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# HALDIMAND COUNTY

## Report LSS-17-2021 General Insurance Renewal - 2022

For Consideration by Council on December 13, 2021

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### OBJECTIVE:

To provide an update to the status of the 2022 Municipal Insurance Program renewal with estimated premiums.

### RECOMMENDATIONS:

1. THAT Report LSS-17-2021 General Insurance Renewal – 2022 be received;
2. AND THAT the 2022 insurance policies proposed by Marsh Canada Limited and Arthur J. Gallagher Canada Limited be approved as follows:
  - a. General Insurance Program including general liability, umbrella liability, community hall boards liability, environmental impairment liability, crime, automobile, property, volunteer accident and cyber coverage,
  - b. Recreation Affiliates Policy subject to the agreement of the current recreation affiliate organizations with the Dunnville Soccer Park Corporation and Haldimand Youth Soccer, with each of their contributions to this policy premium capped at the amount of \$550 each;
  - c. Closed Landfill Policy, conditional on the approval and cost sharing with Norfolk County as joint owners;
3. AND THAT the General Manager, Corporate & Social Services have delegated authority to renew the policies in the first quarter of 2022, based upon the final premiums provided by Marsh Canada Limited and Arthur J. Gallagher Canada Limited to an upset limit of \$810,000 inclusive of applicable taxes, approximately a 25% increase over the 2021 insurance premiums;
4. AND THAT staff report back to Council outlining the final rates and any significant policy changes for 2022.

**Prepared by:** Lori Friesen, Manager, Legal & Support Services

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

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

### EXECUTIVE SUMMARY:

As is the case for many Ontario municipalities, the global hardening and the limited number of insurers providing coverage to municipalities has resulted in a significant delay in receiving the 2022 insurance renewal. To date, staff have only received premium estimates for consideration by Council. As the final premiums and policy terms will not be received prior to year end, the insurer is maintaining our current 2021 policy until the final premiums and policies are submitted for review and approval by the County.

## BACKGROUND:

Haldimand County's General Insurance Program consists of two parts: self insurance which are the claims that are within our established deductibles; and the external insurance program which is coverage provided by an insurer and is renewed annually on January 1.

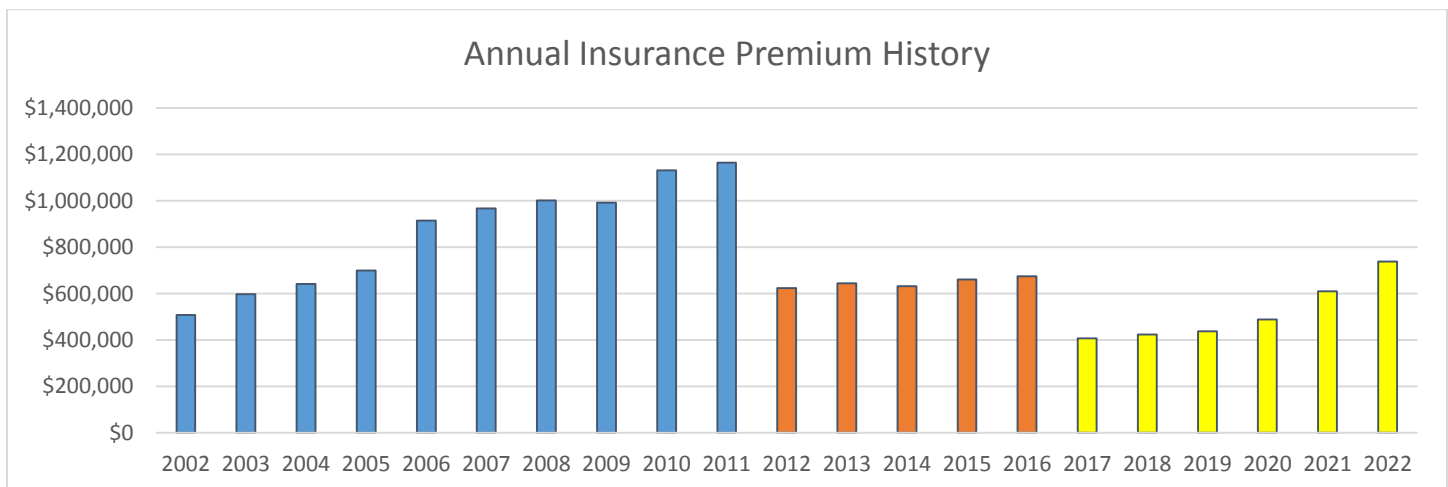
The General Insurance Program has adapted and changed since inception to accommodate the County's needs for insurance coverage including modifications to policy coverage, increases to deductible levels and new coverage types (i.e. standalone Cyber policy in 2018), etc. Insurance coverage has been provided by three insurance companies:

- up to 2011: Frank Cowan Company
- 2012 – 2016: BFL Canada Risk & Insurance
- 2017 to current date: Jardine Lloyd Thomson which was purchased by Marsh Canada Limited.

RFP's were issued for the 2007, 2012 and 2017 renewals - each at a time when there were softer markets and competition with multiple vendors proving municipal insurance programs. The 2017 renewal was awarded to Arthur J. Gallagher (Gallagher) for brokerage services and Marsh Canada Limited (Marsh) for the insurance provider.

Table 1 below indicates the premium changes over the course of several years and demonstrates the fluctuation. The notable decrease in premiums in 2012 was based primarily on significant deductible increases resulting in the County taking on more risk. As indicated in the table, the estimated 2022 premiums are similar to what the County was paying in 2005 however the exposure in terms of self-insurance is much higher now.

**Table 1**



In 2021, staff experienced what was thought to be the most challenging insurance renewal with global insurance prices rising for the eleventh consecutive quarter, insurers heavily focused on reducing volatility and achieving a sustainable level of profitability; and overall market hardening. The 2022 renewal has been just as challenging with no final insurance premiums or policy terms provided; and are not expected until early 2022. The rationale provided for the delays and the market hardening include:

- The insurance industry perceives risks in a different manner which has resulted in double digit rate increases, reduced capacity and new exclusion clauses.
- The number of insurers that have previously provided municipal insurance has decreased, resulting in a less competition.

Marsh has provided estimates of the premium increases for all policies with the exception of Medical Malpractice, the Recreation Affiliates program and the Joint Municipal Program. Based upon what has been provided to date, it is estimated that there will be an approximate 25% increase over the 2021 premiums.

Gallagher has confirmed that municipalities are experiencing overall premium increases of 20-25% with relatively good loss histories such as Haldimand County; and those with less than desirable losses are experiencing 25%+ increases coupled with mandatory deductible increases and coverage limitations in certain cases.

Staff are presenting the estimates for Council review and feedback; and an explanation of next steps to ensure that the County continues to be insured in 2022.

## **ANALYSIS:**

### **General Insurance Program**

Table 2 outlined within the Financial/Legal Implications section of this report, breaks down estimated costs of the County's General Insurance Program and compares the 2021 premiums to the proposed 2022 estimated renewal premiums.

The premiums for the 2022 General Insurance Program – including general liability, umbrella liability, community hall boards liability, environmental impairment liability, crime, automobile, property, volunteer accident, and cyber coverage is \$731,469 including applicable taxes. This does not include premiums estimates for Medical Malpractice, Recreation Affiliates or the Landfill policies as cost estimates have been provided but have been assumed at a 25% premium increase for an additional 71,686 including tax on Table 2. It is estimated that 2022 premiums will represent an overall 25% increase over the 2021 premiums.

All premium increases outlined below are inclusive of applicable taxes.

#### **i. General Liability Insurance**

General Liability applies primarily to liability related to property damage and bodily injury to third parties. The policy includes a number of extensions of coverage and endorsements, such as Errors & Omissions Liability, Environmental Liability, Employers' Liability, Employee Benefits Liability, Wrongful Dismissal, Conflict of Interest and Legal Expense Reimbursement, Non-Owned Automobile coverage, as well as other smaller lines. Table 2 outlines the estimated 2022 premium rate of \$88,558 which represents an approximate 15% or \$11,551 increase from the previous year.

The County's current deductible for General Liability is \$250,000. Staff are working to complete an analysis to determine if increasing the deductible to \$500,000 is a viable option to assist in reducing premium costs without over exposing the municipality.

#### **ii. Umbrella Coverage**

The County's General Liability Coverage is for \$5 million. With the increased costs of injury awards related to auto and general liability exposures, which can sometimes exceed \$5 million, it is important that the County retain Umbrella Coverage. This Coverage provides an additional layer of insurance; so if the main policy is exceeded, then the Umbrella Coverage is triggered. The estimated premium is \$43,200, representing an increase of 97% or \$21,289 over the 2021 premium.

There continues to be a decline in the number of umbrella carriers making it more difficult to obtain through one insurer. Underwriters are increasingly unwilling to cover large policies and the bulk of risk that is associated with losses which may exceed the main policy. Anything over \$5 million in umbrella

insurance is reinsured, meaning that the insurance company providing the umbrella insurance, purchases additional coverage over the \$5 million from another insurance company so the risk is shared - typically resulting in two to three different insurers to build towers of liability coverage. The County has \$45 million in umbrella coverage, and to date, has not drawn upon the policy, but in all likelihood, is only a matter of time. It is critical that this limit of coverage be retained to adequately protect the County from claims related to catastrophic injury.

The umbrella coverage is currently priced at \$2,000 per million of coverage. Gallagher has found that most insurers are charging anywhere from \$1,800 - \$2,000 per million and has followed up with Marsh to review this increase once again to try to obtain the lower price per million of coverage.

#### iii. Medical Malpractice Liability – EMS Professional Liability

Medical Malpractice Liability policy is provided as a separate and stand-alone policy from the Municipal Insurance Program. 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 including paramedics, personal support workers, firefighters, registered practical nurses, etc. No premium estimates or policy coverage details have been provided, however industry averages have seen an increase of 22% – 25% in premiums with some changes to the policy terms. The 2021 rate was \$33,549. For budgeting purposes, an assumption of 25% increase has been applied on Table 2.

#### iv. Environmental Impairment Liability

Environmental impairment liability provides coverage for any liabilities that may arise from gradual pollution to aid in covering payables to third parties, site cleanup and applicable emergency costs. The estimated premium is \$10,800 plus tax, representing an increase of 100% or \$5,426 over the 2021 premium. The estimated increase is strictly market driven as there are only a couple of insurers that are willing to provide insurance for this policy type. The County has not experienced any fines, penalties or claims that would be indicative of an increase. Gallagher has indicated that insurers that do not have a municipal program are allocating a \$15,000 premium range. Regardless, Gallagher is asking for Marsh to review this increase noting the County's no claim experience.

#### v. Crime Insurance

This policy provides a variety of coverage for employee dishonesty, loss of money, forgery and related professional legal and auditing expenses. The estimated premium is \$2,700, representing an increase of 25% or \$540 over the 2021 premium. This is the first premium increase for crime insurance in the last five years.

#### vi. Automobile Insurance

The market rate applied to the County's automobile portfolio increased by 4%. Gallagher has indicated that the average market increases municipal clients are seeing in the auto line over coverage range from 2%-5%. The remaining increase is related to the additional units, or increased value, of the County's fleet inventory. Total insurable fleet licenced vehicles increased from 208 to 216 units in the last year. The overall premium increase related to the auto policy is 7%, totalling \$143,720 for 2022 and represents an increase of \$9,170 over the 2021 premium.

#### vii. Property Insurance

Property-related coverage applies to physical damage, machinery breakdown and all municipal owned properties. A 2% inflationary rate was added to the 2022 County property value portfolio to address increased costs in labour and materials. In addition to the inflationary increases, which Gallagher indicates is the lowest they have seen (most are at 5%), there is also a market rate increase of 8%

applied. On top of these two standard types of increases, the County's property values were updated and the increased valuations in some properties also contribute to the overall property premium increase of 22%.

Another significant change to the property policy that providers are imposing across the industry is that all property policies will be written on a "limit of loss" basis, which means that the previously enjoyed blanket coverage of the total value of the loss is no longer available and that there will be an aggregate limit applied to a maximum of \$100 million per event. The main risk to the County appears to be one property which is valued over \$100M, leaving the County potentially exposed for the excess value in the event of a total loss. The other risks related to a limit of loss policy would be if multiple properties experienced damage or loss from the same event, in excess of the \$100M limit. In this case the excess would be the responsibility of the municipality. Gallagher is working with Marsh to determine if there is any flexibility in increasing the aggregate to \$150 Million. If this is not possible, staff will be reviewing other options for Council's consideration, to mitigate the increased exposure.

The estimated 2022 premium rate is \$368,319 and is an increase of 22% or \$66,429 over the 2021 premium. The current deductible for property coverage is \$50,000. Staff are working to complete an analysis to determine if increasing the deductible to \$100,000 is a viable option to assist in reducing premium costs or to offset the request of increasing the aggregate to \$150 Million.

#### viii. Municipal Volunteers' Accident Benefit Policy

Council approved the addition of the Municipal Volunteers' Accident Benefits Policy to the County's insurance program in 2018. As with 2021, the premium of \$1,000, plus tax hasn't changed since 2019.

#### ix. Cyber Insurance

Cyber liability coverage was put into place as a stand-alone program in 2018 reflecting the growing trend of cyber risk to municipalities. Cyber breaches, cybersecurity matters and ransomware are becoming more commonplace with the underwriters realizing the losses associated with this type of risk. Public entities are consistently one of the most heavily impacted classes for cyber losses which is why some key cyber insurers are no longer insuring municipalities or drastically restricting insurance coverage. There has been a significant increase in the number of cyber attacks and associated losses since the unplanned / unprepared remote working began as a result of the COVID pandemic.

Cyber coverage differs slightly from other lines of coverage. In addition to incident response, a more proactive service is also included in the premium costs in the event of a cyber incident concern. Although the policy terms have not been provided, it is assumed that until further clarified, this same coverage and proactive approach will continue. The estimated 2022 premium is \$59,940, or 79% increase from 2021 and requires an increased deductible from \$50,000 to \$100,000. Gallagher has asked Marsh to reconsider the deductible increase due to the work that the County has done to safeguard itself from these types of attacks.

#### x. Community Hall Boards

The Community Hall Boards Liability premium remained at the same premium level of \$12,000, plus applicable taxes since 2017. This year, the estimated premium is \$13,152 representing a 1% increase and \$192 over the 2021 premiums.

#### xi. Recreation Affiliates Insurance

The Recreation Affiliates 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. No estimated premium has been provided.

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. In 2021, staff recommended not making any changes to the cost sharing since the renewal premium of \$2,400 plus tax had not changed. If there is a substantial change to the premium, staff may opt to reconsider this recommendation and seek Council direction on possible options. For budgeting purposes, an assumption of 25% increase has been applied on Table 2.

xii. Joint Municipal Landfill Liability

The joint landfill coverage is a stand-alone policy. No premium or policy information has been provided for the 2022 renewal, however Gallagher is estimating that we will be experiencing an increase of approximately 25% but no actual estimate was provided. For budgeting purposes, an assumption of 25% increase has been applied on Table 2. Once the premium allocation is received, Norfolk County, as co-owner, will cost share the annual premium (56.52% Norfolk share) and will be notified of the 2022 renewal rates.

**Future Considerations:**

Staff have already begun data collection, analysis and discussions with Gallagher on seeking any and all opportunities available to the County to reduce the premium costs while remaining fiscally responsible. Tactics include reviewing deductible levels, reviewing the property program to seek alternative methods to insure, or looking at options to build the insurance reserve over the long term in the event the County is in a position where it has no other choice than to take on more risk and self-insure more of its portfolio, etc. Staff have been assured in writing that until the 2022 program with final premium costs and policy terms have been reviewed and accepted by the County, the 2021 insurance policy will continue to be in effect. Staff have also been informed that upon the County receiving the full 2022 renewal information, it is anticipated that a decision on the policy acceptance is to be made within 30 days. Staff have expressed that they will be seeking an extension based upon the fact that the delay in the renewal is of no fault of the County; and time is required to ensure due diligence of coverage, costs and impacts.

Staff have expressed their frustration with the estimated increase in premiums and the significant delay in obtaining renewal; especially when Haldimand is continually identified as a model portfolio, with good risk management practices to reduce potential exposure and loss; and is already a Marsh client.

Based upon information shared by Marsh and benchmarking Haldimand's insurance portfolio against other municipal clients, Gallagher is estimating a 25% increase over the 2021 premiums. To expedite the 2022 renewal, staff are seeking approval to proceed with accepting the renewal as estimated and provide the General Manager with delegated authority to finalize the 2022 general insurance renewal once final figures are received, based upon an upset limit of \$810,000 inclusive of applicable taxes,—which represents approximately 25% over the 2021 premiums and provide a follow up memo to Council with the final rates.

**FINANCIAL/LEGAL IMPLICATIONS:**

The table below shows the current (2021) insurance program premiums compared to the estimated 2022 premiums - noting that no estimates have been provided for Medical Malpractice, Recreation Affiliates or Landfill. All estimates are inclusive of Provincial Sales Tax where applicable.

**Table 2**

<b>POLICY</b>	<b>2021 Premium</b>	<b>2022 Estimated Premium Provided</b>	<b>2022 Estimated Premium Assumed*</b>	<b>Estimated Increase over 2021</b>	<b>Estimated Percentage Increase</b>
Municipal General Liability	\$77,007	\$88,558	-	\$11,551	15%
Umbrella Liability	\$21,911	\$43,200	-	\$21,289	97%
Medical Malpractice Liability	\$33,549	-	\$41,936	\$8,387	25%
Community Hall Boards Liability	\$12,960	\$13,152	-	\$192	1%
Recreation Affiliates	\$2,592	-	\$3,240	\$648	25%
Environmental Liability	\$5,374	\$10,800	-	\$5,426	101%
Crime	\$2,160	\$2,700	-	\$540	25%
Owned Automobile	\$134,550	\$143,720	-	\$9,170	7%
Property	\$301,890	\$368,319	-	\$66,429	22%
Volunteer Accident	\$1,080	\$1,080	-	\$0	0%
Cyber	\$33,579	\$59,940	-	\$26,361	79%
Landfill**	\$21,208	-	\$26,510	\$5,302	25%
<b>TOTAL</b>	<b>\$647,860</b>	<b>\$731,469</b>	<b>\$71,686</b>	<b>\$155,295</b>	<b>25%</b>

\*assumed increase of 25% for these policies as estimates are yet to be provided

\*\*cost shared with Norfolk County as joint owners

Once final renewal figures are received from the insurer, staff will report back via memo to Council to provide the actual increases. If the final increase provided to the County is unexpectedly higher than 25%, staff will report back to Council with options to consider going forward. Likewise, if changes are recommended after further staff analysis is completed on the viability of the County assuming more risk, staff will report back for Council consideration.

## **STAKEHOLDER IMPACTS:**

All departments and various County Boards are insured under and impacted by elements of the General Insurance Program.

The Joint Municipal Landfill Liability costs are shared with Norfolk County as co-owner who are responsible for 56.52% of the 2022 annual premium.

## **REPORT IMPACTS:**

Agreement: No

By-law: No

Budget Amendment: Yes

Policy: No

## **ATTACHMENTS:**

1. None