

COMMUNICATION 131080

Received from Trisa McConkey, CPA, CGA, Treasurer
Addressed to Committee of the Whole
Date June 23, 2020
Topic Insurance Renewal

SUMMARY:

The Town has received its renewal documents from Frank Cowan Company for the June 15, 2020 to January 1, 2021 period at a cost of \$164,877. The Town recently requested a change to its policy term to coincide with our fiscal year (January 1 – December 31) and to enable its participation in a joint RFP with Lanark County.

BACKGROUND:

The Town of Carleton Place last issued an RFP for Insurance services in 2015. Upon evaluation of the proposals received, Arthur J. Gallagher was selected as the successful broker with Frank Cowan as the insurance provider. The table below details the history of premiums and the percentage increases by policy year.

POLICY YEAR	PREMIUM (+ PST)	% INCREASE OVER PREVIOUS YEAR
(Jun-Dec) 2020	\$299,265*	35.01%
2019/20	\$ 214,387	6.65%
2018/19	\$ 201,027	0.74%
2017/18	\$ 199,554	1.62%
2016/17	\$ 196,364	0.60%
2015/16	\$ 195,197	

**the premium for June to December 2020 of \$164,877 has been annualized for comparison purposes*

COMMENT:

Staff is working with Cameron and Associates to draft an RFP for insurance for 2021 in hopes that we can reduce these costs for the future.

The following chart is a year over year premium comparison, including the pro-rated premiums for the policy period June 15, 2020 to January 1, 2021. The policy period has been amended at the Town's request to allow the insurance policy period to correspond with the calendar year.

COVERAGE DESCRIPTION	2019 ANNUALIZED PREMIUM	2020 ANNUAL PREMIUM	YEAR OVER YEAR PREMIUM CHANGE	June 15 2020 to January 1 2021
General Liability	\$110,103	\$133,265	*21.1%	\$73,031
	*Hard market conditions worldwide are continuing to impact premiums. Liability adjustments between 15 – 30% are the norm this year across many types of operations including municipal, retail, and residential commercial property owners, healthcare, and snow removal contractors. The Town's growth and frequency of claims also impact this premium.			
Errors & Omissions	\$16,140	\$19,368	1.2%	\$10,614
Non-Owned Automobile	\$200	\$200	0	\$110
Environmental Liability	\$4,249	\$4,249	0	\$2,328
Crime	\$1,288	\$1,352	4.97%	\$706
Councilors' Accident	\$434	\$434		\$238
Conflict of Interest	\$452	\$452	0	\$248
Legal Expense	\$1,839	\$1,894	3%	\$1,038
Facility User	\$3,500	\$3,500	0	\$1,918
Property	\$55,753	\$102,882	*84.5%	\$56,381
	* Significant +60% increase to total insured values requested by the Town, including 38 assets and revenue not previously scheduled. 3% inflation applied to buildings & structures amounts. Property rate increase applied of 20%. A description of the major changes to property values is provided below.			
Equipment Breakdown	\$2,983	4,871	63.3%	\$2,669
	Follows increased values for property assets.			
Owned Automobile	\$22,223	\$23,984	7.9%	\$14,054
Excess Liability	\$2,200	\$2,814	27.9%	\$1,542
Total	\$221,664	\$299,265	35%	\$164,877

Property Premium Increase

The property increases form the bulk of the premium change for 2020. Factors impacting the property premium include:

1. Rate increases driven globally by a deterioration of loss results largely stemming from an increase in climate change related severe weather events. These rate increases are impacting all lines of property insurance.
2. Staff undertook a comprehensive review of the Town's assets and their values in preparation for the upcoming RFP. As a result, total insured values increased by 60% or approximately \$39 million including buildings, structures, contents, and equipment.
3. Cowan had not inspected and revalued our buildings for over seven (7) years and was simply applying an inflation factor. Given the costs we are seeing on our tenders and projects, staff felt many of the values were far too low and also that several assets were missing entirely.
4. 3% inflation factor applied to existing insured values not changed by the review staff performed.
5. In terms of claims experience, the Town's 10-year loss ratio is currently 85% for property claims.

New and Missing Assets

- | | |
|---|----------------|
| 1. Nine (9) pumping stations | \$8.75 million |
| 2. Addition to Francis St Daycare | \$4 million |
| 3. Carleton Junction assets | \$775,300 |
| 4. Roy Brown Statue | \$225,000 |
| 5. Various play structures, sheds, contents, fencing, outdoor furniture, etc. | |

Significant Value Increases (>\$1 million)

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|---------------------|---------------------------------------|
| 1. Water Tower | from \$3 million to \$5 million |
| 2. OPP/Fire Station | from \$3.5 million to \$7.5 million |
| 3. Arena | from \$13.5 million to \$15 million |
| 4. Town Hall | from \$15.5 million to \$17.5 million |
| 5. Train Station | from \$2 million to \$3 million |
| 6. Carambeck/Pool | from \$9.3 million to \$16.1 million |

FINANCIAL IMPLICATIONS

The approved budget for insurance in 2020 is \$250,275 as we had anticipated an increase but not one this large. Actual spending for the policy period January 1, 2020 to June 15, 2020 was \$125,933. The cost for the remaining portion of 2020 is \$169,875 which means spending more than budget by \$40,535. This overage can be funded from the Administration and Water/Sewer reserves.

STAFF RECOMMENDATION

THAT Council accepts the quote from Arthur J. Gallagher, Insurance Broker for Frank Cowan Insurance for the period June 15, 2020 to January 1, 2021 at the quoted price of \$169,875 + PST; and

THAT Council authorizes a budget deviation of \$40,535 to be funded from the Administration and Water/Sewer reserves.