

Amendment to Blanket Contract Number 47020880 and 47019407 issued to ClaimsPro LP for Insurance Adjusting Services

Date: March 15, 2021

To: General Government and Licensing Committee

From: Chief Financial Officer and Treasurer and Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to seek authority to extend the term and increase the value by \$2.2 million of two insurance adjusting contracts (Blanket Contracts Number 47019407 and 47020880) with ClaimsPro LP for a five (5) year term from April 1, 2021 to March 31, 2026 to continue handling insurance claims that were opened prior to March 31, 2021 but have not yet concluded. The two agreements currently apply to insurance claims received within different time periods - one to the period of August 1, 2002 to March 31, 2017, and the other to April 1, 2017 to March 31, 2021. Adequate funding is included in the base 2021 Non-Program Operating Budget and will be considered for further budget approvals. In addition, this report seeks authority to combine the two contracts with ClaimsPro LP (Blanket Contracts Number 47019407 and 47020880) into one single contract including any remaining balances to achieve administrative efficiencies going forward.

The estimated costs identified in this report represent insurance adjusting fees. The amounts are incurred on the basis of either a flat rate fee or a time and expense charge for each claim file handled. The estimated costs do not include claim payments made to settle claims.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer and the Chief Procurement Officer recommend that:

1. City Council authorize the Chief Financial Officer to execute an amending agreement to combine into one agreement the two existing agreements with ClaimsPro LP for insurance adjusting services for claims received prior to and not yet concluded as at March 31, 2021 (Blanket Contracts Number 47019407

and 47020880), extend the term of the agreement for an additional five (5) years from April 1, 2021 to March 31, 2026, and increase the value of the combined agreement by \$2.2 million, net of all taxes and applicable charges, under the same pricing, terms and conditions of each of the existing agreements and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total potential cost to the City to handle the open claims as at March 31, 2021 until conclusion is estimated at \$6.0 million.

Base funding in the amount of \$2.9 million has been included in the Non-Program 2021 Operating Budget cost centre NP2530 cost element 4733. Appropriate funding for years 2022-2026 totalling \$3.1 million will be included in the Non-Program Operating Budget submissions for the respective years.

Currently there is approximately \$3.8 million remaining in authorized funding under Blanket Contracts Number 47019407 and 47020880 for payment of insurance adjusting fees for insurance claims that were opened prior to the end of the contract but not yet concluded. Adjusting fees are not subject to HST.

The Blanket Contracts will be extended at expiring rates for both flat fee and time and expense.

Annual insurance adjusting service fees are paid from the Insurance Reserve Fund and recovered through contributions from the operating budgets of insured City divisions, programs and agencies as one component of their overall insurance charge.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting on March 7, 2012, the Bid Committee approved the award of RFP 9105-12-7018 for insurance adjusting services to Granite Claims Solutions LP for a five (5) year term beginning April 1, 2012 and ending in March 31, 2017 in the amount of \$13,426,250 net of all taxes. Effective January 1, 2015, Granite Claims Solutions LP changed its legal name to ClaimsPro LP. The Bid Committee report can be found at the following link:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.BD64.1>

At its meeting on February 22, 2016, the Government Management Committee, in accordance with Section 71-11.1.C of the City of Toronto Municipal Code Chapter 71 (Financial Control), granted authority to amend Contract No. 47019407 for insurance adjusting services, with ClaimsPro LP by an additional amount of \$4,028,000, net of all Amendment to Blanket Contract No. 47020880 and 47019407 for Insurance Adjusting Services

taxes to account for an extraordinary claim volume increase which could not be anticipated at the inception of the contract. The Government Management Committee report can be found at the following link:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM10.8>

At its meeting on March 28 and 29, 2017, City Council authorized an extension to the existing agreement, Blanket Contract 47019407, with ClaimsPro LP for a three (3) year period from April 1, 2017 to March 31, 2020 with the option to renew for one (1) additional year from April 1, 2020 to March 31, 2021 to provide insurance adjusting services for claims received prior to and not yet settled as at March 31, 2017, at an estimated cost of \$7.1 million.

City Council authorized the Executive Director, Corporate Finance to negotiate and enter into an agreement with ClaimsPro LP, being the highest scoring proponent meeting the requirements of Request for Proposal 9105-16-7054 for a period of three (3) years from April 1, 2017 to March 31, 2020 with an option to renew for an additional one (1) year period at the sole discretion of the Executive Director, Corporate Finance, for an estimated total cost of \$10.9 million (Blanket Contract Number 47020880) net of all taxes and charges, based on the terms and conditions set out in the Request for Proposal and in a form satisfactory to the City Solicitor. On October 17, 2019 the Executive Director, Corporate Finance exercised the option to renew for one additional year ending the current contract on March 31, 2021. The Government Management Committee report can be found at the following link:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM18.10>

At its meeting on July 7, 2020, the General Government and Licensing Committee, in accordance with Section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-law), granted authority to amend Blanket Contract Number 47020880 with ClaimsPro LP for insurance adjusting services for the contract term 2017-2021 by increasing the contract value by \$2.0 million from \$10.9 million to \$12.9 million. The General Government and Licensing Committee report can be found at the following link:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.GL14.25>

COMMENTS

The City relies on a full service insurance adjusting firm for public liability, automobile and property damage insurance claims in accordance with City Council established procedures.

It is expected that approximately 5,171 claims received during the contract periods from August 1, 2002 to March 31, 2021 may remain open for a number of years following expiration of the contract. This includes claims received near the end of the current

contract period and claims that are in litigation. The open claim breakdown for each of the contracts is as follows:

Contract	Contract Period	Number of Open Files
Blanket Contract No. 47020880		
5	April 1, 2017 to March 31, 2021	4500
Blanket Contract No. 47019407		
4	April 1, 2012 to March 31, 2017	624
3	January 1, 2007 to March 31, 2012	44
2	August 1, 2002 to December 31, 2006	3

It is customary insurance industry practice for the original adjuster to oversee the processing of claim files to their completion to ensure consistency in the handling of the claim files. In addition, it is more cost effective for the City for the original adjuster to handle the file to conclusion and is less disruptive for the claimants and defense counsel.

Staff are recommending that the two subject blanket contracts with ClaimsPro LP be consolidated into one contract through the amending agreement. Combining the two blanket contracts and consolidating the remaining balances will streamline invoice processing achieving administrative efficiencies saving the City time and money.

Staff are recommending that the existing contract with ClaimsPro LP be extended for a minimum five year term and the contract value be increased by \$2.2 million to a total of \$6.0 million to continue adjusting these claims to conclusion.

CONTACT

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

Michael Pacholok
Chief Procurement Officer