

Clause 7 in Report No. 18 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on November 19, 2015.

7

2016/2017 Insurance Coverage Placements for York Region, York Regional Police and York Region Rapid Transit Corporation

Committee of the Whole recommends that the report dated October 27, 2015 from the Commissioner of Finance be referred back to staff for a report to the December 10, 2015 meeting of the Committee of the Whole.

1. Recommendations

It is recommended that:

1. The insurance policies listed in Table 3 be placed for an eighteen-month term effective January 1, 2016 to June 30, 2017, at an amount of \$4,423,690 plus applicable taxes based on May 2015 underwriting information.

2. Purpose

The majority of our insurance policies will expire on December 31, 2015. Renewal of these policies is required to provide continued financial protection for the assets and operations of the Region, the Police and the York Region Rapid Transit Corporation.

3. Background

The Region's insurance program consists of a combination of insurance policies and self-insurance

The Region's insurance program is structured as follows:

## 2016/2017 Insurance Coverage Placements for York Region, York Regional Police and York Region Rapid Transit Corporation

- Primary policies, consisting of Property/Equipment Breakdown & Crime, Municipal Liability & Public Entity Errors & Omissions, Automobile Liability, and Excess Liability;
- Specialty policies, consisting of Marine, Aviation, Accidental Death & Dismemberment, Cyber Liability, Director's & Officer's Liability, and Medical Malpractice; and
- Self-insured risks (risks for which insurance is not purchased but where money is set aside in the insurance reserve or operating budgets to fund losses) include infrastructure exposures (e.g., water mains, sewers, roads, bridges), forests, and environmental contamination.

The primary and specialty insurance policies for the Region, York Regional Police (YRP) and York Region Rapid Transit Corporation (YRRTC) discussed here are marketed and placed by Integro Canada Limited (Integro), which is the Region's insurance Broker of Record. Housing York Inc. (HYI) is insured independently. The Treasury Office provides assistance to HYI for insurance and claims needs.

Due to the complexity of municipal insurance needs and risks, there are only a few companies that are willing to provide municipal liability coverage, and then only in combination with other traditional coverages such as property insurance. Of these potential insurers, some did not provide quotes to Integro because they were not able to handle the scale and complexity of the Region's program.

The Region's rates are decreasing

Many municipalities are seeing rate increases, primarily for their liability policies. Insurers generally are looking for a 5 to 10% increase. However, the Region's insurers are providing reduced rates for many coverages.

The Region intends to renew its insurance coverages for a policy term of eighteen months. This extended policy term saves administrative costs and provides stable rates for a longer period.

#### 4. Analysis and Options

Two comprehensive insurance quotations for the primary policies were received from Travelers and Cowan

Integro approached seven insurers to provide quotations. Travelers Canada, the incumbent insurer, and the Cowan Insurance Group both provided

2016/2017 Insurance Coverage Placements for York Region, York Regional Police and York Region Rapid Transit Corporation

comprehensive quotations on the Region's primary policies, as detailed in Table 1. Coverages, limits, and deductibles quoted are the same as those in the expiring policies, except where noted.

The Region's property values have increased from \$1.5 billion to almost \$1.8 billion and the number of insured vehicles has increased from 1,653 to 1,875. These changes are included in the premiums quoted.

The quotes obtained are based on the underwriting information provided to the insurers as of May 2015. The underwriting information will be updated at the time of renewal.

**Table 1**  
Premium Quotations for Primary Policies  
(Based on 18-month policy term)

| <b>Policy</b>  | <b>Policy Limit</b> | <b>Deductible</b> | <b>Current Insurer</b>  | <b>Expiring Premium Cost</b> | <b>Incumbent Quote (recommended)</b> | <b>New Cowan Quote</b> |
|--|---------------------|-------------------|-------------------------|------------------------------|--------------------------------------|------------------------|
| Property/<br>Equipment<br>Breakdown &<br>Crime                     | \$300 M<br>blanket  | \$50,000          | Travelers<br>Canada     | \$888,602                    | \$975,767                            | \$968,133(1)           |
| Municipal<br>Liability &<br>Public Entity<br>Errors &<br>Omissions | \$5 M               | \$500,000         | Travelers<br>Canada     | \$1,300,74<br>5              | \$992,487                            | \$828,381              |
| Automobile   | \$5 M               | \$500,000         | Travelers<br>Canada     | \$2,433,15<br>8              | \$1,755,260                          | \$1,603,557            |
| Excess<br>Liability  | \$45 M              | n/a               | Lloyd's<br>of<br>London | \$372,750                    | \$298,000                            | \$626,756              |
| <b>TOTAL for<br/>Primary<br/>Policies</b>                          |                     |                   |                         | <b>\$4,995,25<br/>5</b>      | <b>\$4,021,514</b>                   | <b>\$4,026,827</b>     |

Note: Premiums quoted do not include 8% RST, which is applicable to all policies except automobile. HST does not apply to insurance premiums in Ontario.

(1) Cowan only provided a quote with a \$250 million blanket limit for Equipment Breakdown.

Travelers continues to provide the most comprehensive policy wordings, competitive rates, and a pricing stability agreement

2016/2017 Insurance Coverage Placements for York Region, York Regional Police and York Region Rapid Transit Corporation

It is recommended that coverage for the primary policies remain with Travelers/Lloyds for a further eighteen month term based on the comprehensive policy wordings that continue to be offered by Travelers, the competitive rates quoted for renewal, and a new pricing stability agreement offered with their quotations.

Travelers pricing stability agreement restricts rate increases for the next renewal period effective July 1, 2017. The rates will remain unchanged for automobile and will be capped at an 8% maximum increase for liability if the Region's loss ratio stays within a specific range.

There are several specialty policies that are being recommended for renewal

The Region purchases a number of specialty policies to improve insurance protection for its assets and risks. These policies supplement the primary policies by providing coverage for risks they do not cover.

Table 2 outlines the renewal quotations for the specialty policies. The current insurers have all provided favourable quotations for the new policy term. No other quotations were received for these coverages.

**Table 2**  
Premium Quotations for Specialty Policies  
(Based on 18-month policy term)

| <b>Policy</b>                           | <b>Policy Limit</b>                                 | <b>Current Insurer</b>       | <b>Deductible</b> | <b>Expiring Premium Cost</b> | <b>Incumbent Quote (recommended)</b> |
|---|---|------------------------------|-------------------|------------------------------|--------------------------------------|
| Accidental Death & Dismemberment (AD&D) | \$250,000 Principal Sum/\$500 & \$250 Weekly limits | AIG                          | Not applicable    | \$5,040                      | \$5,040                              |
| Marine                                  | \$1.8 M   | Travelers Canada             | \$100,000         | \$9,139                      | \$9,139                              |
| Aviation                                | Premises \$5M<br>Hull \$2 M                         | Global Aerospace             | \$100,000         | \$43,308                     | \$40,092                             |
| Medical Malpractice                     | \$50 M  | Creechurch & Excess Insurers | \$100,000         | \$131,971                    | \$118,693                            |
| Cyber Liability                         | \$5 M   | Lloyd's of                   | \$100,000         | \$136,125                    | \$136,125                            |

2016/2017 Insurance Coverage Placements for York Region, York Regional Police and York Region Rapid Transit Corporation

|                                  |       |        |           |           |           |
|----------------------------------|-------|--------|-----------|-----------|-----------|
|                                  |       | London |           |           |           |
| Director's & Officer's Liability | \$5 M | AIG    | \$100,000 | \$50,498  | \$50,329  |
| TOTAL                            |       |        |           | \$376,081 | \$359,418 |

Note: Premiums quoted do not include 8% RST, which is applicable to all policies except automobile. HST does not apply to insurance premiums in Ontario.

It is recommended that the Region increase its coverage limit for cyber risks from \$5 million to \$10 million

The Region purchased a Cyber Liability policy during the last insurance renewal period. The current limit is \$5 million with a deductible of \$100,000 per claim. This amount is shown in Table 2 above.

Cyber Liability covers losses stemming from the use of technology to process, store and transfer data. The Region continues to increase the amount of data stored in the cloud and the YTN network continues to expand, increasing the risk of data loss or breach. Based on Integro's experience with the risks covered by a cyber policy, knowledge of the Region's current risks, and the potential cost of a data breach, they have recommended increasing the limit of liability from \$5 million to \$10 million. The cost for an additional \$5 million of coverage would be \$42,758, for a total cost of \$178,883.

The Region continues to self-insure certain exposures such as environmental liability, infrastructure, and reforestation

The Region self-insures specific risks either because of the high premium cost associated with the risk or the lack of available insurance coverage.

Environmental liability, reforestation of forest tracts, and the replacement of damaged infrastructure (e.g., water mains, sewers, roads, and bridges) are risks not covered under the Region's insurance policies. Analysis of these risks, including a review of the availability and cost of insurance, continues to support self-insurance.

The Region maintains an insurance reserve for environmental liability and reforestation risks, with specific funds set aside in the insurance reserve to cover losses. Infrastructure losses are covered by departmental budgets.

Link to key Council-approved plans

The purchase of insurance coverage and the use of risk management principles and practices contribute to the Strategic Plan objective of good government. Potential third party liabilities and loss of Regional assets pose a threat to

2016/2017 Insurance Coverage Placements for York Region, York Regional Police and York Region Rapid Transit Corporation

Regional operations. Insurance and risk management provide financial and operational coverage for this threat.

5. Financial Implications

Table 3 summarizes the recommendations made throughout this report for the Region’s insurance policy needs effective January 1, 2016.

**Table 3**  
Summary of Recommended Insurance Policies  
(Based on 18-month policy term from January 1, 2016 to July 1, 2017)

| <b>Policy</b>  | <b>Insurer</b>               | <b>Premium</b>     |
|--|------------------------------|--------------------|
| Property/Equipment Breakdown & Crime                   | Travelers Canada             | \$975,767          |
| Municipal Liability & Public Entity Errors & Omissions | Travelers Canada             | \$992,487          |
| Automobile Liability                                   | Travelers Canada             | \$1,755,260        |
| Excess Liability                                       | Lloyd’s of London            | \$298,000          |
| Accidental Death & Dismemberment (AD&D)                | AIG                          | \$5,040            |
| Marine   | Travelers Canada             | \$9,139            |
| Aviation (hull & premises)                             | Global Aerospace             | \$40,092           |
| Medical Malpractice                                    | Creechurch + Excess Insurers | \$118,693          |
| Cyber Liability  | Lloyd’s of London            | \$178,883          |
| Director’s & Officer’s Liability                       | AIG                          | \$50,329           |
| <b>Total</b>   |                              | <b>\$4,423,690</b> |

Note: Premiums quoted do not include 8% RST, which is applicable to all policies except automobile. HST does not apply to insurance premiums in Ontario.

The expiring premium for the primary and specialty insurance coverages identified above is \$5,371,336. The renewal offers a savings of \$947,646 over the next eighteen months.

2016/2017 Insurance Coverage Placements for York Region, York Regional Police and York Region Rapid Transit Corporation

The cost of the proposed insurance renewal has been provided for within the approved 2016 & 2017 budget outlooks. The final premium may differ slightly from the estimated cost in this report, based on final underwriting adjustments for property values, number of vehicles and other items that may have changed since May 2015.

6. Local Municipal Impact

There is no direct local municipal impact resulting from this report.

7. Conclusion

Renewing the insurance policies with a premium cost of approximately \$4,423,690 plus taxes for a further eighteen-month term will provide protection for the assets and operations of the Region, York Regional Police and the York Region Rapid Transit Corporation.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at Ext.71644.

The Senior Management Group has reviewed this report.

October 27, 2015

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