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**Subject:** Insurance and Risk Management Services Contract Extension for November 1, 2019 – November 1, 2020

**Report to:** Corporate Services Committee

**Report date:** Wednesday, April 17, 2019

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## Recommendations

1. That Staff **BE AUTHORIZED** to exercise the option in favour of The Regional Municipality of Niagara (“Niagara Region”) to extend the insurance and risk management services contract with Jardine Lloyd Thompson Canada Inc. (“JLT”) on the same terms and conditions for an additional term of one year for the 2019-2020 policy term based upon an estimated annual cost of \$915,426 (including 8% PST) subject to renewal premium increases due to additional insured property and fleet values.

## Key Facts

- The purpose of this report is to seek Council’s approval to extend the insurance and risk management services contract with JLT for the upcoming policy renewal period from November 1, 2019 to November 1, 2020.
- In July 2017, Niagara Region competitively procured the insurance and risk management services by issuing a Request for Proposal (“RFP”) which included Niagara Regional Housing (“NRH”) and Niagara Regional Police (“NRP”).
- On October 31, 2017, Council awarded the RFP to JLT at an annual cost of \$790,838.80 (including 8% PST) for a two year period with an option in favour of Niagara Region to extend the contract on the same terms and conditions for an additional term of up to one year.
- In November 2018, Niagara Region entered into year two of the contract with JLT for the same rates subject to renewal premium increases due to additional insured property and fleet values as well as a mandatory surcharge on recycling facilities.
- In contemplation of a contract extension in year three, Staff reached out to JLT to provide a report outlining any municipal market concerns as well as JLT’s estimated rates for the November 1, 2019 to November 1, 2020 policy renewal.
- JLT provided Niagara Region with an estimated overall premium percentage change of 4.75% over last year’s premium (subject to any increase in property and fleet values).

## Financial Considerations

The current cost of insurance premiums for Niagara Region (including NRH and NRP) is approximately \$813,227 (inclusive of 1.76% non-refundable HST) and is included in the

approved Legal and Court Services 2019 operating budget. The contract for year two runs from November 1, 2018 to November 1, 2019.

The renewal option for year three which will run from November 1, 2019 to November 1, 2020 is estimated at \$874,507 (inclusive of 1.76% non-refundable HST). This option includes an increase in cyber premium of \$22,400 to increase the Niagara Region's cyber coverage from \$2,000,000 to \$5,000,000 which was approved by Council as part of 2019 budget approval process.

Subject to Council's approval of this report, given that the term of the contract will expire on November 1, 2019, as a part of the 2019 budgeting process staff also included the estimated cost of coverage for the last two months of 2019. This estimated cost is within the approved budget for 2019. The remaining 10 months of the renewal option will be included in the 2020 operating budget.

Should Council not approve the recommended extension, Staff would be required to go out to market in June 2019 which could result in higher than budgeted premiums.

## **Analysis**

The policy renewal for November 1, 2019 to November 1, 2020, will be third and final year to renew Niagara Region's insurance and risk management services contract with JLT.

On March 28, 2019, at Staff's request, JLT provided Niagara Region with a report outlining current market conditions and the estimated rates for the 2019-2020 insurance program for Niagara Region (which includes NRH and NRP). A copy of the March 28, 2019 report is attached as **Appendix 1**.

JLT's report confirmed a number of items which Staff had identified as being important factors in considering the option to extend with JLT for the 2019-2020 policy period. The following is a summary of the more relevant items considered by Staff and confirmed by JLT:

- Public Sector is in a state of flux and there is increasing pressure to not write business at a loss and municipal business is a class that sustains claims.
- Since the start of 2019, JLT has been made aware of several municipalities who received renewals with increases of 34% or more.
- At this juncture, JLT is seeing increased instability in Lloyds when it comes to writing municipal accounts yet JLT is not seeing any increase in appetite for public sector business from domestic insurers.
- Signs indicate that municipalities can expect that premium reductions, even when faced with competition, are a thing of the past.

- Municipalities can help protect their budgets from premium fluctuations by selecting an insurance program that is stable and use insurers who have exhibited a long term commitment to writing municipal business.
- Strong risk management practices, developing a long-term relationship with insurers, and retaining the appropriate deductible levels will increase in importance.
- The current push by responsible insurers to obtain regular increases of 3 to 10% is to ensure business does not continue to be written at a loss.
- JLT has been writing business with the same insurers for well over 10 years and its municipal program continues to remain strong, with only marginal increases expected for good performing accounts over the next few years.

JLT provided Niagara Region with an estimated overall premium percentage change of 4.75% over last year's premium, subject to any increase required as a result of additional property and fleet values.

In considering the above noted summarized items, Staff's recommendation to renew for the third year with JLT will result in an overall reasonable percentage increase that is within budget and will also allow Staff to focus its efforts on corporate wide risk management practices while continuing to build a knowledge base with JLT to help inform the future competitive procurement process.

It is Staff's intention to bring a report to Council in the Spring of 2020 to seek instructions and direction with respect to the overall competitive procurement process for insurance and risk management services for the November 1, 2020 policy renewal. This will include, but not be limited to, scoring and program rating criteria as well as increased contract term length (3 to 5 years).

### **Alternatives Reviewed**

Staff considered competitive procurement for the November 1, 2019 renewal. However, Staff does not recommend procurement at this time for a number of reasons including the favourable estimated terms provided by JLT, the uncertainty of the Public Sector market, as well as the additional costs and resources required to complete a competitive procurement process with no certainty that any savings would be achieved.

### **Relationship to Council Strategic Priorities**

Exercising the option to extend allows Niagara Region to benefit from additional cost savings while building further knowledge base with the current insurance provider, which aligns with Council's strategic priority of Advancing Organizational Excellence.

## Other Pertinent Reports

N/A

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*This report was prepared in consultation with Donna Gibbs, Director Legal and Court Services and reviewed by Adam Niece, Program Financial Specialist.*

## Appendices

Appendix 1	Forecast and General Market Conditions Report Submitted by JLT Canada dated March 28, 2019	5 to 10
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