



**STAFF REPORT  
ACTION REQUIRED**

**Request Authority for 2009 - 2010 Insurance Program  
Renewal**

<b>Date:</b>	April 28, 2009
<b>To:</b>	Government Management Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2009\Internal Services\Cf\Gm09011cf – et (AFS #8855)

**SUMMARY**

The purpose of this report is to obtain Council authority to renew the City’s property and casualty insurance policies effective June 1, 2009 for an annual term at a total premium cost of \$5,731,280 before applicable provincial tax with insurers, limits and deductibles as outlined in Attachment 1.

**RECOMMENDATIONS**

The Deputy City Manager and Chief Financial Officer recommends that:

1. The City renew the following insurance policies effective June 1, 2009 for a policy period of twelve months, as outlined below in Table 1, plus applicable provincial taxes (and as detailed in Attachment 1).

Table 1 - Renewal Insurance Policies

<b>Insurance Policy</b>	<b>Renewal Premium (\$'s) 12 Months Policy Term June 1, 2009 to June 1, 2010</b>
<b>Primary Liability:</b>	
Comprehensive General Liability	90,000
Public Officials E & O	90,000
Automobile	200,000
Garage Automobile	14,500
Medical Malpractice Liability	180,000
Primary subtotal	<b>574,500</b>

Insurance Policy	Renewal Premium (\$'s) 12 Months Policy Term June 1, 2009 to June 1, 2010
<b>Umbrella &amp; Excess Liability</b>	
Primary Umbrella	850,000
1 <sup>st</sup> Excess Liability	589,500
2 <sup>nd</sup> Excess Liability	136,575
3 <sup>rd</sup> Excess Liability	236,250
4 <sup>th</sup> Excess Liability	133,875
5 <sup>th</sup> Excess Liability	122,400
Umbrella & Excess subtotal	<b>2,068,600</b>
<b>Other Policies:</b>	
Property	2,469,914
Boiler & Machinery	206,854
Crime	78,077
Aviation	24,390
Fiduciary Liability	55,575
Home Day Care Liability	50,000
Marine	203,370
Other Policies subtotal	<b>3,088,180</b>
<b>TOTAL:</b>	<b>5,731,280</b>

2. Authority be delegated to the Deputy City Manager and Chief Financial Officer to renew the City's program of property and casualty insurance on an annual basis provided that, in the opinion of the Deputy City Manager and Chief Financial Officer, the terms, conditions, limits, and deductibles are substantially the same as are recommended in this report and the premiums are competitive based on insurance markets.
  
3. The appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

### **Financial Impact**

This report recommends renewal of the City's Primary & Excess Liability (i.e., Comprehensive General Liability, Public Officials Errors and Omissions, Automobile and Garage Automobile), Medical Malpractice Liability, Property, Boiler & Machinery, Crime, Aviation, Fiduciary Liability, Home Day Care Liability and Marine insurance policies at an annual cost of \$5,731,280 before applicable provincial taxes. This represents an increase of \$302,215 or 5.6% from the total premium of \$5,429,065 paid for the expiring policies.

Funding is provided from the City's Insurance Reserve Fund based on charges included in the 2009 Operating Budgets of City programs and participating agencies, boards and commissions plus contributions from the Non-Program Account.

### **DECISION HISTORY**

The 2008-2009 insurance policies were authorized through the Government Management Committee Meeting No. 14, Clause GM14.1, approved by City Council at its Meeting

No. 21 on May 26 and 27, 2008:

Report - Request Authority for 2008 - 2009 Insurance Program Renewal  
(<http://www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-12762.pdf>)

## **ISSUE BACKGROUND**

The City's 2008-2009 Insurance Program expires on June 1, 2009.

## **COMMENTS**

Marsh Canada Limited, insurance brokers, represent the City (approved by Bid Committee, January 5, 2005 meeting) to obtain the most competitive and cost effective insurance arrangement each year from the global insurance marketplace. Insurance policies recommended in this report are on the basis of the same coverage and deductible levels as the expiring 2008/2009 policies. Attachment 1 provides a summary of coverage and deductibles.

### Primary Liability Policies:

ACE INA (ACE) provides insurance policies for the City in exchange for an indemnity agreement to the value of those insurance policies at an annual premium of \$394,500. These are known as 'fronting' insurance policies as they allow the City to self-insure and meet its administrative needs.

### Umbrella and Excess Liability Policies:

ACE provides a \$5 Million Primary Umbrella layer of insurance above the City's \$5 Million deductible for a premium of \$850,000. Excess layers of liability insurance provide \$90 Million of coverage to complete the City's total liability insured value of \$100 Million.

### Medical Malpractice Liability:

This coverage applies to programs such as Public Health, Emergency Medical Services and Long-Term Care Homes and Services with declared Medical Malpractice exposures. It is recommended that policy limits of \$100,000,000 be obtained at a premium of \$180,000.

### Property:

A full marketing exercise was conducted to confirm the competitiveness of the City's incumbent insurer, FM Global.

Overall the City's insured property values increased to \$12,477,598,201, which represents a year over year increase of \$1,467,547,358 or 13.3% from last year. Independent valuation appraisals of 7 of the City's treatment & filtration plants accounted for the most of this year's property value increase. Despite this large value increase, FM's renewal quote of \$2,469,914 represents only a small premium increase of \$58,713 or 2.4% (versus a \$262,680 increase at the expiring rate) from last year's expiring premium of \$2,411,201.

FM Global continues to demonstrate their added value to the City in several ways, e.g., Value in Engineering. FM, with its team of engineers, has provided the City with valuable loss control engineering expertise to date at no additional cost. FM has provided the following value added items completed during the past year:

- Risk control visits were conducted at 70 locations, and 17 plan review letters were provided; all accounting for 1,013 person-hours with a value of \$150,500;
- Delivered “Fire Protection Equipment” seminar to 16 facilities supervisors;
- Provided the City with a lead engineer, that worked with the City on projects and initiatives, at no additional cost to the City (approximately 200 person-hours this year).

The details of the following other insurance policies are outlined in Attachment 1.

Boiler & Machinery:

The incumbent insurer Royal & Sun Alliance remains competitive with alternative markets and has agreed to an “as is” renewal.

Crime:

The City’s Crime insurance policy protects against loss of money and securities arising from forgery, burglary, employee dishonesty and robbery inside and outside City buildings.

Aviation:

This policy provides hull (i.e. physical damage) and liability insurance for the single aircraft (Cesna 206) used by Toronto Police Service.

Marine:

The City insures its marine vessels against physical damage under a Hull & Machinery policy and for liability under a Protection & Indemnity policy.

Fiduciary Insurance Liability:

The City has 5 non-Omers employee Pension Plans. Members of the Committee or Board constituting the Plan Administrator of any of these City sponsored employee pension plans may be held personally liable for breach of their responsibilities in the administration and/or handling of these plans. Subject to some limitations, the City is obligated to indemnify and save harmless the Plan Administrators. Fiduciary Liability insurance is purchased to fund the City’s obligation to indemnify and save harmless the Plan Administrators.

Home Child Care Liability:

This policy provides liability insurance coverage for the currently 256 active Home Child Care Providers under contract to provide services for the City of Toronto.

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**SIGNATURE**

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Cam Weldon

Deputy City Manager and Chief Financial Officer

**ATTACHMENTS**

Attachment 1 – 2009 – 2010 Insurance Program Renewal Details as of June 1, 2009

Attachment 1  
2009 – 2010 Insurance Program Renewal Details as of June 1, 2009

Insurance Policies	Insurer(s)	Main Limit (\$'S)	Self Insured Retention / Deductible (\$'S)	June 1 <sup>st</sup> , 2009 Renewal Premium (\$'S)
<b>Primary Liability:</b>				
Comprehensive General Liability	Fronting Policies through ACE INA	5 million	5 million (4M deductible excess / 1M SIR)	90,000
Public Officials E & O		5 million	5 million (4M deductible excess / 1M SIR)	90,000
Automobile		5 million	5 million	200,000
Garage Automobile		5 million	5 million	14,500
Medical Malpractice Liability	Lloyds of London led by Market form Syndicate	30 million	5 million	180,000
<b>Umbrella &amp; Excess Liability:</b>				
Primary Umbrella	ACE INA	5 million	Nil	850,000
1 <sup>st</sup> Excess Liability	Various through Elliot Special Risks	13 million	Nil	589,500
2 <sup>nd</sup> Excess Liability	GCAN	5 million	Nil	136,575
3 <sup>rd</sup> Excess Liability	Commerce & Industry	20 million	Nil	236,250
4 <sup>th</sup> Excess Liability	St. Paul	20 million	Nil	133,875
5 <sup>th</sup> Excess Liability	Lloyds of London	32 million	Nil	122,400
<b>Other Policies:</b>				
Property	Factory Mutual Insurance Company	500 million	5 million	2,469,914
Boiler & Machinery	Royal & Sun Alliance	100 million	100,000	206,854
Crime	American Home Assurance Company	10 million	5 million	78,077
Aircraft Hull & Liability	Allianz Insurance Company of Canada	10 million 1.475 million Cessna-206H	1,000 Hull	24,390
Non-Owned Aircraft Liability	Allianz Insurance Company of Canada	10 million	1,000 Deductible	Included
Marine –Hull & Machinery (Fleet – 20)	Subscription lead by ACE INA + others	20.05 million for 20 vessels	5,000-35,000 Deductible	109,460
Marine Increased Value (Fleet 6)	Lloyd's based Subscription	4.13 million for 6 vessels	Not Applicable	8,260
Marine Replacement Tonnage (Fleet 8)	Navigators Insurance Company	14.5 million for 8 vessels	Not Applicable	23,145
Marine – Protection & Indemnity	Shipowners' P&I Mutual Club (Luxembourg)	US 500 million	1,000-5,000 Deductible	62,505
Fiduciary Liability	Chubb Insurance	15 million	100,000	55,575
Home Day Care Liability	Elliot Special Risks	2 million	1,000 Deductible	50,000
<b>GRAND TOTAL</b>				<b>\$5,731,280</b> plus applicable provincial tax