SUBJECT: ROMA Reciprocal Insurance Program
Premium Retro-Assessment for Town of Dundas
February 15 1998 – December 31, 2001 (FCS04138a) (City Wide)

RECOMMENDATION:

That the insurance premium retro-assessment invoice for the term February 15, 1998 – December 31, 2001 for the former Town of Dundas in the amount of $81,790.07 be paid to OMEX, ROMA Special Underwriting Group 1 and be funded from the 2008 Operating Budget.

Antonio D. Tollis
Acting General Manager
Finance and Corporate Services

EXECUTIVE SUMMARY:

In a letter, dated September 26, 2008 and addressed to the Town of Dundas, the OMEX, ROMA Special Underwriting Group 1, advised that a deficit exists within this reciprocal insurance program for the years of 1998, 1999, 2000. The Town of Dundas was a member of this reciprocal for the 3 years prior to amalgamation. During this period it has been identified that the reciprocal has a deficiency in claim reserves resulting from claims reported during the term for which the Town of Dundas was a member of the reciprocal. Payment of an insurance premium retro assessment totalling $81,790.07 is being requested in accordance with the agreement entered into by the Town of Dundas with the reciprocal. The amount of the retro assessment reflects the Town of Dundas’ share of the current deficit OMEX, ROMA Special Underwriting Group 1 has calculated for the
period February 15, 1998 to December 31, 2001, as of December 31, 2003 for the almost 3 year period that The Town of Dundas was a member of the reciprocal.

As part of the agreement that the Town of Dundas entered into with the OMEX, ROMA Special Underwriting Group 1, the Town of Dundas (and now the City of Hamilton by the City of Hamilton Act) and other members of the reciprocal during the same term are responsible to the reciprocal for payment of the deficit, through a retro assessment process, for the unfunded liabilities of claims arising during their common membership period in the reciprocal. The amount of the retro assessment is based on the ratio of the Subscribers individual premium to the total premium of all Subscribers for that period. In the converse, should there be a surplus of funds during the term of membership such funds would be returned to the Subscribers at the same ratio as retro assessments are shared amongst Subscribers.

This is the second retro assessment made by the OMEX reciprocal. On November 2, 2004 on Report FCS04138 Council approved the payment of a previous retro assessment submitted to The Town of Dundas by OMEX, ROMA Special Underwriting Group 1 to cover the unfunded liabilities of claims arising during the above mentioned period that Dundas was insured through the reciprocal OMEX in the amount of $170,819.45

**BACKGROUND:**

During the period commencing February 15 1998 to January 02 2001 the Town of Dundas (a Subscriber) was insured through the insurance reciprocal OMEX, ROMA Special Underwriting Group 1. In reciprocal insurance exchange agreements, Subscribers (groups engaged in a similar activity in these case municipalities) agree to mutually insure one another based on the ratio of individual premiums to the total Subscriber premium for the specific period of their membership.

A retro assessment is a supplemental premium charged by the reciprocal to cover deficits in funding for claims. If annual premiums forecasted by the reciprocal's actuary are insufficient to cover the cost of claims, reciprocals are allowed by the Superintendent of Insurance to implement a retro assessment to raise additional funds based on the premium ratio as per the agreement of the Subscribers. In the converse, should there be a surplus of funds during the term of membership such funds would be returned to the Subscribers at the same ratio once all claims have been closed.
ANALYSIS/RATIONALE:

OMEX (The Ontario Municipal Insurance Exchange) is an insurance reciprocal organization owned and managed by participating Ontario municipalities. The ROMA Special Underwriting Group 1 (SUG) is a subsidiary group of OMEX.

This SUG was first established in 1998. It was managed for OMEX by the brokerage firm of Jardine Lloyd Thompson (JLT) until December 2003.

The intent of a reciprocal is to jointly fund its member losses by establishing sufficient premiums and investment income to offset operating and claims costs including claim reserve funds.

The annual premiums forecasted by the OMEX SUG for each of 1998, 1999 and 2000 were insufficient to cover the cost of actual claims incurred and insufficient to fund the claims and the claim development incurred during the membership period. This resulted in a deficit and the agreement governing the OMEX SUG stipulates that it may not operate with a deficit. Accordingly, as per the reciprocal agreement, a retro assessment has been calculated for each of the SUG subscribers which include the Town of Dundas. OMEX has been directed by the Financial Services Commission of Ontario to implement necessary action to correct the deficit by issuing invoices for retro assessment payments, as per the agreement, from the Subscribers. The claims requiring funding are limited to claims against the Subscribers that occurred during the term of their agreement (membership period).

ALTERNATIVES FOR CONSIDERATION:

N/A

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

The payment of the retro assessment was not budgeted for as information had not been provided by OMEX, SUG of any deficit within the reciprocal since June 2, 2004 the time of its last retro assessment. It should be noted that these requested payments are to be made as of January 31, 2009 and it is possible that further funding may be required when financial statements are completed for the year end 2009 and each subsequent year until all claims for the period for which the Town of Dundas was a Subscriber have been closed. This amount will increase the negative variance for Risk Management by $81,790.07.
POLICIES AFFECTING PROPOSAL:

N/A

RELEVANT CONSULTATION:

Bill Bishop, Director of Finance - OMEX
Peter Barkwell, City Solicitor, City of Hamilton Legal Services

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. □ Yes ☑ No

Environmental Well-Being is enhanced. □ Yes ☑ No

Economic Well-Being is enhanced. □ Yes ☑ No

Does the option you are recommending create value across all three bottom lines?

□ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants?

□ Yes ☑ No

N/A