



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Services Division

TO:	Audit, Finance and Administration Committee
COMMITTEE DATE:	February 9, 2015
SUBJECT/REPORT NO:	2015 Property and Liability Renewal Report (FCS15016) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Jody Boyd (905) 546-2424 ext. 5735
SUBMITTED BY:	Mike Zegarac General Manager Finance & Corporate Services Department
SIGNATURE:	

RECOMMENDATION

- (a) That the Liability and Property Insurance coverage for the term January 1, 2015, to January 1, 2016, be renewed through Jardine Lloyd Thompson Canada Inc. (JLT) at a cost of \$3,783,444 (net of applicable taxes) and be funded through the 2015 Risk Management Services Budget, in accordance with Appendix "A" attached to Report FCS15016;
- (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, 2015, to January 1, 2016, through Jardine Lloyd Thompson Canada Inc., on behalf of the City;
- (c) That Appendix "A", attached to Report FCS15016, respecting 2015 Property and Liability Renewal Report be approved."

EXECUTIVE SUMMARY

It is recommended by staff that insurance coverages for the year 2015 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 2015 renewal report to Risk Management.

The total insurance premium for the City of Hamilton (including the HSR), for 2015, is \$3,783,444 (net of applicable taxes). This represents an overall increase of \$63,640 or a 1.7% increase over the 2014 premiums. All insurance coverages, retention levels and limits remain unchanged. Policy rates and premiums remained flat across the 2015

renewal with the exception of a modest increase of 5% for each of Automobile (Buses only) and Casualty. The increase is off-set by a reduction in the Automobile Fleet premium which is calculated based on the number of vehicle units reported by the City to the insurer.

Alternatives for Consideration – See Page 3

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

Financial: The 2015 premium of \$3,719,804 will be funded through the 2015 Risk Management Services Budget. The 2014 insurance premium budget is \$3,719,804. The 2015 renewal represents an increase of \$63,640 or a 1.7% 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-"
Lloyds of London	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 2015 Property/Casualty insurance premium for the City of Hamilton incurred an increase of \$63,640 representing an increase of 1.7% over the 2014 premium.

Policy rates and premiums remained flat across the 2015 renewal with the exception of a modest increase of 5% each for Automobile rates (Buses only) and the Casualty premium. Premiums or rates for Automobile (Fleet), Property, Crime, Garage Automobile, Environmental Impairment Liability and Umbrella Liability remain as per the expiring policy.

Recognizing the significant impacts that Cyber or Terrorist events could have on the City's resources and assets, staff are in the process of arranging for the purchase of coverage for both of these exposures. It is expected that these policies will be placed early in 2015.

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, other municipalities are experiencing municipal liability premium increases in the range of 3%-7% for the 2015 renewal term. Insurers have also imposed higher deductibles on their municipal clients. The City's 2015 program does not contain any new restrictions or limitations of insurance, and has been renewed with the same coverages, limits and deductibles provided on the expiring term.

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 FCS15016 – City of Hamilton 2015 Property and Liability Insurance Renewal Coverages and Limits