

April 28, 2016

## **CORPORATE SERVICES REPORT – LEGISLATIVE SERVICES – 2016-09**

TO: Mayor Van Bynen and Members of Council

SUBJECT: N6 Contract with BFL Canada Risk and Insurance Services Inc.

ORIGIN: Legislative Services

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### **RECOMMENDATIONS**

a) THAT Corporate Services Report – Legislative Services – 2016-09 dated April 28, 2016 regarding “N6 Contract with BFL Canada Risk and Insurance Services Inc.” be received and the following recommendations be adopted:

i) THAT Council authorize a three (3) year contract from January 1, 2017 to December 31, 2019, with BFL Canada Risk and Insurance Services Inc. for the provision of Town Insurance and Risk Management Services.

### **PURPOSE**

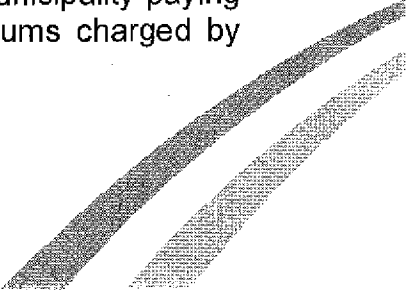
The purpose of this report is to seek Council's authorization to enter into a contract with BFL Canada Risk and Insurance Services Inc. (BFL) for the provision of insurance and risk management services, including insurance claims adjusting services, for 3 years until December 31, 2019.

### **BACKGROUND**

#### **Municipal Insurance Premiums**

Municipal insurance premiums throughout the province have continued to rise. In 2011, AMO completed the first ever comprehensive survey of municipal insurance costs across the province which revealed that since 2007, liability premiums have increased by 22.2% and are among the fastest growing municipal costs.

The insurance premiums paid by municipalities reflect the legal reality that municipalities are “deep pocket” defendants, often targeted for litigation because the law has established such a low threshold of responsibility. Just a fraction of fault can result in the municipality paying the majority of the cost through joint and several liability, and the premiums charged by insurers reflect this legal risk.



There are other factors that may influence an increase in premiums, some of which are improvements and construction of new facilities and infrastructure, purchase of new equipment, increase in population, and loss record.

### Joint RFP

The Northern Six (N6) York Region municipalities have been working together since 2010 on municipal insurance options. In 2011 the group utilized the assistance of a consultant to prepare and release a joint RFP for insurance and risk management services. BFL Canada was the successful proponent and the group collective saved over \$750,000 in insurance premiums.

### 2015 Renewal Proposal

In 2015, the group engaged in discussions with BFL Canada (insurance broker) and the current insurer (AIG) on different renewal options and expressed the concern of the increase in premiums over the last few years. In response, BFL offered the municipalities a 5% premium reduction based upon the exact coverage for the last renewal, 18 month policy for the five municipalities renewing July 1, 2015, and 12 month policy for the one municipality renewing January 1, 2016. All six of the municipalities now have a policy renewal date of January 1, 2017.

### BFL Extension Proposal

BFL has approached the N6 municipalities to extending their brokerage services for an additional three years. East Gwillimbury has lead these discussions and BFL has met with staff from the six municipalities to present their proposal and provide further information.

### Value to BFL's Proposal

There are many advantages to continuing with BFL to supply insurance coverage, some of which include:

*Eliminate Consultant Fees* – There would be no need to obtain the services of an insurance consultant. BFL will market the six municipalities to all municipal insurers. Consultant fees would be saved.

*Rate Stabilization Guarantee* – BFL is offering two 18 month terms with a rate stabilization guarantee. This means that should the municipality stay within a target loss range, the premiums would not increase. If there were any changes in policy coverage or if the municipality surpassed the target loss range, premiums would be adjusted.

*Deductible Review and Analysis* – BFL would compare deductible options vs. premium savings and the potential impact on budget factors for self-insurance costs below deductible. BFL will also work to keep the deductibles at the current limit of \$10,000.

*Policy Wording Comparison* – Complete review of each of the municipality's insurance policy to ensure coverage is suited to our specific requirements and tailored to our changing needs. BFL will also explore additional coverage options (i.e. cyber risk).

*Coverage Premium Comparison* – Comparison of coverage vs. premium offered by the insurers.

*No 'learning curve'* – The municipalities have been working with BFL staff since January 2012. BFL is familiar with the individual municipality's day-to-day operations and variety of service requirements.

*Continuation of Risk Management Assistance*- BFL has a dedicated risk manager who offers a variety of services including contract and tender reviews, best practice assistance and guidance, risk management seminars for municipal staff, and engaging guest speakers who specialize in municipal litigation and risk management.

#### Benefits to Extend

Each of the six municipalities have been working with BFL since January 2012. BFL has offered excellent service on policy renewals, risk management, and claims management when losses have occurred. They have advocated to ensure the claims have been handled expeditiously, claim payments are fair and adequate, and our insurable interest have been protected. Overall, service has been exceptional and there have been no problems or concerns expressed by any of the six municipalities.

BFL's extension proposal to provide two 18 month policy terms (total of three year extension) with a rate stabilization guarantee will assist the municipalities in the annual budget preparation and reduce staff time in preparing for policy renewal.

In the fall of 2015, one of the N6 municipalities retained the services of a different broker to test the market. This broker was not able to attain premiums better than those currently being offered by BFL without the municipality increasing its deductible by 150%. Deductibles are paid on a per claim basis and are an expense in addition to the annual premium. Any potential savings from a reduced premium would be negated by a higher deductible resulting in an overall increase in cost to the municipality. The municipality continued its relationship with BFL.

Staff have no concerns with the current arrangement with BFL and there are a limited number of insurance companies that are willing to place policies for Ontario municipalities. Staff from each of the N6 municipalities believe that BFL's extension proposal will result in achieving competitive premiums, coverage that best suits the municipalities, and deductibles within our budget limits, while not experiencing any service disruption or "learning curve".

As set out earlier in this report, municipalities in Ontario have experienced a continue increase in insurance premiums. The N6 municipalities have been working co-operatively since 2010 to keep premiums costs as low as possible. The Town has been served well by BFL over the 4 ½ years and BFL wishes to continue to offer services to the municipalities.

They have provided exceptional assistance in claims handling, have worked with the Town to reduce exposure to loss, and were successful in obtaining a lower premium at the last renewal. Extending the contract for an additional three years (two 18 month policies) will provide financial stability when budgeting insurance costs. The other five N6 municipalities also expressed support to continue with the relationship.

### Risk Management

Staff continue to implement many risk management practices that are now starting to show results. These include:

- A pre-winter walk through of high traffic areas such as Davis Drive to address sidewalk issues before winter;
- A complete inspection of the Tom Taylor Trail identify and rectify areas of concern;
- Training and information sessions conducted several times over the last two years to provide staff with information on how to identify areas of risk and to address those concerns;
- Information and warning signs have been posted at several locations throughout the Town to warn the public of the potential risk associated with particular activities (including the River Walk Common Water Feature winter and summer, community ice rinks and Town trails);
- Works closely with our insurer and legal experts in regards to amending Town parks and trail signs to reduce the Town's exposure to potential claims with properly worded and placed signs.

The Town's Claims and Risk Analyst also works with the Town's insurer and adjusting company to identify municipal risk trends and to implement strategies to deal with those issues and mitigate the Town's losses.

In addition, York Region has provided internal audit services to the N6 municipalities for several years. The last internal Risk Assessment was conducted in 2011, as such, the internal auditors are currently in the process of collecting information and updating the Town's Risk Assessment for 2016.

### BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

This initiative supports the Town's Vision, Mission and Community Strategic Plan goal of being well equipped and managed by implementing policies and processes that reflect sound and accountable governance and fiscal responsibility in achieving service excellence.

### CONSULTATION

Staff have consulted with the northern six CAOs, the Manager of Procurement, and Legal Services staff.

## HUMAN RESOURCE CONSIDERATIONS


There are no human resource considerations associated with this report.

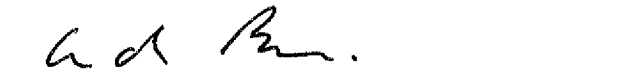
## BUDGET IMPACT


There are positive financial implications in extending BFL's contract for an additional three years. The immediate savings will be the elimination of consultant's fee. That is a direct \$5,000 budget savings for the Town of Newmarket, and \$30,000.00 collectively for the northern six municipalities. The option to insure for two 18 month policy terms with a rate stabilization guarantee will assist in the annual budget preparation, and should the Town stay within the targeted loss range, there will be no premium increases. If there were any changes in policy coverage or if the municipality surpassed the target loss range, premiums would be adjusted.

## CONTACT

For more information on this report, contact John Quinn, Claims and Risk Analyst at 905 953-5300, extension 2212 or by email at [john.quinn@newmarket.ca](mailto:john.quinn@newmarket.ca)

  
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