

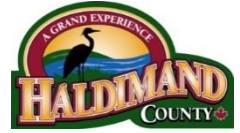
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# HALDIMAND COUNTY

## Report CS-SS-32-2018 General Insurance Renewal - 2019

For Consideration by Council in Committee on October 30, 2018

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### OBJECTIVE:

To renew the County's General Insurance Program for 2019.

### RECOMMENDATIONS:

1. THAT Report CS-SS-32-2018 General Insurance Renewal – 2019 be received;
2. AND THAT the 2019 insurance policies and premiums proposed by Jardine Lloyd Thompson Canada Inc. and Pearson Dunn Insurance Inc. be approved as follows:
  - a. General Insurance Program, including liability, automobile, property, cyber and volunteer accident policies, at a cost of \$409,583, plus applicable taxes, taking into consideration any necessary adjustments for additions/deletions of assets included in the Automobile and Property Policies occurring before January 1, 2019;
  - b. The Community Hall Boards' Liability Insurance Policy, at a cost of \$12,000, plus applicable taxes;
  - c. The Recreation Affiliates Policy, at a cost of \$2,400, plus applicable taxes, subject to the agreement of the current recreation affiliate organizations, Dunnville Soccer Park Corporation and Haldimand Youth Soccer, with the two organizations' contributions to this policy premium capped at the 2018 amount of \$550 each;
3. AND THAT the age restriction on the Municipal Volunteers' Accident Benefit Policy be removed, resulting in an additional premium cost of \$250 plus applicable taxes;
4. AND THAT the 2019 Closed Landfill Policy be renewed with Jardine Lloyd Thompson Canada Inc. and Pearson Dunn Insurance Inc., at a premium cost of \$13,902, plus applicable taxes, conditional on the approval of and cost sharing with Norfolk County as joint owners.

**Prepared by:** Dana McLean, Supervisor, Risk Management & Legal Services

**Reviewed by:** Cathy Case, Manager of Support Services

**Respectfully submitted:** Karen General, CPA, CGA, General Manager of Corporate Services

**Approved:** Donald G. Boyle, Chief Administrative Officer

### EXECUTIVE SUMMARY:

Staff recommend renewal of the 2019 General Insurance Program with Pearson Dunn Insurance Inc. & Jardine Lloyd Thompson Canada Inc. at an annual cost of approximately \$449,300 (including taxes). Staff further recommend renewal of the 2019 Joint Landfills Policy, subject to Norfolk County's approval of the policy and cost sharing of the approximately \$15,000 annual premium. The only 2019 change to the external insurance policy coverage, aside from updated insurable asset/information data, is the removal of the age restriction on coverage under the Municipal Volunteers' Accident Benefit Policy,

which is recommended given the low cost of the additional premium and the potential benefit to the County's volunteers.

## **BACKGROUND:**

Haldimand County's General Insurance Program consists of its self insurance program and its external insurance program. The general insurance program operates on an annual basis which is renewable on January 1<sup>st</sup>. There are multiple policies, covering typical municipal insurable risks, which are encompassed in this program. The program, and this report, does not address any Council/employee benefits insurance coverage which is insured separately and administered through the Human Resources Division.

Funds are allocated annually to the self insurance program to cover the costs of investigation, defense and settlement of all claims falling below the deductible levels, as well as paying the respective deductibles on all claims exceeding these levels. The external insurance program provides coverage for County claims which exceed the current deductible levels. The external insurance program is the subject of this report.

In 2016, Haldimand County issued a Request for Proposal (RFP) for the General Insurance Program. After consideration of Report CS-SS-23-2016, Council awarded the General Insurance Contract to Pearson Dunn Insurance Inc. & Jardine Lloyd Thompson Canada Inc. (PDI/JLT), effective January 1, 2017 and continuing for a five year term, with the option for five additional one year renewals, pending annual approval of the updated premium.

Staff met with representatives of PDI/JLT in September 2018 to review the proposed 2019 insurance renewal. The County's favourable claims experience in the first two years of the contract, being zero claims reported, as well as the three year commitment to stable municipal liability rates agreed to as part of the RFP, formed part of the discussions as well as the recent acquisition of JLT by Marsh & McLennan Companies and any impact it may have on the services provided to the County.

The Community Hall Boards' Liability Policy and the Recreation Affiliates Policy also form part of the County's General Insurance Program and, within this report, are details pertaining to the renewal of those policies.

As in prior years, a separate renewal quote is provided for insurance of the closed Tom Howe and Canborough Landfill Sites, which are jointly owned by Haldimand County and Norfolk County. Insurance coverage for these sites is reflected on a stand alone policy to coincide with the joint ownership and to prevent any claims from adversely affecting only the Haldimand County insurance program.

Finally, this report excludes information regarding the Special Events Insurance Program and the Facility Users Insurance Program, previously approved by Council. These programs have been fully implemented by staff and are progressing well. Any changes to these community-based and user pay insurance programs will be brought forward to Council in a separate report or through the 2019 Tax Supported Operating Budget, if required.

## **ANALYSIS:**

### **Current Program:**

#### **General Insurance Program**

Attachment 1 breaks down the cost of the County's General Insurance Program and compares the 2018 premiums to the proposed 2019 renewal premiums, with the Joint Landfill Sites Policy shown

separately. The premiums for the 2019 General Insurance Program - including liability, automobile, crime, cyber, property, community hall boards' liability and recreation affiliates policies - total \$423,983, plus applicable provincial sales tax. In comparison, the 2018 premiums totaled \$410,046 exclusive of provincial sales tax. This represents a net increase of 3.4% or approximately \$14,000 plus tax. Outlined below are reasons for the changes in the various policy premiums, if any.

#### i) Liability Insurance

As shown in Attachment 1, the proposed 2019 Municipal Liability & Excess Liability premiums remain the same. PDI/JLT has advised that this is due to the County's excellent loss history given we have not submitted any claims to the insurers during the first two years of this contract and, therefore, continue to meet the requirements of the 3 year liability premium rate freeze agreement.

The chart below provides an overview of the annual changes in the County's municipal general liability premium, in the past five years, exclusive of taxes. Note that the deductible under the Liability policy has been maintained at \$250,000 during this entire five year period.

<b>YEAR</b>	<b>MUNICIPAL GENERAL LIABILITY PREMIUM (excl. taxes)</b>	<b>INCREASE/ (DECREASE) FROM PREVIOUS YEAR</b>
2015	\$230,115	9.6%
2016	\$230,115	0%
2017	\$76,000	(67%)
2018	\$76,000	0%
2019	\$76,000	0%

#### ii) Property Insurance

The premium for the property line of coverage reflects an approximate increase of \$8,400 plus taxes, in comparison to 2018; however, the rate applied by the underwriter remained the same. The increase in the premium for this coverage is a result of County-initiated adjustments to the Statement of Values and the 2018 changes in the asset inventory (i.e. renovations to the Jarvis Library resulting in a higher insured value and addition of the new Dunnville Farmer's Market Pavilion.)

#### iii) Automobile Insurance

The underwriter's rate applied to the Automobile line of coverage also remained the same as the prior year. There is a premium increase of approximately \$3,800 plus taxes for 2019 due to an increase in the insured value of assets in the County's Fleet in comparison to last year.

#### iv) Cyber Insurance

Council approved the addition of Cyber Privacy Breach Insurance to the County's Municipal Insurance Program in 2018. The premium for this line of coverage has increased to \$18,500 plus taxes. The underwriter's have advised that the increase in premium for 2019 is due to a further review of the risk. It has been explained that the underwriters use annual County revenue, reported in the annual financial statements, as a way to measure the number of records of personal information the County is responsible for at any one time. Staff have reviewed the revenue figure the underwriters have used and feel that the figure incorporates internal sources of revenue (ie. reserve transfers, debt proceeds) which should not be applicable in this calculation; and, therefore, staff have provided the underwriters with a more relatable for the County's revenue which would be applicable to measuring cyber risk under this policy. At the time of the writing of this Report, staff await the updated quote for the Cyber Insurance Policy which is expected to be reduced from the figure of \$18,500 originally quoted.

#### v) Municipal Volunteers' Accident Policy

Council also approved the addition of the Municipal Volunteers' Accident Benefits Policy to the County's insurance program in 2018. The premium for this line of coverage remains the same for 2019 at \$750 plus applicable taxes. The brokers have advised of an option to remove an age restriction that exists on this coverage and this is described in more detail below in the Optional Coverage section of this report.

#### vi) Recreation Affiliates Insurance

The Recreation Affiliates component of the General Insurance Program provides liability coverage for incorporated groups who cannot be identified as volunteers under the County's general liability policy, due to their incorporated status, and who operate County-owned sports fields under an agreement or lease. There is no proposed increase to the premium for 2019. Currently, the Dunnville Soccer Park Corporation and Haldimand Youth Soccer Corporation are insured under the Recreation Affiliates Policy. For several years, the County has facilitated this insurance coverage, on the groups' behalf, in an effort to get the lowest possible premium. Since 2012, Council has capped these two organizations' contributions to the annual premium at \$550 each, with the remainder of the premium paid by the County. Staff are not recommending any changes to the cost sharing since the renewal premium of approximately \$2,400 plus tax has not changed.

#### vii) Community Hall Boards

The Community Hall Boards Liability premium also remains at the same premium level as in 2018, that being \$12,000, plus applicable taxes.

### **Optional Coverage:**

PDI/JLT presented options with regard to the County's insurance policies for consideration, including:

- Municipal Volunteers' Accident – Removal of Age Restriction
- Optional Increased Auto Accident Benefits.

County staff discussed the above with PDI/JLT and the particulars of these options are outlined below for Council's consideration.

#### **#1. Municipal Volunteers' Accident Benefit Policy – Removal of Age Restriction**

The Municipal Volunteers' Accident Benefit Policy was approved by Council as part of the insurance renewal for 2018. This policy provides for a Principal Sum of \$50,000 for accidental death or dismemberment and a table of losses with corresponding benefits to a maximum indemnity of \$1,000,000 depending on the nature of the injury for municipal volunteers in the event that they are injured while volunteering on behalf of the County. The premium associated with this policy was \$750 in 2018 and has been quoted to remain the same in 2019. PDI/JLT has indicated that there is an age restriction under this policy making benefits only available to those under the age of 80. An option has been presented to the County to remove this age restriction under the policy for an additional annual premium of \$250 plus taxes. This would bring the total premium for this policy to \$1,000 per year plus provincial sales tax.

Given the low additional premium, staff recommend removing the age restriction under the Municipal Volunteers' Accident Benefit Policy since there are many volunteers that support the County's activities that may exceed the age of 80 years.

## **#2. Optional Increased Auto Accident Benefits**

In order to stabilize rates, the Ontario government made changes to automobile insurance over the last few years. Basic Statutory Accident Benefits (SABS) under an Ontario Automobile Policy were instituted with Ontarians given the option to purchase additional increased accident benefit coverage depending on their needs. This optional coverage is offered at the time of purchase or renewal to all automobile owners. As the County has automobile insurance on all of its fleet vehicles, it is also entitled to purchase this optional increased accident benefit coverage. The different types of benefits come with differing levels and premiums for increasing coverage. Attachment 2 identifies the various types of benefits that can be increased. County staff that operate fleet vehicles have access to benefits through various avenues should an injury result including: OHIP; County-provided employee health care benefits; WSIB and the mandatory Statutory Accident Benefits already provided under basic Automobile Policies. For the reasons outlined above, staff do not recommend increasing the SABS for additional coverage related to operation of the County owned fleet.

## **Value Added Services**

As part of the insurance program offered by PDI/JLT, value added services are also included at no additional charge to assist the County with its risk management practices. These services include magazines and periodicals on current risk and insurance matters, as well as customized seminars, webinars and other training opportunities for County staff with regard to best risk management practices. Staff were able to take advantage of many of these value added services in 2018, including bulletins and periodicals on trends in risk management & insurance, which were shared with the Senior Management Team and Managers for all divisions. Additionally, training sessions were provided to various Divisions regarding Cyber Liability concerns, Roads Liability Mitigation, Volunteerism, etc. Staff will again be working with PDI/JLT representatives to implement further training opportunities for staff in 2019.

## **Joint Landfills Coverage**

PDI/JLT has provided a separate quote for the standalone Joint Landfills Policy. As shown in Attachment 1, the premiums proposed for all lines of coverage essentially remain the same as they were in 2018.

Staff recommend renewal of the Joint Landfills Policy for the 2019 policy year, in the amount of \$13,902 plus provincial sales taxes. This policy must also be approved by Norfolk County as a co-owner, with the annual premium also cost shared with Norfolk (approximately 55% recovered).

## **Marsh & McLennan Companies Acquisition of Jardine Lloyd Thompson**

On September 18, 2018, Marsh & McLennan Companies' Board of Directors agreed to the acquisition of Jardine Lloyd Thompson. While subject to regulatory approval, it is expected that the acquisition will be complete in Spring 2019. Staff inquired with JLT representatives how the recent acquisition can be expected to impact the County's contract. JLT representatives have indicated that there will be no disruption in services provided to the County and, in fact, the merger is expected to result in even more efficiency. Attachment 3 is a letter received from Dominic Burke, Chief Executive of JLT, notifying of the acquisition.

## FINANCIAL/LEGAL IMPLICATIONS:

The chart below shows the current insurance program, including a comparison of the 2018 premium to the proposed 2019 premium, inclusive of Provincial Sales Tax where applicable. It excludes the recommended optional update to the Volunteers' Accident Benefit Insurance Policy for 2019 which, if approved by Council, would add approximately \$270 to the annual premium inclusive of tax.

<b>POLICY</b>	<b>2018 PREMIUM (including tax)</b>	<b>2019 PROPOSED PREMIUM (including tax)</b>
Municipal General Liability (includes Public Officials Liability, Environmental Impairment Liability, Employee Benefits Liability, Legal Expense Insurance, Non-Owned Automobile)	\$82,080	\$82,080
Excess Liability (\$45 Million Excess of \$5 Million Primary)	\$17,496	\$17,496
Crime	\$2,160	\$2,160
Owned Automobile (tax exempt)	\$103,158	\$106,994
Property (includes Boiler & Machinery)	\$195,251	\$204,270
Cyber Insurance	\$18,090	\$19,980
Volunteers' Accident	\$810	\$810
Community Hall Boards Liability	\$12,960	\$12,960
Recreation Affiliates	\$2,592	\$2,592
Landfill Policy (gross amount; to be cost shared with Norfolk County whose share is approximately 55%)	\$15,015	\$15,014
<b>TOTAL</b>	<b>\$449,612</b>	<b>\$464,356</b>

As shown above, the cost for status quo coverage is increasing by approximately \$14,700 or 3%. In addition to the above status quo coverage, staff have recommended the removal of the age restriction under the Municipal Volunteers' Accident Benefits, at an extra annual premium cost of \$250 plus taxes. If Council approves the recommended removal of the restriction, the gross 2019 insurance premium, including taxes, would be \$464,626. Recoveries of \$1,100 from the two soccer clubs, as well as Norfolk's share of the Landfill Policy at approximately \$8,250, reduces the County's net external insurance expense to approximately \$455,300 for the upcoming year. This excludes third party insurance coverage related to employee/Council benefits.

As per the User Fees & Charges By-law, the amounts quoted for the insurance policy renewals in this report exclude the Special Events Insurance Program and the Facility Users Insurance Program which are expected to be maintained at the base budget level for 2019 and recovered through specific user fees.

## **STAKEHOLDER IMPACTS:**

All departments and various County Boards are insured under and impacted by elements of the General Insurance Program. Staff working with volunteers were consulted regarding the benefit of removing the age restriction under the Volunteers' Accident Benefit Policy and support this recommendation.

## **REPORT IMPACTS:**

Agreement: No

By-law: No

Budget Amendment: Yes

Policy: No

## **ATTACHMENTS:**

1. Premium Breakdown Comparison
2. Ontario Auto Insurance – Accident Benefits Optional Coverage Overview
3. Letter from Dominic Burke, Chief Executive, JLT Canada