



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

<b>TO:</b>	Chair and Members Audit Finance and Administration Committee
<b>COMMITTEE DATE:</b>	April 9, 2018
<b>SUBJECT/REPORT NO:</b>	2018 Property and Liability Insurance Renewal Report (FCS18032) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Jody Yarmo (905) 546-2424 Ext. 5735
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager Finance and Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATIONS**

- (a) That the Liability and Property Insurance coverage for the term January 1, 2018, to January 1, 2019, be renewed through Jardine Lloyd Thompson Canada Inc. (JLT) at a cost of \$4,665,402 (net of applicable taxes) and be funded through the 2018 Risk Management Services Budget, in accordance with Appendix "A", attached to Report FCS18032.
- (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, 2018, to January 1, 2019, through Jardine Lloyd Thompson Canada Inc., on behalf of the City.
- (c) That the 2018 budget shortfall of \$276,884 be funded from the Tax Stabilization Reserve (110046)

**EXECUTIVE SUMMARY**

It is recommended by Risk Management staff (staff) that insurance coverages for the year 2018 be renewed through Jardine Lloyd Thompson, based on their ability to provide all coverages required, as recommended by Pearson Dunn Insurance Inc., the City of Hamilton's (City) Broker of Record in their 2018 renewal report to Risk Management.

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*OUR Vision: To be the best place to raise a child and age successfully.*

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

*OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.*

**SUBJECT: 2018 Property and Liability Insurance Renewal Report (FCS18032)  
(City Wide) - Page 2 of 4**

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The total insurance premium for the City of Hamilton (City) (including the Hamilton Street Railway (HSR), for 2018, is 4,665,402 (net of applicable taxes). This represents a 7.4% increase over 2017.

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

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: The 2018 premium of \$4,665,402 will be funded through the 2018 Risk Management Services Budget. The total 2017 insurance premium budget was \$4,345,221. The 2018 renewal represents a 7.4 % budget increase with respect to the premium costs.

The 2018 Insurance Premium budget is \$4,413,790. The after tax premium expense is \$4,690,674. The resultant shortfall of \$276,884 should be funded from the Tax Stabilization Reserve (110046)

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. Jardine Lloyd Thompson is a Managing General Agent who specialize in insuring municipal entities. A Managing General Agent is a party who is authorized by various insurers 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; and,
- Trisura.

The City also procures the following insurance coverages outside of the JLT program:

- Cyber Liability;
- Terrorism Liability; and,
- Environmental Impairment Liability.

## **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**

For the 2018-2019 term, and based on the recommendations of Pearson Dunn Inc., it is the opinion of Risk Management that the insurance terms offered by Jardine Lloyd Thompson provide the City with a comprehensive scope of coverage and competitive prices. Jardine Lloyd Thompson has guaranteed the City's property and general liability insurance rates for the next two years (contingent upon the City's claims experience). Such rate stability enables Risk Management Services to more accurately forecast its budgets, supporting the management of the City's assets in a cost-effective manner.

JLT provides coverage to the City through 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-"

The City also procures the following insurance coverages outside of the JLT program:

- Cyber Liability;
- Terrorism Liability; and,
- Environmental Impairment Liability.

The total insurance premium for the City of Hamilton (including the HSR) for 2018, is \$4,665,402 (net of applicable taxes), representing an increase of 7.4% over 2017. The overall premium increase of \$320,181 is comprised of \$166,526, based on an increase of \$794MM in the Property policy which reflects a reassessment of insured value for the water filtration and pollution control plant at 700 Woodward Avenue which is undergoing extensive upgrades and new construction, as well as an adjustment of the Municipal General Liability premium of \$212,782 to reflect the development in certain liability

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**SUBJECT: 2018 Property and Liability Insurance Renewal Report (FCS18032)  
(City Wide) - Page 4 of 4**

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claims. There was also minor increase of \$132 in the Cyber premium. This was offset by reductions in the Terrorism (\$18,500) and Automobile Liability (\$40,759) premiums.

The increase is in line with the renewal experience of our peer 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.

The 2018 program does not contain any new restrictions or limitations of insurance or premium/rate increases for Automobile (Fleet and HSR), Crime, Garage Automobile, Environmental Impairment Liability, Umbrella Liability, Terrorism or Cyber Liability.

**ALTERNATIVES FOR CONSIDERATION**

Deductible Options: 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: 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 FCS18032– City of Hamilton 2018 Property and Liability Insurance Renewal Coverages and Limits

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