

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2019 April 16

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 \$965,175 to fund the insurance premiums for all nine contracts.

REPORT**1.0 INTRODUCTION**

The City is currently in the second year of a three year contract that was awarded to the international brokerage firm, Jardine Lloyd Thompson Canada (JLT) through a Request for Proposals for insurance brokerage services in 2018. Working closely with JLT, 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 was instructed to research and approach markets for the City's insurance programs.

The cost of maintaining insurance programs is a necessary operating expense that will be included in the City's 2019 – 2023 Financial Plan. Insurance charges are exempted from PST and GST.

2.0 POLICY SECTION

Goal

- A Thriving Organization
 - Reliable services, technology and information –
Protect the integrity and security of City information, services and assets

3.0 INSURANCE PROGRAMS

3.1 Property Insurance

The City's property assets are appraised annually by Universal Appraisal Services. The total insured value is currently reported at \$812 million. Changes in the total insured value from year to year are 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 six 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 have obtained the final renewal terms and the rate did not increase. Premium for the Major Property Program (contract #1) is \$596,476.

Major Equipment Breakdown insurance coverage for the major property assets (contract #2) is purchased separately from RSA. As the cost of this program is tied directly to the total insured value, the cost did rise proportionately. Premium for the Major Equipment Breakdown (contract #2) is \$31,533.

3.2 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 \$65 million Excess/Umbrella Liability (contract #4) coverage to the City. We have received renewal terms for both and they are identical to the previous year. The total annual premium to renew the \$5 million General Liability and the \$65 million Excess/Umbrella Liability program is \$220,000.

3.3 Other Programs

JLT also marketed 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 \$117,166.

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3.4 Program Summary

1. Major Property Program – Assets valued at \$812 million
2. Major Equipment Breakdown – Assets valued at \$812 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 \$65 million
5. Crime & Fidelity – Limit of \$10 million
6. Minor Property Program – Assets valued at \$117 million
7. Minor Equipment Breakdown – Assets valued at \$117 million
8. Primary General Liability (minor liability program) – Limit of \$5 million/Occurrence
9. Commercial Non-Owned Auto Liability – Limit of \$10 million/Occurrence

4.0 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 \$965,175 to fund the insurance premiums for all nine contracts.



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DIRECTOR FINANCE



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Copied to: City Manager
Risk Manager