

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2021 April 14

FROM: DIRECTOR FINANCE
DIRECTOR PUBLIC SAFETY &
COMMUNITY SERVICES

FILE: 5820-01
*Aon Reed Stenhouse
Inc.*

SUBJECT: INSURANCE CONTRACT RENEWALS – NINE PROGRAMS

PURPOSE: To request approval to award insurance contracts for the annual property and liability insurance programs.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council approve the award of nine (9) contracts of insurance as outlined in this report. The total amount payable to Aon Reed Stenhouse Inc. is \$489,553 to fund the insurance premiums for all nine (9) contracts and the property policy extension.

REPORT**1.0 INTRODUCTION**

The City is currently in the first year of a two-year contract that was awarded to the international brokerage firm, Aon Reed Stenhouse through a Request for Proposals for insurance brokerage services in 2020. Working closely with Aon, the Risk Management Division of the Public Safety and Community Services Department manages the process of marketing, selecting, and arranging insurance coverage for the City. In consideration of an annual fee, Aon 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,
- acting as a claims advocate with insurers, as necessary.

All City insurance programs renew annually on May 01 with the exception of the ICBC fleet program which renews on January 01. The insurance premium is determined by multiplying the total insured value by the insuring rate. Aon was instructed to research and approach markets for the City's insurance programs.

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The cost of maintaining insurance programs is a necessary operating expense that will be included in the City's 2021 – 2025 Financial Plan. Insurance charges are exempted from PST and GST.

Absent for this report is the City's Main & Minor property policies. Due the significant total property value the City is insuring, and insurers in general lowering their overall capacity, Royal & Sun Alliance Insurance Company (RSA) is only able to insure seventy percent (70%) of the City's portfolio. Aon is approaching multiple insurers to cover the remaining thirty percent (30%). This process will be completed before the end of May and RSA has agreed to extend their current coverage for 31 days to accommodate. This extension will include 100% capacity and will be charged at last year's rates (\$88,937) for the month of May.

A subsequent report will be coming to Council next month requesting approval for the award of the City's Main & Minor property policies.

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 Major Equipment Breakdown

Insurance coverage for the major property assets is purchased from RSA. The cost of this program is tied directly to the total insured value and the rate, Aon was able to negotiate lower rates for this coverage at a cost savings of approximately 41%. Premium for the Major Equipment Breakdown (contract #1) is \$21,219.

3.2 Commercial General and Excess Liability

This coverage was on an expiring 3-year term with QBE London Insurance Group Ltd (QBE). As a result, QBE are not able to provide the full \$70 million limit and Aon obtained terms for the remainder from Fairfax. QBE is providing \$10 million Primary General Liability (contract #2) and \$21 million Excess/Umbrella Liability coverage (contract #4) to the City, and Fairfax is providing \$39 million in Excess/Umbrella Liability coverage (contract #3). The total annual premium to renew the \$5 million General Liability and the \$70 million Excess/Umbrella Liability program is \$343,350. This is a 56% increase from last year's premium which can be mainly contributed to the insurance market shifting extremely from a soft market to a hard market over the last 3 years.

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3.3 Other Programs

Aon also marketed several other smaller insurance programs, including the Crime and Fidelity policy (contract #5) with RSA; a minor Equipment Breakdown policy that apply to commercial properties at Deer Lake I & II, the Hart House Restaurant, and Brentwood Community Resource Centre (contract #6); a Primary General Liability (commercial) policy specific to the Deer Lake I and II operations placed with Aviva Canada (contract #7); an Accidental Death & Dismemberment policy which covers Mayor, Council and Volunteers and is placed by Industrial Alliance (contract #8) and, a corporate Commercial Non-Owned Auto Liability policy provided by ICBC (contract #9). The total premium for these programs is \$36,047.

3.4 Program Summary

Contract	Program	Limit/Value	Amount
1	Main & Minor Property Program	Assets valued at \$870 million	\$ 88,937
	Major Equipment Breakdown		\$ 21,219
2	Primary General Liability (Major Liability Program)	Limit of \$10 million/occurrence	\$ 343,350
3	Excess/Umbrella Liability (Applies to all Liability Programs)	Limit of \$39 million	
4	Excess/Umbrella Liability (Applies to all liability programs)	Limit of \$21 million	
5	Crime & Fidelity	Limit of \$10 million	\$ 36,047
6	Minor Equipment Breakdown	Assets valued at \$ 130 million	
7	Primary General Liability (Minor Liability Program)	Limit of \$5 million/occurrence	
8	Accidental Death & Dismemberment	N/A	
9	Commercial Non-Owned Auto Liability	Limit of \$10 million/Occurrence	
Total			\$ 489,553

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4.0 RECOMMENDATION

It is requested that the Financial Management Committee recommend Council approve the award of nine (9) contracts of insurance as outlined in this report. The total amount payable to Aon Reed Stenhouse is \$489,553 to fund the insurance premiums for all nine (9) contracts and the property policy extension.



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Copied to: Acting City Manager
Risk Manager