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**Subject:** Municipal Insurance Program Renewal Update

**Report to:** Corporate Services Committee

**Report date:** Wednesday, April 5, 2023

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## Recommendations

1. That Report CSD 19-2023 **BE RECEIVED** for information.

## Key Facts

- The purpose of this report is to provide Council with an update with respect to the insurance program negotiations and renewal terms for the November 1, 2022 to November 1, 2023, insurance policy period in accordance with Council's approval on May 19, 2022, of the recommendations in Report CSD 13-2022 - Insurance Program Review and Options for 2022-2023 Insurance Renewal.
- On October 31, 2022, staff obtained the approval of the CAO and was able to bind coverage for Niagara Region, which includes Niagara Regional Police Services (NRPS) and Niagara Regional Housing (NRH) commencing November 1, 2022, for the same coverages as previous policy term except Cyber Liability, which follows a different policy period.
- The premium for November 1, 2022 to November 1, 2023, is \$2,341,003 (inclusive of non-refundable 8% PST where applicable) compared to the last term's premium of \$2,257,724.
- Existing 2022-2023 Cyber renewal coverage terms were extended to March 11, 2023, to facilitate renewal terms being provided. On February 24, 2023, coverage was offered by the existing insurance provider AIG, for a premium amount of \$56,926 (compared to the last term's premium of \$51,840 – inclusive of non-refundable 8% PST). Staff reviewed, obtained the approval of CAO and was able to bind coverage for a term of one year commencing March 11, 2023.
- Staff continue to review the current insurance program and are exploring alternative options to secure the best outcomes for the Region in the procurement of insurance in consideration of the ever-changing insurance market.
- Staff are also working towards obtaining improved data with respect to Regional assets and property through formal valuation and loss control reports as well as revisiting loss retention funding and reserve practices for future renewals.

- As per Council approval under Report CSD 13-2022, staff intend to exercise the option to renew for another one-year term with the current provider for the 2023-2024 renewal period.

## **Financial Considerations**

The approved budget for the renewal for the term November 1, 2022 to November 1, 2023, was \$2,577,125 compared to \$2,457,108 in 2022.

The total cost of the premium for November 1, 2022 to November 1, 2023, is \$2,397,929 (*\$2,341,003 plus \$56,926 Cyber* - inclusive of non-refundable 8% PST where applicable), which is within the approved 2023 budget.

The 2023 budget includes a further estimated increase for November and December 2023 (given those months will be dependent on the 2023-2024 renewal process). For the pending 2023-2024 renewal, staff believe there is sufficient funding within the approved 2023 budget to accommodate the anticipated increase, which will include additional assets and increased property values. At this point, staff is forecasting a potential 30% increase in the 2024 budget for the above noted increases in premium that will be brought forward as part of the 2024 budget process.

## **Analysis**

On May 19, 2022, by approval of Report CSD 13-2022, Council authorized staff to negotiate with Niagara Region's existing Insurer/Broker, Marsh Canada Limited ("Marsh"), in order to secure an insurance agreement extension on behalf of Niagara Region, NRPS and NRH for up to two additional one-year policy terms, and further authorized the CAO to execute any required agreements and documentation for the purposes of the extension, subject to available budget.

During the renewal process, Marsh continued to experience difficulty finding a market to provide Niagara Region with its desired insurance program coverage. As such, the process to secure coverage took considerable time and required significant back and forth negotiations with Marsh and the available markets. Marsh submitted its finalized formal written proposal on October 31, 2022.

Staff informed and obtained the approval of the CAO to bind coverage for Niagara Region, NRPS and NRH commencing November 1, 2022, for all program coverage except Cyber Liability, which follows a different policy period.

Cyber Liability coverage continues to be increasingly difficult for municipalities to purchase, with less providers offering such coverage due to increased exposure. Many municipalities and other public sectors have either not obtained the coverage or only obtained reduced coverage at an increased deductible and premium.

Last year's Cyber coverage was obtained through Marsh with AIG for a policy period from February 25, 2022 to February 25, 2023. For the 2023-2024 renewal period, staff were required to provide updated questionnaires and applications during the renewal process. Due to additional updates being requested by the Insurers shortly before the renewal terms were due, existing coverage had to be extended to March 11, 2023, to allow time for completion of this additional documentation and for renewal terms to be provided.

Staff received the renewal terms for cyber coverage on February 24, 2023, which were similar to the previous term's coverage. The increased deductible could be accommodated within the 2023 budget and accordingly, staff recommended renewal terms to the CAO, which was approved and bound with coverage for a one-year term commencing March 11, 2023.

Similar to the last two years' renewals, the pressures of the insurance market resulted in increased premiums for 2022-2023, but not to the extent experienced last year or the previous year.

As outlined to Council in Report CSD 13-2022, staff continue to review the existing insurance program and alternate approaches and options in the context of the ever-changing insurance market and available coverages. Staff are also in the process of obtaining improved data with respect to Regional assets and property through formal inspections, valuations and loss control reports. In addition, staff are reviewing and revisiting the loss retention funding and reserve practices.

### **Alternatives Reviewed**

Negotiations with the current Broker/Insurer were successful for a 1 year term within the approved budget which is in alignment with Council approval further to Report CSD 13-2022, and as such no alternatives were considered.

## **Relationship to Council Strategic Priorities**

Niagara Region's insurance program placement for 2022-2023 (which includes NRPS and NRH) is consistent with Council's strategic priority focus on Sustainable and Engaging Government – High Quality, Efficient and Coordinated Core Services and Fiscally Sustainable.

## **Other Pertinent Reports**

- CSD 3-2022 dated February 9, 2022 - Insurance Program Update for 2021-2022
- CSD 13-2022 dated May 11, 2022 – Insurance Program Review and Options for 2022-2023 Insurance Renewal

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### **Recommended by:**

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### **Submitted by:**

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