



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 10.1.6**

**Halifax Regional Council  
April 29, 2008**

**TO:** Mayor Kelly and Members of Halifax Regional Council

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**SUBMITTED BY:**

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Dan English, Chief Administrative Officer

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Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services  
and Strategy

**DATE:** April 22, 2008

**SUBJECT:** Insurance for Volunteer Firefighters

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**ORIGIN**

Insurance for Accident and Sickness Policy for volunteer fire members

**RECOMMENDATION**

It is recommended that the HRM renew the existing contract for volunteer fire members accident and illness policy with American Home Assurance Company in the amount of \$70,885 plus HST for a one year period.

## **BACKGROUND**

Since prior to amalgamation volunteer firefighters have been covered with a comprehensive accident and illness insurance program. The policy provides a broad coverage for such losses as accidental death and dismemberment, permanent physical impairment, cosmetic disfigurement, family expense reimbursement, and accidental weekly disability coverage. Approximately 800 volunteers are covered under this policy. This policy has been in place for a number of years and is very well received by the volunteer force for the coverage and service provided.

## **DISCUSSION**

Staff have negotiated coverage for volunteer fire fighters at the same premium and coverage as 2007 with the existing insurance provider, American Home Assurance Company. This is a specialized product not covered in the general insurance policy referenced in the attached report of April 20, 2007.

It was noted in the April 20, 2007 report (attached) that there were a number of additional insurance packages that would be negotiated. As this package was not specifically referenced in the report staff are now recommending acceptance of the negotiated amount of \$70,705.00 plus HST. There is a very specialized market for this type of coverage, and the recommended insurer provides the broadest range of coverage and services currently available and staff have been pleased with the services provided. Due to timing, staff wish to renew this policy and will be reviewing the needs of the Fire Service in further detail of coverage to determine their requirements in the coming year. As with our other policies, their requirements will be discussed with HRM's broker to determine the coverage which best meets the needs of the Fire Service. Prior to expiry of the current coverage, Staff will be returning to Council with further recommendations in this regard.

## **BUDGET IMPLICATIONS**

The funds for insurance premiums are included in the Operating Budget M320 under Fiscal Services.

## **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation

## **ALTERNATIVES**

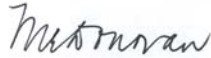
The HRM may choose to not extend this coverage as a benefit to the volunteer firefighters. HRM may choose to request proposals for this coverage but, as this would take some time and coverage would lapse, staff request that this policy be extended and a call for proposal be completed for the next policy year.

**ATTACHMENTS**

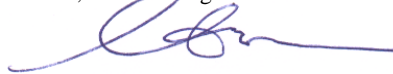
Council Report dated April 20, 2007 "Call for Proposal 07-057 Insurance"

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report prepared by: Peter Ross, Risk and Insurance Services



Report Approved by: M. E. Donovan, Director Legal Services and Risk Management



Report Approved by: Catherine Sanderson, Sr. Manager, Financial Services, 490-1562

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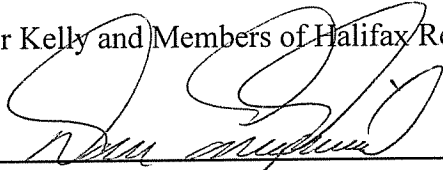



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Halifax Regional Council**  
**May 1, 2007**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

  
\_\_\_\_\_  
Dan English, Chief Administrative Officer

  
\_\_\_\_\_  
Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services  
and Strategy

**DATE:** April 20, 2007

**SUBJECT:** Call for Proposal 07-057- Insurance  
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**ORIGIN**

The Halifax Regional Municipality issued a request for proposal to selected Brokerage firms to provide a wide coverage of insurance for the HRM activities.

**RECOMMENDATION**

1. It is recommended that the broker services and insurance for the Halifax Regional Municipality be awarded to AON Reed Stenhouse Inc. for a one year term, effective June 1, 2007, renewable in one year increments up to five years, at a cost in the first year of \$1,345,133.33. (Insurance Premiums are H.S.T exempt.)
2. It is recommended that our insurance consultant and staff negotiate for the remaining coverages with the successful proponent in the manner outlined in this report.

## **BACKGROUND**

HRM issued a call for proposal for insurance in 2001. As a result of the expiry of this agreement, earlier this year staff issued an expression of interest for insurance brokerage services. Submissions were received from Bell and Grant Limited, Marsh Canada Limited, BFL Canada, and AON Reed Stenhouse Inc.(incumbent). Each submission proposed different markets for our insurance and all four were deemed to meet the requirements of the HRM.

A Request for Proposal detailing the insurance program requirements was prepared by our insurance consultant and issued to these Brokers for the following insurance coverage:

- Primary Commercial General Liability
- Excess (Umbrella) Liability
- Crime
- Automobile
- Real and Personal Property
- Contractors Equipment
- Machinery Breakdown
- Marine Hull and Machinery

These policies represent the core of our insurance coverages.

## **DISCUSSION**

Proposals were received from:

AON Reed Stenhouse Inc.	\$1,345,133.33
Bell and Grant Ltd.	\$1,592,471.00
Marsh Canada	\$1,807,540.00
<i>Current premium(AON)</i>	<i>\$1,505,458.00</i>

The lowest bidder is the current insurance provider. The proposed insurance cost is a reduction of more than 10% from the previous premium equating to annual savings of \$160,000. This continues a downward trend in HRM's insurance cost adding to an 8.5 percent decrease in the premium (10% in rates) last year. This compared, at the time, to an average increase in municipal insurance of 10% nationally.

The new insurance package covers increased risk from HRM growth:

- ▶ Property replacement value has increased \$81M dollars in the last year.
- ▶ There is an increase in fleet and equipment under the auto policy including more transit vehicles.
- ▶ The operations of HRM are increasing as reflected in the budget and staff complement.

The rates reflect the confidence that the insurer has in HRM to operate safely and to control risk and endorses the steps taken over the last couple of years to use increased internal resources.

Although the proposed policies are similar, there are significant differences:

**Loss aggregate** - The current insurance deductible is \$100,000 with a loss aggregate of \$1,000,000 dollars. A loss aggregate reduces the cost to HRM in a policy year with high claims cost. If the cost of claims exceeds the aggregate, the deductible is reduced to \$10,000 dollars per claim. AON's proposal was the only firm that provided this coverage which HRM has relied on in the past.

**Property coverage** - The current HRM program insures the damage to property to its replacement value including costs to meet current building codes. Our current asset value is \$780M. The AON package includes the maximum coverage value of \$780 million, Bell and Grant Ltd. proposed a maximum of \$300 million and Marsh Canada proposed a maximum value of \$40 million. Although a total loss of all property is somewhat remote, a loss in the \$40 million range is possible.

**Bus fleet** - The highest risk of a fleet loss is with the transit fleet. They are frequently stored or parked together in a large group and a fire in one vehicle will quickly spread and damage others. As the market for used buses is limited, HRM would be required to purchase new vehicles. In the past, coverage was provided on the basis of actual cash value. As an enhancement, the RFP requested coverage for buses on a replacement cost basis. The AON proposal was the only proponent to agree to this increased coverage. Although a single loss is still subject to the \$100,000 deductible, it provides greater financial support in the case of a large loss as the replacement of a bus exceeds \$300,000 dollars.

**Environmental Impairment** - The current policy provides coverage for environmental impairment for sudden and accidental loss, but not for escape of pollutants which have been happening over a period of time. This sudden and accidental coverage continues with the AON proposal. The Marsh proposal further limits this coverage to hostile fire resulting in environmental impairment. In contrast, Bell and Grant's proposal provides expanded cover that includes escape of pollutants which have been happening over a period of time, including underground tanks. However, the insurer requires a list of all tanks which are known and have been tested. Any tanks, the locations of which are unknown and from which the greatest risk emanates, would not be covered. Although the enhanced environmental coverage proposed by Bell & Grant is an advantage of this proposal, this benefit does not offset the other benefits and premium advantage of the AON bid.

### RFP Summary

	AON	MARSH	BELL & GRANT
<i>Loss Aggregate</i>	Yes- 1 million loss aggregate	No	No
<i>Property coverage</i>	780 Million	40 Million	300 Million
<i>Bus fleet</i>	Replacement	Actual Cash Value	Actual Cash Value
<i>Environmental</i>	Sudden and Accidental Loss	Hostile Fire	Environmental impairment
<i>Premium</i>	\$1,345,133.33	\$1,592,471.00	\$1,807,540.00

There are other coverages that will be placed after the broker has been selected: Excess Liability, Professional Liability/E&O, and Marine Protection and Indemnity. These policies were not included in the RFP because either the number of markets is limited or to maintain continuity of coverage.

Excess Liability - Excess Liability coverage is a layer of insurance that responds if the first layer of insurance is exceeded. In the call for proposal the requirements specified a total of 10 million dollars in liability insurance. In addition, HRM will place an excess liability package of approximately forty million dollars for a total of \$50M in coverage, once the primary core insurance has been awarded. The 2006 cost of this excess coverage was \$110,000 and it is anticipated to remain the same for 2007.

Errors and Omissions/professional liability - E&O coverage cost approximately \$420,000 last year with a \$20,000 dollar deductible. Due to the type of claims reporting specified in this policy, it is recommended that we continue with this insurer subject to reasonable terms.

Marine Protection & Indemnity - This policy is currently with Shipowners' Mutual. The deductible is \$20,000 and the present cost at \$22,500 is very reasonable. Assuming that there are no material changes in either premium or coverages, it is proposed to renew this policy.

It is recommended that staff complete negotiations with the successful broker for these remaining insurance packages to complete our program.

As continual tendering of insurance erodes the number of firms that will respond, this Call for Proposal requested coverage for a period of up to five years subject to acceptable renewal terms. The selected broker will also review other markets during this period so that we remain competitive.

HRM received optional pricing to increase the insurance deductible from \$100,000 to \$250,000 and \$500,000. Based upon the HRM experience, there would be no net any savings from changing the deductible.

**BUDGET IMPLICATIONS**

The funds for insurance premiums are included in the Operating Budget M320 under Fiscal Services.

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**


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**ALTERNATIVES**

One alternative is to change the deductible to either \$50,000, \$250,000 or \$500,000. Options were received from Brokers for various other deductible amount. When these costs or savings were compared with average costs over the past five and ten-year average, these options were more costly and more risk to HRM.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report prepared and approved by:



Peter Ross, Manager, Risk and Insurance Services

Report Approved by:



M. E. Donovan, Director Legal Services & Risk Management

Report Approved by:



Catherine Sanderson, Sr. Manager, Financial Services, 490-1562