REPORT FOR ACTION

Authority Request for the Annual Insurance Program Renewals in Years 2019 to 2022

Date: April 4, 2019
To: General Government and Licensing Committee
From: Chief Financial Officer and Treasurer
Wards: All

SUMMARY

The purpose of this report is to recommend that City Council delegate authority to the Chief Financial Officer and Treasurer to contract for various insurance policies during the current City Council Term. The City uses the services of insurance broker Marsh Canada Ltd. (Marsh), approved by the Bid Award Panel (Item BA55.1) on December 20, 2017, to access the worldwide marketplace to obtain quotes on insurance policies and report the results to the City.

The City's property and casualty insurance program consists of 27 insurance policies as detailed in Attachment 1. The current annualized estimated cost of the full insurance program is $6,194,562 excluding applicable taxes. This cost is subject to change as each policy renews. Staff recommend 19 insurance policies be contracted for on June 1, 2019 at a cost of no more than $5,859,577 excluding applicable taxes. A total of 27 insurance policies will be contracted for on their subsequent renewal dates as detailed in this report at a cost which will be determined at the time of their renewal.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council authorize the Chief Financial Officer and Treasurer to contract for the following insurance policies for the duration of the current Council term ending November 14, 2022:

    a) the various insurance policies set out in Attachment 1, which form the City's property and casualty insurance program, as the current policies come due for renewal; and
    b) additional insurance policies as may be required from time to time for specific divisional purposes, provided that the relevant division has adequate budget funding for the premium, and such total annual premium costs do not exceed $500,000,

all upon such terms, including pricing and length of policy term, as are satisfactory to the Chief Financial Officer and Treasurer in consultation with the City's insurance broker, subject to a Council approved budget.

FINANCIAL IMPACT

This report recommends the City contract for 27 insurance program policies during the current City Council term as set out in Attachment 1, which form the City's property and casualty insurance program. The City's insurance program contains insurance policies which have varying policy periods and renewal dates that do not align with the June 1, 2019 annual renewal date. The estimated cost of the 19 insurance policies to be renewed on June 1, 2019 is $5,859,577 excluding applicable taxes. These policies will require subsequent renewals during the current term of City Council at a cost that will be determined at the time of their renewal. The remaining 8 insurance policies must be contracted for (renewed) at various dates after June 1, 2019. In total, 27 insurance policies will be contracted at their subsequent renewal dates as detailed in this report. The current estimated annualized cost of the full insurance program is $6,194,562 excluding applicable taxes. Actual costs will be determined based on the market rates during the renewal process.

Policy costs are dependent on prevailing market rates which consider industry loss experience, the City's loss experience, and the City's overall risk profile. The City's insurance broker accesses the worldwide insurance marketplace on behalf of the City, thereby ensuring competitive rates with the most favourable terms and conditions.

Funding for the insurance program is provided from the City’s Insurance Reserve Fund XR1010.

This report also recommends the City contract for additional insurance policies as may be required from time to time for specific divisional purposes, provided that the requesting division has adequate budget funding for the premium, and such total annual premium costs do not exceed $500,000. Funding for these policies are reimbursed by the requesting division.

The recommended insurance policies provide significant levels of financial protection for the City, for example, a $1.87 billion property insurance limit ($500 million for Earthquake and Flood) covering City buildings, facilities, contents, equipment, etc., as well as an overall limit of $100 million in liability insurance coverage (except $30 million for Medical Malpractice Liability).

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On May 5, 6, and 7, 2015, City Council adopted GM3.23 thereby authorizing the June 1, 2015-2016 insurance program and delegating authority to the Deputy City Manager & Chief Financial Officer to renew the City's program of property and casualty insurance on an annual basis during the 2015-2018 term of City Council (June 1, 2016-2017, June 1, 2017-2018 and June 1, 2018-2019) provided that the terms, conditions, limits, and deductibles are, in the opinion of the Deputy City Manager and Chief Financial Officer, substantially the same as outlined in this item.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM3.23

COMMENTS

Recommended City Property and Casualty Insurance Program 2019-2022
On behalf of the City, the City's insurance broker, Marsh, approached over 30 Canadian and international insurers including several Lloyds of London Syndicates to obtain competitive insurance premium pricing and ensure the most favourable coverage terms, conditions, limits and deductibles available.   Attachments 1 summarizes the current 27 policies in the property and casualty insurance program and their limits and deductibles.

City Council authorization for the delegation of authority to the Chief Financial Officer and Treasurer to contract for the insurance program policies detailed in Attachment 1 during the current City Council term is recommended. Renewal of the insurance program policies over the term of the current City Council may result in the premium, limits, deductibles, or other aspects of the coverage being re-negotiated based on current market conditions and insurer capacity to insure the City's risk.

Divisional Insurance Policies
Insurance is a standard, fundamental and widely used risk transfer technique to provide protection to the City in various contractual arrangements. It can be imposed on others or purchased by the City.

The Broker's agreement with the City confirms they will be engaged to place separate insurance policies to meet specific needs identified by City. The City may identify projects, events, or risk exposures which require the contracting of specialized insurance policies through the City's Broker. These insurance policies are typically bound for a limited duration or are event specific, and are low value. Recent examples include user group liability insurance for Right of Way street closure permits and parks permits, environmental liability insurance to meet contractual requirements for Toronto Water's Ashbridges Bay chlorine delivery, animal transport insurance for Toronto Zoo Pandas and Elephants, and G20 Summit liability insurance. Authority is being requested to contract for additional insurance policies as may be required from time to time for specific divisional purposes, provided that the relevant division has adequate budget funding for the premium, up to a cumulative premium total for such divisional insurance policies of $500,000 annually. Divisional insurance policies that exceed this annual amount will require separate authority from City Council or the appropriate Standing Committee.

Ongoing renewal of the full 27 insurance program policies during the current term of City Council as detailed in Attachment 1 is recommended. The cost of the 19 insurance policies renewing on June 1, 2019 is no more than $5,859,577 excluding applicable taxes. The current annualized cost of the full insurance program's 27 policies is $6,194,562 excluding applicable taxes. Some policies within the program are renewed and paid up-front for multi-year terms, or are not aligned with the June 1 renewal date, and therefore this is an estimate only, and the actual costs of subsequent renewals can only be determined at the time of renewal.

CONTACT

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SIGNATURE

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Heather Taylor
Chief Financial Officer and Treasurer

ATTACHMENTS

Attachment 1 – Recommended City Property and Casualty Insurance Program 2019-2022

ATTACHMENT 1

Recommended City Property and Casualty Insurance Program 2019-2022

Insurance Policies	Policy Period	Current Main Limit ($'s)	Current Self-Insured Retention (SIR) / Deductible ($'S)
Policies Marketed and Renewing on or before June 1, 2019			
Comprehensive General Liability	June 1 2019-June 1 2020	5 million	5 million (4M deductible excess / 1M SIR)
Public Officials E & O	June 1 2019-June 1 2020	5 million	5 million (4M deductible excess / 1M SIR)
Automobile	June 1 2019-June 1 2020	5 million	5 million
Garage Automobile	June 1 2019-June 1 2020	5 million	5 million
Medical Malpractice Liability	June 1 2019-June 1 2020	30 million	5 million
Primary Umbrella	June 1 2019-June 1 2020	5 million	NIL
1st Excess Liability	June 1 2019-June 1 2020	13 million	NIL
2nd Excess Liability	June 1 2019-June 1 2020	5 million	NIL
3rd Excess Liability	June 1 2019-June 1 2020	20 million	NIL
4th Excess Liability	June 1 2019-June 1 2020	52 million	NIL
Property	June 1 2019-June 1 2020	1.871 billion 500 million FLAKE	5 million
Boiler & Machinery	June 1 2019-June 1 2020	100 million	200,000
Crime	June 1 2019-June 1 2020	10 million	5 million
Crime (Excess)	June 1 2019-June 1 2020	10 million	NIL
Crime (Additional)	July 23 2019-June 1 2022	5 million	NIL
Aviation - Aircraft Hull & Liability	June 1 2019-June 1 2020	10 million liability	NIL
Aviation – UAV/Drone	June 1 2019-June 1 2020	10 million liability 66,000 drone values	10% physical damage
Marine –Hull & Machinery and Increased Value	June 1 2019-June 1 2020	43,852,713	5,000-35,000
Marine – Protection & Indemnity	June 1 2019-June 1 2020	US 3 billion	1,000-5,000
Fiduciary Liability	June 1 2019-June 1 2020	15 million	100,000
Home Day Care Liability	June 1 2019-June 1 2020	5 million	1,000
Additional Policies Renewing after June 1, 2019			
Nuit Blanche Liability	Sept 1 2018-Sept 1 2019	5 million	500
Nuit Blanche Excess Liability	Sept 1 2018-Sept 1 2019	5 million	NIL
Nuit Blanche Aviation	Sept 1 2018-Sept 1 2019	10 million	NIL
Long-Term Policies Renewing in 2020			
Cyber	Dec 21 2018-June 1 2020	10 million	1 million
Cyber Excess	Dec 21 2018-June 1 2020	10 million	NIL
Toronto Police Services Horses	Feb 24 2019-Feb 24 2020	US 50 million	NIL