

STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG



Report to:	Mayor and Council Members	Priority:	<input checked="" type="checkbox"/> High <input type="checkbox"/> Low
Submitted by:	Ian D. Davey, BBA CPA CA Treasurer / Director of Corporate Services	Meeting Type:	Open Session <input checked="" type="checkbox"/> Closed Session <input type="checkbox"/>
Meeting Date:	October 25, 2021		
Report No.:	Corporate Services-134-21		
Submit comments to Council			

Subject/Title: Comprehensive Insurance Program – November 1, 2021 to November 1, 2022

RECOMMENDATION:

THAT Council accept the recommendation of our insurance broker and award the Comprehensive Insurance program to Marsh Canada Limited for the period from November 1, 2021 to November 1, 2022 in the amount of \$674,065 which includes all applicable taxes.

1. STRATEGIC PLAN

N/A

2. PUBLIC ENGAGEMENT

N/A

3. PURPOSE

The purpose of this report is to provide Council with the results of the insurance contract renewal process as conducted by our Insurance Broker for the period from November 1, 2021 through November 1, 2022.

4. ORIGIN AND LEGISLATION

The municipality's comprehensive insurance program expires November 1, 2021. McDougall Insurance Brokers Limited provide brokerage services to the Town of Cobourg on a fee for service basis in accordance with the terms of a five-year agreement. This is currently the fourth year of that contract.

5. BACKGROUND

As indicated in prior year reports to Council, the insurance market for municipalities is very small in terms of the number of companies willing to provide the types of coverage that a municipality requires. Historically, our broker has gone out to market every 3 to 5 years to obtain quotes from competing insurance companies. Ryan Lowe from McDougall Insurance Brokers Limited, Cobourg will be in attendance at the Committee of the Whole meeting to answer any questions about how this process worked this year and to provide a general update of the current status of the municipal insurance industry in Ontario at this time.

Please be advised that this report does not deal with our Cyber Insurance coverage which is an additional policy that was renewed earlier this year at an annual cost of \$10,174 which represented an increase of \$2,830. The Cyber policy runs from August 6, 2021 through August 6, 2022 and is with Totten Group Insurance.

6. ANALYSIS

Our insurance broker went to the market for the current renewal and was able to secure two competitive bids to provide our insurance program for the coming year. The premium for the current policy year expiring November 1, 2021 was \$669,205 including all broker fees and applicable taxes and was with Intact Public Entities.

1) Intact Public Entities (formerly Frank Cowan Company)

The quoted premium for the policy year November 1, 2021 through November 1, 2022 is \$863,233 including all broker fees and applicable taxes

2) Marsh Canada Limited

The quoted premium for the policy year November 1, 2021 through November 1, 2022 is \$674,065 including all broker fees and applicable taxes.

The cost difference in quotes is \$189,168. The lower quote represents a modest increase of less than 1% over the prior year renewal.

7. FINANCIAL IMPLICATIONS/BUDGET IMPACTS

The immediate impact on the 2022 operating budget will be minimal and the anticipated premium increase has been included in the draft budget as provided to Council.

Our broker has provided some additional facts for consideration beyond the financial savings from moving our policy away from Intact and over to Marsh.

- a) There is an increase in the limit of general liability coverage from \$25,000,000 to \$50,000,000 per occurrence. The downside of this is that the general aggregate payout of all liability claims is capped at \$50,000,000 per calendar year. There is some additional coverage if there were to be one very large claim exceeding the \$25,000,000 limit in our current policy however the additional risk would be if there were multiple claims which in aggregate exceed \$50,000,000 they could exceed our coverage. There is no annual aggregate with the Intact policy.
- b) The quoted premium from Marsh includes the addition of the Facility User Group Liability which gives the Town the ability to extend the Town's liability policy to individuals and small groups who are using Town facilities. A fee could be recovered for this service allowing the Town to recover a small amount of its costs while providing a convenience to facility users by not requiring them to obtain their own insurance coverage.
- c) The Marsh policy provides Replacement cost coverage as opposed to Heritage Replacement cost coverage unless a formal appraisal is provided.
- d) The Marsh policy includes actual cash value settlement on all autos over 24 months in age as opposed to replacement cost settlement on all non-passenger vehicles.
- e) The Marsh policy includes a \$10,000 deductible on all auto claims versus our current policy which includes varying deductibles between \$1,000 and \$10,000 depending on the value of the vehicle.

In general, moving or quote shopping large policies can be difficult due to the complexity and size of the policy and coverages. A move to a new insurance provider should be done with the understanding that it will be for a period of at least 3 years. This indicates a desire on the part of the municipality for stability which is key in the municipal market. This also allows for a longer term to compare claims experience for the new provider.

A risk of moving to a new company is that a couple of poor claims years going forward could have a more dramatic impact on future year premiums. Generally, when companies take on a new policy future claims will have a greater impact on renewal rates for the first couple of years until there is a claims history built up with the new company.

8. CONCLUSION

It is recommended that the corporation accept the placement of the Town of Cobourg Comprehensive Insurance program with Marsh Canada Limited for the policy year from November 1, 2021 through November 1, 2022 at the quoted premium of \$674,065 which includes all applicable taxes and brokerage fees.

Report Approval Details

Document Title:	Comprehensive Insurance Program - November 1, 2021 to November 1, 2022 - Corporate Services-134-21.docx
Attachments:	- doc26537920211022140745.pdf
Final Approval Date:	Oct 22, 2021

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

Tracey Vaughan, Chief Administrative Officer - Oct 22, 2021 - 2:44 PM