

Clause 13 in Report No. 9 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on May 25, 2017.

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2017 - 2019 Insurance Coverage

Committee of the Whole recommends adoption of the following recommendations contained in the report dated April 26, 2017 from the Commissioner of Finance:

1. Council authorize the renewal of the Region's insurance policies with the insurers as shown in Table 3 effective July 1, 2017 for a premium of \$5,641,680 plus applicable taxes, for terms of 18 months and 24 months as applicable, subject to minor final underwriting adjustments.
2. Council authorize the increase in the deductible for the Property & Equipment Breakdown policy from \$50,000 to \$100,000.

Report dated April 26, 2017 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that:

1. Council authorize the renewal of the Region's insurance policies with the insurers as shown in Table 3 effective July 1, 2017 for a premium of \$5,641,680 plus applicable taxes, for terms of 18 months and 24 months as applicable, subject to minor final underwriting adjustments.
2. Council authorize the increase in the deductible for the Property & Equipment Breakdown policy from \$50,000 to \$100,000.

2. Purpose

The Region's insurance policies will expire on June 30, 2017. Renewal of these policies is required to provide continued financial protection for the assets and operations of the Region, York Regional Police and the York Region Rapid Transit Corporation.

The terms of the recommended insurance policy renewals were negotiated with the Region's primary insurer, Travelers Canada, and the other insurers indicated in Table 3 by the Region's broker, Integro Insurance Brokers Canada ("Integro"). This type of direct negotiation by a third party on the Region's behalf to secure a contract renewal is not specifically contemplated in the Purchasing Bylaw. Accordingly, Council authority for the renewals is required pursuant to section 3.3 of the Purchasing Bylaw, which allows Council to authorize any purchase or method of procurement where to do so would be in the Region's best interests.

3. Background

The Region engages an insurance broker to secure insurance coverages

Insurance companies work through brokers to provide insurance to businesses. Brokers negotiate insurance policies that best align with their clients' needs and are aware of each insurance company's appetite for particular types of risk. Brokers can advise on emerging risks and the latest products available in the marketplace. They can also provide valuable risk management services and claims support.

The Region's broker, Integro, was procured through a competitive RFP process. Integro's engagement began in January 1, 2013 and will be in place until December 31, 2017. Under the terms of its engagement, Integro has solicited and negotiated quotations on behalf of the Region for its policies for the past three insurance renewals.

Working with the Treasury Office, Integro has helped identify potential policy gaps and has been able to negotiate additional coverages for new and emerging risks that were not previously included in the Region's policies, while obtaining reduced rates for various coverages.

For the current renewal, Integro obtained a quotation from Travelers Canada ("Travelers") and specialty insurers as described below.

The Region's insurance program consists of a combination of insurance policies and self-insurance

The Region's insurance program is structured as follows:

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- Primary policies, consisting of Property and Equipment Breakdown, Crime, Municipal Liability, Public Entity Errors & Omissions, Automobile Liability, and Excess Liability;
- Specialty policies, consisting of Accidental Death & Dismemberment, Medical Malpractice, Marine, Aviation, Cyber Liability, and Director's & Officer's Liability;
- Self-insured risks (risks for which insurance is not purchased but where money is set aside in the insurance reserve or operating budgets to fund losses), consisting of infrastructure risks (e.g., water mains, sewers, roads, bridges), forests, and environmental contamination.

Municipal risks are complex, restricting the number of companies offering liability insurance

The current outlook for the corporate insurance industry continues to be positive and conditions are generally competitive. Underwriters exercise discretion in evaluating risks, particularly for policies where losses are anticipated. As a result of the complexity of municipal insurance needs and risks, there are only a few companies that are willing to provide primary municipal liability coverage, and then only in combination with other traditional coverages such as property insurance.

Due to its prudent risk management practices, the Region's rates for some coverages have been reduced

Travelers and the other insurers recognize the Region as a desirable risk due to its prudent management of operations and its strong risk management culture.

Claims are handled and directed by internal claims staff, who use the services of adjusters and specialty lawyers as required. All files are reviewed quarterly by a Claims Committee to ensure the Region's interests are being protected.

The Region has an active Risk Management Committee that includes representation from each department. This committee meets six times per year and focuses on risk awareness and mitigation of potential losses on an enterprise wide basis. The recommendations of this committee directly affect the client service plans, risk awareness training for staff and loss prevention programming.

All of the Region's municipalities participate as members of the York Region Risk Management working group, which meets quarterly to share risk management processes, procedures and techniques.

Due to the Region's proactive risk management practices and good claims experience, it has been offered lower renewal rates for property and vehicle insurance. This is somewhat offset by a 2% increase in the quote for General Liability insurance rates, which reflects population growth in the Region, and which is well within the range of increase experienced by all municipalities in Ontario.

4. Analysis and Implications

Integro conducted a comprehensive marketing competition for the primary policies in 2016

For the last renewal in 2016, Integro conducted a comprehensive marketing competition on behalf of the Region for the primary policies which resulted in significant premium savings. Integro advised that there have been no significant changes in insurers' appetite for municipal risk over the last 18 months and therefore negotiated with our current primary policy insurer, Travelers, for renewal quotations.

Insurance renewal quotations for the primary policies were received from Travelers

Prudent municipalities should have primary policies in place to protect their assets and operations. These primary policies include Property & Equipment Breakdown, Crime, Municipal Liability, Public Entity Errors & Omissions, Automobile Liability, and Excess Liability.

The overall liability limit for the Region's Municipal Liability, Public Entity Errors & Omissions, and Automobile Liability is \$50 million, which is achieved through a combination of the primary and excess policies.

Staff recommends increasing the Property & Equipment Breakdown policy deductible from \$50,000 to \$100,000

Travelers has provided an optional quotation for the Property & Equipment Breakdown policy with a higher deductible of \$100,000, instead of the current \$50,000. The premium savings over the 24 month term would be \$61,983. In the past two years, no losses exceeded \$50,000 and Travelers did not make any payments. It is therefore recommended that the Region accept the increased deductible option for this policy and save the premium difference.

A longer policy term was sought and obtained from Travelers

Integro approached Travelers, on behalf of the Region, seeking a longer policy term than the current 18 months. Travelers agreed to offer a policy term of 24 months to

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the Region and provided quotations for both the 18 month and 24 month terms for comparative purposes. The renewal quotations are provided in Table 1.

Table 1
Premium Quotations for Primary Policies
(Insurer is Travelers except as noted)

Policy	Policy Limit	Deductible	Expiring Premium 18 month term	Renewal Quote 18 month term	Renewal Quote 24 month term
Property, Equipment Breakdown, Crime	\$300,000,000	\$50,000	\$975,767	\$980,147	\$1,244,879*
Municipal Liability Errors & Omissions (including employee Medical Malpractice)	\$5,000,000	\$500,000	\$992,487	\$1,019,405	\$1,359,206
Automobile & Garage	\$5,000,000	\$500,000	\$1,687,516	\$1,723,344	\$2,297,792
Excess Liability (Lloyds of London)	\$45,000,000		\$298,000	\$298,000	\$397,333
TOTAL for all Primary Policies			\$3,953,770	\$4,020,896	\$5,299,210

*Premium based on increased deductible of \$100,000.

Note: Premiums quoted do not include 8% RST, which is applicable to all policies except automobile. HST does not apply to insurance premiums in Ontario

A twenty-four month policy term would benefit the Region

The Region has negotiated a policy term of 24 months. The opportunity for policy terms beyond 12 months is not available to many municipalities; however, the Region has had 18 month policy terms since January 2010. An extended policy term beyond 18 months is desirable since it saves the administrative costs of renewing policies more frequently and provides stable rates for a longer period.

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Travelers continues to provide good insurance coverages at competitive premiums

Travelers continues to provide comprehensive coverages and competitive premiums. The Region has a manuscript wording for property risks and a new liability wording; both offer broad coverages over industry standards. A manuscript wording is a specific policy wording developed for individual clients, tailored to meet their needs.

Flexibility for Regional staff to manage claims helps ensure claims are settled in a manner consistent with the Region's values and principles.

Travelers continues to support the Region's claims process and direct staff involvement in the management of claims. In addition, Travelers supports the use of the Region's selected adjusters and lawyers instead of insisting on their own adjusters and lawyers.

In conclusion, it is recommended that coverage for the primary policies remain with Travelers/Lloyds for a further 24 month term.

Several specialty policies are also recommended for renewal

The Region purchases a number of specialty policies to improve insurance protection for its assets and risks. These policies supplement the primary policies by providing coverage for risks the primary policies do not cover. Integro negotiated and obtained renewal quotations for these risks on behalf of the Region.

Table 2 outlines the renewal quotations for the specialty policies. Included below are the expiring premiums at 18 months (the current policy term), the renewal quote at 18 months and the available 24 month quotes. Most specialty policies were not available at the longer 24 month renewal. It is recommended that Council authorize renewal of all policies for the longest term available.

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Table 2
Premium Quotations for Specialty Policies

Policy	Policy Limit	Current Insurer	Expiring Premium 18 month term	Renewal Quote 18 month term	Renewal Quote 24 months
Accidental Death & Dismemberment	\$250,000	AIG	\$5,040	\$5,040*	\$6,720
Aviation – Premises	\$5,000,000	Global Aerospace	\$40,192	\$40,349	Not available
Hull	\$2,000,000				
Cyber Liability	\$5,000,000	Lloyds of London	\$136,125	\$136,125	Not available
Excess Cyber Liability	\$5,000,000	Lloyds of London	\$64,077	\$64,077	Not available
Director’s & Officer’s Liability	\$5,000,000	AIG	\$50,329	\$50,329	Not available
Marine Hull and Machinery	\$1,800,000	Travelers	\$9,139	\$8,340*	\$11,120
Medical Malpractice (primary coverage for contracted Physicians)	\$5,000,000	Creechurch	\$33,750	\$33,750	Not available
TOTAL All Specialty Policies			\$338,652	\$338,010	\$17,840
Total recommended premium for all specialty policies combined 18 and 24 months				\$324,630	\$17,840
Total				\$342,470	

*Not included in 18 month total; premium for these coverages are in the 24 month total.

Note: Premiums quoted do not include 8% RST, which is applicable to all policies except automobile. HST does not apply to insurance premiums in Ontario.

5. Financial Considerations

Table 3 summarizes staff's recommendations for renewing the Region's insurance policies. There is a combination of 24 month and 18 month policy terms. All policies renew effective July 1, 2017.

Table 3
Summary of Recommended Insurance Policies for Renewal

Policy	Insurer	Policy Term	Premium
Property, Equipment Breakdown & Crime	Travelers	24 months	\$1,244,879
Municipal Liability & Public Entity Errors & Omissions	Travelers	24 months	\$1,359,206
Automobile Liability (including Garage)	Travelers	24 months	\$2,297,792
Excess Liability	Lloyds of London	24 months	\$397,333
Accidental Death & Dismemberment (AD&D)	AIG	24 months	\$6,720
Marine Liability	Travelers	24 months	\$11,120
Aviation Liability (Hull & Premises)	Global Aerospace	18 months	\$40,349
Medical Malpractice	Creechurch	18 months	\$33,750
Cyber Liability	Lloyds of London	18 months	\$136,125
Excess Cyber Liability	Lloyds of London	18 months	\$64,077
Director's & Officer's Liability	AIG	18 months	\$50,329
Total			\$5,641,680

Note: Premiums quoted do not include 8% RST, which is applicable to all policies except automobile. HST does not apply to insurance premiums in Ontario.

The expiring premium for the primary and specialty policies at the 18 month term is \$4,292,422; the renewal cost for these policies at the 18 month term is \$4,358,906. This represents an increase of 1.5%, which is due to an increase in assets and population.

The combined cost of 24 month and 18 month renewal terms for the primary & specialty policies is \$5,641,680. The purchase of the policies at the 24 month term, where available, will provide the Region with potential savings due to the application of 2017 rates through to June 30, 2019. Payment of these premiums for the 24 month policies will take place in two equal installments: July 1, 2017 and July 1, 2018.

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The cost of the proposed insurance renewal is included in the approved 2017 budget and 2018 outlook. The final premium may differ slightly from the estimated cost in this report, based on final underwriting adjustments for property values, number of vehicles and other items that may change prior to June 30, 2017.

6. Local Municipal Impact

There is no direct local municipal impact resulting from this report.

7. Conclusion

Renewing the insurance policies with a premium cost of approximately \$5,641,680 plus taxes for a combination of 24 and 18 month terms will provide protection for the assets and operations of the Region, York Regional Police and the York Region Rapid Transit Corporation.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at Ext.71644.

The Senior Management Group has reviewed this report

April 26, 2017

Accessible formats or communication supports are available upon request.