



Town of Niagara-on-the-Lake

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REPORT #: CS-24-022 **COMMITTEE DATE:** 2024-12-03
REPORT TO: COTW-General **DUE IN COUNCIL:** 2024-12-10
SUBJECT: 2025 Corporate Insurance Renewal

1. RECOMMENDATION

It is respectfully recommended that:

- 1.1 Council approve the Town entering into an agreement with Marsh Canada Ltd. for Municipal Insurance Coverage and Risk Management Services for the 12-month term (January 1 to December 31, 2025) in the amount of \$815,333 plus applicable taxes with a 2-year Long Term Agreement option;
- 1.2 That Council authorize the Director of Corporate Services to process the renewal of Insurance Coverage and execute all 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, 2024.
- The insurance program will become effective January 1, 2025.
- The proposed annual premium of \$815,333 is an increase of \$62,573 from 2024.
- The increase is largely due to the Town's 10-year loss ratio.
- Staff recommend the approval of the insurance renewal proposal with a 2-year Long Term Agreement option from Marsh as detailed in this report.

3. PURPOSE

The purpose of this report is to present to Council the Town's Insurance Program for the 12-month period ending December 31, 2025, with a 2-year Long Term Agreement option 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, 2024.

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

Town Staff have reviewed Marsh's renewal proposal, which provides coverage from January 1 to December 31, 2025. Unless noted otherwise, all amounts stated in this report will be before applicable taxes.

The Town received an initial renewal quotation of \$830,533 which represented an increase of \$77,773 in the Town's insurance costs compared to 2024. This increase is largely due to the Town's poor loss ratio with respect to General Liability insurance claims. A loss ratio of 51% means that the insurer has paid out more in claims than they have collected in premiums. The Town's current 10-year loss ratio is 58%. This figure has been consistently high for the last several renewal periods. The Town's 5-year loss ratio is 36% and the 7-year loss ratio is 77% which makes obtaining a favourable quote for insurance difficult. A loss ratio of under 40% is considered an industry standard for an acceptable loss ratio. The liability portion of the Town's policy has a 20% increase in costs for 2025. The overall increase for the initial proposal was 10% due to the Town receiving favourable quotes for the Town's Property and Cyber policies. The Property policy was subject to inflation for property values only, and the Cyber policy had no increases.

Town Staff met with Marsh to review the proposal and were given the option to enter into a 2-year Long Term Agreement. With this option, the Liability portion of the Town's insurance premiums for 2025 would increase by 15% instead of 20%. This would result in an overall increase of 8% compared to 2024 rates. The total cost of the policy would be \$815,333, an increase of \$62,573 from 2024, resulting in savings of \$15,200. In the second year of the agreement, the Liability portion of the Town's insurance premiums would increase by 10% so long as there is no deterioration in the Town's loss ratios and the Town hasn't been served with any significant claims prior to the 2026 renewal period. Town Staff is recommending that Council accept this option as it will provide a lower rate for 2025 and a potentially favourable rate for 2026. This option is reflected in the report recommendations.

The majority of the increase for the 2025 policy with the 2-year Long Term Agreement option can be broken down as follows:

- \$16,009 – Property Insurance: There is an 6% increase in Property Insurance rates due to inflation.
- \$45,600– Municipal General Liability: As explained above, this increase is due to the Town's high loss ratio. A loss ratio of 40% or under would be considered an acceptable loss ratio.

6. STRATEGIC PLAN

The Town's insurance program supports all areas of the Town's Strategic Plan as it can contribute to different areas, including mitigating unforeseen incidents, financial risks, and providing a safety net for a wide range of activities that contribute to the Town's overall well-being and development.

7. OPTIONS

- 7.1 Option 1: Accept the proposal in the amount of \$815,333 with the 2-year Long Term Agreement option. **(Recommended)**
- 7.2 Option 2: Accept the proposal in the amount of \$830,533 without the 2-year Long Term Agreement option *(Not Recommended)*

8. FINANCIAL IMPLICATIONS

The total insurance cost for 2025 is anticipated to be \$815,333 (plus applicable taxes) should Council accept the 2-year Long Term Agreement option. This is the current figure incorporated into the draft 2025 Operating budget.

The increased premiums result in a levy impact of 0.47% in the draft 2025 Operating Budget.

9. ENVIRONMENTAL IMPLICATIONS

This report has no direct environmental implications.

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

- N/A

Respectfully submitted:

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