

Item No. 2
Halifax Regional Council
June 26, 2012

TO: Mayor Kelly and Members of Halifax Regional Council

Original Signed by Director

SUBMITTED BY:

Marian Tyson, Acting Director, Legal Services

DATE: June 6, 2012

SUBJECT: Questions Surrounding Insurance Renewal RFP

INFORMATION REPORT

ORIGIN

During the presentation of RFP#12-023 at Council May15, 2012 numerous questions were posed by Council to staff. This report provides the additional information that staff were unable to provide at that time.

BACKGROUND

Councilor Hendsbee inquired if there was a way for Organizations under Facility Lease Agreements with HRM to obtain HRM's insurance rates through our insurance provider.

Currently, staff from Risk and Insurance has arranged, through HRM's insurance broker, an affordable group policy. This insurance package provides the various types of insurance coverage that these Groups are required to carry as part of the Facility Lease Agreement. The premium for the insurance obtained under this program generally costs less than if the individual Community Group purchased the coverage and provides wider coverage then may be available in the general marketplace. It is anticipated that as more Community Groups purchase insurance through this program that the cost to individual associations may decrease.

The premium that is charged to HRM for the coverage afforded through our insurance program is based on our loss history and current deductible levels. As HRM does not own the property being covered nor do we control the activities or staff of the individual associations it is not possible to incorporate these groups under our insurance program at the rates enjoyed by the Municipality.

Councilor McCluskey inquired as to whether or not the premium charged, \$420,000.00, was unusually high.

Staff has reviewed the historical premium for this cover and can advise the following;

Policy Year	2007 – 2008	2008 – 2009	2009 – 2010	2010 – 2011	2011 – 2012
Premium	\$396,107.00	\$396,107.00	\$428,814.00	\$404,248.00	\$420,000.00

As noted in the above table the insurance premium for Errors & Omissions has varied over the last five years. These variations are anticipated based on market conditions and claims experience.

Councilor Walker inquired as to why, at a premium of \$1.6 Million that HRM is not self-insured? In addition, he asked what was claimed though our insurance policy last year.

In order to be truly self-insured for General Liability a corporation must maintain a minimum of \$10 Million dollars in reserves specifically for insurance purposes. In addition, legislation requires a minimum of \$500,000.00 per automobile be provided to the Superintendent of Insurance as bond. As HRM currently has a fleet of 1,410 vehicles we would require a bond in the amount of \$705 Million. In addition, HRM as an insured enjoys the legislative protections currently available through the automobile policy for such things as the injury cap legislation and exemption from subrogation claims from insurance companies for costs incurred through the Accident Benefits for rehabilitation expenses. If HRM were to self-insure with respect to Automobile coverage we would no longer able to rely on these exemptions.

Staff has canvassed various municipalities across Canada and has confirmed that none currently are self-insured. In addition, we have confirmed that the Province currently has an insurance policy subject to a significant deductible / self-insured retention.

In addition to the Automobile policy, to be self-insured HRM would require reserves to offset the exposures currently covered through our Property and General Liability policies. It is a recommended standard that the minimum reserve for a self-insured Property program would be an amount equal to the single largest asset owned by HRM, The Metro Center \$64 Million. Finally, to ensure that we have adequate reserves to meet any potential claim that would otherwise fall to a General Liability policy, it is recommended that an amount of \$3 Million be reserved.

The net result of an adequately funded self-insured program would require a total of \$772 Million be budgeted to offset the minimum legislative and recommended insurance funding requirement.

With respect to Councilor Walker's second question, staff can confirm that two claims have been recently settled in excess of the deductible. These claims are for the fire damage to the Beaverbank Kinsac Community Centre and the damage to the Sewage Treatment Plant. It should be noted that in addition to these claims there are a number that are currently under investigation that may be resolved in excess of the policy deductible.

DISCUSSION

None

BUDGET IMPLICATIONS

None

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

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

COMMUNITY ENGAGEMENT

None

ATTACHMENTS

None

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

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Report Approved by:

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