



Administrative Report

Office of the Director of Financial Services/Treasurer

To: Warden Tom Bain and Members of County Council

**From: Sandra Zwiers
Director of Financial Services/Treasurer**

Date: June 6, 2018

Subject: 2018-19 Property & Liability Insurance Coverage

Report #: 2018-0601-FIN-R006-SZ

Purpose

The purpose of this report is to recommend to Council the purchase of Comprehensive Insurance Program Coverage for the twelve month period from June 30, 2018 through June 30, 2019.

Background

Aon Risk Solutions (AON) has prepared a comprehensive general insurance program for the 12 month period from June 30, 2018 to June 30, 2019.

The premiums presented are a result of negotiations between County Administration and AON, reflecting the operating realities of the County of Essex and the insurance industry, in general.

Since 2014, when the County last went to market through the RFP process, risk management strategies have resulted in favourable renewals and annual cost savings. During 2017/18 however, a number of automobile claims negatively impacted the program and the total value of insurable assets has grown resulting in a net increase in cost to the overall insurance program for the 2018/19 coverage period.

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Discussion

Program Coverage

The limits and deductibles requested by the Corporation represent a balanced approach to insurance coverage, weighing risk and appropriate coverage against the cost of providing the insurance. Provided below are key coverage limits of the recommended 2018/19 Comprehensive Insurance Program, highlighted by class with corresponding retention or deductible amounts that the County would absorb in circumstances giving rise to an insurance claim. Deductible levels remain unchanged from the current program. Coverage limits remain unchanged, with the exception of the value of our total assets insured which has increased primarily due to the addition of the Dougall Avenue EMS Station, the West End Roads Office and Garage and replacement value inflationary adjustments.

Insurance Class	Summary of Coverage	2017/18	2018/19
Property	Total Sum Insured	\$112,747,129	\$117,667,866
	Deductible	\$10,000	\$10,000
	Deductible – flood/sewer	\$25,000	\$25,000
	Deductible – earthquake	3% or min.	3% or min.
		\$100,000	\$100,000
Boiler/Machinery	Limit per Accident	\$112,747,129	\$117,667,866
	Deductible	\$10,000	\$10,000
Crime	Commercial Blanket Bond	\$1,000,000	\$1,000,000
	Money/Securities, Blanket	\$200,000	\$200,000
	Claim Preparation Costs	\$200,000	\$200,000
	Computer Fraud	\$500,000	\$500,000
	Telecom Theft	\$10,000	\$10,000
Auto	Liability Limit	\$50,000,000	\$50,000,000
	Deductible	\$10,000	\$10,000
Non-Owned Auto	Liability Limit	\$50,000,000	\$50,000,000
	Legal	\$250,000	\$250,000
	Deductible	\$1,000	\$1,000
Municipal Liability	Limit of Protection	\$50,000,000	\$50,000,000
	Deductible	\$25K/\$75K	\$25K/\$75K
Wrongful Dismissal/ Sexual Abuse Liability	Limit of Protection/Annual	\$50,000,000	\$50,000,000
	Deductible	\$25,000	\$25,000
Environmental Liability	Limit of Liability	\$3,000,000	\$3,000,000
	Aggregate	\$6,000,000	\$6,000,000
	Self-Insured Retention	\$25,000	\$25,000
Cyber Liability	Limit of Liability	\$2,000,000	\$2,000,000
	Deductible	\$25,000	\$25,000
Errors/Omissions	Limit of Protection	\$50,000,000	\$50,000,000

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Insurance Class	Summary of Coverage	2017/18	2018/19
	Deductible	\$25,000	\$25,000
Councillors	Accidental Death & Dismemberment	\$250,000	\$250,000
Conflict of Interest	Limit of Liability	\$250,000	\$250,000
	% of Legal fees/Expense	100%	100%
Legal	Reimbursement of Fees	\$100,000	\$100,000
	% of Legal Fees/Expense	100%	100%

Annual Renewal Premium

As highlighted in the chart below, the 2018/19 program represents a net increase in premiums of \$22,613 from prior year.

2018/19 Insurance Fee Distribution

Class	2018/19	2017/18	\$ Change
Municipal Liability	510,000	510,000	0
Excess Liability	12,500	12,500	0
Municipal Accident / Conflict of Int.	1,861	2,261	(400)
Property and Business Interruption	58,810	56,374	2,436
Cyber Liability	15,789	15,789	0
Automobile Fleet*	177,251	156,674	20,577
Total (pre-RST)	776,211	753,598	22,613

*Based on quantities owned at time of reporting. Subject to adjustment (higher/lower) based on actual owned fleet quantities up to and including June 30, 2018.

The increase in premiums associated with the County's Automobile Fleet policy is a result of an increase in the total number of fleet vehicles insured under the program combined with the impact of increased claims due to motor vehicle accidents.

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The chart below illustrates the contribution of each of these factors. Vehicle Group	Premium Increase (Decrease) due to Volume Change	Premium Increase (Decrease) due to Claims Experience	Total Increase
Ambulances	\$6,504	\$3,726	\$10,230
Light Commercial	\$2,400	\$2,160	\$4,560
Heavy Commercial	\$2,808	\$2,240	\$5,048
Wheelchair Bus	(\$840)	\$0	(\$840)
PP Units	\$1,283	\$256	\$1,539
Trailers 36N	\$0	\$28	\$28
Trailers 44N	\$0	\$12	\$12
Total	\$12,155	\$8,422	\$20,577

Administration is currently undertaking a review of various mitigation measures and training opportunities related to the County's fleet assets. Monitoring and managing the risk associated with automobile operations is considered a key focus of the current year's risk management strategy.

In addition to these monitoring initiatives, it is necessary to recognize the potential for claims to be reported and resolved much later (the insurance industry refers to this as IBNR - incurred but not reported). Monitoring claims and trends in settlements continues to be a priority of Administration's risk assessment and mitigation practices.

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It is important to highlight that under our negotiated AON program, investigative claims/adjusting expenditures are absorbed by the carrier and do not add to the Corporation's deductible obligations. This benefit is not typical of most insurance programs. The historic three year average of savings arising from the absorption of investigative claims/adjusting expenditures is approximately \$30,000 per year.

Financial Implications

The 2018 budget anticipated a 3% increase in the overall cost of the program. The recommended program renewal is within budget estimates.

Recommendation

It is the recommendation of Administration that County Council accept the insurance program proposal submitted by AON Risk Solutions for the period commencing June 30, 2018 to June 30, 2019 at \$776,211 plus taxes.

Respectfully Submitted

Sandra Zwiers

Originally Signed by

Sandra Zwiers, Director of Financial Services/Treasurer

Concurred With,

Robert Maisonville

Originally Signed by

Robert Maisonville, Chief Administrative Officer