



DATE: October 19, 2016

TO: Mayor and Members of Council

FROM: Jeffrey A. Abrams, City Clerk

RE: **COMMUNICATION – COUNCIL MEETING – OCTOBER 19, 2016**
RFP – 16-265 GENERAL INSURANCE AND RISK MANAGEMENT SERVICES
PROGRAM
(ITEM 2, REPORT 10 – FINANCE, ADMINISTRATION AND AUDIT COMMITTEE)

On October 9, 2016 Ms. Carrie Liddy submitted Communication C1 (copy attached) to the Finance, Administration and Audit Committee commenting on the City Clerk's recommendation that the City's Insurance and Risk Management Services be awarded to AON Risk Solutions for the period commencing January 1, 2017.

The following responses to comments and questions raised by Ms. Liddy will assist Council in assessing the recommendation of the Finance, Administration and Audit Committee on this matter.

1. "Please explain how the reserves are calculated for insurance. "

The currently approved Consolidated Reserve Policy provides for a target of 35% of the last five year's premiums. The City is undertaking a financial sustainability initiative over the next 18 months which will include a review of this policy.

The 2017 recognized budget for insurance premiums was \$4.5 million out of a total budget of approximately \$6.5 million which covers insurance premiums, deductible payments, internal and external claims, professional fees and associated expenditures. The most recent RFP process has resulted in a new premium of \$2.5 million. This results in a premium savings of \$2 million which is proposed to be transferred to the insurance reserve.

2. "Millions paid to Frank Cowan Company from 2012 to present. Where is the money coming from?"

The monies that are being referred to represent deductible payments made to Frank Cowan Company Limited (FCC) for claims incurred while the City was insured by them. In municipal insurance policies, "deductible" is a defined amount of an insurance claim that is the responsibility of the insured. The City's deductible under the FCC policies is \$50,000 per claim. Accordingly, the City continues to be responsible for the deductible payments for all claims incurred during the policy periods. The policies stipulate that any expenses that exceed \$50,000 are the responsibility of the insurer up to the policy limit. The insurer bills the City for deductible payments on a periodic basis. Deductible billings from FCC are structured on a bulk billing format. Bulk billings contain multiple claims and their associated expenses.

As a point of clarification regarding Ms. Liddy's concern about payments exceeding the \$50,000 threshold, it should be noted that these payments do not in fact exceed the threshold; rather they represent billings for multiple files grouped together on one invoice. These payments have continued since 2012 for files on which FCC remains the insurer of record. These deductible expenses have been included in the City Clerk's insurance budget on a yearly basis since 2012.

3. " Why is the premium so low for AON? What is the deductible on each claim? FCC was \$50,000 as was OMEX. Is it the same?"

The AON quote for premium was the lowest of four proponents responding to the City's RFP. The deductible on the policy quoted is \$50,000 per claim, the same as the present and previous insurer, OMEX and FCC.

4. "I note that OMEX has placed all claims on hold."

OMEX has not placed all claims on hold. OMEX has chosen not to write any further policies for the time being but is and will be responsive for claims for which they are responsible. They will continue to serve Vaughan as a client and provide insurance coverage for all claims incurred from April 30, 2012 to January 1, 2017.

5. "Under what circumstances would the City would pay more than the \$50,000 deductible per claim?"

Claims falling within the policy coverages limit the City's exposure to \$50,000 per claim. OMEX's policy of insurance has a liability limit of \$50 million. Any awards over this amount would be the responsibility of the City. To date the City has not received or settled any claims over the limit.

Respectfully submitted,



Jeffrey A. Abrams
City Clerk

From: Clerks@vaughan.ca
Subject: FW: Extract from oct council
Attachments: Finance1011_16_2.pdf; ATT00001.htm

C <u>1</u>
COMMUNICATION
FAA - <u>October 11/16</u>
ITEM - <u>2</u>

From: Carrie Liddy <carrie.liddy@gmail.com>
Sent: Sunday, October 9, 2016 9:44 AM
To: Abrams, Jeffrey
Cc: Bevilacqua, Maurizio; Rosati, Gino; Ferri, Mario; Iafrate, Marilyn; Racco, Sandra; Shefman, Alan; DeFrancesca, Rosanna; Carella, Tony; Di Biase, Michael; Craig, Suzanne; Richard Lorello
Subject: Extract from oct council

Mr Abrams

Please consider this a written deputation on the insurance item from the finance committee meeting which was forwarded to the council meeting noted below.

You signed the report attached to this email. Please see the paragraph cut and pasted below. I cannot reconcile with the budget and cannot find anywhere in the fiscal plan.

An insurance premium cost of \$ 4.5 million is currently planned for in the 2017 operating budget. The successful bid has a premium cost of approximately \$ 2.5 million. The proposed transfer of the \$ 2 million to the Insurance Reserve would result in a reserve balance of \$ million. Approving this reserve transfer and the proposed policy changes represents responsible fiscal planning from a sustainability perspective and would serve to mitigate the pressures on the tax base as a result of premium fluctuations.

Please explain how the reserves are calculated for insurance. Please explain how the surplus is created when OMEX was 8% above the budgeted item, and millions have been paid to Frank Cowan Company from 2012 to present.

I note that there are literally millions of dollars still being paid to FCC, and the last contract they had was April 2011, which seemed to end in June 2012? These millions are not reconciled anywhere in the budget.

Where is this money coming from? why is FCC still being paid?

Why is the premium so low for AON? What is the deductible on each claim? FCC was \$50,000 as was OMEX. Is it the same?

I note that OMEX has placed all claims on hold. Have you notified the public how much money is at risk now that OMEX is effectively dropping Vaughan as a client?

What are the circumstances when the city would pay more than \$50,000 deductible per claim? There does not appear to be any explanation, and no budget items to explain the use of millions in taxpayer money, outside the approved budget.

You previously claimed all the millions paid to FCC after June 2012, were for "deductibles" and the contract states the maximum deductible per claim is \$50,000. I now have the summary of the claims paid to FCC and there are many claims that the City is reimbursing FCC substantially more per claim than the \$50,000 maximum in the contract. These payments are marked "deductibles".

I remind you that both the previous City manager and you refused to meet and discuss this and items the Integrity Commissioner was deeply concerned about when the Integrity Commissioner issued her report on this item. The previous City Manager and yourself said what staff did was none of her business. However, what you failed to do was address the situation in anyway.

The final step in the report process is to send to council, prior to having the Ombudsman look into the matter. I will be completing this step next week. However if you choose to respond, i will take your responses into consideration.

Thank you in advance for your response. Please also respond to my previous email for questions regarding insurance.

https://www.vaughan.ca/council/minutes_agendas/AgendaItems/Finance1011_16_2.pdf