

October 2, 2009



**CITY COUNCIL
COMMITTEE REPORT**

TO: MAYOR & COUNCIL

FR: Bruce Graham, Health and Safety Officer

RE: Risk Management Project

BACKGROUND: For years, the City of Kenora has participated in a traditional insurance program. We purchase policies that provide coverage in such areas as Property, Liability, Equipment, and Vehicles. This coverage is based on a list of assets that we provide the insurer and in turn, they tell us the premium required to purchase that coverage. Historically we have received minimal direction, other than perhaps changing the level of our deductibles or adding/deleting items from our list of assets.

In the past 4 years or so we have seen some positive reduction in premiums, partly due to the competitive nature of our RFP process, and also because we have removed major assets such as KMTS and KPS. With fewer assets to insure, we would naturally expect to see lower insurance costs.

It is likely that our premiums have now reached a plateau on the low end and, barring any major changes in our assets, we should expect the premiums to remain in the range of \$300,000.00 to \$400,000.00 annually for the near future.

While the purchase of insurance provides protection against the financial impact associated with a loss, it does little to prevent the event from occurring in the first place. From a Loss Control perspective, insurance is a form of loss financing, rather than loss prevention.

As the City moves forward with its Loss Management Program, we need to focus more efforts on loss prevention. One way of accomplishing this is to engage in a Risk Assessment Project. This project would consist of six steps:

1. Identifying loss exposures
2. Analyzing loss exposures
3. Examining the feasibility of risk control techniques
4. Selecting the appropriate risk control techniques
5. Implementing the selected risk control techniques
6. Monitoring results and revisiting the risk management program.

The risk assessment should be conducted by someone with adequate knowledge of risk management and loss control. Currently the City has no one on staff with this level of knowledge so we would need to look to an outside professional to provide this service.

Robert Harder, the consultant who was retained during the RFP review process, owns and operates a Risk Management Consulting Firm and has provided the City with a proposal for a Risk Management Project.

Under his proposal, the project deliverables would include:

1. Thorough risk assessment of Kenora operations
2. Operational recommendations in order to reduce risk of financial loss
3. Identification of Property, Human Resources, Liability and Net Income Exposures
4. Qualitative and quantitative analysis
5. Recommendations regarding risk, risk management, property values, risk transfer and probable maximum loss as well as appropriate insurance coverages, limits and deductibles.
6. Risk control recommendations will include best practices pre-loss techniques of:
 - a. Avoidance
 - b. Prevention
 - c. Reduction
 - d. Segregation
 - e. Physical transfer
7. Risk control recommendations will include best practices post-loss techniques of:
 - a. Claims management
 - b. Litigation management
 - c. Disaster recovery
8. Recommendations on risk financing through use of Passive and Active Retention and Transfer with both Insurance and Non-Insurance

This project would ideally be completed prior to the renewal date of our current insurance term so that any recommendations coming from the project could be incorporated into the insurance program upon renewal.

Such a project could be completed over a four-month period, with essential involvement of city staff.

BUDGET:

Insurance Reserve was established as a contingency fund to offset extraordinary costs relating to insurance premiums. Currently there is \$80,000.00 in this fund.

COMMUNICATION PLAN/Notice By-law Requirements:

Advise City Insurance broker and senior Managers.

RECOMMENDATION: That the City of Kenora retain the services of Robert Harder Consulting Inc., to complete a Risk Management Project as outlined in the proposal that was provided to the City by Mr. Harder; and

That in accordance with Notice Bylaw 144-2007, public notice is hereby given that Council intends to amend its 2009 Operating & Capital Budget at its October 19, 2009 meeting authorizing the withdrawal of \$20,000.00 from the Insurance Reserve to offset this project cost; and further

That Council give three readings to a bylaw to amend the 2009 budget for this purpose.

