Recommendation

That the report of the CAO and the Manager of Community & Corporate Services/Clerk regarding the Insurance Program for 2020 be received for information; and that the Township of Selwyn renew its insurance policy for the year 2020 with Frank Cowan Company Limited, including the renewal of the cyber insurance program; and

That the Township provide a further submission to the Attorney General providing information regarding the impact of increasing insurance premiums being experienced in 2019/2020 and urging the Province to move forward with changes to the joint and several liability provisions which are a major driver in premium increases.

Information

The Township uses the services of a broker; Canada Brokerlink to provide third party insurance services on behalf of the Township. The Township has purchased insurance from Frank Cowan Company (now owned by Intact Insurance) for several years for property, automobile and a variety of liability coverages.

In 2019, Council requested that additional quotes be obtained from other insurance providers. As reported to Council in September of this year, given the level of exposure to municipalities for insurance claims as well as the complexity and variety of coverage that is required, there are only a handful of municipal insurance providers in the market place, i.e. insurance brokers have limited insurance markets to source for municipal insurance needs. Companies include: BFL; Marsh/JLT, and Travelers. AON does have municipal clients however, it is our understanding that they are not actively seeking new municipal business clients.

Brokerlink received feedback from two companies, Frank Cowan Company (FCC) and Traveler’s Insurance, who both indicated initial interest in providing quotes for the Township’s 2020 insurance program. However, Traveler’s Insurance ultimately declined to provide a quote as they were unable to provide some of the required coverage, most notably Environmental Liability, noting that they could not provide the required comparable coverage offered by FCC and remain competitive. As such, FCC was the only company able to provide a quote for the required municipal coverage.
The insurance premium quoted for the 2020 program is $414,384, an increase of $72,049 (21%) over the 2019 adjusted premium of $342,335. The premium increase is reflected for the most part in an increase in the Township’s general liability premium. The 2019 general liability premium was $172,479. In 2020, the premium is $232,847 an increase of $60,368 or 35%. This is a significant increase in the Township’s insurance costs in one-year. Canada Brokerlink has been in contact with FCC to understand the factors influencing the increase. The 35% premium increase related to the general liability premium is primarily due to market conditions and claim trends.

Some recent insurance renewals illustrate premium increases affecting other municipalities:

- South Bruce Peninsula – premium increase was 60%.
- Brant County – premium expected to increase by 87%
- City of Hamilton – premium increase 42%

As noted above, other municipalities are experiencing increased premiums. In the case of South Bruce Peninsula, their existing provider had advised them to expect a premium increase of $50,000 to $60,000 at their renewal. Given this expectation South Bruce issued an RFP which resulted in two bid submissions; one from their existing provider and one from a new provider. Their existing provider quoted a premium than was $30,000 higher than their original estimated increase i.e. instead of the expected $50,000 to $60,000 increase it was $90,000 higher. The other quote was 637% higher than their premium at expiry. Clarington recently issued an RFP for insurance services – no proposals were submitted for the RFP.

The Township has been fortunate that premium increases have been relatively steady ranging from less than 1% to approximately 4% over the period of 2015 – 2019. FCC has advised that the premium increase for the 2020 renewal is largely reflective of the market place.

According to AMO between 2007 to 2011 liability premiums increased by 21% across the Province. A recent report from Marsh/JLT Insurers notes that 2017 and 2018 were considered the most costly two-year period for insured catastrophic losses. Canada alone exceeded $2 billion of insured damage from severe weather in 2018. The insurance markets have hardened and are making a course correction that is impacting rates across the sector.

The County has established a Streamlining & Efficiencies Committee which includes representation from the County and each local municipality. The goal of the Committee is to identify new ways that the municipalities can work together to find efficiencies.
One suggestion that has been made is to consider a joint RFP for insurance programs. The expectation is that the larger block of business is likely to provide for reduced premiums for each participating municipality. While it would be wise to consider participating in such a project, it would be critical for us to ensure maintenance of the existing levels of coverage and that Selwyn’s rates are not impacted negatively by another municipalities experience/risk history. In addition it would be critical that the timing of issuing any RFP be at a time when market conditions are more favourable.

The current insurance market is not competitive. Municipal exposure is high and the type of insurance municipalities need is complex. There are few insurance providers in the market and there is limited interest from them to bid on new business. Based on the experience of other municipalities in 2019, there is a very high probability that issuing an RFP at this time will result in a further increase to the Township’s premiums. For these reasons, it is recommended that the Township stay the course and monitor the marketplace closely.

You may recall that the Township provided feedback to the Attorney General in September of this year in response to their consultation with respect to the impact of joint and several liability on municipalities. Given the experience witnessed in the insurance market for municipalities in 2019/2020, it would be appropriate to follow-up with further feedback to the Attorney General urging them to move forward with changes to the joint and several liability provisions to help stabilize the market and insurance costs for the municipal sector.

**Strategic Plan Reference**

Achieve excellence in governance and service delivery.

**Financial Impact**

The 2020 premium will be included in the 2020 operational budget and will be distributed and allocated across tax supported and user pay departments.

The premium increase of $72,049 plus non-refundable PST will be $77,813. The taxation impact will be approximately $64,000; with the remaining $13,813 impacting user pay departments (policing, building department, water & sewer and curling club).

*Angela Chittick*

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