



Administration and Operations Committee Report

To: To the Chair and Members of the Administration and Operations Committee
From: Kim DaCosta, Insurance and Legal Clerk
Date: July 8, 2024
Report #: RPT-365-24
Subject: Insurance Renewal
Purpose: For Approval

Recommendation

That the County of Brant renew the Municipal Insurance and Risk Management Program with Intact Public Entities Inc. (IPE) for a one-year term commencing August 30, 2024, at the annual premium amount of \$2,028,608.00 plus applicable taxes; and

That the Chief Administrative Officer be directed to execute all applicable renewal documents on behalf of The Corporation of the County of Brant to effect the renewal.

Executive Summary

This report provides an update on the current insurance landscape and in particular with respect to municipal insurance and the costs associated with the renewal of the 2024 Municipal Insurance and Risk Management Program with Intact Public Entities Inc. for a one-year term.

Strategic Plan Priority

Strategic Priority 6 - Stable and Responsive Governance

Impacts and Mitigation

Social Impacts

There are no direct social impacts to the municipality resulting from the recommendation of this report.

Environmental Impacts

There are no direct environmental impacts to the municipality resulting from the recommendation of this report.

Economic Impacts

The 2024 premium for renewal of the insurance and risk management program is \$2,028,608 plus taxes, representing a rate increase of \$91,611.00 from the previous year. The 2024 premium represents a 4.7% increase from the 2023 premium paid.

The County's Insurance Reserve was created to stabilize and smooth the impact of premium increases that are estimated at budget time. The Insurance Reserve balance as of December 31, 2023, was \$274,253.08.

\$2,054,507.00 has been included in the 2024 budget for insurance premiums and therefore there is no budget shortfall. The insurance premium increase will be included in the 2025 proposed budget.

Report

Background

In 2019, Council approved the recommendation to accept the proposal from Frank Cowan Company (now Intact Public Entities Inc.) for a one-year term including an option to renew for subsequent terms for up to a total of five (5) years inclusive, subject to and with due consideration for any premium increases that may apply, satisfactory performance and Council approval.

The County is currently in the fifth year of the five (5) year option to renew cycle with Intact Public Entities Inc. (IPE).

Renewal Analysis

The global insurance market has begun to stabilize in the first half of 2024 compared with the volatile swings of the previous few years, but insurers remain disciplined in their underwriting. While rates have relaxed on the casualty side, there is more focus on property premiums due to increasing weather related losses along with the impact of inflation and the cost of goods and services when having to rebuild after a property loss. There is also a focus on auto rates with losses increasing, collision, thefts, the costs of parts and longer wait times for vehicle replacement.

This year, IPE requested a review of the schedule of property values to ensure the list of County buildings and property insured under the policy are both accurate in quantity and value. Along with inflationary factors and the information supplied by the County, property values increased approximately \$48,000,000. Even with the increase in property values, the increase to this year's premium is the lowest in the past five (5) years at 4.7%.

The table below outlines the County's insurance renewal costs (excluding taxes) for the past five years:

Table 1 – Five Year Insurance Costs

Year	Insurance Premium	Change
2019	\$1,171,972	36%

2020	\$1,356,231	13.6%
2021	\$1,564,057	15.3%
2022	\$1,759,740	12.5%
2023	\$1,936,997	9.1%
2024	\$2,028,608	4.7%

Staff recommend increasing the Equipment Breakdown policy deductible to \$50,000 from \$25,000 for an annual premium of \$11,406 which represents a \$2,570 savings. The \$50,000 deductible is in keeping with the Property policy deductible.

Table 2 – 2024 Insurance Renewal Cost Analysis

Coverage	2023 Premium	2024 Premium	\$ Increase	Factors affecting Increase
Casualty	\$1,472,740	\$1,504,483	\$ 31,743	General market conditions, population growth, & recent claims activity in Ontario
Property	\$ 267,289	\$ 309,490	\$ 42,201	Updated review of property values of County buildings & property resulting in an increase in property values
Auto	\$ 196,968	\$ 214,635	\$ 17,667	Current market conditions, including loss increases due to thefts, collisions & increased costs of parts & vehicle replacement
*Total (Excluding Taxes)	\$1,936,997	\$2,028,608	\$ 91,611	

**Includes savings for the staff recommended proposal of increasing deductible on Equipment Breakdown Policy to \$50,000.*

The above overall insurance premium increase indicates that the increase to the County's 2024 renewal is 4.7%.

To help ascertain the County's position at renewal, staff researched the renewal rates of neighbouring municipalities. Norfolk County's premium was \$2,070,245 (plus taxes) after issuing an RFP and receiving only two (2) bids. Haldimand County's premium was \$941,873

(including taxes) after issuing an RFP and receiving only one (1) bid. Oxford County's premium was \$2,092,704 (plus taxes) with additional premiums in the amount of \$163,949 (plus taxes) for their Social Housing Insurance Program. Given the variability across municipalities in changes/increases to their premiums, along with the very modest increase to the County's 2024 premium, renewal of the policy with IPE continues to be most favorable option for the County.

Cyber and Fraud Induced Coverage Analysis

In addition to the renewal policy, staff have been exploring the (separate) purchase of Cyber Insurance and an optional endorsement for Fraudulently Induced Transfer (otherwise known as Social Engineering) coverage to expand the County's current Crime Coverage.

1. **Cyber Insurance** – This coverage is provided when an Insured has been a victim of cybercrime, which can include unauthorized electronic funds transfer, theft of money from the Insured's bank or corporate credit cards by electronic means, and transfer of funds to an unintended third party through phishing and extortion. This coverage generally provides First Party coverage including payment of expenses resulting from a cyber extortion event, costs of crisis management resulting from a public relations event, breach response costs resulting from an actual or suspected security failure or data breach; and reimbursement for loss of profit and operational expenses during the period of restoration caused by a network compromise. This coverage often extends to Third Parties where the Insured has failed to protect personal or confidential data after a data breach or distribution of malware originating from the Insured's computer to that of the third party. Payment of expenses, regulatory fines and costs to perform computer forensics and legal fees resulting from a security failure or data breach are often also covered.
2. **Fraudulently Induced Transfer Endorsement** – This coverage is provided when an Insured under the policy has been intentionally misled by someone claiming to be a vendor, client or another employee of the company and the Insured (employee) has transferred, paid or delivered money or securities to this third party. This coverage requires a separate premium, with separate limits of insurance ranging from \$10,000 to \$100,000 subject to an additional deductible.

Both forms of coverage above require additional/supplementary applications to the general insurance renewal. Staff will accordingly bring forward an additional report to Council once these applications have been completed and a response provided by the insurer.

Summary and Recommendations

Although the insurance market is beginning to show signs of stabilizing, the hard market continues. Despite this, with the County's prudent business decisions, the continued efforts to mitigate exposure to risks with effective risk management strategies such as heeding prudent objective advice from professionals within the corporation and fiscally responsible reserve policies, the County continues to maintain a comparatively favourable claims history.

The Municipal Insurance and Risk Management Program provides the County with fiscally sound protection against financial loss of the County's assets and provides liability protection

to employees, Councilors, volunteer firefighters and volunteers from acts attributed to negligence while under the direction of the County of Brant.

The County continues to receive excellent customer service including risk management services and contract reviews, in addition to their insurance claims services from Intact Public Entities Inc. Risk management workshops are also included in their insurance program and provided for all County employees at no additional cost.

It is therefore recommended that the County of Brant renew the Municipal Insurance and Risk Management Program with Intact Public Entities Inc. for a one-year term commencing August 30, 2024, at the annual premium amount of \$2,028,608 plus applicable taxes; and

That the Chief Administrative Officer be directed to execute all applicable renewal documents on behalf of The Corporation of the County of Brant to effect the renewal.

Attachments

None

Reviewed By

1. Heather Boyd, General Manager of Corporate Services
2. Rochelle Welchman, Solicitor and Corporate Counsel

Copied To

1. Alison Newton, CAO
2. Rochelle Welchman, Solicitor and Corporate Counsel
3. Heather Boyd, General Manager of Corporate Services
4. Heather Mifflin, Director of Finance, Treasurer

By-law and/or Agreement

By-law Required	No
Agreement(s) or other documents to be signed by Mayor and /or Clerk	No