

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2016 April 21

FROM: DIRECTOR FINANCE

FILE: 5820-01
Reference: Willis Canada

SUBJECT: INSURANCE CONTRACT RENEWALS – NINE PROGRAMS

PURPOSE: To request approval to award insurance contracts for the annual Property and Liability insurance programs maintained by the City.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council approve the award of nine (9) contracts of insurance as specified in this report. The total amount, payable to Willis Canada to fund the insurance premiums is \$850,000. Actual payment will be based on the final insurance agreements.

REPORT

Working closely with the City's insurance consultants at Willis Canada in Vancouver, the Risk Management Department manages the process of marketing, selecting, and arranging insurance coverage for the City. In consideration of an annual fee Willis Canada provides a wide range of professional services that include: advice and negotiation of coverage and policy wording; marketing of the City's risk in the global insurance market; binding coverage and paying premium on behalf of the City; and, as necessary, acting as claims advocate with insurers.

All City insurance programs renew annually on May 01 with the exception of the ICBC fleet program which renews on January 01. Insurance premium is determined by multiplying the total insured value by the insuring rate. Any increase in the total insured value results in a corresponding premium increase even if the rate remains unchanged from one year to the next. In 2015 February, Willis Canada was instructed to research and approach markets for the City's insurance programs. The following is based upon the most up to date information available from Willis Canada. There is no increase in price from 2015.

1.0 PROPERTY INSURANCE

The City's property assets are appraised annually by Universal Appraisal Services. The total insured value is currently reported at \$742 million. Changes, almost always increases, in the total insured value from year to year are attributable to new facilities constructed during the past year; the ever-rising cost of replacement construction due to inflation; and the accumulating building code and bylaw update requirements for replacement construction. A major marketing campaign was completed three years ago from which the Royal & Sun Alliance Insurance Company (RSA) was selected. RSA remains a very strong insurer with an "A" credit rating. RSA has sufficient capacity to underwrite this program and confirmed on April 20 that it is prepared to offer a

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reduction of 5% over the expiring rate. We are awaiting terms from another major property insurer but expect that premium for the major Property program will not exceed \$509,000 in 2016.

Boiler & Machinery coverage for all insured assets is purchased separately from RSA. As the cost of this program is also tied directly to the total insured value the cost this year is expected to rise proportionately but the incumbent insurer has offered a reduction in the rate that should result in no increase in premium over last year. We expect the price of this insurance will not exceed \$25,000 in 2016.

2.0 COMMERCIAL GENERAL AND EXCESS LIABILITY

The past year was the first of a three year program offered by the incumbent liability insurer, QBE London but even so the insurer has agreed to a 5% reduction in premium for 2016 and is willing to re-start the three year program at the lower rate. The municipal liability insurance market remains small and our brokers have found no other insurers able to compete with the program or pricing at this time. The insurer provides \$30 million of Primary and Excess/Umbrella liability coverage to the City. The total annual premium for the next three years is expected to be not more than \$210,000 per year.

3.0 OTHER PROGRAMS

Willis Canada actively markets several other smaller insurance programs, including: the Crime and Fidelity policy with Travelers; two lesser Property programs, currently placed with RSA, that apply to commercial properties at Deer Lake I & II, the Hart House Restaurant, and Brentwood Community Resource Centre; a primary Commercial General Liability policy specific to the Deer Lake I and II operations placed with Aviva Canada; and a corporate Non-Owned Auto policy provided by ICBC. In each case, based on other recent renewals of similar classes of business, Willis Canada advises that the incumbent insurers have offered favorable renewals that are not higher than expiring contracts. Total premium for these programs is expected to be not more than \$106,000.

4.0 RECOMMENDATION

The cost of maintaining insurance programs is a necessary operating expense included in the City's 2016 portion of the 2014 – 2018 Annual Financial Plan. Insurance charges are exempted from PST and GST. It is recommended that the Financial Management Committee request Council to approve and authorize staff to award these nine insurance contracts. The total premium, payable to Willis Canada to fund the nine insurance programs, is \$850,000.



Denise Jorgenson
DIRECTOR FINANCE

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Copied to: City Manager
Risk Manager