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The city has awarded a \$13.4 million contract to an insurance company slammed in a recent report by Toronto's ombudsman for "misleading" city residents.

[Granite Claims Solutions](#) (formerly McLarens Canada) beat out four insurance companies vying for the five-year contract. The details were approved by the city's bid committee on Wednesday.

The company serves as an external adjuster and handles third-party liability claims: claims in which damages are allegedly caused by negligence on the part of the city. Common causes include damage to private property caused by potholes, trees and sewage backup.

Toronto ombudsman Fiona Crean's report, titled "[Potholes, Floods and Broken Branches: How the City Handles Your Claims](#)," was released October 2011.

It findings revealed a process governed by an "an attitude of denial," whereby 90 per cent of total claims were denied, and adjusters turned down claims at "every opportunity" and, in some cases, "not for any reasons of fairness" but to manage volume.

Crean's report concluded actions by the city and Granite's adjusters demonstrated "shocking examples of poor service." Both the city and Granite provided insufficient and "misleading" information on city websites and in exchanges between adjusters and claimants.

She also found Granite adjusters "refused" and "routinely denied" claimants requests for access to information and denied claims without an investigation, despite indicating one had taken place.

According to her report, Granite's adjusters, in making those decisions, relied on a manual created with and approved by the city.

A city spokesperson said the goal of the new contract "continues to be resolving valid claims" in a fair and timely manner.

"Granite has been very cooperative and prompt in making customer service improvements and we have no reason to doubt that they will continue to provide excellent customer service throughout the new contract," Alex Mozo told the *Star* in an email.

Deputy Mayor Doug Holyday told the *Star* he has the upmost confidence in the process used to select Granite's bid.

Crean launched her formal investigation in 2010 after her office received a steady stream of complaints about how the city and Granite dealt with claims.

The ombudsman's office analyzed data from more than 12,400 claims filed between January 2005 and July 2010, carefully reviewed 50 randomly selected files and conducted interviews with adjusters, city employees and outside experts.

The only way a city resident can collect damages from a third-party liability claim is if he can prove negligence on the part of the city. Crean found that this critical element was rarely explained to or understood by claimants.

Granite was paid \$195 for each claim processed. An outside expert suggested in the report that payment was "motivation to spend as little time as possible on each claim in order to maximize profits."

Crean recommended the city set a service standard to make sure proper reviews take place. She also recommended the city take steps to



City ombudsman Fiona Crean issued a report last fall criticizing Granite Claims Solutions for how it handled third-party liability claims for the city. The insurance service firm has just been awarded a \$14.3 million contract by the city to do the same job for the next five years.

Steve Russell/Toronto Star

ensure the public understands the process of filing claims and receives timely, accurate information related to any decisions.

She said the city "agreed there were some serious problems," agreed to all of her recommendations and implemented almost all of them. She has "no doubt" the city will meet upcoming deadlines for outstanding requests.

"Those they haven't implemented (are) a question of time and time will tell," she said.

Granite has served the city since 1998. The company's chief executive officer, Michael Holden, directed questions from the *Star* to the city.

Mozo said Granite's contract was scheduled to end at the end of December 2011, but council halted ongoing bids and approved an extension to allow time to incorporate Crean's suggestions into a new request for proposals issued in January.

He said the new rules mean the city can cancel the contract at any time if customer service standards are not being met and that Granite's new proposal met all the new requirements, including the recommendations to improve customer service. Mozo said Granite also put in the best, or lowest, bid.

The \$13.4 million value of the contract is based on the estimated volume of claims to be processed during the five years.

The city has also updated its website with a section with specific details on filing claims, Mozo said.

SCM Insurance Services was one of the four bidders that did not secure the contract. Mark Tucker, senior vice-president of sales, said he was "surprised" at the tightness of the timeline set out by the city.

"What's not typical of a contract of this magnitude is usually there is a written submission and then there is the opportunity to meet and present (one's submission). In this case we were somewhat surprised in that we didn't have that opportunity," Tucker said.

He said SCM has requested a debrief meeting with the city, which is standard practice. It has not been scheduled yet.

Crean will monitor the city's progress and processes over the next year.

"If we see any increase in the number of complaints or patterns of complaints, I will be back at the city," she warned. "I will be talking to them again."