

TO: FINANCIAL MANAGEMENT COMMITTEE (FMC)
FROM: DEPUTY CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER
SUBJECT: **2024 INSURANCE PROGRAM – CONTRACT RENEWALS**
PURPOSE: To request approval to award insurance contracts for the annual property and liability insurance programs.

RECOMMENDATION

THAT the total amount of \$3,846,579 payable to Aon Reed Stenhouse Inc. for insurance premiums for all thirteen insurance contracts as outlined in the report titled “2024 Insurance Program – Contract Renewals” dated April 8, 2024, be approved.

EXECUTIVE SUMMARY

This report serves as an update on the ongoing insurance contract with Aon Reed Stenhouse, the insurance broker for the City. The purpose of presenting this information is to seek approval from Council for the continuation of the contractual arrangement. The desired outcome is the FMC's recommendation to Council to approve the ongoing partnership with Aon, recognizing the firm's provision of comprehensive professional services, including advice, negotiation, marketing, and claims advocacy. In conclusion, the FMC's recommendation to Council's approval will pave the way for the continuation of essential insurance services, safeguarding the City's interests and assets.

1.0 POLICY SECTION

Not Applicable.

2.0 BACKGROUND

As the City enters the second year of a three-year contract extension initiated in December 2022, the Risk Management Division of the Community Safety Department collaborates closely with Aon to navigate the complex landscape of insurance coverage. With the annual renewal of insurance programs approaching, scheduled on May 1, it is crucial for the council to be informed and supportive of the associated costs, considering them as a necessary operating expense outlined in the City's 2024-2028 Financial Plan. Insurance coverage costs are exempt from PST and GST.

3.0 GENERAL INFORMATION

3.1 Insurance Programs

- *Property Insurance*

The City's property assets are appraised annually by Universal Appraisal Services. The total insured value is currently reported at \$1.77 billion. Changes in the total insured value from year to year are attributable to new facilities that have been constructed or acquired 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. Zurich Insurance Group Ltd. (Zurich) and American International Group Inc. (AIG) were selected as their rates were the most competitive. Both Zurich and AIG remain very strong insurers with an "A" credit rating and have sufficient capacity to underwrite this program. The final renewal terms include a premium increase of 26% which is mainly attributed to the total insured value. If you calculate the renewal premium based on the last year's total values and renewal rate, the total rate increase is less than 3% which is attributed to current market rates and two previous significant claims. The premium for the Property Policy (Contract #1) is \$2,939,179.

- *Equipment Breakdown*

Major Equipment Breakdown insurance coverage for the major property assets is purchased from Intact. The final renewal terms include a premium increase of 19% which is solely due to the increase to the total insured value, there was no rate increase. Premium for the Major Equipment Breakdown (Contract #2) is \$35,892.

- *Parametric*

Parametric insurance coverage for all property assets, inclusive of buildings, road and sidewalk infrastructure and underground infrastructure is purchased from Swiss Re Ltd. and is providing \$5 million limit for natural catastrophes such as earthquakes, floods and extreme temperatures. Parametric insurance coverage is a new addition to the City's insurance program. This coverage will provide the City with an instant funding source in responding to the needs of the City during a catastrophic event as the claims process is settled fast with coverage confirmed in days and funds arrive within weeks. The coverage is also flexible in that it covers City owned property that is not covered through traditional property coverage. This includes roads, sidewalks and water and sanitation infrastructure. With the uncertainty of climate change and its affects on the weather, this coverage provides the City with an efficient and flexible risk transfer solution. Premium for the Parametric Policy (Contract #3) is \$200,000.

- *Fine Arts*

Fine Arts insurance coverage for all art assets is purchased from Lloyd's of London and is providing \$9.5 million limit. Fine Arts insurance coverage is a new addition to the City's insurance program. This coverage includes all fine art, inclusive of the Carousel, Wurlitzer Band Organ, Antique cars, Old Curly Locomotive and the Tram at Burnaby Village Museum This coverage traditionally fell within the main property policy. By purchasing a standalone policy, the City recognizes modest savings and is provided specialize coverage with no deductible. Premium for the Fine Arts Policy (Contract #4) is \$13,000.

- *Commercial General and Excess Liability*

This Commercial General and Excess liability coverages are provided by Lloyd's of London for all three liability policies. Lloyd's of London is providing \$10 million limit for Primary General Liability (Contract #5), \$45 million limit for 1st Excess/Umbrella Liability (Contract #6) and \$15 million limit for 2nd Excess/Umbrella Liability (Contract #7). The premium total for these three contracts is \$393,430. This is an average increase of 3.4% which is a lower rate increase than the previous year and can be contributed to the insurance market rate increase.

- *Network Security and Privacy Liability*

The Network Security and Privacy Liability coverage for data assets is purchased from American International Group Inc.(AIG) and includes a maximum limit amount of \$5,000,000. The City has increased the limit from \$3 million to \$5 million in response to the increase in average data breach losses in Canada which is \$5.13 million as of 2023. The cost of this program is in alignment with current insurance market rates. The premium for the Network Security and Privacy Liability is \$223,420.

- *Other Programs*

Aon also marketed several other smaller insurance programs, including the Crime and Fidelity policy with The Travelers Indemnity Company (Travellers) (Contract #9); a minor Equipment Breakdown policy that applies to commercial properties at Deer Lake I & II, the Hart House Restaurant, and Brentwood Community Resource Centre with RSA (Contract #10); a minor General Liability (commercial) policy specific to the Deer Lake I and II operations placed with Aviva Canada Inc. (Contract #11); and an Accidental Death & Dismemberment policy which covers Mayor, Council and Volunteers and is placed by Industrial Alliance Financial Group (Contract #12). There is a modest premium increase of less than 1% inclusive of all 4 coverages. The total premium for these programs is \$41,658.

3.2 Insurance Programs

Contract #	Insurer	Program	Limit/Value	Amount
1	Zurich & AIG	Main Property	\$500 million	\$2,939,179
2	Swiss Re	Parametric	\$5 million	\$200,000
3	Lloyds	Fine Arts	\$9.5 million	\$13,000
4	Intact	Major Equipment Breakdown	\$110 million	\$35,892
5	Lloyds	Primary General Liability (Major Liability Program)	\$10 million / occurrence	\$393,430
6	Lloyds	Excess/Umbrella Liability (Applies to all Liability Programs)	\$45 million	
7	Lloyds	Excess/Umbrella Liability (Applies to all liability programs)	\$15 million	
8	AIG	Network Security and Privacy Liability	\$5 million	\$223,420
9	Travellers	Crime & Fidelity	\$10 million	\$41,658
10	Intact	Minor Equipment Breakdown	\$130 million (asset value)	
11	Aviva	Minor General Liability	\$5 million / occurrence	
12	Industrial Alliance	Special Accidental	n/a	
Total:				\$3,846,579

4.0 COMMUNICATION AND COMMUNITY ENGAGEMENT

Not applicable.

5.0 FINANCIAL CONSIDERATIONS

Funding for this operating work will be accommodated within the 2024 – 2028 Financial Plan in various departments’ operating budgets for the corresponding insurance premiums.

Respectfully submitted,

Noreen Kassam, Deputy Chief Administrative Officer and Chief Financial Officer

ATTACHMENTS

None

REPORT CONTRIBUTORS

This report was prepared by Scott Houston, Senior Manager, Risk, Insurance & Claims, and reviewed by Dave Critchley, General Manager Community Safety