

TO:	CHAIR AND MEMBERS FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE MEETING ON MONDAY, FEBRUARY 6, 2012
FROM:	JAMES P. BARBER CITY SOLICITOR
SUBJECT	2012 GENERAL INSURANCE RENEWAL

RECOMMENDATION

That, on the recommendation of the City Solicitor and on the advice of the Risk Manager, with respect to the general insurance program with OMEX for 2012, that the insurance coverage for 2012 in accordance with this report **BE CONTINUED** with no changes on behalf of The Corporation of the City of London, Covent Garden Market Corporation, London Convention Centre Corporation, London Police Services Board, London Public Library Board, Museum London, Tourism London and the Middlesex-London Health Unit for a total annual premium of \$2,200,639.48 inclusive of sales tax.

REASON FOR THIS MATTER BEING CONSIDERED IN CAMERA
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None

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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"Property and Crime Insurance Program", December 1, 2004
 "Property and Crime Insurance Program", April 27, 2005
 "Ontario Municipal Insurance Exchange: No-retrocession Guarantee", July 19, 2006
 "Ontario Municipal Insurance Exchange: No-retrocession Guarantee", September 22, 2006
 "Request for Proposal 06-28 Insurance Services", December 13, 2006
 "General Insurance Premium Review", September 16, 2009
 "OMEX Retro Renewal", January 12, 2010
 "2010 Insurance Renewal", May 12, 2010
 "Property, Boiler and Machinery Insurance Deductible", April 14, 2010
 "2011 Insurance Renewal", March 9, 2011

BACKGROUND

Ontario Municipal Insurance Exchange (OMEX)

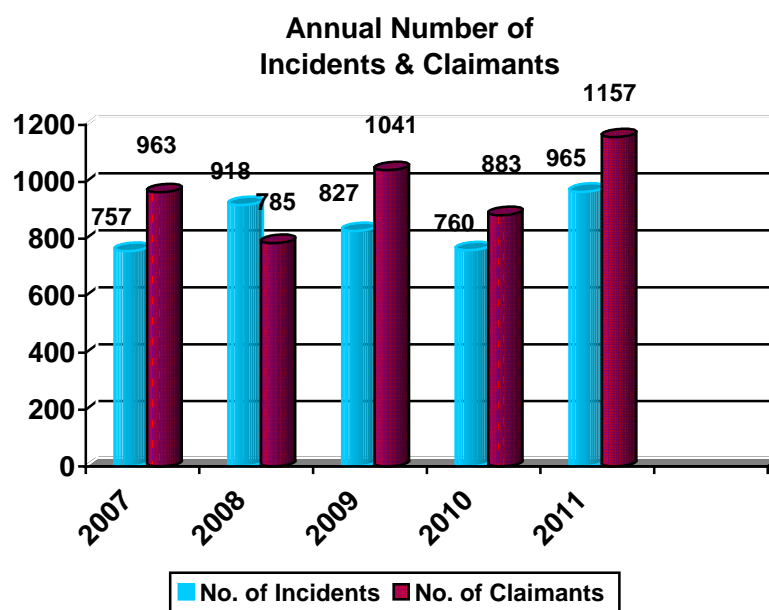
The City of London is been a member of OMEX, a not-for-profit insurance organization wholly owned by member Ontario municipalities. OMEX provides insurance under the terms of a subscribers' agreement, which continues the insurance until such time as the City notifies it of the City's intent, in accordance with terms of the subscribers' agreement to terminate the relationship.

London has had a seat on the Board since joining OMEX. Annually, a membership meeting is held and a corporate report is issued to inform members of current reciprocal operations and its financial position. The Board-approved underwriting practice is to ensure competitive, fair and responsible risk financing prices that will provide best value over the long term. As a municipal corporation, premiums do not include any profit margin; premiums simply reflect the "true cost of claims".

Claims Frequency and Costs

Claim costs are rising more rapidly than the general inflation factor. Ontario's Auditor General observed in late 2011 that "Ontario (automobile) drivers pay much higher premiums than other Canadian drivers do". He added that in Ontario the average injury claim costs approximately five times the average claim cost incurred in other provinces. Plus, there is evidence of an "alarming" 150% increase in automobile claims costs in Ontario when the number of injury claims only increased 30% from 2005 to 2010. This trend in automobile insurance claims affects all municipalities.

There are eight liability claims currently open that have been reported to the insurer as having potential to exceed the current \$500,000.00 policy deductible. The total estimated cost of those eight claims alone is in excess of \$2.5 million dollars.



Renewal Premium

Insurance premiums are affected by the number and value of assets owned/leased by the City and by the value and chance of loss to those assets. In 2011, the Risk Management Division recorded more claims and claimants than ever before.

The premium for property insurance decreased effective January 1, 2012 by approximately 12% while automobile premiums increased 22%. The increase in automobile premium is a result of both loss costs and an increase in the number of insured vehicles. For example, the total number of vehicles and trailers increased by 13, as follows:

- City 1 decrease
- Fire 5 increase
- Police 15 increase

The total OMEX premium for the blanket insurance policies covering the City and insured local boards in 2011 was \$2,108,747.08 including provincial sales tax. The total 2012 renewal premium for the City and insured Boards is \$2,200,639.48, including tax. This premium is allocated amongst the City and the Boards covered under the City's insurance policies. This overall premium increase for this term is 6%.

Optional Premium Credit for Increased Liability Deductible

At the meeting of Board of Control March 9, 2011 the administration was asked to determine the premium savings available if the City of London were to increase its liability insurance deductible to \$1 million from \$500,000.00.

Premiums allocated for various deductible levels are based on an evaluation of loss history costs and the amount of administration the insurer must expend on its portfolio of coverage. The reduction in premium quoted for the 2012 term for increasing the deductible is as follows:

- General Liability, including medical mal-practice \$43,673.00
 - Errors & Omissions \$13,280.00
- Annual Saving \$56,953.00

If the City were to increase the deductible to \$1.0 Million it would take approximately nine years of premium savings to cover the additional cost to the City of one \$1.0 million claim. As a result, it is not recommended that the deductible be increased at this time.

Conclusion

That, on the recommendation of the City Solicitor and on the advice of the Risk Manager, the general insurance program covering the City and seven Boards be continued at an annual premium of \$2,200,639.48 with no changes inclusive of sales tax.

A summary of City of London 2012 insurance policies is attached for reference.

PREPARED BY:	RECOMMENDED BY:
R. JOY JACKSON - MANAGER RISK MANAGEMENT	JAMES P. BARBER CITY SOLICITOR

CITY OF LONDON

2012 GENERAL INSURANCE PROGRAM

POLICY TYPE	BROKER / INSURER	LIMIT OF COVERAGE	DEDUCTIBLE
ALL RISK PROPERTY, COMPUTER & BOILER/MACHINERY	OMEX / Royal Sun Alliance	All Property: \$1,327,240,703.	\$200,000.
AUTO FLEET	OMEX	\$50,000,000. Liability limit	\$250,000. Liability; \$100,000. Physical Damage
CRIME (3-D BOND)	OMEX / RSA	Employee Dishonesty & Depositors Forgery \$1,000,000. Loss Inside & Outside Premises - \$1,000,000. Counterfeit currency - \$1,000,000. Credit card forgery - \$1,000,000. Computer & Funds Transfer Fraud - \$1,000,000.	\$10,000. Except Credit Card Forgery - \$1,000.
ENVIRONMENTAL LIABILITY	OMEX	\$5,000,000. Limit per claim/ Annual Aggregate, claims made basis	\$500,000.
ERRORS & OMISSIONS	OMEX	\$50,000,000. Limit, including Conflict of Interest & Defence Costs	\$500,000.
EVENTS LIABILITY (Covers Event Organizers')	LLOYDS OF LONDON	\$5,000,000. (Premium paid by event organizer)	\$500. (Deductible paid by event organizer)
GARAGE AUTO LIABILITY	OMEX	\$50,000,000.	\$250,000.
GENERAL LIABILITY	OMEX	\$50,000,000. Including Councillors	\$500,000.
GROUP ACCIDENT	AON/Industrial Alliance	\$100,000. & \$200,000. Principal Sum	varies
HEALTH CARE: PROFESSIONAL LIABILITY	OMEX	\$25,000,000. sub limit of GL	\$500,000.
NON-OWNED AUTO	OMEX	\$50,000,000.	varies