

**To:** Warden and Members of County Council

**From:** Director of Corporate Services

## 2022 Insurance Program

### RECOMMENDATION

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1. That County Council approve the 2022 Insurance Program proposed by Intact Public Entities at a base premium rate of \$1,834,459 plus applicable taxes.

### REPORT HIGHLIGHTS

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- Request for Proposals for the 2022 Insurance Program was conducted
- Proposed 2022 premium - \$1,834,459 (\$1,398,183 revised premium – 2021)
  - increase of \$436,276 (31.2%) over 2021
- Housing Service Corporation (HSC) fee of \$2,913 (\$2,227 - 2021)

### Implementation Points

Upon Council approval, the 2022 insurance program takes effect January 1, 2022.

### Financial Impact







The proposed insurance premiums are included in the 2022 draft budget representing an increase of \$436,276 compared to the 2021 premium – representing a levy increase of 0.7%.

### Communications

Upon adoption of the recommendation contained in this report, an award letter will be issued to Intact Public Entities. County staff will work with Intact Public Entities to confirm all property and vehicle listings prior to the effective date of the insurance policy, January 1, 2022.

The County's Intact Public Entities representative, Jessica Jaremchuk, Director of Risk Management, will speak to the current insurance market situation and answer questions regarding the proposed 2022 insurance program at the Council meeting.

## Strategic Plan (2020-2022)

					
<b>WORKS WELL TOGETHER</b>	<b>WELL CONNECTED</b>	<b>SHAPES THE FUTURE</b>	<b>INFORMS &amp; ENGAGES</b>	<b>PERFORMS &amp; DELIVERS</b>	<b>POSITIVE IMPACT</b>
				5.ii.	

## DISCUSSION

### Background

In 2014, County Council gave staff direction to issue a Request for Proposal for the 2015 insurance program. The policy renewed for five successive terms given satisfactory performance and service by Intact Public Entities (formerly Frank Cowan Company Limited). In keeping with the County's purchasing requirements, the procurement of insurance is to be competitively priced every five years. In 2020, a deferral of the purchasing requirement was approved for the 2021 Insurance Program, due to the market hardening typically not generating competition and unrest imposed by the pandemic.

On September 20, 2021 a Request for Proposal was issued by the County for the provision of Insurance and Risk Management Services. The proposal documents had four plan-takers, namely, AON Reed Stenhouse Inc., HUB Benefits Consulting, Intact Public Entities and Marsh Canada Limited. The deadline for submission was October 18, 2021 and only one submission, from Intact Public Entities, was received. Both AON Reed Stenhouse Inc. and Marsh Canada Limited issued letters to the County of no bid.

### Intact Public Entities' Proposal

In the absence of a competitive bid, only the proposal received from Intact Public Entities is considered for the 2022 renewal term. The proposal is consistent with the County's renewal last year in terms of coverage limits, deductibles and value added services.

Due to industry standards, last year's renewal rendered changes to the policy wordings for exclusions related to Liability and Errors and Omissions claims related to communicable disease outbreak in long-term care facilities. There was also an exclusion associated with property policies, relating to virus and bacteria for physical loss or direct physical damage, including business interruption and builders risk coverage. These exclusions remain in effect for this term and additional deviations to our liability policy have been added. In addition, new cyber and data limitation clauses apply to the Liability and Errors & Omissions policies to clarify that matters relating to cyber incidents are not covered. This would include any recovery as well as any consequential events such as credit monitoring, public relations expenses or legal advice and fees. The limitation also applies to the property policy, with the exception of a resultant loss by fire or explosion.

Table 1 below provides the coverage limits and deductibles for the program:

**Table 1 – Schedule of Coverage**

<b>Schedule of Coverage</b>	<b>Coverage Limit</b>	<b>Deductible</b>
General liability	\$15,000,000	\$50,000
Follow form excess liability	10,000,000	0
Errors & omissions	15,000,000	50,000
Non-owned auto	15,000,000	500
Environmental liability	3,000,000	50,000
Crime	1,000,000	0
Councillors' accident	250,000	0
Legal expense	100,000	0
Property insurance	503,708,883	50,000
Automobile	15,000,000	25,000

The cost of premiums to maintain these coverages has significantly increased by 31.2% and quantified at \$436,276 over the previous year (2021 - 16.2% increase at \$194,726). Although Intact Public Entities confirmed increasing deductibles will not render any significant cost savings at this time, the deductible for property insurance has been increased from \$25,000 to \$50,000 due to the total property value listing exceeding \$500M, which is the catastrophic loss limit imposed by the insurance company.

Table 2 provides percentages for the last six-year period upon renewal.

Table 2 – Revised Premium

Coverage Year	Increase/Decrease %
2016	1.29%
2017	-2.63%
2018	4.52%
2019	3.50%
2020	12.5%
2021	16.2%

Significant premium increases in the municipal sector are being experienced province wide, largely due to increased claims activity compounded by an unstable economy due to the pandemic and low interest rates constraining growth in insurance pools. This is the case with insurance markets and syndicates as a whole, because both public and private sectors' claims contribute to the volatile liability insurance market. In addition, there are several non-pandemic related drivers contributing to the escalating cost of claims, such as climate change and weather events, joint and several liability, apportionment of liability (1% rule), class actions, cybersecurity, damage awards and future care costs.

### Comments

The County's efforts to mitigate risks, through planning and implementation of prudent practices across the County's business activities has proven effective in maintaining a comparatively good claims history. This has historically kept the County's premiums under a 5% increase year over year, until 2020 in which case the affects of the volatile market began effecting our premium.

In spite of the County's claims experience maintaining a steady trend of claims frequency, on the basis of its sound risk management, insurance claims management, and reserve policies, the County's insurance program costs in 2020, 2021 and now 2022 have significantly inclined. The global insurance industry has been facing significant premium increases beginning in late 2019, which demonstrates we are in a hard market and experts in the field are predicting it will last well into 2023, notwithstanding the impacts of the pandemic.

Table 3 provides a five-year summary of the types and number of insurance claims experienced each year.

Table 3 – Number of Insurance Claims per year

Claim Type	2017	2018	2019	2020	2021
Liability	3	1	5	5	2
Environmental Liability	1	1	1	0	1
Professional Liability	0	0	0	0	1
Property	0	1	2	1	0
Auto	2	1	0	0	0
Legal Expense	0	2	0	0	0
Crime	0	0	0	0	1
<b>TOTAL</b>	<b>6</b>	<b>6</b>	<b>8</b>	<b>6</b>	<b>5</b>

Although the County's claims frequency remains unchanged, there have been a few larger claims recently experienced under the Liability, Environmental Liability and Property policies. In speaking with the County's insurer they are not able to provide the quantum of the premium increase that relates to the hardened market versus the increased claims cost due to the actuarial approach used to determining premiums. However, in speaking with other municipalities regarding their 2022 renewal increases it is apparent that we are not alone in facing an increase within the 30%+ range. On that basis, it would appear that the significant increase is largely due to the hardened market, for which we have no control over.

Table 4 provides a year over year comparison of premium increases by line of coverage indicating that the premium increase for Environmental Liability received the most significant increase in 2021 while the 2022 increase is predominantly in General Liability and Property coverages.

Table 4 - Primary Areas of Increase

Coverage	2021 Premium	2022 Premium	2022 Inc %	2021 Inc %
General Liability	\$902,140	\$1,195,626	32.5	13.0
Environmental Liability	64,016	73,618	14.9	100
Property	278,367	346,931	24.6	17.4
Legal	4,930	5,423	10.0	15.0
Error & Omissions	30,669	35,269	14.9	13.0

## **Conclusions**

Staff are recommending that provision of the County's 2022 Insurance Program, including housing, be awarded to Intact Public Entities on the basis of their Request for Proposal submission for a one-year term from January 1, 2022 to January 2, 2023, with the option to renew for each subsequent year, based on satisfactory performance and service.

## **SIGNATURES**

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### **Report Author:**

Original signed by

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Lindsey Mansbridge  
Coordinator of Legislative Services/Deputy Clerk

### **Departmental Approval:**

Original signed by

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Lynn S. Buchner, CPA, CGA  
Director of Corporate Services

### **Approved for submission:**

Original signed by

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Michael Duben, B.A., LL.B.  
Chief Administrative Officer