



Town of Niagara-on-the-Lake

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Report: CS-22-039

Committee Date: 2022-12-13

Due in Council: 2022-12-20

Report To: Committee of the Whole - General

Subject: 2023 Corporate Insurance Renewal

1. RECOMMENDATION

It is respectfully recommended that:

- 1.1. Council approve the insurance renewal proposal from Marsh for the 12-month term (January 1 to December 31, 2023) in the amount of \$652,044 plus applicable taxes;
- 1.2. Council direct Staff to complete an additional environmental insurance coverage application, with additional premiums expected to be \$25,000; and
- 1.3. The Director of Corporate Services be authorized to sign the required acceptance documents on behalf of the Corporation.

2. EXECUTIVE SUMMARY

- The Town requires a renewal of the Municipal Insurance program because the current coverage expires on December 31, 2022.
- Staff has reviewed the current program for adequacy and coverages and recommends that the Town renews with additional environmental coverage.
- The insurance program will become effective January 1, 2023.
- The proposed annual premium of \$652,044, along with additional coverage of \$25,000 for environmental, is an increase of \$117,131 from 2022.
- The increase is largely as a result of the current market conditions in Canada and globally.
- Staff recommend the approval of insurance renewal proposal from Marsh as detailed in this report.

3. PURPOSE

The purpose of this report is to present to Committee the Town's Insurance Program for the 12-month period ending December 31, 2023, and authorize the Director of Corporate Services to sign the required acceptance documents on behalf of the Corporation. The current insurance policy for the Town expires December 31, 2022.

4. BACKGROUND

Marsh (formerly Jardine Lloyd Thompson Canada) has provided the Town with comprehensive insurance coverage since 2007. Marsh is a global leader in insurance brokering and risk management. The professionals within their team are extremely well versed in the specific dynamics of public sector insurance with a reputation of providing proactive insurance solutions and risk management advice.

5. DISCUSSION / ANALYSIS

There are two insurance cycles – a hard market and a soft market. During a soft market, municipal insurers are competing for business, they have greater capacity, and premiums are generally lowered through the tendering process. Liability insurance typically remains available to municipalities, even if there have been large or multiple losses.

During a hard market, municipal insurers will take a more in-depth look at a municipality's loss history and may not be able to offer as competitive terms or even quote through the tendering process. Insurance premiums will likely increase especially if the municipality has a poor loss history. An insurer's capacity to underwrite business can also be reduced.

We remain in a hard market and to ensure municipal insurers are able to continue to offer liability insurance, municipal insurers are increasing premiums and, in some cases, requiring a deductible increase along with more stringent underwriting requirements. The Town's brokers have indicated they believe the market is softening.

The Town has received the renewal proposal (attached as **Appendix I**) providing coverage for the term from January 1 to December 31, 2023. The proposal outlines all coverages and costs. Premiums for the 12-month term total \$652,044. Unless noted otherwise, all amounts stated in this report will be before applicable taxes.

Compared to the previous 12-month premium of \$559,913, the 2023 premium represents an increase of \$92,131 (16%). From 2021-2022, the increase was 16%, and from 2020-2021 the increase was 30%.

The majority of the increase can be broken down as follows:

- \$55,478 – Property Insurance: There is a 23% increase in Property Insurance rates due to inflation and review of replacement costs for all Town properties.
- \$18,150 – Municipal General Liability: There is an 8% increase in the Primary Liability and Environmental Impairment Liability rates due to market inflationary changes. The Town has received a very favourable rate increase in Liability insurance as the Town's loss ratio is 75% over the last 5 years. A loss ratio of 40% or under would be considered an acceptable loss ratio.
- \$6,971 – Excess Liability: There is a 15% increase in Excess Liability rates due to market inflationary changes.
- \$6,800 – Cyber Liability: There is a 20% increase in Cyber Liability rates due to the increase in cyber crimes in the overall marketplace.

Due to environmental events in 2022, Staff has reevaluated current coverage availability around environmental cleanup and remediation. Staff has investigated the potential of additional coverage, and received a quote in the range of \$15,000 - \$25,000 for coverage up to \$5 million, subject to a \$50 thousand deductible, that would cover general emergency response costs, transportation, mould, and crisis management. The Policy excludes Per- and polyfluoroalkyl substances (PFAS) - chemicals historically contained in firefighting foams and other products, and certain landfill items. The final

premium would still be subject to completing a more thorough insurance application but is presented for Council's consideration.

6. STRATEGIC PLAN

N/A

7. OPTIONS

- 7.1 **Option 1:** Accept the proposal in the amount of \$652,044 from Marsh, complete an additional environmental application with expected premiums of \$25,000, and authorize the Director of Corporate Services to sign the acceptance documents. **(As recommended).**
- 7.2 **Option 2:** The Town can increase the deductible on the liability policy and, therefore, reduce total premiums. The Town has two options for increasing the deductible as shown in the chart below:

Deductible	Total Premium	Savings
75,000	628,198	23,846
100,000	604,351	47,693

Despite identifiable savings, further budget implications should be considered since additional funds may be required as a result of an increase in deductible. In the event that large claims are to be paid, the Town will be responsible for a larger deductible, and thus will have an impact on the overall budget. In the above examples, only two claims would be required to be filed against the Town to exhaust the potential savings. Therefore, it is not being recommended. *(Not Recommended)*

8. FINANCIAL IMPLICATIONS

The total insurance cost for 2023 is anticipated to be \$677,044 (plus applicable taxes). This includes \$652,044 for the insurance renewal proposal from Marsh for the 12-month term plus \$25,000 for an additional environmental insurance coverage application.

9. ENVIRONMENTAL IMPACT

N/A

10. COMMUNICATIONS

There are no specific communications as a result of this report.

11. CONCLUSION

Marsh (formerly Jardine Lloyd Thompson Canada Inc) has provided the Town with comprehensive insurance coverage since 2007. The Town has consistently been provided with prompt, professional assistance and advice from a knowledgeable team of experts at Marsh.

12. APPENDICES

- **Appendix I - 2023 Insurance Proposal**

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