



STAFF REPORT ACTION REQUIRED

Insurance and Risk Management Review

Date:	April 26, 2010
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General's annual work plan included a review of the Insurance and Risk Management Section of the Corporate Finance Division.

Our review identified areas where opportunities exist to improve administrative practices and controls. Accordingly, we have issued a report which contains 20 recommendations.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Deputy City Manager and Chief Financial Officer review the draft Risk Management Policies and Procedures Manual and ensure that it is current, revised to take into account emerging or changed circumstances, reviewed by all stakeholder groups, finalized and widely circulated to all relevant staff.
2. The Director, Corporate Finance, in consultation with the City's insurance advisors, evaluate the risks and benefits of increasing the City's level of self insurance. The results of the evaluation be reported to City Council.
3. The Director, Corporate Finance, review the possibilities of changing the current insurance fronting arrangement. Such a review include consultation with staff of the Toronto Transit Commission.
4. The Deputy City Manager and Chief Financial Officer review and, if appropriate, recommend to Council revisions to the delegated financial authority limits for the settlement of insurance claims.

5. The Director, Corporate Finance, establish a process to monitor City divisional response time to insurance adjuster requests for information and report results to Divisions where significant delays occur. The City Manager take appropriate action if response times are not appropriately addressed.
6. The Director, Corporate Finance perform regular reviews of the time spent on adjusting services for the same category of claims. Any files which result in an inordinate amount of time and as a result incur excessive costs be discussed with the third party adjuster.
7. The Director, Corporate Finance, review the financial thresholds for reporting insurance claims to the Claims Review Group.
8. The Director, Corporate Finance, review the Loss Control Notice process to ensure all Notices are issued when required, divisional responses are received and progress on corrective action is monitored by Insurance and Risk Management staff.
9. The Director, Corporate Finance, ensure appropriate action is taken on loss prevention recommendations identified by the insurer. For recommendations not addressed, specific reasons for not doing so be documented and approved in writing.
10. The City Solicitor in consultation with the Director, Corporate Finance, prepare a cost-benefit analysis to determine if it would be advantageous to transfer a certain level of legal services currently provided by external private sector legal firms to internal solicitors. Such an exercise be conducted prior to the next City budget cycle.
11. The Director, Corporate Finance, consider the development of a process whereby all legal bills are analyzed and scrutinized on a performance review basis. Such a process include evaluations of time spent on specific legal files, the level of lawyer expertise assigned to each file along with review of hourly rates. The review process be documented along with evidence of any follow up on apparent irregularities.
12. The Director, Corporate Finance, review the current fee structure arrangement with the adjuster in order to determine whether or not there would be cost savings in minimizing flat fee charges.
13. The Director, Corporate Finance, complete the implementation of the Insurance and Risk Management staffing changes approved in the 2009 City budget.
14. The Director, Corporate Finance, in consultation with the Chief Information Officer, interface the Risk Management Information System operated by the City with the claims database managed by the adjuster.
15. The Director, Corporate Finance, complete the implementation of an automated process to update the Risk Management Information System quarterly for the cost of all legal services.

16. The Director, Corporate Finance, consider the need to record, in the claim files, costs related to adjusting services provided by City staff.
17. The Director, Corporate Finance ensure that user division staff are included in at least an advisory role with the Claims Working Group.
18. The Director, Corporate Finance complete a comprehensive listing of properties and insured values for the 2011 insurance renewal process.
19. The Deputy City Manager and Chief Financial Officer report at least once each term of Council on appropriate relevant information relating to significant uninsured risks.
20. The Director, Corporate Finance, in consultation with appropriate senior management, consider the cost-effectiveness of consolidating the current City of Toronto insurance program to include certain other City Agencies, Boards, Commissions and Corporations.

Financial Impact

The implementation of certain recommendations in this report may result in cost impacts and savings although not all of these savings can be quantified. Of the recommendations where savings can be quantified, savings in the range of \$600,000 per year are possible.

COMMENTS

The Auditor General's report entitled "Insurance and Risk Management Review" contains 20 recommendations and is attached as Appendix 1. Management's response to each of the recommendations contained in this report is attached as Appendix 2.

CONTACT

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SIGNATURE

Jeffrey Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Insurance and Risk Management Review

Appendix 2: Management's Response to the Auditor General's Insurance and Risk Management Review