

**Management’s Response to the Auditor General’s Review of  
Insurance and Risk Management Review**

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
1.	<b>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.</b>	X			The DCM/CFO will direct that the Risk Management Policies and Procedures Manual be reviewed by stakeholder groups (City Clerk’s Office, Fleet Services, Transportation Services, Toronto Water and Legal Services) and the City’s external insurance broker and adjuster and updated accordingly. The finalized Manual will be circulated to the Administrative Lead staff in each Cluster and to relevant Agencies, Boards and Commissions (e.g., Exhibition Place, Toronto Zoo, etc.).  Time frame: Q2, 2011
2.	<b>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.</b>	X			City insurance policies are due for renewal on June 1 <sup>st</sup> , annually. Recommendations regarding the 2011 renewal will be reported to the May, 2011 Council meeting and will include evaluation results and cost impacts of increasing levels of self insurance.  Time frame: Q2, 2011

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3.	<b>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.</b>	X			City insurance policies are due for renewal on June 1 <sup>st</sup> , annually. Recommendations regarding the 2011 renewal will be reported to the May, 2011 Council meeting and will include the results of consultation with TTC staff and evaluation/cost impacts of alternative choices to the current insurance fronting arrangement.  Time frame: Q2, 2011
4.	<b>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.</b>	X			All authority limits for claim settlements contained within the Insurance Claims Administration Procedures as adopted by City Council will be reviewed in consultation with City Legal Division Litigation Directors and any recommended changes will be included in the report to the May, 2011 City Council.  Time frame: Q2, 2011

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5.	<b>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.</b>	X			<p>The Director, Corporate Finance will implement a process whereby insurance adjusters assign a return due date for Divisional information. Return dates will be based on the claim complexity and urgency for the required information and will be clearly communicated to divisions. The Director will monitor the process through monthly compliance reports submitted by the adjusters. The Director will report a monthly non-compliance list by Division and claim to the Deputy City Manager &amp; Chief Financial Officer for transmittal to the City Manager’s regular scrum meeting with DCMs for appropriate action.</p> <p>Time frame: Q4, 2010</p>
6.	<b>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.</b>	X			<p>The Manager, Insurance &amp; Risk Management, under the direction of the Director Corporate Finance, will prepare a report from the City’s Risk Management Information System sorting columns of data fields into (i) top five cause codes and (ii) name of adjuster handling the file, and</p>

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					<p>compare adjusting hours incurred on the file. Such report will be reviewed semi-annually by the Director, Corporate Finance and Manager, Insurance &amp; Risk Management and observations of excessive hours on any common cause codes will initiate a detailed claim review and will be discussed with the external adjuster management.</p> <p>Time frame: Q4, 2010</p>
7.	<p><b>The Director, Corporate Finance, review the financial thresholds for reporting insurance claims to the Claims Review Group.</b></p>	X			<p>The Director, Corporate Finance in consultation with the Claims Review Group (CRG) members will review whether the current \$50,000 threshold for reporting claims to CRG is appropriate. Such review will be documented in the minutes of a regular CRG meeting and if necessary recommend changes to the threshold amount will be included the insurance renewal report to the May, 2011 City Council.</p> <p>Time frame: Q2, 2011</p>

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8.	<b>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.</b>	X			<p>The Director Corporate Finance will ensure that the Manager, Insurance &amp; Risk Management develops a table to track Loss Control Notice details including claim, action and response. The Loss Control Notice Tracking Table will be reviewed monthly by IRM staff to follow up outstanding responses. To enhance the effectiveness and efficiency of the process, IRM will consider grouping Loss Control Notices that are intended to address similar claim circumstances and request one consolidated response from the Division.</p> <p>Time frame: Q4, 2010</p>
9.	<b>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.</b>	X			<p>The Director, Corporate Finance will ensure that the Manager IRM reviews FM Global’s data base on a semi annual basis and obtains from relevant Divisions an outstanding recommendation report that identifies why the recommendation remains outstanding and a compliance date. For recommendations that can not be complied with, the reasons will be</p>

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					identified.  Time frame: Q4, 2010
10.	<b>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.</b>	X			The City Solicitor will undertake the cost benefit analysis in consultation with the Director, Corporate Finance prior to the 2011 budget cycle 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 in the City's Legal Services Division.  Time frame: Q2, 2011
11.	<b>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.</b>	X			The Director, Corporate Finance will ensure that the Manager, Insurance & Risk Management develops a template report from the Risk Management Information System to include data fields by (i) name of legal counsel grouped by years of experience and hourly fee, (ii) hours billed to date, for Transportation Services claims. Legal services relating to one Division allows for a common basis of comparison among all service

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					<p>providers. The legal bill data report will be run and reviewed semi annually with observations documented and reviewed with relevant legal service providers if excessive trends are observed.</p> <p>Time frame: Q4, 2010</p>
12.	<p><b>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.</b></p>	X			<p>The Director, Corporate Finance will conduct quarterly reviews of claim billing data to compare amounts billed on a file with the hours incurred. Any circumstances where particular claim types are handled at a flat rate but would result in a lower overall adjusting fee if handled at time and expense will be reviewed with the Control Adjuster to ensure such claims are handled at the more cost effective billing.</p> <p>Time frame: Q4, 2010</p>
13.	<p><b>The Director, Corporate Finance, complete the implementation of the Insurance and Risk Management staffing changes approved in the 2009 City budget.</b></p>	X			<p>The Director, Corporate Finance will examine the feasibility of completing the staffing changes in the context of ongoing cost containment processes and the cost savings projected from</p>

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					<p>the business plan implementation.</p> <p>Time frame: Q2, 2010</p> <p>Implementation of this recommendation is dependent on City Manager decision given corporate priorities.</p>
14.	<p><b>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.</b></p>	X			<p>The Director, Corporate Finance, through the Council approved 2010-2011 Capital Information &amp; Technology business case will review the interface capabilities between the City’s Risk Management Information System and the external adjuster’s information system and if possible within existing license agreements implement an information interface by December 31, 2011.</p> <p>Time frame: Q4, 2011</p>
15.	<p><b>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.</b></p>	X			<p>The Director, Corporate Finance, through the Council approved 2010-2011 Capital Information &amp; Technology business case, will finalize the conversion of quarterly legal fee data into the City’s Risk</p>



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					Management Information System by December 31, 2010.  Time frame: Q4, 2010
16.	<b>The Director, Corporate Finance, consider the need to record, in the claim files, costs related to adjusting services provided by City staff.</b>	X			The Director, Corporate Finance will review with the Manager and Supervisor, Insurance & Risk Management the assignment of litigated claim files to IRM staff for examining purposes to determine the benefits of recording costs of staff time in handling claim files. The meeting minutes will be documented and if considered appropriate to implement, such entries will be made in the Risk Management Information System in each claim file entry.  Time frame: Q4, 2010
17.	<b>The Director, Corporate Finance ensure that user division staff are included in at least an advisory role with the Claims Working Group.</b>	X			The Director, Corporate Finance will expand the Risk Management Information System Claims Working Group to include key Divisional users of insurance claims information. Such Divisions typically have a greater involvement in the claims process and include City Clerk’s Office, Fleet

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					Services, Transportation Services, Toronto Water, Parks, Forestry & Recreation and Legal Services. Expansion of the RMIS Claims Working Group to be implemented by Q4, 2011.
18.	<b>The Director, Corporate Finance complete a comprehensive listing of properties and insured values for the 2011 insurance renewal process.</b>	X			The Director, Corporate Finance will extract from Accounting Division’s Public Sector Accounting Board Capital Asset Project replacement cost data fields for use in the 2011 insurance renewal which will be reported to the May, 2011 Council meeting.
19.	<b>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.</b>	X			City insurance policies renew on June 1 <sup>st</sup> , annually. Recommendations regarding the 2011 renewal will be reported to the May, 2011 Council meeting and will include information on uninsured risks, such as environmental liability, terrorism, and uninsured infrastructure.  Time frame: Q2, 2011

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20.	<b>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.</b>	X			The Director, Corporate Finance will consult with senior management at Toronto Parking Authority and Toronto Community Housing Corporation on the cost benefit of consolidating their insurance programs with the City’s and report to the May, 2011 Council meeting.  Time frame: Q2, 2011