



City of North Bay Report to Council

Report No: CORP-2022-057

Date: April 8, 2022

Originator: Peter E.G. Leckie & Margaret Karpenko

Business Unit:

Department:

Corporate Services

Legal Department

Subject: The Corporation of the City of North Bay Insurance Policy Renewal

Closed Session: yes no

Recommendation

That Council approve the renewal of the insurance program with Intact Public Entities Inc., in partnership with Kennedy Insurance Brokers Inc., for comprehensive general insurance with a renewal premium of \$1,360,922.00 plus HST for the term May 1, 2022 to May 1, 2023.

Background

Pursuant to Report to Council CORP 2018-26 and by resolution No. 2018-112 passed by Council on April 24, 2018, the City approved the award of a contract to Frank Cowan Company Limited, in partnership with Kennedy Insurance Brokers Inc. ("Kennedy"), for comprehensive general insurance coverage. For clarity, Intact Financial Corporation introduced Intact Public Entities Inc. ("Intact"), a Canadian Managing General Agent, formerly operating as Frank Cowan Company Limited, following its acquisition in 2019.

The City's Municipal Insurance Program is to renew on May 1, 2022. As such Intact has provided the City with a renewal report indicating a premium of \$1,360,922.00 plus HST for the term May 1, 2022 to May 1, 2023. This is a difference of \$188,278 over last year, or put another way a 16% increase.

Intact has provided the following comments on the renewal pricing:

"Prior to the COVID-19 pandemic, the overall Municipal Insurance marketplace was experiencing increased premiums due to various factors. This trend is continuing through 2022 with increase claims costs being realized by Municipalities and uncertainty moving forward.

Intact has confirmed the following:

- The Municipality Casualty policy premium has received a 16% increase, which is below the average for Municipal clients for the 2022 term.
- Property coverage premiums received a 19.5% increase, which is within the average increases received by Municipal clients for the 2022 term. "Building" insured limits have received the standard 4% inflationary increase resulting in \$28,561,620 additional coverage. Total Insured Value has increased from \$411,293,380 to \$439,855,000.
- Automobile Fleet & Transit premiums received a 12.9% rate increase which is below the average of Intact Public Entities program.
- Property & Automobile Schedules have been amended to reflect changes requested by the City of North Bay. Changes requested on April 4th for Fleet and Equipment will be included within the renewal along with the 21B Fleet Adjustment premium endorsement.
- Intact Public Entities final increase of 16%.
- Final renewal premium was reduced by Intact Public Entities after a review was requested by Kennedy Insurance Brokers Inc."

As to the last bullet point, Mr. Chris Bevan of Kennedy was able to receive an 8% reduction on the initial premium increase presented. This worked out to a credit of approximately \$18,000.00 and it was confirmed by Intact that the rates provided were the lowest available under the Intact Public Entities Program.

The following deductibles have been amended:

Property from \$10,000 to \$25,000;
Flood from \$25,000 to \$50,000; and
Equipment Breakdown from \$10,000 to \$25,000.

Mr. Bevan has advised that the changes are being applied across Intact's program for municipalities with large total insured amounts and that the City of North Bay is within this category. A further request to reduce the deductibles to the expiring levels has been made to Intact and that request is currently with the senior management team at Intact.

The City's independent insurance advisor has advised as follows:

"The City's results since the inception of the Cowan/Intact program have been excellent with over \$4 million paid in premiums with less than \$1 million in net incurred claims. The claims results have been consistent over that period driving an earned loss ratio of less than 23% over 4 years – very impressive and clearly a reflection of risk well managed."

Further:

“The sad truth is that many municipalities – particularly those who have not engaged in careful management of risk that is evident in the claims results of the City of North Bay- are experiencing much higher rate increases; some in the range of 35-45%.”

For further information concerning the current increase in municipal premiums, Intact has prepared the attached report “Escalating Cost of Municipal Claims”. In general, claims are driving premium and the drivers of escalating claims costs include climate change, cyber attacks, joint and several liability (the 1% rule), class actions, the changing legal landscape, the increasing amount of damage awards and future care costs.

The foregoing insurance program and premium do not include cyber coverage. City staff continue to work with the broker and insurer to secure coverage. Staff will be reporting back to Council in this regard.

Financial/Legal Implications

The comprehensive general insurance premium of \$1,360,922 includes amounts which are recovered by various service partners. Without the final premium billing it is difficult to determine if there are variances within departmental budgets. However, in total there is sufficient budget dollars within the 2022 Operating, Water and Waste Water budgets.

Corporate Strategic Plan

- | | |
|---------------------------------------------------------------------------|--------------------------------------------------|
| <input type="checkbox"/> Natural North and Near | <input type="checkbox"/> Economic Prosperity |
| <input type="checkbox"/> Affordable Balanced Growth | <input type="checkbox"/> Spirited Safe Community |
| <input checked="" type="checkbox"/> Responsible and Responsive Government | |

Specific Objectives

Ensure the efficient and effective operations of the City, with particular consideration to the impact of decisions on the property tax rate.

Ensure continuous improvement of governance and administration.

Options Analysis

Option 1: That Council approve the renewal of the insurance program with Intact Public Entities Inc., in partnership with Kennedy Insurance Brokers Inc., for comprehensive general insurance with a renewal premium of \$1,360,922.00 plus HST for the term May 1, 2022 to May 1, 2023.

This is the recommended option.

Option 2: That Council not approve the renewal of the insurance program with Intact Public Entities Inc., in partnership with Kennedy Insurance Brokers Inc., for comprehensive general insurance with a renewal premium of \$1,360,922.00 plus HST for the term May 1, 2022 to May 1, 2023.

This is not the recommended option.

Recommended Option

That Council approve the renewal of the insurance program with Intact Public Entities Inc., in partnership with Kennedy Insurance Brokers Inc., for comprehensive general insurance with a renewal premium of \$1,360,922.00 plus HST for the term May 1, 2022 to May 1, 2023.

Respectfully submitted,

Name: Peter E.G. Leckie, B.A. (Hons.), LL.B.

Title: City Solicitor

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

I concur with this report and recommendation

David Euler, P.Eng., PMP

Chief Administrative Officer

Personnel designated for continuance:

Peter E.G. Leckie, B.A. (Hons.), LL.B.

City Solicitor