

ITEM 7
MANAGER'S REPORT NO. 4
COUNCIL MEETING 1982 01 18

RE: AUTOMOBILE FLEET INSURANCE 1982

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendations of the Treasurer be adopted.

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1982 January 12

TO: MUNICIPAL MANAGER
FROM: TREASURER
RE: AUTOMOBILE FLEET INSURANCE 1982

File: I55-10

RECOMMENDATIONS

1. THAT the action taken by the Treasurer to modify auto insurance coverage as indicated in this report be approved; and
2. THAT the policy of self-insuring a portion of the automobile collision coverage risk continue as outlined in this report.

SUMMARY

This report outlines changes made in the automobile insurance coverage effective 1982 January 01 and recommends a continuation of the policy of self-insuring against a portion of the collision coverage risk.

The basic change was to increase the limit on those older and reserve vehicles which we do not cover for collision from \$3,000 to \$5,000, and to increase the deductible collision coverage on some fire units from \$1,000 to \$2,500. The resultant change reduced the 1982 premiums by about \$10,000.

REPORT

BACKGROUND

In 1976 an auto insurance reserve was established from the premium reduction resulting from decreased collision coverage, and Council approved a policy of self-insuring the associated losses. The premium reduction represented approximately 17% of the total premium paid, and those funds were set aside in a separate reserve.

In 1977 further refinements in coverage were made. Comprehensive coverage was discontinued for the pool cars; the deductible collision on garbage trucks was increased from \$500 to \$1,000; and the collision coverage on older and reserve units which had an actual cash value of \$3,000 or less was discontinued.

Each year since 1976 the premium savings were placed in a separate reserve account to pay claims for which the insurance coverage was reduced. At year end the insurance reserve totalled \$128,000, made up as follows:

Premium savings 1976/81	\$116,685
Add: investment earnings	<u>35,452</u>
	152,137
Less: accident losses	<u>23,403</u>
	<u>\$128,734</u>

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COVERAGE

Effective 1982 January the coverage was changed so as not to insure for collision and comprehensive, older or reserve vehicles which have an actual cash value of \$5,000 or less, as compared with \$3,000 previously. These units are covered for fire and theft only. Also, the coverage for fire vehicles with an actual cash value of \$50,000 or more was changed from \$1,000 collision and \$150 comprehensive deductible to an all risk coverage with a \$2,500 deductible. The \$2,500 deductible coverage is only available for fire units with an actual cash value of \$50,000 or more. A summary of our coverage is as follows:

	<u>1981</u>	<u>1982</u>
1. Public liability and property damage (in addition to this we also carry an umbrella policy which increases our coverage to \$7,000,000)	\$2,000,000	No change
2. Garbage units with an actual cash value greater than \$30,000	\$1,000 collision & \$150 comprehensive deductible	No change
3. Fire units with an actual cash value greater than \$50,000	\$1,000 collision & \$150 comprehensive deductible	All perils with a \$2,500 deductible
4. Pool cars	Fire & theft with a \$50 deductible	No change
5. All other units with an actual cash value of \$3,000 or less in 1981, and \$5,000 or less in 1982	Fire & theft with a \$50 deductible	No change
6. All other units with an actual cash value greater than \$5,000	\$500 collision & \$150 comprehensive deductible	No change


The premium saving resulting from the reduced coverage is approximately \$10,000. These savings will be used to offset in part the increases in 1982 I.C.B.C. rates. Our insurance cost in 1982 (after a 30% fleet discount) is \$148,000, or 21% higher than our 1981 cost of \$114,000.

It is recommended that the action taken by the Treasurer to modify auto insurance coverage as indicated in this report be approved.

INSURANCE RESERVE

Currently there is approximately \$128,000 in our auto insurance reserve. On average since 1976 we have paid approximately \$4,000 annually for repair costs out of the reserve. Based on past experience, it would appear that interest on the reserve should now be sufficient to meet annual claims and that it is no longer necessary to support the reserve, as we have done in the past. Annually a review of the reserve will be made to determine its adequacy. If the reserve proves to be inadequate or if some other circumstance needs to be considered, then the matter will be reported to Council.

It is recommended that the policy of self-insuring a portion of the automobile collision coverage risk continue as outlined in this report.



Howard Karras
TREASURER

cc: Municipal Solicitor
 Director Engineering
 Director Recreation & Cultural Services
 Director Fire Services