

**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
**Treasury Services Division**  
**(Risk Management Services)**

<b>TO:</b> Chair and Members Audit, Finance & Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> January 18, 2012	
<b>SUBJECT/REPORT NO:</b> 2012 Property and Liability Insurance Renewal (City Wide) (FCS12009 )(City Wide)	
<b>SUBMITTED BY:</b> Antonio D. Tollis Treasurer Corporate Services Department	<b>PREPARED BY:</b> Jody Boyd - 905-546-2424 ext. 5735
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the Liability and Property Insurance coverage for the term January 1, 2012, to January 1, 2013, be renewed through Jardine Lloyd Thompson Canada Inc (JLT) at a cost of \$3,652,095 (net of applicable taxes) in accordance with Appendix "A" to report FCS12009;
- (b) That the General Manager, Finance and Corporate Services, be authorized and directed to execute all associated documents on behalf of the City;
- (c) That the 2012 premium costs in the amount of \$3,652,095 (net of applicable taxes) be funded through the 2012 Risk Management Services Budget.

**EXECUTIVE SUMMARY**

The 2012 - 2013 Property/Casualty insurance renewal for the City Of Hamilton is a flat renewal at the same premium allocated to the City by JLT for the 2011 – 2012 policy

terms. The premium is subject to an automobile premium adjustment based on the fleet vehicle count of the City and the Hamilton Street Railway (HSR) units.

In January 2011, the City renewed its property and casualty insurance program through Jardine Lloyd Thompson following a request to the insurance markets that was overseen by the City's insurance broker, Pearson Dunn Insurance Inc. JLT provides significant cost savings and favourable rate and premium guarantees while maintaining consistent levels of insurance protection.

Alternatives for consideration – See page 4.

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial:** The 2012 premium costs \$3,652,095 will be funded through the 2012 Risk Management Services Budget. The 2011 insurance premium budget is \$3,662,095. Accordingly, the 2012 renewal represents a zero budget increase with respect to the premium costs. It should be noted that there are other significant costs (i.e. claims costs) that impact on this budget and will result in an overall increase in the 2012 insurance cost budget.

**Staffing:** None.

**Legal:** None.

**HISTORICAL BACKGROUND** (Chronology of events)

Given the extensive application, inspection and underwriting process required to offer a quote on a municipal account, it is not customary or practical in the insurance market to seek competitive marketplace bids on premiums every year. Instead, most municipalities seek market submissions through their insurance broker every 3 to 5 years. For the 2011 insurance policy renewal, the City undertook an approach to the markets resulting in the appointment of JLT; the JLT group work as general managing agents representing AVIVA and Lloyds of London. They are able to provide the City with a program that includes a comprehensive scope of coverage and competitive pricing.

JLT has frozen the premiums for the Municipal Liability Policy until 2013 (subject to specified loss ratios). Property and Auto premium rates are also guaranteed until 2012 again, subject to specified loss ratios. The HSR and City fleet automobile premiums are annually adjusted based on the fleet vehicle counts provided by the City.

The 2012-2013 Property/Casualty insurance renewal for the City of Hamilton is a flat renewal at the same premium allocated to the City by Jardine Lloyd Thompson (JLT) for the 2011–2012 policy terms (subject to the aforementioned automobile premium adjustment).

#### **POLICY IMPLICATIONS**

N/A.

#### **RELEVANT CONSULTATION**

Pearson Dunn Insurance Inc.

#### **ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

As noted, it is not practical to undertake an annual approach to the insurance markets, however, based on an informal market review and the application by JLT of rate guarantees, we are confident the insurance terms proposed by the incumbent insurer continues to be comprehensive in the scope of coverage and competitively priced.

JLT's 2011 submission was 7% lower than the submission offered by the City's previous insurer, Frank Cowan Company. JLT provided more favourable premium and rate guarantees and equally important, their policy wordings, limits and deductibles are comparable to those offered by Frank Cowan Company.

In addition to the 2011 savings offered on the City's property and casualty insurance, JLT provided total premium savings of \$16,862 on the insurance policies overseen by Risk Management Services for Tourism Hamilton and Hamilton Renewable Power Inc. These policies will be renewed on the same basis for 2012.

#### **2012 INSURANCE COVERAGE ENHANCEMENTS**

JLT provides coverage under its Crime Policy to insure against dishonest acts committed by third-party messengers entrusted with the City's money. The coverage is included under the primary and excess Crime policies to a total limit of \$1,000,000 at no additional premium.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Staff considered alternate deductible options and recommends continuing to insure at our present deductibles. Based on historic claims costs, increased deductibles would not be of financial benefit to the City as the additional claims costs incurred would exceed the reduction in premiums.

Staff also considered alternative insurance options such as the reciprocal insurance option presented by the Ontario Municipal Exchange (OMEX), but determined that, due to the financial impact of the retroactive assessment model of premium funding, it does not meet our long term goal of achieving rate stability.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

***Financial Sustainability***

- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

***Growing Our Economy***

- ◆ Competitive business environment

**APPENDICES / SCHEDULES**

Appendix "A" to report FCS12009 – City of Hamilton 2012 Property and Liability Insurance Renewal Coverages and Limits