
HALDIMAND COUNTY

Report LSS-27-2019 General Insurance Renewal – 2020

For Consideration by Council in Committee on October 29, 2019



OBJECTIVE:

To renew the County's General Insurance Program for 2020.

RECOMMENDATIONS:

1. THAT Report LSS-27-2019 General Insurance Renewal – 2020 be received;
2. AND THAT the 2020 insurance policies and premiums proposed by Jardine Lloyd Thompson Canada Inc. (Marsh) 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 \$460,200, 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, 2020;
 - 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 amount of \$550 each;
3. AND THAT the 2020 Closed Landfill Policy be renewed with Jardine Lloyd Thompson Canada Inc. (Marsh) and Pearson Dunn Insurance Inc., at a premium cost of \$14,440, plus applicable taxes, conditional on the approval of and cost sharing with Norfolk County as joint owners.

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Respectfully submitted: Cathy Case, General Manager of Corporate & Social Services

Approved: Craig Manley, MCIP, RPP, Chief Administrative Officer

EXECUTIVE SUMMARY:

Staff recommend renewal of the 2020 General Insurance Program with Pearson Dunn Insurance Inc. & Jardine Lloyd Thompson Canada Inc. (Marsh) at an annual cost of approximately \$502,716 (including taxes). Staff further recommend renewal of the 2020 Joint Landfills Policy, subject to Norfolk County's approval of the policy and cost sharing of the approximate \$15,595 (including taxes) annual premium. The only 2020 change to the external insurance policy coverage, relates to a new standalone Medical Malpractice Liability Policy for paramedic services which is required by the insurance underwriters. The new policy is discussed further in the body of this report.

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 1st. There are multiple policies, covering typical municipal insurable risks, which are encompassed in this program. The program, and this report, do 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. The 2020 policy year would represent the fourth year of the initial five-year contract term.

Staff met with representatives of PDI/JLT in September 2019 to review the proposed 2020 insurance renewal. The County's favourable claims experience in the previous three years of the contract, the hardening of the insurance market, as well as the finalization of the acquisition of JLT by Marsh & McLennan Companies, formed part of the discussions.

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 standalone 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 or user pay insurance programs will be brought forward to Council in a separate report or through the 2020 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 2019 premiums to the proposed 2020 renewal premiums, with the Joint Landfill Sites Policy shown separately. The premiums for the 2020 General Insurance Program - including liability, automobile, crime, cyber, property, community hall boards' liability and recreation affiliates policies - total \$460,200, plus applicable provincial sales tax. In comparison, the 2019 premiums totaled \$424,996, exclusive of

provincial sales tax. This represents a net increase of approximately 8% or \$35,204 plus tax. Outlined below are reasons for the changes in the various policy premiums, if any.

i) Liability Insurance

As part of the RFP proposal submitted by PDI/JLT in 2016, a three year commitment to stable municipal liability rates was agreed to resulting in a municipal liability premium of \$76,000 for the past three years. This commitment ceases at the end of 2019. Despite industry wide market hardening, the County's brokers were able to secure stable rates again this year for the municipal liability. As shown in Attachment 1, the proposed 2020 Municipal Liability premium decreased by \$14,400. PDI/JLT have advised that the underwriter has reduced the County's municipal liability premium to compensate for the new Medical Malpractice Liability Policy for Paramedic Services, which is now required to be a standalone policy under the County Insurance Program. This new policy is described in greater detail in this report. The Umbrella Liability premiums remain the same.

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. This chart should be reviewed with discretion, however, taking into account the new Medical Malpractice Liability Policy for Paramedic Services and the additional premium of \$28,240 for said Policy commencing in 2020, which is not shown in the chart below.

YEAR	MUNICIPAL GENERAL LIABILITY PREMIUM (excl. taxes)	INCREASE/ (DECREASE) FROM PREVIOUS YEAR
2016	\$230,115	0%
2017	\$76,000	(67%)
2018	\$76,000	0%
2019	\$76,000	0%
2020	\$61,600	(19%)

ii) Medical Malpractice Liability – Paramedic Services

Incidental medical malpractice liability coverage is an extension of coverage that has always been provided under the County's Municipal Liability Policy and continues to be. As it lies within the County's main liability policy, it too has a coverage limit of \$5,000,000, subject to a \$250,000 deductible and is covered for additional limits of \$45,000,000 under the County's Excess Policy. As an extension of coverage, there is no additional premium charged. This type of insurance provides coverage for the risks associated with various employees of the County that may provide services to the public related to healthcare, for example: paramedics, personal support workers, firefighters, registered practical nurses, etc. This type of coverage would respond to any claims advanced against the County as a result of an error being made in the rendering of or failure to render medical services (in those employment capacities mentioned above).

Staff has been informed by PDI/JLT that due to the globally significant claims being advanced against paramedic services for medical malpractice liability, insurance underwriters are no longer willing to cover this exposure under the extension of the Municipal Liability Policy and are insisting on a standalone policy and premium for this coverage. PDI/JLT indicated that various markets were approached to obtain the best possible premium quote for the County. This new standalone policy is being provided to the County for \$28,240, plus applicable taxes. This is identified in the breakdown of the County program at Attachment 1. This provides a policy with a \$10,000,000 limit subject to a \$25,000 deductible. Staff inquired of PDI/JLT as to quotes for limits for this new standalone policy to be in line with the other liability limits under the County's municipal liability program – that being

\$50,000,000 (\$5,000,000 primary/\$45,000,000 excess) as well as quotes to increase the deductible for this policy to be in line with the County's municipal liability deductible of \$250,000. PDI/JLT have advised that the policy has been quoted by the underwriter (Aviva) at the minimum premium price and there would be no further savings by increasing the deductible to \$250,000.

With regard to quotes to increase the limit for this policy, PDI/JLT have provided the following:

- a. \$10,000,000 limit – premium - \$28,240
- b. \$25,000,000 limit – premium - \$39,669
- c. \$50,000,000 limit – premium - \$52,169

PDI/JLT have further advised that current statistics indicate a \$10 million limit is sufficient for a paramedic exposure, however, the County is in a unique situation to have higher limits available to it where many other organizations are not able to purchase such limits. The insurance market is in a state of transition where insurers are much more disciplined and the denial of risk is becoming more common. If the County went with a higher limit for this new policy (\$25M/\$50M), as the market continues to harden, the impact of any mandatory premium increase may be less significant than if the County felt it necessary to raise the limits on this policy in the future and sustain higher premiums given the future market trends.

Staff have considered the above information as well as the County's claims history in this regard, which is non-existent, and recommend accepting the base level limit for this new required standalone policy at \$10,000,000 with a \$25,000 deductible. This will be reviewed annually based on claims history and market conditions, bringing forward to Council any recommendations to increase the limits that may be appropriate at that time, or any options to increase the deductible.

iii) Property Insurance

The premium for the property line of coverage reflects an approximate increase of \$4,674, plus taxes, in comparison to 2019; however, the rate applied by the underwriter remained the same. The increase in the premium for this coverage is a result of changes in the asset inventory (i.e. additions such as the Cayuga Library & Heritage Centre) as well as an inflationary rate of 2% added to the values of the County's facilities. The County does not currently undertake certified appraisals for its facilities and therefore the insurer has added an inflationary rate to the values to ensure an appropriate amount of coverage is in place to account for replacement cost values.

iv) 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 \$16,690 for 2020, due to an increase in the insured value of assets in the County's Fleet in comparison to last year.

vi) 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 remained the same for 2020 at \$18,000 plus taxes, as it was in 2019. It also has a policy fee of \$500. A status quo premium for this line of coverage is pleasantly surprising given the many cyber breaches experienced by the public sector in 2019. The insurer has, however, made some amendments to the various coverages associated with this policy. Given the ever-evolving cyber crime, some coverages under the policy have been renamed or reconfigured to address new threats or incorporate new terms that have emerged in today's society associated with cyber issues. Terms such as botnetting and cryptojacking. Attachment 2 provides any policy wording amendments issued by the insurer including definitions of any new descriptions of terms.

Council is cautioned that should current trends continue in 2020, premiums and policy language associated with this coverage could change significantly in future years.

vii) Municipal Volunteers' Accident Benefit Policy

Council approved the addition of the Municipal Volunteers' Accident Benefits Policy to the County's insurance program in 2018. In 2019, Council was advised of an age restriction on this coverage making benefits only available to those under the age of 80. An option to remove this age restriction was offered and accepted by Council for an additional premium of \$250 annually, bringing the total premium for this policy to \$1,000 for 2019. The premium for this line of coverage remains the same for 2020 at \$1,000 plus applicable taxes.

viii) 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 2020. 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.

ix) Community Hall Boards

The Community Hall Boards Liability premium also remains at the same premium level as in 2019, that being \$12,000, plus applicable taxes.

Optional Coverage:

PDI/JLT presented the following option with regard to the County's insurance policies for consideration:

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 3 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 2019, including

bulletins and periodicals on trends in risk management & insurance, which were shared with the Senior Management Team and Managers for all divisions. Additionally, staff attended training sessions specific to topics relevant to the County (i.e. cyber liability). Staff will consider the County's needs and work with PDI/JLT representatives to implement further appropriate training opportunities in 2020.

Joint Landfills Coverage

PDI/JLT has provided a separate quote for the standalone Joint Landfills Policy. As shown in Attachment 1, the premiums proposed by the underwriters show a slight increase of \$550 for the environmental liability coverage and a slight decrease (\$12) in the property insurance coverage as compared to 2019. Similar to the County's main Property Insurance Policy, the rate applied by the underwriter remained the same. The changes in the premium for this coverage is a result of changes in the asset inventory.

Staff recommend renewal of the Joint Landfills Policy for the 2020 policy year, in the amount of \$14,440 plus provincial sales taxes. This policy must also be approved by Norfolk County as a co-owner, with the annual premium cost shared with Norfolk (56.52% recovered).

Marsh & McLennan Companies Acquisition of Jardine Lloyd Thompson

In September 2018, Marsh & McLennan Companies' Board of Directors agreed to the acquisition of Jardine Lloyd Thompson. This acquisition received regulatory approval and was completed in April 2019. Staff inquired with JLT representatives on how the recent acquisition can be expected to impact the County's contract. JLT representatives have indicated that while they are undergoing changes within the company, they anticipate there will be no disruption in services provided to the County. The County can expect to see some minor changes however, for example it is anticipated that the insurance policies issued for 2020 will contain Marsh & McLennan branding or some combination of the two. If staff are advised of any significant changes to the County's insurance program as a result of this merger and acquisition, this will be brought to Council's attention.

FINANCIAL/LEGAL IMPLICATIONS:

The chart below shows the current insurance program, including a comparison of the 2019 premium to the proposed 2020 premium, inclusive of Provincial Sales Tax where applicable.

POLICY	2019 PREMIUM (including tax)	2020 PROPOSED PREMIUM (including tax)
Municipal General Liability (includes Public Officials Liability, Environmental Impairment Liability, Employee Benefits Liability, Legal Expense Insurance, Non-Owned Automobile)	\$82,080	\$66,528
Excess Liability (\$45 Million Excess of \$5 Million Primary)	\$17,496	\$17,496
Medical Malpractice Liability – Paramedic Services	\$0	\$30,499
Crime	\$2,160	\$2,160
Owned Automobile (tax exempt)	\$106,994	\$123,684
Property (includes Boiler & Machinery)	\$205,094	\$210,142
Cyber Insurance (includes \$500 policy fee)	\$19,980	\$19,980

Volunteers' Accident	\$1,080	\$1,080
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 56.52%)	\$15,014	\$15,595
TOTAL	\$465,450	\$502,716

As shown above, the cost for status quo coverage is increasing by approximately \$37,266 or 8%. The gross 2020 insurance premium, including taxes and the cyber policy fee, would be \$502,716. Recoveries of \$1,100 from the two soccer clubs, as well as Norfolk's share of the Landfill Policy at approximately \$8,814, reduces the County's net external insurance expense to approximately \$492,802 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 2020 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.

REPORT IMPACTS:

Agreement: No

By-law: No

Budget Amendment: Yes

Policy: No

ATTACHMENTS:

1. Premium Breakdown Comparison
2. Amendments to Cyber Policy Wordings
3. Accident Benefits Optional Coverage Overview