Town is quite different than what was requested in the 2006 RFP specifications. Although we have not done a thorough review of the "new" wordings provided under the Property policy, we did notice that the Replacement Cost endorsement does not relate to "stock" and further that same site replacement of buildings is required. If the Town chose to rebuild at a different location, the current insurer would only be obligated to provide the actual cash value of the loss rather than the replacement cost value; while your previous insurer would have paid replacement cost. (Note: this is just one example of the differences that exist between the current Property policy wording and the specimen wording provided in JLT's submission.)
- Many limits are still incorrect. For instance, Crime is only being provided with a \$100,000 limit, even though it is supposed to be a \$1 million limit. Also Environmental Impairment Liability is currently being provided with a \$2.5 million limit per claim, even though it is supposed to be \$5 million per claim.

Furthermore, it is our opinion that staff worked diligently with JLT in an attempt to ensure that all requirements would be met. In the end, JLT has made several promises throughout the policy year, which they simply failed to fulfill.

#### *2008 Insurance Renewal:*

The first renewal report and cover letter received by the Town on December 4<sup>th</sup> was signed by Leonie Thielen of JLT dated December 3<sup>rd</sup>, 2007. In that letter, several changes were identified that would be effective January 1<sup>st</sup>, 2008 including the following:

- inflationary increase of 3.5% applies to property values;

- on-site pollution coverage will be included under the Property policy with a limit of \$50,000;
- Environmental Impairment Liability limits will be \$2.5 million per claim with a \$5 million aggregate limit;
- A three-year renewal rate will apply; and
- The Property, Crime and Owned Automobile insurer will be Aviva Insurance Company of Canada.

The second renewal report and cover letter received by the Town on December 14<sup>th</sup> was signed by both Terry Patterson and Paul Dorman. The letter was dated December 12<sup>th</sup>, 2007, however the attached renewal report was dated December 3<sup>rd</sup>, 2007 (**the same date as the previous report**). The only changes mentioned in this letter effective renewal included:

- adjustment to property values due to inflation and review;
- notice of increased premium due to population increases;
- increase in automobile fleet was noted; and
- a statement that all other lines of coverage remain unchanged.

In this second report, the Environmental Impairment Liability limits are shown as \$5 million per claim with a \$5 million aggregate (these are the limits that were to be provided effective January 1<sup>st</sup>, 2007 and which are currently not correct on the latest declarations page).

The second report also shows that the Property will be provided by Royal and Sunalliance Insurance Company; and the Automobile and Crime will be provided by Kingsway General Insurance (these are the current insurers on risk).

The differences between the two reports received, under the same date, is just another example of the inconsistencies provided by JLT that the Town has been dealing with this entire year.

I trust that our summary of the 2007 Insurance program and the proposed 2008 Insurance renewal are helpful. Should you have any further questions or concerns, I would be pleased to address the same to your satisfaction.

Respectfully submitted,  
Barbra Anne Vaspori  
RiskPro  
Risk Management Consulting

