



The Corporation of the Municipality of Arran-Elderslie

Staff Report

Council Meeting Date: December 12, 2022

Subject: SRFIN.22.26 Municipal Insurance 2023 - Intact Public Entities

Report from: Tracey Neifer, Treasurer

Appendices: Appendix A – Insurance Premium Comparison
Appendix B – Escalating Cost of Municipal Claims
Appendix C – Transition Plan with IPE

Recommendation

Be It Resolved that Council hereby,

1. Approve the annual renewal of the 2023 Municipal Insurance Policy with Intact Public Entities; and
2. That staff continue to work with Intact Public Entities to identify opportunities to reduce premiums and/or modify deductible limits to reduce the overall 2023 insurance increase as part of the annual renewal.

Report Summary

The Municipality is currently insured with Intact Public Entities (IPE) and Council is being requested to support the policy being renewed for the period of January 1, 2023, to January 1, 2024. All the municipality's insurance policies reside with IPE except for the VFIS coverage for the volunteer firefighters, which is held with AON. There are no changes in the pricing for VFIS policy in 2023.

The report also includes a recap of the insurance history that was presented to Council on November 22, 2021, as part of the presentation of the RFP results that had been undertaken for the renewal of the 2022 insurance policy. **Appendix C** is the Transition Plan adopted by IPE to assist the municipality in adjusting to the services provided by IPE.

Background

On November 22, 2021, SRFIN.21.44 Request for Proposal – Municipal General Insurance for 2022 results were presented to Council. The report was the result of the RFP process that was undertaken for the general insurance and risk management program for the Municipality for the period of January 1, 2022 to January 1, 2023, and annually up to four years.

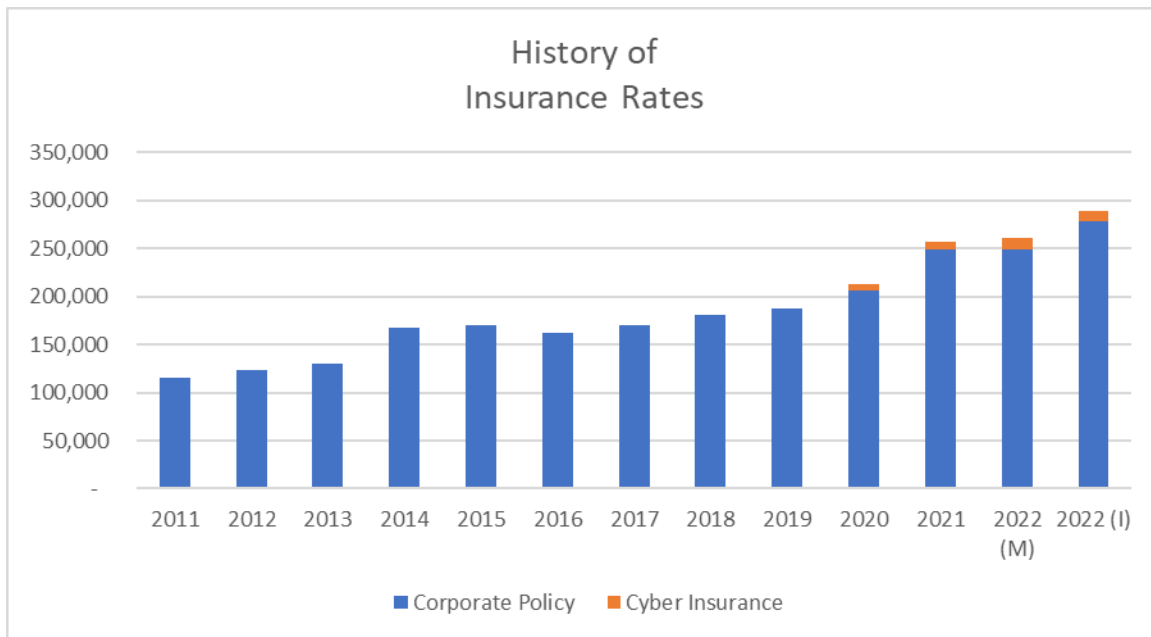
After the presentation of the 2022 Operating Budget, the outcome of the RFP was to award the Municipality's insurance program to Intact Public Entities. This was formally adopted by Resolution of Council on December 13, 2021.

The scope of services provided includes:

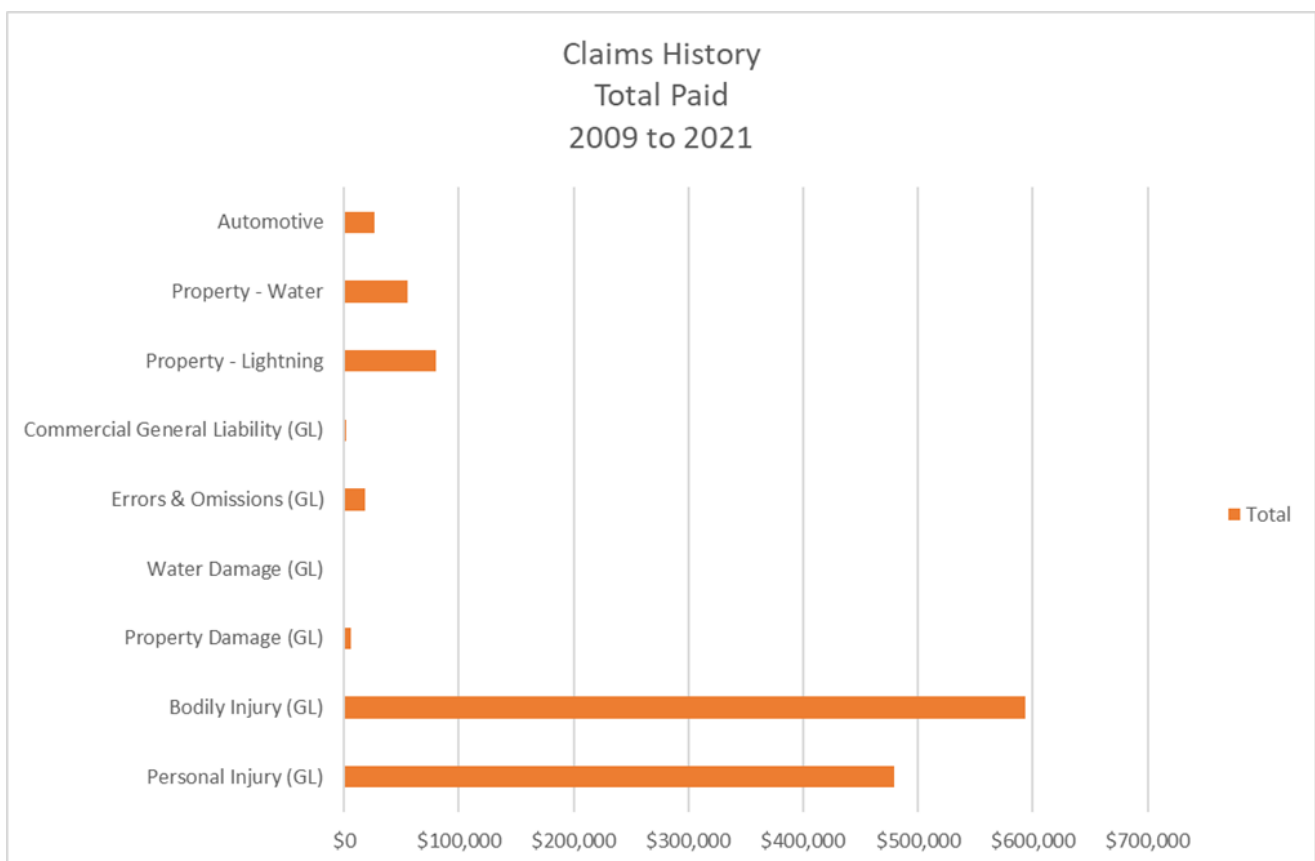
- Municipal Liability Insurance
- Combined Physical Damage and Machinery Breakdown
- Comprehensive Crime
- Automobile Insurance
- Councillors' Accident Coverage
- Public Entity Recovery Assistance Plan (Critical Illness)
- Municipal Volunteers Accident
- Annual low Risk Events Liability
- Other Required Policies

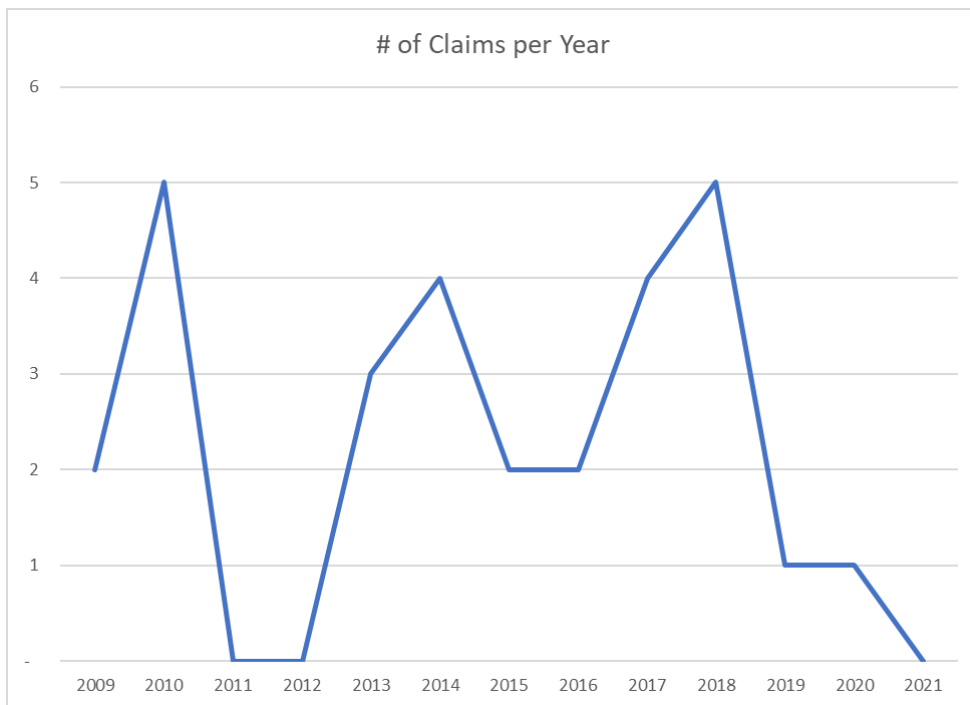
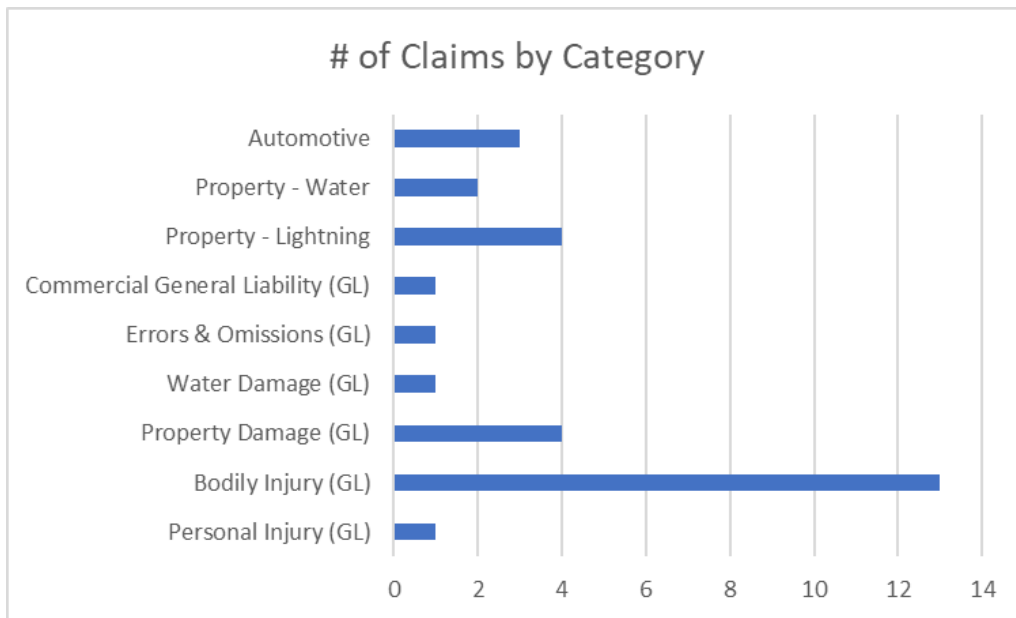
Historical Information

The following information has been provided to give Council a historical perspective of the Municipality's insurance fees and providers, as originally presented on November 22, 2021. It was noted that Jardine Lloyd Thomson Canada had been the municipality's insurance provider from 2004 to 2021, except for three years, which were covered by BFL Canada (2 years) and Stevenson & Hunt Insurance (1 year). The insurance premiums have increased over the years from \$115K in 2011 to \$249K in 2021, representing an increase of 124%. A review of 2022 and 2023 has been included in **Appendix A**.



The rise in insurance premiums is driven by two components, municipal claims, and market conditions. During the period of 2009 to 2021, the municipality has incurred a total of 29 claims resulting in the total costs paid of \$1,262,367. Below is a summary of the types of claims and total paid by claim type, as well as the number of claims.





Analysis

The review and analysis of insurance premiums continues to be a complex issue, with a significant impact being attributed to market conditions rather than a claims basis, as well as the changing value of the municipality's insured assets. **Appendix B** has been provided as it explains the many factors that drive market conditions, for example:

- Climate Change – property losses are more frequent and severe
- Cyber Liability – liability claims have risen dramatically
- Class Actions – a rise in lawsuits with an easier certification process
- Joint & Several Liability (The 1% Rule) – municipalities absorb more costs
- Changing Legal Landscape – society is more litigious, more contributory negligence awarded to municipalities
- Future Care Costs - \$5M claims now settling at \$12M-\$18M
- Transit Claims – increasing in severity

Arran-Elderslie is wrapping up its first year being insured by Intact Public Entities (IPE) with the service and support of Nicol Insurance (NI), as the local Broker. Municipal staff have benefited from the local support, with fast and efficient response to emails, phone calls, or in-person meetings. As part of the municipality's ongoing risk management strategy, contracts, agreements, and policies have been shared with NI/IPE for review and comment, to ensure appropriate wording and insurance clauses are captured. The Municipality has access to a comprehensive Risk Management Centre of Excellence, which contains articles, checklists, tips, and templates. Some of the resources used this year include:

- Checklists for Building Inspections, Fire Safety, Trails, and Incident Reports
 - Used in support of the design of forms for Maintenance Manager and Citizen Request Portal
- Risk Management Considerations for Splash pads, Off Leash Dog Parks, Trails, and Volunteers
- Municipal Procurement support

Over the past year, AMO Business Services lead a series of Risk Management Webinars in collaboration with IPE attended to by municipal staff. The topics included Back to Basics, Employment Practice Liability, Risk Management – What is your Insurance Strategy, Pulling Permits: The Process and Pitfalls for Building Code Officials, and Data, What Else Can You Do with It.

The Transition Plan, as noted in **Appendix C**, provides a Comprehensive Five-Year Risk Management Plan and a Schedule of Risk Inspections.

In 2023, Staff will continue to work closely with IPE/NI to establish an implementation plan to achieve the tasks identified.

Link to Strategic/Master Plan

6.1 Protecting Infrastructure, Recreation and Natural Assets

6.4 Leading Financial Management

Financial Impacts/Source of Funding/Link to Procurement Policy

The staff recommend renewing the Municipality's Insurance Policy with Intact Public Entities, which would be the second year of the multi-year plan outlined in **Appendix C**. While the financial overview, as presented in **Appendix A** does not paint a positive picture, a 15% increase in premium, the results are what is being seen across the municipal sector. At a recent MFOA Finance Forum the topic of insurance premiums was forefront, with the group reporting an average of 15% to 20% increases, with another noting 23%. Other sources have shown 29% and 42% increases.

It is challenging to draw comparability's between municipal insurance policies, as other factors besides market conditions need to be taken into consideration, including claims experience and growth. The claims history reflects positively for Arran-Elderslie, and with the management team maintaining a risk management focus, policies and procedures continue to be reviewed and implemented to continue to mitigate the potential for future risks.

The growth reflected in the policy refers to the number of assets and the value of those assets. The value of the assets, as noted in **Appendix A**, Property, shows an increase of 9.31% or \$5,865,700, which represents 40.6% (\$17,700) of the premium increase. The market conditions for the building sector are largely driving this area. IPE has applied an 11% factor as a standard inflation across their municipal clients. Property inspections and valuations can assist in this area; however, the opposite could be true in that the value is understated. The Schedule of Risk Inspections will be reviewed and implemented in 2023 to ensure proper values are reflected in the municipality's master building list that supports the insurance policy.

The other area of significance is General Liability, with a 15% increase, representing 36.5% (\$15,898) of the premium increase. The information provided in **Appendix B**, Escalating Cost of Municipal Claims, looks at how the cost of claims, and frequency of claims is driving the market in this area.

The insurance renewal for Cyber Insurance was not available when the report was prepared. Information is expected to be forthcoming and will be discussed during the presentation of this report.

In 2022, Staff have worked closely with Infinity Support Solutions and have been able to make substantial modifications and enhancements to our IT network to ensure a high level of cyber protection.

The market for municipal insurance providers is limited to four companies: Intact Public Entities, Marsh, AON and BFL.

It is the recommendation of this report, to renew the policy with Intact Public Entities for 2023. Staff will continue to work with Intact Public Entities to seek opportunities to reduce premiums and/or modify deductible limits to reduce the overall 2023 insurance increase.

Approved by: Sylvia Kirkwood, Chief Administrative Officer