

Subject: Municipal Insurance Program Renewal Recommendations for 2025-2027

Report to: Corporate Services Committee

Report date: Wednesday, May 7, 2025

Recommendations

1. That Staff **BE AUTHORIZED** to obtain insurance and risk services from Niagara Region's current Broker/Insurer Marsh Canada ("Marsh") on behalf of Niagara Region, Niagara Regional Police Service ("NRPS"), and Niagara Regional Housing ("NRH") for the upcoming policy term of November 1, 2025 to November 1, 2026 with the option to renew for one additional term (2026-2027) and that the CAO be authorized to execute any required agreements and documentation, in a form satisfactory to the Director of Legal and Court Services, subject to available budget.

Key Facts

- The purpose of this report is to provide Council with recommendations for the procurement of insurance and risk services for 2025-2027 based on Staff's assessment of the market, available options and financial considerations, including corporate budget pressures.
- In accordance with Council approval of CSD 8-2024 (and as outlined in CSD 17-2025), Staff successfully negotiated favourable renewal terms with Marsh for Niagara Region, NRPS, and NRH for the 2024-2025 term within the approved budget. Information regarding Cyber coverage is provided as confidential Appendix 1 to this report.
- The current public sector insurance market has stabilized overall, as confirmed by the recent November 1, 2024 renewal terms. However, the number of potential providers is limited, particularly given the size and complexity of the Region and its asset portfolio; and traditional procurement approaches further restrict market availability and may not achieve the best results.
- Given the benefits realized by remaining with the current provider, including the opportunity to retain NRH in Niagara Region's insurance program, greater financial certainty and risk avoidance, Staff is requesting Council approval to seek insurance and risk services from Marsh on behalf of Niagara Region, NRPS and NRH for the November 1, 2025 renewal term with an option to renew for one additional year (2026-2027).

Financial Considerations

For the 2025 and 2026 budgets, Staff forecasted an increase in consideration of potential rate increases as well as additional premiums due to increased asset values.

Given the term of the premium for the upcoming renewal, it is funded by the budgets of two fiscal years; namely, the months of November and December 2025 were funded from the 2025 budget and, the months of January to October 2026 will be funded from the 2026 budget. The anticipated 2025 portion (November-December) has already been approved by Council as part of the 2025 budget and Staff anticipates any premium increase will be accommodated within that budget. The Staff recommendation to continue with the current provider reduces financial risk for future budgets (2026/2027) and promotes greater business certainty.

Analysis

Current State of Municipal Insurance and Procurement Challenges

The municipal insurance market has stabilized overall. This was demonstrated by the favourable renewal terms and pricing secured by the Region as reported previously in CSD 17-2025 (Municipal Insurance Program Renewal update report, April 9, 2025). Niagara Region received a quote for the November 1, 2024 - November 1, 2025 insurance renewal with a 7% increase primarily due to property growth and inflation.

Similar experiences were reported by comparator municipalities (including regional municipalities of Halton, Waterloo, and Peel; and the cities of London, Sudbury, Ottawa) confirming increases in a consistent range. There were some that reported slight decreases in certain coverages, which were primarily due to corresponding deductible increases. Municipalities canvassed that recently went out to market (as opposed to renewing with their current/long-standing provider) revealed limited bid submissions received and that the lengthy procurement process did not achieve any substantive improvements in coverage or pricing. Other municipalities indicated they did not competitively procure and remained with their current provider for a longer duration due to their positive experience and annual renewal terms.

Staff's review of public sector markets with comparable municipalities and subject matter experts revealed that competitively procuring insurance and risk management services, directly or through broker consulting services, can serve to restrict market availability thus hindering the ability to receive multiple viable proposals. This is particularly noted by municipalities with property asset values exceeding \$1B.

As reported to Council previously, there continues to be only 4 potential proponents offering municipal insurance programs consisting of our current Broker/Insurer Marsh, IPE (formerly FCC), AON, and BFL Canada. As experienced in 2020 (when Niagara

Region last went out to competitive procurement), conducting a competitive bid process can result in no viable bids. The reason is primarily due to the limited municipal insurers available to all 4 potential proponents wishing to submit a bid. Essentially, upon issuance of the procurement document by a municipality, the proponent who gets out to the market first blocks access to certain available insurers which often prevents the other proponents from completing and submitting a competitive bid in time.

There are similar difficulties in procuring only broker consultant services. Depending on the successful broker, the broker's ability to access the 4 above noted insurance programs could be limited. For example, given both Marsh and AON are also qualified brokers and if either one were the successful Broker proponent, they would not be permitted access to IPE or BFL municipal insurance programs, only their own.

NRH's continued participation in Niagara Region's Insurance Program dependent on remaining with Marsh

Electing to competitively procure (either through risk and insurance services or broker consultant services) risks eliminating the opportunity for NRH to remain part of Niagara Region's insurance program and will instead require Staff to secure insurance for NRH directly from the Housing Services Corporation ("HSC") group insurance program.

Other than Marsh under their current municipal insurance program and HSC group insurance program, there are no other markets that offer social housing insurance given the high rate of associated risk. In communication with NRH staff, they have expressed the desire to remain with the Niagara Region insurance program and to continue to receive the support and assistance from the Legal/Risk team with the overall management and defence of claims which would no longer be available under the HSC program given the differing deductibles and claims management practices.

In addition, in September 2024, HSC briefed Housing Service Managers that HSC insurance renewals would be experiencing increased rates due to challenging claims performance with total claims exceeding the existing claims trust fund. Based on this information (and Staff's previous experience with HSC quotes), if Staff is required to seek a quote from HSC, NRH can expect a quote with increased premium rates along with less available coverages and limits than currently experienced under Niagara Region's insurance program. In addition to premium cost, NRH will be required to pay into the HSC claims trust fund on behalf of all social housing clients regardless of their positive claims loss history; and will be subject to additional claims and defence costs (as they will no longer be able to leverage Niagara Region's Legal/Risk team to manage and defend their claims as provided under the HSC program).

Data Improvements and Continued Research into Options

As outlined in CSD 8-2024, Staff continue to research alternative approaches to procuring insurance and work towards improving Niagara Region's available property and risk data.

Staff retained third-party consultants who are undertaking property valuation inspections and loss control reports of key Regional assets which will improve Niagara Region's ability to accurately report on its asset values and condition. In addition, Staff is in the midst of implementing a new claims software management system to be completed by Q4 2025 which will assist in future claim and risk management trend analyses. These initiatives will significantly enhance the ability of brokers and insurers to assess risk and apply appropriate premium rates to the Region's assets and operations.

Staff also continue to participate in the AMO/LAS working groups reviewing municipal insurance options. Based on municipal input, AMO/LAS is pursuing a "Protective Association", which offers an alternative to help finance risk that does not involve insurance markets. Under this model, members agree to contribute to the association in exchange for shared benefits, costs, and risks. While it is not insurance, a Protective Association is an additional tool to manage municipal risk. LAS plans to start by offering a Protective Association specifically related to cyber risk in 2025. AMO/LAS also plans to revisit and explore other options for municipalities such as joint procurements and pooling but there are no significant updates to share at this point.

Extension with Existing Provider Recommended

Since 2013, Niagara Region has sought competitive quotes through an open procurement process on 4 separate occasions (2013, 2016, 2017 and 2020). As reported to Council previously (CSD 13-2022), the Region's consultant Axxima recommended that Niagara Region revisit the approach it has historically taken of procuring insurance on a frequent basis and in the same manner as other services, given that short-term savings it may yield are rapidly eroded by retained losses, pricing volatility and diminishing coverages relative to other municipalities who have remained with a single carrier over a longer period. Consistent with this and given that the Region has experienced positive customer services and favourable renewal terms year over year with Marsh, a longer-term relationship merits consideration rather than exhausting the market when there is no clear benefit. This would also present an opportunity to limit financial uncertainty, during a challenging economic period with competing budget pressures facing the Region.

Niagara Region's current insurance program with Marsh provides a number of benefits including:

- complex risk and claims expertise and insurance services noting that Marsh places insurance for approximately 40% or 170 Ontario municipalities (Note: IPE has approx. 40%, BFL approximately 15% and Aon 5% of Ontario market share);
- ability as a Broker to canvass the market annually for improved premium rates and coverage limits in a number of critical areas including property limits in order to deliver their best insurance proposal, noting that of the approximately 170 municipalities that Marsh insured via their exclusive municipal insurance program, Niagara Region has consistently had one of the lowest property rates;
- a geographic portfolio review report valued at over \$10K at no cost to better understand the Region's property value aggregation based on location in the case of a catastrophic loss due to a weather event;
- 25% discount (approximately \$10K) for all municipal clients towards the implementation fee for the new insurance claims data system.

Subject to Council approval, Staff are recommending an extension of the existing insurance and risk service contract with Marsh on behalf of Niagara Region, NRPS, and NRH for the period of November 1, 2025, to November 1, 2026, with the option to renew for additional one year (2026-2027) for the reasons outlined herein, and in accordance with Section 19(a)(vi) of the Procurement By-Law 02-2016 (as amended) which permits the extension of an existing contract where it would be more effective to do so.

Renewing the insurance program with Marsh is a prudent approach at this time which allows continued stability and cost efficiencies, and the ability to keep NRH in Niagara Region's insurance program. It will also afford additional time for Staff to gather further improved data and explore available options for future renewals.

Alternatives Reviewed

Staff researched and considered options to competitively procure insurance and risk services or broker consultant services including issuance of a RFP, Expression of Interest or Request for Pre-Qualification. However, Staff does not recommend these approaches for the reasons outlined in this report including the favourable pricing, terms and services currently experienced with Marsh, inability to retain NRH in the Niagara Region insurance program, ongoing difficulties presented by limited available municipal markets, and loss of opportunity to contain financial uncertainty to mitigate budget pressures.

Relationship to Council Strategic Priorities

This recommended approach aligns with the Effective Region pillar by delivering fiscally responsible and sustainable services in continuing to experience the benefits of the combined comprehensive insurance program which includes NRH and high level of

claims and insurance expertise with the existing Broker/Insurer Marsh for the 2025-2026 renewal, with the option of an additional one-year renewal.

Other Pertinent Reports

- [CSD 13-2022 dated May 11, 2022 - Insurance Program Review for 2022-2023 Insurance Renewal with Axxima Report dated March 14, 2022](https://www.google.com/url?client=internal-element-cse&cx=005774670460367375179:knndu-yx3mm&q=https://pub-niagararegion.escribemeetings.com/filestream.ashx%3FDocumentId%3D24256&sa=U&ved=2ahUKEwjtyZ_XyciMAxU2L1kFHcodAToQFnoECAQQAQ&usg=AOvVaw0fEYtsoMWtwu0NCqk2tSfH)
(https://www.google.com/url?client=internal-element-cse&cx=005774670460367375179:knndu-yx3mm&q=https://pub-niagararegion.escribemeetings.com/filestream.ashx%3FDocumentId%3D24256&sa=U&ved=2ahUKEwjtyZ_XyciMAxU2L1kFHcodAToQFnoECAQQAQ&usg=AOvVaw0fEYtsoMWtwu0NCqk2tSfH)
- [CSD 8-2024 dated April 10, 2024 - Municipal Insurance Program Update and Recommendations for 2024-2025 Renewal](https://pub-niagararegion.escribemeetings.com/filestream.ashx?DocumentId=36669)
(<https://pub-niagararegion.escribemeetings.com/filestream.ashx?DocumentId=36669>)
- CSD 17-2025 dated April 9, 2025 - Municipal Insurance Program Renewal Update 2024-2025

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Appendices

Appendix 1 – Confidential Update regarding Cyber Coverage