



Subject: General Insurance 2021

To: Council

From: Corporate Services Department

Report Number: 2021-25

Meeting Date: January 25, 2021

Recommendation:

That Corporate Services Department Report 2021-25 be received;

That the existing general insurance program be renewed with Frank Cowan Company for an annual premium of \$565,232 plus applicable taxes for a period of 18-months (until June 30, 2022); and

That the general insurance program be marketed prior to the conclusion of the contract term ending June 30, 2022.

Purpose:

As a component of risk management, the City of Port Colborne (the "City") maintains general insurance. This report proposes to award the general insurance program to Frank Cowan Company.

Background:

The City, through McAvoy, Belan & Campbell, has performed three insurance market surveys in the past eleven years. In the last survey, Frank Cowan Company was identified as providing the best overall program based on factors such as premiums, coverage and risk management.

As a result of the ongoing COVID-19 pandemic, staff indicated during the budget process that there were no plans to market the City's insurance for 2021 and instead look to renew with Frank Cowan Company at this time. This remains staff's recommendation.

Staff identify Council could direct staff not to accept the proposed general insurance program developed with Frank Cowan Company and market the general insurance program. The City has until March 31, 2021 to finalize with Frank Cowan Company.

Discussion:

This report identifies the recommended annual contract value of \$565,232 plus applicable taxes is approximately 31% higher than the prior contract.

Discussions among local area municipal treasurers identified significant increases across other municipalities as well. These increases range from 10% to 43%.

The increase the City experienced in its prior 18-month contract was 5%. Combined over three years the City has experienced an average annual increase of approximately 12%.

The pricing of insurance is driven by a number of factors including what is being covered, the extent of coverage, and frequency and severity of losses. The three most significant areas impacting premiums are as follows:

- The City has experienced 146 liability claims over the past 5 years leading to a 26% increase in the liability policy.
- The City has experienced growth as a result of additions and inflation resulting in higher capital asset replacement costs, coupled with continued exposure to Lake Erie claims, leading to a 40% increase in the property policy.
- The City's fleet continues to grow and carries a large loss record from prior terms. This coupled with general rising Ontario vehicle insurance rates is leading to a 40% increase in the fleet policy.

Salient changes to the insurance program other than price include:

- Virus and bacteria exclusion.
- The Sugarloaf Harbour Pedestrian Bridge situated at 3 Marina Drive will no longer be insured within the Blanket Limit and will instead be insured as a Scheduled Item and the deductible of \$25,000 will continue to apply.
- The Sugarloaf Harbour Docks, at 3 Marina Drive and the Harbour Master Docks situated at 201 West Street will no longer be insured within the Blanket Limit and will instead be insured as Scheduled Items. A deductible of 3% or Minimum \$100,000 will apply for the peril of windstorm. Coverage for these docks still does not apply to claims caused directly or indirectly by ice nor wind driven water.
- Buildings and property at 3 Marina Drive and 201 West will now carry a \$100,000 flood deductible.
- Losses to heavy fire vehicles exceeding 25 years of age will be settled by Actual Cash Value instead of Replacement Cost. Losses to all other vehicles, exceeding

20 years of age will be settled by Actual Cash Value instead of Replacement Cost.

While the City's insurance program is recommended for approval at this time, staff identify the City is constantly evolving and the need for different levels and types of insurance also change. Staff will continue to monitor the insurance needs of the City and anticipate reporting to Council prior to marketing the General Insurance Program.

Financial Implications:

The 2021 Operating Budget planned for a 15% increase in the cost of the general insurance program. The increase of 31% represents an additional budget requirement of approximately \$69,000. Staff note that the Frank Cowan Company will be providing an \$11,000 refund in 2020 insurance premiums as a result of the decreased activity and events at the City as a result of the COVID-19 pandemic. Staff propose this refund be carried forward to 2021 to offset the identified general insurance program cost increase. The net difference of \$58,000 (\$69,000 - \$11,000) will be a cost pressure in 2021.

Staff identified during the budget process that budgets are estimates. Staff recognize while it would be simple if budget to actual always matched, there normally are differences. Staff recognize Council's desire for a balanced budget or better and will be providing triannual financial reporting in 2021 starting with the period ended April 31, 2021. At this time staff anticipate there may be other positives and negatives to the budget and these differences may offset this balance. Should this not be the case staff will identify funding strategies that may include the one-time utilization of reserves.

Conclusion:

Staff appreciate the working relationships and service the City has received from Frank Cowan Company. While acknowledging the increase is more than desired or anticipated, staff identify this is a difficult insurance environment.

In recommending proceeding with the general insurance program proposed with Frank Cowan Company for an 18-month period, staff are also recommending the City market the general insurance program prior to the next renewal.

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final approval is by the Chief Administrative Officer.