



# Risk Management Considerations for Questions to Ask When Amalgamating or Merging

Intact Public Entities frequently responds to insurance questions concerning municipal amalgamation/merger. Since your insurer will be either issuing a new policy or endorsing your current program, they will have a number of questions. Therefore, we recommend that you give your insurer as much notice as possible prior to any amalgamation or merger.

## Underwriting Information and Risk Management Considerations

- In order to review changes that will be occurring and the impact on your organization, it is essential to provide a copy of the amalgamation agreement/ministry order or equivalent. This document could include items such as:
  - If one municipality is taking over another municipality
  - If two or more municipalities are amalgamating into a new entity

- Effective date of the change
- Scope of amalgamation (all operations/partial operations/all entities)
- Transfer of assets and obligations
- New electoral map
- You may be required to complete a new insurance application that includes a list of physical assets; vehicles; services/operations; population; kilometers of roads/sidewalks, coverage requirement, etc.

To help you compile the required information, we recommend you consider the following as you prepare to merge or amalgamate.

## Physical Assets

- Take an inventory of your assets – everything from buildings to graders to vehicles.
- If possible, take the time to validate the replacement cost of your assets as this is the basis upon which a

public entity's assets are underwritten. Don't hesitate to involve your insurer in your building replacement cost exercise. Most insurers have replacement cost software programs.

- Take photographs of your buildings and verify that you have the proper municipal address. Confirm clear title of land and assets.
- Identify all possible environmental exposures (such as old landfill sites, garages, refueling stations, or any land or structures you have acquired via tax sale or for future development). A completed application including copies of site assessments may be required.

## Vehicles

- For both licensed and unlicensed vehicles take the time to record the full serial numbers and verify make and model.
- Prepare a list of your drivers, including driver's license numbers and most recent MVRs.
- For higher valued and specialized vehicles (such as fire and rescue) secure the current replacement cost.
- Review all vehicle registrations to make sure there are none in another person's or entity's name.
- Note your insurer provider could ask for copies of registration in the New Municipal name.

## Liability

- Revisit essential inspection and maintenance policies and procedures to ensure they reflect the level of service that can be provided. For example, if Municipality "A" has a policy to inspect roads, sidewalks and playgrounds every so many days, it is imperative that the newly amalgamated entity can provide the same level of service. If not, establish new policies and procedures.
- Review employment contracts, benefit plans and Workers Compensation.
- Review all third party contracted services. Will these independent contractors still be required? Are there verbal or written contracts in place? Do you have proper Certificates of Insurance on file? Will you have to enter into a new contract?
- Compile a list of Certificates of Insurance that have been issued to identify "additional insureds"; waivers of subrogation; special insurance considerations; which will need to continue.

- Document Retention – identify, locate, index and create a central repository to store the documents that demonstrate decisions that were made regarding road construction; placement of stop signs, etc.; sidewalk construction; winter road and sidewalk maintenance and patrol procedures. These documents may be required to defend future litigation especially in those cases that involve injury to minors.
- Review any and all Mutual Aid Agreements that might be in place.
- Review any and all Provincial or Federal Agreements that might in place. (Police, Fire, Roads, etc.)
- Compile a list of all outside boards or committees that elected officials or staff sit on as by direction of council(s).
- Compile a list of Volunteers under each Municipalities direct control.
- Review any agreements either written or verbal community groups, not for profit organizations.

## Claims

- All entities should request an updated claims audit from their insurance carriers.
- Department heads from each municipality should confirm with staff any outstanding claims or incidents that have not been reported. Any incidents/claims occurring prior to the merger or amalgamation should be reported to the current insurer.
- Any third party service contracts or agreements with professionally licensed adjusters or firms should be reviewed. The question should also be posed to the insurer who will be underwriting the municipality if there are any issues or concerns.
- Are there any claims handling agreements in place?

## Other Considerations

- In some cases there may be several different brokers, consultants and insurance providers involved. It is extremely important to review each to make sure your team is selecting: (a) a licensed insurance professional in your province, (b) individuals with knowledge and experience in the Public Sector (c) reputable long term insurance providers that understand the Canadian Public Sector.
- As most municipalities are normally insured via a Municipal Insurance Program, there could be certain

assets, operations or owned entities that might have separate insurance policies. (Example: AD&D, Cyber, Commercial Marine, etc.) Thus, it is important to take an inventory of such policies to analyze if still required, duplication of coverage or can the new/current insurance program provide these coverages.

- Not all insurance programs are created equal. Thus it is important to understand and look for key terms such as: Retroactive Dates; General Aggregates and Aggregates; Co-Insurance vs Blanket; All Risk; Abuse Exclusions; Territory; Products and Completed Operations; Primary Limits; Excess Limits; Umbrella; Claims Made vs Occurrence Form; Defence Cost Inclusive vs In Addition To, Deductible Reimbursement Clauses; Wrongful Acts; Liquor Liability; Employers Liability; Environmental Liability; Auto Replacement Cost vs Actual Cash Value, Insurance Company Financial Ratings just to name a few.

If your municipality is considering amalgamation, please speak with your insurance broker and insurer's account representative. They will be pleased to assist you with the insurance and liability implications involved in the amalgamation process.

For more resources visit the **Risk Management Centre of Excellence**.