

**REPORT OF THE DIRECTOR OF FINANCE & TREASURER
RE. INSURANCE AND THE IMPORTANCE OF RISK MANAGEMENT
FOR THE CONSIDERATION OF COUNCIL**

OBJECTIVE

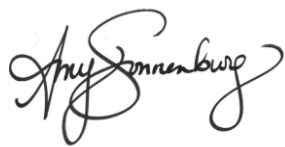
To understand the current insurance market and to actively engage with the BFL Canada to mitigate future exposure to risk.

RECOMMENDATION

That the report of the Director of Finance/Treasurer re: Insurance and the Importance of Risk Management be received,

and that Council adopt in principal the attached report “2021 Insurance Market Place & the Importance of Risk Management Culture” (Appendix A).

Respectfully Submitted



Amy Sonnenburg
Director of Finance & Treasurer

Approved



Daniel Gagnon
Chief Administrative Officer

BACKGROUND

Sound fiscal governance requires that a municipality should periodically approach the market to ensure competitive and comprehensive general and liability insurance coverage and coverages that meet our changing needs. In November 2016, council awarded the RFP to BFL Canada.

Per a council memo from January 11, 2021:

On December 21, 2020 the 2021 renewal package for insurance was received. In line with prior communications with the insurer (BFL Canada) we have been informed that insurance market conditions are challenging and property and auto markets require significant correction.

The increase to insurance for 2021 is 43.56%, an increase of \$274,589 (over 2020 actual premiums).

At the January 11, 2021 meeting, staff were directed to research the possibility of an insurance RFP for the 2022 renewal.

ANALYSIS

CAUSE OF THE 2020 INCREASE

The following table details the changes to premiums in 2021.

Two distinct factors were the cause of the increase, provincial wide increases including provincial wide market correction, and increases caused by City performance (claims/usage).

| | 2020 Premium | 2021 Premium | Change (\$) | Change (%) | Provincial Increase | City Performance Increase | City Performance Notes |
|-----------------------------------|------------------|----------------|------------------|---------------|---------------------|---------------------------|---|
| Municipal General Liability | \$166,000 | \$203,497 | \$37,497 | 22.59% | ✓ | ✓ | Prior broker losses adversely moved over \$2,000,000 over the past year |
| Excess Liability | \$22,200 | \$35,000 | \$12,800 | 57.66% | ✓ | ✓ | Adverse claims specific to City |
| Property | \$262,337 | \$407,246 | \$144,909 | 55.24% | ✓ | ✓ | losses since 2017 = \$5,821,431 |
| Equipment Breakdown | \$12,177 | \$10,380 | -\$1,797 | -14.76% | | | |
| Owned Automobile | \$59,100 | \$99,005 | \$39,905 | 67.52% | ✓ | | Rates increased by avg. 66% |
| Airport Liability | \$5,940 | \$7,140 | \$1,200 | 20.20% | ✓ | | |
| Cyber Liability | \$8,247 | \$10,527 | \$2,280 | 27.65% | ✓ | | |
| Out of Province Medical | \$979 | \$825 | -\$1,804 | -15.73% | | | |
| Volunteer Fire Fighters' Accident | \$2,000 | \$2,100 | \$100 | 5.00% | | | Premium variance based on number of participants |
| TOTAL | \$543,456 | 780,196 | \$236,740 | 43.56% | | | |

INSURANCE MARKETS OVERVIEW

Per the attached Appendix A: 2021 Insurance Market Place & the Importance of Risk Management Culture by BFL Canada, Insurance has two market cycles – soft market cycles and hard market cycles. We are currently experiencing a hard market.

2001 TO 2018 – SOFT MARKET The global insurance market experienced a prolonged soft market cycle with extensive insurer capacity, broad product offerings, flexible underwriting requirements / parameters, competitive premiums and low deductibles.

2019 – CORRECTION – The market began showing signs of correction with premiums beginning to increase.

2020 ~ 2021 – HARD MARKET – The hallmarks of a hard market are reduced insurer capacity, focus on account profitability, reduced product offerings, return to disciplined underwriting, premium charged is commensurate with the risk and higher minimum deductibles required.

With this in mind, and our loss record, it is not recommended to tender insurance at this time.

RISK MANAGEMENT

To manage future premiums, a risk management and loss mitigation philosophy is recommended by the insurer and staff. To accomplish this, BFL has set forward a path to creating a Risk Management Culture (See Appendix A). To achieve this, multiple presentations will be made to each City department and Council. These presentations will detail examples of actions and activities that can be better controlled to mitigate risk. The general goal of these meetings is to create a better understanding of how insurance works, and how and why losses can escalate in costs. All of these meetings will culminate in a meeting with Council on progress thought the process.

Highlights include:

- Cyber Security
- Public Works
- Parks & Recreation
- All Staff
- Special Events
- Procurement
- Ski Hill
- Building and fire safety inspections, planning and engineering
- Defensive Driver's Training

FINANCIAL IMPACT

There is no financial impact to receiving this report or adopting a culture of risk management.

LINKS TO STRATEGIC PLAN

Develops a strong municipal corporate administration and governance.

SUMMARY

It is recommended that Council endorse Appendix A and support the City's development of a risk management culture.