



City of North Bay Report to Council

Report No: CORP-2024-026

Date: April 8, 2024

Originator: Margaret Karpenko

Business Unit:

Department:

Corporate Services

Financial Services Department

Subject: 2024 Insurance Renewal

Closed Session: yes no

Recommendation

That Council approves the annual renewal of insurance with Intact Public Entities Inc. in partnership with Kennedy Insurance Brokers Inc. in the amount of \$1,623,743 (plus HST) for municipal comprehensive insurance. This renewal will represent the second year of a contract awarded in 2023 for a term of five (5) years, with an option in favour of the City to extend the agreement for three (3) additional terms of up to one (1) year each.

Background

By way of CORP 2023-002, the City entered into a contract with Kennedy Insurance Brokers Inc. for a term of five (5) years, with an option in favour of the City to extend the agreement for three (3) additional terms of up to one (1) year each. 2024 is the second year of the 5 year term.

The City's comprehensive insurance program has been designed to identify and transfer the risk of financial loss to stable Canadian insurers. Losses can result primarily from legal liability as a consequence of municipal operations, and the loss of or damage to, municipal assets.

The City's program is structured to include the following risk protection:

- (a) **Legal Liability** – Liability coverage for municipal operations, premises, products, unlicensed vehicles and equipment, public officials, and environmental impairment together with related legal expenses;
- (b) **Automobiles** – Liability coverage for owned and non-owned automobiles, together with coverage for physical damage of any vehicle

- in the municipal fire, transit or police fleets;
- (c) **Property** – Physical damage coverage for municipal buildings, contents, unlicensed vehicles and equipment, and other structures including the breakdown of certain equipment and business interruption coverage;
 - (d) **Crime** – Coverage against crime or fraud from within or outside of the organization; and
 - (e) **Accident** – Coverage for injury to Councillors and volunteers.

Financial/Legal Implications

The renewal price is \$1,623,743 (plus HST) from Intact Public Entities Inc., in partnership with Kennedy Insurance Brokers Inc., represents a total cost for May 1, 2024, to April 30, 2025. Under the terms of the contract, rates are renewed annually, which may vary based on operational requirements and market conditions. The renewal price is considered fair and reasonable.

Funding for insurance services provided under this contract is managed within the operating budget within various departments. Sufficient funding will continue to be requested in future years.

Intact Public Entities' proposal included several complimentary value-added risk management services which include Contract Reviews, Policy and Procedural Reviews, Asset Valuation and Risk Inspections, Road Risk Assessments, Driver Training, Fleet Management Evaluations, Minimum Maintenance Standards Compliance Reviews and 5 sessions of Educational Training.

The terms of the renewal are as follows:

- The Municipal Casualty policy premium has received a 3.99% increase which is below the average for municipal clients for the 2024 term.
- Property coverage premiums received a 10.7% increase which is below the average increases received by municipal clients for the 2024 term.
 - "Building" insured limits have received a 4% inflationary protection increase resulting in \$19,163,950 in additional coverage.
 - Total Insured Value has increased to \$516,399,100 from \$483,277,150 and includes the insured value of scheduled items.
 - Property Damage coverage annual premium of \$475,329 is approximately 0.00092% of the Total Insured Value of \$516,399,100
- Automobile Fleet and Transit premiums received a 4.7% rate increase which is below the average of Intact Public Entities Inc.'s program for the 2024 term.
- Property & Automobile Schedules have been amended to reflect changes requested by the City.

Intact Public Entities Inc. has congratulated the City for having taken steps to reduce its total cost of risk by taking advantage of advisory services, consultations and educational seminar invitations.

Generally, insurance is a cyclical business. It has been defined as being either “soft” when the market exhibits low rates, generous terms, abundance of capital and more competition or “hard” when the market has higher rates, restrictive terms, reduced levels of capital and less competition. There are several areas that impact the cost of municipal insurance including: climate change, class actions, joint and several liability, the changing legal landscape, future care costs and transit claims. Currently, the insurance market is categorized as “hard” with higher rates. Therefore, even though the City’s claims history has been below average, it is not shielded from the increase in premiums which is required to ensure that claims are paid.

Corporate Strategic Plan

- Natural North and Near
- Affordable Balanced Growth
- Responsible and Responsive Government
- Economic Prosperity
- Spirited Safe Community

Specific Objectives

- Ensure the efficient and effective operations of the city, with particular consideration to the impact of decision on the property tax rate.

Options Analysis

Option 1: That Council approves the annual renewal of insurance with Intact Public Entities Inc. in partnership with Kennedy Insurance Brokers Inc. in the amount of \$1,623,743 (plus HST) for municipal comprehensive insurance. This renewal will represent the second year of a contract awarded in 2023 for a term of five (5) years, with an option in favour of the City to extend the agreement for three (3) additional terms of up to one (1) year each.

This is the recommended option.

Option 2: That Council does not approve the annual renewal of insurance with Intact Public Entities Inc. in partnership with Kennedy Insurance Brokers Inc. in the amount of \$1,623,743 (plus HST) for municipal comprehensive insurance. This renewal will represent the second year of a contract awarded in 2023 for a term of five (5) years, with an option in favour of the City to extend the agreement for three (3) additional terms of up to one (1) year each.

This option is not recommended as the City’s insurance policy will expire May 1, 2024, and the renewal is necessary to ensure adequate coverage is in place.

Recommended Option

That Council approves the annual renewal of insurance with Intact Public

Entities Inc. in partnership with Kennedy Insurance Brokers Inc. in the amount of \$1,623,743 (plus HST) for municipal comprehensive insurance. This renewal will represent the second year of a contract awarded in 2023 for a term of five (5) years, with an option in favour of the City to extend the agreement for three (3) additional terms of up to one (1) year each.

Respectfully submitted,

Name: Margaret Karpenko, CPA, CMA
Title: Chief Financial Officer /Treasurer

I concur with this report and recommendation

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

Name: John Severino, P.Eng., MBA
Title: Chief Administrative Officer

Personnel designated for continuance:
Name: Margaret Karpenko, CPA, CMA
Title: Chief Financial Officer /Treasurer