

# The Corporation of the Town of Lakeshore

## Report to Council

### Legislative & Legal Services



Select name of Division

**To:** Mayor & Members of Council  
**From:** Director of Legislative & Legal Services  
**Date:** February 21, 2020  
**Subject:** 2020 Insurance Program Renewal

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### Recommendation

Direct Administration to purchase additional insurance coverage and execute any related agreements, as further described in the report of the Director of Legislative & Legal Services presented at the March 10, 2020 Council meeting.

### Background

In April 2014, the Town issued a request for proposals to procure municipal insurance coverage. The successful bidder was BFL. The tender was awarded by Council on May 27, 2014. BFL has provided insurance coverage since that time.

Insurance is the transfer of future unknown losses (“risk”) from one entity to another and the Town transfers some of its risk to its insurance company, BFL. The Town pays a premium in order to transfer that risk. The Town purchases this coverage on an annual basis. The insurance coverage has typically included:

- Commercial General Liability,
- Property,
- Fleet/Automobile, and
- Errors and Omissions Liability.

A more detailed description of the coverages are included in Appendix “A” to this report (Appendix “A” is an excerpt of the RFP that was issued in 2014 to secure the Town’s current coverage).

Most of the following types of claims are typically not insured through municipal insurance coverages: commercial and employment contracts, punitive damages, fines, and human rights. This type of insurance coverage is not typically available in the marketplace.

## Comments

### Premium

This year, the initial estimate provided by the Town's broker was expected to result in 10-11% increase due to widespread market increases. However, Administration was advised that as a result of an increase in municipal claims, the actual premium is substantially increased.

The most recent annual premium are outlined in the table below:

LINE OF COVERAGE	2018 PREMIUM	2019 PREMIUM	2020 PREMIUM	DIFFERENCE (\$)	DIFFERENCE (%)
Municipal General Liability (includes Public Officials Liability, Employee Benefits Liability, Legal Expense Insurance, Non- Owned Automobile, Marina Liability, Excess Liability, and Environmental Liability)	\$532,657	\$603,208	\$707,440	\$ 104,232	17.28%
Property / Equipment Breakdown / Crime	\$128,933	\$131,888	\$148,124	\$ 16,236	12.31%
Owned Automobile	\$ 35,729	\$ 39,150	\$ 55,175	\$ 16,025	40.93%
Municipal Officials' Accident	\$ 7,224	\$ 6,552	\$ 5,880	\$ (672)	-10.26%
<b>TOTAL - ALL LINES</b>	<b>\$ 704,543</b>	<b>\$ 780,798</b>	<b>\$ 916,619</b>	<b>\$ 135,821</b>	<b>17.40%</b>

This coverage includes coverage for the Belle-River-on-the-Lake Business Improvement Area Board of Management and its activities. These amounts do not include the premium for the Town's facility user coverage as that cost is recovered from the users. The premiums do not include other liability coverages that are quickly becoming standard for municipalities but were not included as standard coverages in 2014 when the initial Request for Proposals was issued. As such, Administration recommends securing additional liability coverage. This additional coverage is estimated to cost a maximum of \$17,000 for coverage with an aggregate limit of \$2 million.

The Town's annual insurance premium is based on the Town's loss history. There have been increases industry-wide this year. Furthermore, the Town's loss history has developed in an adverse manner over the past 12 months which has impacted the Town's premium.

### Recoverable Costs

Wherever possible Administration attempts to recover losses incurred by the Town. These costs are defined as subrogated claims and include costs of claims of other internal departments for losses they suffered from 3rd parties. In 2020, we plan to develop processes to be able to isolate and identify our financial success in this regard.

### Moving Forward

As proposed and approved in the 2020 budget, Administration intends to conduct a review of the Town's insurance needs in order to issue a request for proposals for insurance coverage commencing January 1, 2021 and seek a commitment for rate stability through that process. Furthermore, Administration will implement a process whereby renewal processes are commenced in the late summer in order to ascertain the premium for the upcoming year and ensure that it falls within that commitment. Additionally, Administration is compiling information in order to develop an annual insurance claim report for Council's information.

### **Others Consulted**

DPM – Town's Insurance Broker

BFL – Town's Insurer

### **Financial Impacts**

The 2020 budget includes \$910,344 for the payment of insurance premiums for the year and \$161,700 for claims, including payments of expenses under the Town's deductible. In the event that Council directs Administration to secure additional insurance coverage, then the Town will be required to fund an additional amount up to \$17,000 for the premium. While the estimated budget is lower than the actual premium costs, should there be an overall corporate deficit at year end, recommendation will be included in the year-end report to Council to off-set any shortfalls.

### Moving Forward

In October Administration conducted a comprehensive review of the Town's insurable assets. Administration anticipates that revisions to the property list may result in some adjustments to the premium in future years.

**Attachment(s):** Appendix "A" – Description of Town Insurance Coverage

## Report Approval Details

Document Title:	Annual Insurance Renewal.docx
Attachments:	- RFP Insurance.pdf
Final Approval Date:	Mar 5, 2020

This report and all of its attachments were approved and signed as outlined below:

Rosanna Pellerito

Truper McBride