

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2018 April 11

FROM: DIRECTOR FINANCE
DIRECTOR PUBLIC SAFETY &
COMMUNITY SERVICES

FILE: 5820-01
Reference: Jardine Lloyd Thompson

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 contracts of insurance as outlined in this report. The total amount payable to Jardine Lloyd Thompson is to fund the insurance premiums not to exceed more than \$970,000. Actual payment will be based on the cost of the final insurance agreements.

REPORT

The City recently completed a Request for Proposals for insurance brokerage services, resulting in an award of a three year contract to the international brokerage firm, Jardine Lloyd Thompson Canada (JLT). Working closely with the City's insurance consultants, the Risk Management Department manages the process of marketing, selecting, and arranging insurance coverage for the City. In consideration of an annual fee, JLT is providing 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 a 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. JLT has been 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 JLT at the time of this report.

The cost of maintaining insurance programs is a necessary operating expense that is included in the City's 2018 – 2022 Financial Plan. Insurance charges are exempted from PST and GST.

1.0 PROPERTY INSURANCE

The City’s property assets are appraised annually by Universal Appraisal Services. The total insured value is currently reported at \$819 million. Changes in the total insured value from year to year are often attributable to new facilities that have been 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 five 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. We are still awaiting the final renewal terms but are not expecting a significant rate increase. Premium for the Major Property Program (contract #1) should not exceed \$600,000 in 2018.

Major Equipment Breakdown insurance coverage for the major property assets (contract #2) 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. We do not expect the cost of this insurance to exceed \$35,000 in 2018.

2.0 COMMERCIAL GENERAL AND EXCESS LIABILITY

The past year was the second of a three year program offered by the incumbent liability insurer, QBE London. This insurer currently provides \$5 million Primary General Liability (contract #3) and \$25 million Excess/Umbrella Liability (contract #4) coverage to the City. We are expecting the incumbent insurer to quote favorable renewal terms and have asked for a quotation to increase the Excess/Umbrella coverage to \$45 million. The total annual premium to renew the \$25 million Excess/Umbrella Liability program, as is, will not exceed more than \$210,000. We expect the cost for an additional \$20 million Excess/Umbrella coverage would not exceed more than \$30,000.

3.0 OTHER PROGRAMS

JLT is actively marketing several other smaller insurance programs, including the Crime and Fidelity policy (contract #5) with Travelers; two minor Property programs (All Risk Property and Equipment Breakdown), currently placed with RSA, that apply to commercial properties at Deer Lake I & II, the Hart House Restaurant, and Brentwood Community Resource Centre (contract #6 and #7); a Primary General Liability (commercial) policy specific to the Deer Lake I and II operations placed with Aviva Canada (contract #8); and, a corporate Non-Owned Auto policy (commercial) provided by ICBC (contract #9). Total premium for these programs is expected to not exceed more than \$125,000.

To: Financial Management Committee
From: Director Finance
Re: Insurance Contract Renewals - Nine Programs
2016 April 17Page 3

4.0 PROGRAM SUMMARY

1. Major Property Program – Assets valued at \$720 million
2. Major Equipment Breakdown – Assets valued at \$720 million
3. Primary General Liability (major liability program) – Limit of \$5 million/Occurrence
4. Excess/Umbrella Liability – (applies to all liability programs) Current Limit of \$25 million (quote requested for additional \$20 million)
5. Crime & Fidelity – Limit of \$10 million
6. Minor Property Program – Assets valued at \$99 million
7. Minor Equipment Breakdown – Assets valued at \$99 million
8. Primary General Liability (minor liability program) – Limit of \$5 million/Occurrence
9. Commercial Non-Owned Auto Liability – Limit of \$10 million/Occurrence

5.0 RECOMMENDATION

It is recommended that the Financial Management Committee recommend Council approve the award of nine contracts of insurance as outlined in this report. The total amount payable to Jardine Lloyd Thompson is to fund the insurance premiums not to exceed more than \$970,000. Actual payment will be based on the cost of the final insurance agreements.



Noreen Kassam, CPA, CGA
DIRECTOR FINANCE

Dave Critchley
DIRECTOR PUBLIC SAFETY & COMMUNITY SERVICES

Copied to: City Manager
Risk Manager