



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Legal and Risk Management Services Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	December 6, 2023
<b>SUBJECT/REPORT NO:</b>	2024 Property & Liability Insurance Renewal (LS23041) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Dana McLean (905) 546-2424 Ext. 4247 Manager, Risk Management Services
<b>SUBMITTED BY:</b>	Lisa Shields, City Solicitor Legal and Risk Management Services Division
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the Liability and Property Insurance coverages for the term December 31, 2023, to January 1, 2025, be renewed through Arthur J. Gallagher Canada Ltd. and Marsh Canada Ltd. at a cost of \$11,908,712 (plus applicable taxes) and be funded through the 2024 Risk Management Services Budget, in accordance with Appendix “A” and Appendix “B” to Report LS23041.
- (b) That the City Solicitor be authorized and directed to execute all associated documents related to the renewal of the Liability and Property Insurance coverages for the term December 31, 2023 to January 1, 2025, through Arthur J. Gallagher Canada Ltd. and Marsh Canada Ltd.
- (c) That the 2023 budget shortfall of \$600,000 be funded from Corporate year-end surplus or Tax Stabilization Reserve (110046).

**EXECUTIVE SUMMARY**

The purpose of this report is to obtain approval for renewal of the liability and property insurance policies that expire December 31st, 2023;

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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.

2024 Liability and Property Insurance Renewal

The City received the premium quote at a cost of \$11,908,712 (net of applicable taxes) to maintain liability and property coverages for the City through to January 1, 2025. The City's existing liability policy is set to expire on December 31st, 2023 while the property policies have an expiry date of January 1, 2024. The premium quoted for the liability policy (\$4,843,650) represents a 5% increase (annual basis), which, according to the City's broker, is below the industry average being experienced and is a reflection of the City's commitment to continued risk management efforts. The premium quoted for the property insurance coverages (\$6,887,134) saw a 0.5% reduction as compared to the expiring term. The City's Environmental Impairment Liability (EIL) Policy renews on a two-year term and has been quoted for renewal in 2024 at a premium of \$177,928.

It is recommended by Risk Management staff that insurance coverages for the term December 31, 2023 to January 1, 2025 be renewed through Marsh Canada Ltd., based on their ability to provide all coverages required, as recommended by Arthur J. Gallagher Canada Limited, ("Gallagher") the City's Broker of Record.

**ALTERNATIVES FOR CONSIDERATION**

There are no viable alternatives for the 2023-2024 renewal for Liability and Property Coverages, given the broker was only able to obtain coverage from the existing insurer. Municipal operations pose a unique challenge to insurers who generally prefer to concentrate their expertise on one sector of an industry. A single-tier municipality such as Hamilton has diverse operations such as Emergency Services including EMS, Police Services, and Fire, Public Works including Construction, Roads Maintenance etc., Transit, Parks, Recreation, Water and Wastewater, Public Health, and so on.

The underwriting criteria of general insurance markets does not easily accommodate a municipal entity the size and scope of Hamilton with its variety of operations. As a single-tier municipality, our scope of operations includes responsibility for all emergency services (Fire, Police & Ambulance and in some cases Public Health), plus large vehicle fleets, significant property exposures and large property schedules/values, accumulation of assets at one location (fire hall, public works garage), older assets (frame buildings), and water/waste water treatment plants.

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: The premiums for the property & liability policies (December 31, 2023 to January 1, 2025) will be funded by the 2024 Risk Management Budget with any shortfall, estimated at \$600,000, to be funded from Corporate year end surplus or the Tax Stabilization Reserve (110046).

Staffing: N/A

Legal: N/A

## **HISTORICAL BACKGROUND**

The City's Municipal Liability Insurance Policy will expire December 31, 2023. Most of the City's property insurance policies will expire January 1, 2024. A small number of policies under the City's insurance program have approaching expiry dates into early 2024. The City's insurance coverage is through Marsh Canada Ltd. The City has used Marsh Canada Ltd. since 2011. Marsh Canada Ltd. is a Managing General Agent who specializes 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 Gallagher.

Gallagher is currently the City's Broker of Record. Each year the broker searches the market with available insurers and oversees the placement of the City's insurance program as part of their contract duties.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

N/A

## **RELEVANT CONSULTATION**

Finance and Corporate Services and the City's Broker, Arthur J. Gallagher Canada Ltd.

Gallagher has sought to renew the City's coverage through consultations with the City's current insurer as well as other municipal insurers. No other municipal insurer has offered coverage to the City.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

Staff are recommending approval of the renewal of the property and liability policies for the period of December 31, 2023 to January 1, 2025.

The City's insurance portfolio is comprised of various liability and property coverages including municipal liability, property, auto, environmental impairment, etc. The municipal liability policy has an expiry date of December 31, 2023, while many of the property policies have a January 1<sup>st</sup>, 2024 expiry date. Staff requested through the broker that the liability policy period renew with a January 1<sup>st</sup> date to align with the policy periods of the other policies. The underwriter's have approved this new renewal date by extending the period by one day at no additional premium expense. Therefore, upon

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renewal, the property & liability policies will now have a renewal date of January 1, 2025.

The premium for the renewal of the City's Property and Liability Insurance Policies has been quoted at \$11,908,712 (plus applicable taxes). This is comprised of the municipal liability policy premium of \$4,843,650 which saw an increase of 5% over the expiring term, the property policies quoted at \$6,887,135 which realized at 0.5% reduction and the EIL Policy quoted at \$177,928. The EIL Policy renews on a two-year term.

The hard market trend that commenced in the latter part of 2018 continues into 2024 as it appears that the hard market is "lingering" for municipalities as activities and operations are now back in full force following the pandemic which means the exposure to claims has increased.

The City has been advised that other factors for a hard insurance market exist, including: there are limited providers in the market as insurers find municipal portfolios unprofitable, the increase in municipal liabilities from the broad range of operations as well as increasing legal judgements and cost awards. Despite this fact, the City has received a reasonable quote for a 5% increase in its liability insurance premiums.

The broker attributes the City's minimal increase to the higher self-insured retention (SIR)/Deductible (\$5m) that the City incorporated into its program as of June 1, 2021 as well as a reflection of the City's commitment to continued risk management efforts. Staff understand from the broker that municipal rates for insurance are expected to continue to be high, with many municipalities anticipating a 10% to 12% increase in liability premium rates for 2024.

## **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 LS23041 – Liability Insurance Program and Summary of Premiums

Appendix "B" to Report LS23041 – Property Premiums Summary