

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON TUESDAY, JANUARY 22, 2013
FROM:	JAMES P. BARBER CITY SOLICITOR
SUBJECT	2013 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 for 2013, that insurance coverage for 2013 **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, London Middlesex Housing and the Middlesex-London Health Unit for a total annual premium of \$2,476,212.32 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
- "2012 General Insurance Renewal", February 6, 2012

BACKGROUND

Ontario Municipal Insurance Exchange (OMEX)

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

London continues to have a seat on the OMEX Board. Members meet annually and receive a report on current reciprocal operations and its financial position. Premiums are based on the "true cost of claims". Board-approved practices ensure competitive, fair and responsible risk financing prices that do not include any profit margin.

Claims Frequency and Costs

Claim costs continue rising more rapidly than the rate of inflation. Ontario took positive steps to reduce automobile claims costs by introducing the 'no crash – no cash' Act in 2012, however this restriction applies to public transit vehicles and does not affect the City's auto insurance premiums.

There are 16 claims currently open that have been reported to OMEX as having potential to exceed the policy deductible. The total estimated cost of those sixteen claims alone is in excess of \$4 million dollars. The number of claims reported to the Insurer has doubled since 2011, because of the rising expenses of settling claims.

Renewal Premiums

Insurance premiums are affected primarily by two factors:

- The number and value of assets owned/leased by the City, and
- The number and cost of claims reported to the insurer.

Type of Insurance	2012	2013	Comments
General Liability & Errors & Omissions	\$1,126,402.	\$1,267,203.	Premium increase due to worsening loss histories in municipal sector
Environmental Liability	\$90,000.	\$90,000.	No change
Auto Fleet	\$392,908.	\$416,383.	Premium increase due to worsening loss histories in municipal sector and 12 additional vehicles
Property	\$407,458.	\$492,112.	9.5% increase in values over 2012; 11% rate increase (NB. A rate reduction in 2012, has resulted in the current rate being 6% lower than it was in 2011)
Boiler & Equipment Breakdown	\$39,759.	\$41,554.	4.5% increase in values over 2012; no change in rate
Crime	\$10,882.	\$11,500.	increase in number of insured employees by 97.7 employees
Group Travel Accident	\$2,142	\$2331	# of travel days increased by 766.72 days

The total annual premium for the blanket insurance policies covering the City and insured local boards in 2012 was \$2,203,838.72 including provincial sales tax. The total 2013 renewal premium is allocated amongst the City and the Boards covered under the City's insurance policies. This overall premium increase for this term is 12.3%. Of this 12.3% premium increase, 9.5% is due to increased Property Values, 1.5% increase in number of Insured Vehicles, 23% increase in number of employee out-of-town travel days and a 2.3% increase in number of employees covered under the Crime policy.

The final renewal premium of \$2,476,212.32 is shared proportionately amongst all of the entities covered under the blanket insurance program.

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 eight Boards be continued at an annual premium of \$2,476,212.32 including applicable taxes, with no changes.

A summary of City of London 2013 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: \$1,452,791,972. (9.4% increase over 2012)	\$200,000.
AUTO FLEET	OMEX	\$50,000,000. Liability limit (added 10 vehicles)	\$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')	Game Day Insurance Inc.	\$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. Included as sub-limit of General Liability	\$500,000.
NON-OWNED AUTO	OMEX	\$50,000,000.	varies

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