



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Services Division

TO:	Chair and Members Audit, Finance & Administration Committee
COMMITTEE DATE:	February 10, 2014
SUBJECT/REPORT NO:	2014 Property and Liability Insurance Renewal (FCS14012) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Jody Boyd (905) 546-2424 ext. 5735
SUBMITTED BY:	Mike Zegarac Acting General Manager, Finance & Corporate Services Corporate Services
SIGNATURE:	

RECOMMENDATION

- (a) That the Liability and Property Insurance coverage for the term January 1, 2014, to January 1, 2015, be renewed through Jardine Lloyd Thompson Canada Inc. (JLT) at a cost of \$3,719,804 (net of applicable taxes) and be funded through the 2014 Risk Management Services Budget, in accordance with Appendix "A" attached to Report FCS14012;
- (b) That the General Manager, Finance and Corporate Services, be authorized and directed to execute all associated documents related to the renewal of the Liability and Property Insurance coverage for the term January 1, 2014, to January 1, 2015, through Jardine Lloyd Thompson Canada Inc., on behalf of the City.

EXECUTIVE SUMMARY

It is recommended by staff that insurance coverages for the year 2014 be renewed through Jardine Lloyd Thompson based on their ability to provide all coverages required on the broadest possible basis as recommended by Pearson Dunn Insurance, the City's Broker of Record in their 2014 renewal report to Risk Management.

The total insurance premium for 2014 is \$3,719,804 (net of applicable taxes). This represents an overall increase of \$4,015 or a 0.11% increase over the 2013 premiums. All insurance coverage, retention levels and limits remain unchanged with the exception of an increase in the deductible of the Crime policy from \$10,000 to \$25,000.

Policy rates and premiums remained flat across the 2014 renewal with the exception of the Comprehensive Crime and Excess Crime premiums which increased by a total of \$31,000. The Comprehensive Crime and Excess Crime premiums represent .017% of the total annual premium. This increase in premiums reflects the industry experience of Crime insurers who are being impacted by a general increase in Fraud losses. In response, they are re-insuring more of this exposure leading to an increase in premiums. The increased premium and an increase in the Primary Crime policy deductible from \$10,000 to \$25,000 also reflect the insurers concerns about the City's Crime losses (2008 Avero Messenger claim and the 2013 Fraud claim). Risk Management Services will continue to work with the insurers to keep them apprised of the City's progress in implementing processes to prevent such losses from re-occurring.

Alternatives for Consideration – See Page 4.

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: The 2014 premium of \$3,719,804 will be funded through the 2014 Risk Management Services Budget. The 2013 insurance premium budget is \$3,715,789. The 2013 renewal represents an increase of \$4,015 or a 0.11% budget increase with respect to the premium costs.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND (Chronology of events)

JLT has been the City's insurer since January 2011. Each year, Risk Management re-assesses the Municipal Insurance market with the assistance of its insurance broker Pearson Dunn Insurance Inc. After a review of options available to Municipal Entities and based on the recommendations of Pearson Dunn, it is the opinion of Risk Management that the insurance terms offered by Jardine Lloyd Thompson continue to provide the City with the optimum options for a comprehensive scope of coverage and competitive prices through utilization of financially stable Insurers, as illustrated by the following A.M. Best Ratings:

AVIVA CANADA	AM Best "A"
The Sovereign General Insurance Company	AM Best "A"
TRISURA	AM Best "A"

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A.

RELEVANT CONSULTATION

Negotiation and discussions with Jardine Lloyd Thompson were conducted, in association with the City's Broker of Record, Pearson Dunn Insurance Inc.

ANALYSIS AND RATIONAL FOR RECOMMENDATION (Include Performance Measurement/Benchmarking Data if applicable)

As noted, it is the opinion of Risk Management that Jardine Lloyd Thompson continues to provide the City with the optimum options for a comprehensive scope of coverage and competitive prices.

The 2014 Property/Casualty insurance premium for the City of Hamilton incurred a minimal increase of \$4,015. The Municipal Liability, Automobile and Property premiums and rates have remained stable since the City began insuring with JLT in 2011. The Comprehensive Crime and Excess Crime insurance premiums have increased; however, these premiums represent only .017% of the total annual net premium.

The increase was off-set by a reduction in the Fleet Automobile premium; the automobile premiums for both the City's Fleet and The Hamilton Street Railway (HSR) are based on the number of fleet vehicle units multiplied by a rate per unit. The fleet information is annually updated and provided to the insurer by the City.

In addition to assessing the Municipal Insurance market, staff informally surveyed the renewal experience of other municipalities. While it is not feasible to do an "apples to apples" premium comparison between municipalities (due to variables such as municipal loss history, varying retention appetites, infrastructure, social and geographic impacts), it is helpful to review the experience as an indicator of market conditions. Based on information received, to date, municipalities who are insured through markets, other than JLT, are experiencing municipal liability premium increases in the range of 10%-20% for the 2014 renewal term, with several being subject to increased deductibles imposed by their insurer.

One of the primary financial goals of Risk Management Services is to attain stability in premium rates. JLT has been able to sustain premium and rate guarantees for Municipal and Fleet Automobile liability premium, as well as, for Property Insurance premiums. Municipal Liability premiums and Property Insurance premiums are guaranteed until January 2015. Auto premium rates were guaranteed until January 2013, however, JLT has extended these rates through the 2014 policy term.

This stability in premium rates affords Risk Management Services greater accuracy in forecasting budgets, thus supporting the management of the City's assets in a cost-effective manner.

**ALTERNATIVES FOR CONSIDERATION
(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)**

Staff annually considers alternate deductible options, however, based on historic claims costs, increased deductibles would not benefit the City as the additional claims costs incurred by the City could exceed any premium savings realized. Accordingly, we recommend continuing to insure at our current deductibles.

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.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to report FCS14012 – City of Hamilton 2014 Property and Liability Insurance Renewal Coverages and Limits

CITY OF HAMILTON
2014 PROPERTY AND LIABILITY INSURANCE RENEWAL
COVERAGES AND LIMITS

TYPE OF COVERAGE	COVERAGE	DEDUCTIBLE
Municipal Liability	*5,000,000	250,000
Errors & Omissions Liability	Included	
Non Owned Auto	Included	
Excess Liability	Included	
Municipal Conflict of Interest	100,000	
Legal Expense	250,000	
Comprehensive Crime	10,000,000	25,000
Crime Excess	Included \$2.55 Billion	
Property	Replacement Value	500,000
Boiler	Included	100,000
City Auto	*5,000,000	500,000
Garage Liability Insurance	*5,000,000	
Environmental Impairment Liability (including WWTP)	10,000,000 43,000,000	500,000
HSR Rolling Stock (Transit)	(Included in Property)	50,000
HSR Auto Fleet	*5,000,000	100,000
Excess Umbrella Excess over; General Liability, City Auto Fleet, HSR Auto Fleet, Garage Auto Liability	*45,000,000	NIL
Directors' And Officers' Liability (HECFI - stand alone policy)	3,000,000	35,000

CITY OF HAMILTON 2011 PROPERTY AND LIABILITY INSURANCE RENEWAL INSURANCE PREMIUM COMPARISON		
	2013-2014	2014-2015
Total of all policies (Net of Taxes)	3,715,789	3,719,804
Taxes	145,875	148,355
Grand Total	3,861,664	3,868,159