

**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
**Financial Services Division**  
**(Risk Management Services)**

<b>TO:</b> Chair and Members Audit, Finance & Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> February 11, 2013	
<b>SUBJECT/REPORT NO:</b> 2013 Property and Liability Insurance Renewal (FCS13008) (City Wide)	
<b>SUBMITTED BY:</b> Mike Zegarac Acting General Manager Finance & Corporate Services	<b>PREPARED BY:</b> Jody Boyd 905-546-2424 ext. 5735
<b>SIGNATURE:</b>   	

**RECOMMENDATIONS**

- (a) That the Liability and Property Insurance coverage for the term January 1, 2013, to January 1, 2014, be renewed through Jardine Lloyd Thompson Canada Inc. (JLT) at a cost of \$3,715,789 (net of applicable taxes) in accordance with Appendix "A" to report FCS13008;
- (b) That the Acting General Manager, Finance and Corporate Services, be authorized and directed to execute all associated documents on behalf of the City;
- (c) That the 2013 premium costs in the amount of \$3,715,789 (net of applicable taxes) be funded through the 2013 Risk Management Services Budget.

**EXECUTIVE SUMMARY**

It is recommended by staff that insurance coverages for the year 2013 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 2013 renewal report to Risk Management.

The total insurance premiums for 2013 are \$3,715,789 (net of applicable taxes). This represents an increase of \$63,694 or a 2% increase over the 2012 premiums. All insurance coverage, retention levels and limits remain unchanged.

The increase in premium is due to an increase in the Machinery Breakdown insurance premium rates, as well as, an annual adjustment of the Automobile premiums (to reflect the fleet vehicle count of the City and the Hamilton Street Railway (HSR) units).

**Alternatives for Consideration – Refer to page 4 of Report FCS13008.**

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)**

**Financial:**

The 2013 premium of \$3,715,789 will be funded through the 2013 Risk Management Services Budget. The 2012 insurance premium budget is \$3,652,095. The 2013 renewal represents an increase of \$63,694, or a 2% budget increase with respect to the premium costs.

**Staffing:** None.

**Legal:** None.

**HISTORICAL BACKGROUND (Chronology of events)**

Given the extensive application, inspection and underwriting process required to offer a quote on a municipal account, it is not customary or practical in the insurance market to seek competitive marketplace bids on insurance premiums every year. Instead, most municipalities seek market submissions, through their insurance broker, every 3 to 5 years. Following an approach to the insurance market in 2011, JLT was chosen based on their ability to provide the City with a program of insurance that combines a comprehensive scope of coverage and competitive pricing through insurers such as AVIVA and Lloyds of London.

With the exception of the minor increase in the Machinery Breakdown premium, the 2013 Property/Casualty insurance renewal for the City of Hamilton remained flat. The

Municipal Liability, Automobile and Property (excluding machinery breakdown) premiums and rates remained the same with no increases applied. The Automobile premiums for both the City's Fleet and 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. As noted, the rates of insurance for the Property insurance remained the same as per the previous policy period; however, there is an increase of 2% in the Boiler (Machinery Breakdown) portion of the insurance premium.

#### **POLICY IMPLICATIONS**

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 / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

Each year, the City obtains various insurance policies to protect its physical and financial assets. The City accesses the Municipal Insurance market through its insurance broker, Pearson Dunn Insurance Inc. After a review of options available to Municipal Entities, it is Pearson Dunn Inc.'s opinion that the insurance terms offered by Jardine Lloyd Thompson continue to provide the City with a comprehensive scope of coverage and competitive prices.

One of the primary financial goals of Risk Management Services is to attain stability in premium rates. From the outset, JLT has provided the City with premium and rate guarantees for all lines of insurance. 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 2013 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.

JLT and their insurers are open to considering further rate guarantees for future renewals.

**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 would exceed the reduction in premiums. 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.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

***Financial Sustainability***

- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost-effective manner

***Growing Our Economy***

- ◆ Competitive business environment

**APPENDICES / SCHEDULES**

Appendix "A" to report FCS13008 – City of Hamilton 2013 Property and Liability Insurance Renewal Coverages and Limits.

**CITY OF HAMILTON**  
**2013 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	10,000
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

<b>CITY OF HAMILTON</b> <b>2013 PROPERTY AND LIABILITY INSURANCE RENEWAL</b> <b>INSURANCE PREMIUM COMPARISON</b>		
	2012-2013	2013-2014
Total of all policies (Net of Taxes)	3,652,095	3,715,789
Taxes	145,242	145,875
Grand Total	3,797,337	3,861,664