



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Services Division**

<b>TO:</b>	Chair and Members Audit Finance and Administration Committee
<b>COMMITTEE DATE:</b>	March 6, 2017
<b>SUBJECT/REPORT NO:</b>	2017 Property and Liability Insurance Renewal Report (FCS17013) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Jody Yarmo (905) 546-2424 Ext. 5735
<b>SUBMITTED BY:</b>	Rick Male Director of Finance and Corporate Controller Corporate Services Department
<b>SIGNATURE:</b>	

### RECOMMENDATIONS

- (a) That the Liability and Property Insurance coverage for the term January 1, 2017, to January 1, 2018, be renewed through Jardine Lloyd Thompson Canada Inc. (JLT) at a cost of \$4,259,589 (net of applicable taxes) and be funded through the 2017 Risk Management Services Budget, in accordance with Appendix "A" attached to Report FCS17013;
- (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, 2017, to January 1, 2018, through Jardine Lloyd Thompson Canada Inc., on behalf of the City.

### EXECUTIVE SUMMARY

It is recommended by Risk Management staff (staff) that insurance coverages for the year 2017 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 Inc., the City of Hamilton's (City) Broker of Record in their 2017 renewal report to Risk Management.

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*OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

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The total insurance premium for the City of Hamilton (City) (including the Hamilton Street Railway (HSR)), for 2017, is \$4,259,589 (net of applicable taxes). Policy rates and premiums remained flat across the 2017 renewal. All insurance coverages, retention levels and limits remain unchanged.

While the total premium has increased 4.5% from 2016, the increase is solely due to vehicle additions within the City/HSR fleet, and an increase in the value of the City's property holdings. Actual insurance rates have remained the same due the City's favourable claims experience.

***Alternatives for Consideration – See Page 4***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: The 2017 premium of \$4,259,589 will be funded through the 2017 Risk Management Services Budget. The 2016 insurance premium budget was \$4,070,240. The 2017 renewal represents a 4.5% budget increase with respect to the premium costs.

Staffing: Not applicable

Legal: Not applicable

**HISTORICAL BACKGROUND**

Each year, Pearson Dunn Insurance Inc. oversees the placement of the City's insurance program as part of their contract duties for the City. Annually, with the assistance of Pearson Dunn, Risk Management re-assesses the Municipal Insurance market. JLT has been the City's insurer since 2011. JLT is a Managing General Agent meaning they are authorized by the insurers listed below to act as an intermediary to accept placements from insurance brokers such as Pearson Dunn.

JLT represents the following insurers who provide coverage for the City:

AVIVA CANADA  
The Sovereign General Insurance Company  
Lloyds of London  
TRISURA

Pearson Dunn recommended renewing with the incumbent, Jardine Lloyd Thompson, noting that the overall pricing for municipal accounts has remained fairly stable in the face of factors, such as, financial market trends, catastrophic claims relative to weather, political and cyber risks and municipal issues, such as, aging infrastructure, public

transit and the environment. Based on the recommendations of Pearson Dunn Inc., it is the opinion of Risk Management that the insurance terms offered by Jardine Lloyd Thompson continue to provide the City with the optimal options for a comprehensive scope of coverage and competitive prices through utilization of financially stable Insurers, as illustrated by the A.M. Best Ratings listed below. A.M. Best is a statistical rating organization that issues financial-strength ratings measuring an insurance company's ability to pay claims. Ratings of "A" and "A-" are deemed by the rating agency to be "Excellent" indicating they have an excellent ability to meet their insurance obligations:

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 RATIONALE FOR RECOMMENDATION**

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 total insurance premium for the City of Hamilton (including the HSR), for 2017, is \$4,259,589 (net of applicable taxes), representing an increase of 4.5% over the 2016 total premium. The 4.5% increase is solely due to vehicle additions within the City/HSR fleet, and an increase in the value of the City's property holdings. Actual insurance rates have remained the same due to the City's favourable claims experience.

The City's 2017 program does not contain any new restrictions or limitations of insurance. Premiums or rates for Municipal Liability, Automobile (Fleet and HSR), Property, Crime, Garage Automobile, Environmental Impairment Liability, and Umbrella Liability remain as per the expiring policies with a slight reduction in the premium for the Terrorism policy. Cyber Liability isn't included in the 2017 annual renewal premium as it is written on an extended policy term with an expiry date of November 2017. The policy

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period will be amended to coincide with the City's January 1 2018 program renewal date.

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, renewals for our peer municipalities remained stable with moderate increases/decreases.

In moving the City's insurance program to Jardine Lloyd Thompson in 2011, significant savings were experienced. Rates have remained largely stable since that time. Risk Management Services staff continue to monitor the markets to stay abreast of insurance provider alternatives that can offer the City maximum value.

### **ALTERNATIVES FOR CONSIDERATION**

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 could exceed any premium savings realized. Accordingly, we recommend continuing to insure at our current deductibles.

Other insurance models such as reciprocal or pool insurance programs are also considered. Staff does not currently consider such models to be viable options as they do not provide the stability we seek due to factors such as the increased assumption of risk, the requirement to subsidize the losses of other reciprocal/pool members, and the unpredictable and "long tail" nature of the retroactive assessment model of premium funding.

### **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

#### **Our People and Performance**

*Hamiltonians have a high level of trust and confidence in their City government.*

### **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report FCS17013 – City of Hamilton 2017 Property and Liability Insurance Renewal Coverages and Limits

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