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**Date:** December 3, 2020  
**To:** Mayor and Council  
**Author:** Ryan McLeod, CPA, CA  
**RE:** 2021 Insurance Program – Award of Contract  
**Report No.:** FS-2020-18

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## **AIM**

To award the Request for Proposal (RFP) for the Town of Kingsville's 2021 Insurance and Risk Management Program.

## **BACKGROUND**

Insurance is the transfer of risk for a period of time, from one entity to another through the payment of an insurance premium. The Town of Kingsville utilizes third party insurers to transfer the risk of future unknown operating losses from the Town to the insurer by way of specific insurance coverages including Commercial General Liability ("CGL"), Property, Fleet/Automobile, Errors and Omissions Liability, Cyber Liability etc. The premium paid by the Town for insurance coverage is impacted by many factors including market conditions, legislative changes, inflation, the nature of the Town's operations and services provided.

The Town has been insured with Marsh Canada Limited (formally JLT) for the past 8 years. In 2020, the Town was offered an insurance renewal package totaling \$390,467 (plus non-refundable PST), representing a 21.6% increase over 2019 premiums. At the time, the rationale for the increase was cited as the result of a generally "hardening" of the municipal insurance market, in addition to the Town's unfavourable loss history. In response to this premium increase, Administration committed to issuing an RFP for its 2021 Insurance Program.

To ensure the Town insurance needs were adequately addressed, staff utilized the assistance of Mr. Dave Rikley an independent insurance broker with Programmed Insurance Brokers Inc. in Chatham to assist in the development of a RFP and to review our overall insurance and risk management program. Mr. Rikley has a great deal of experience in acting as an independent broker assisting with similar insurance programs for other municipalities.

Mr. Rikley has independently confirmed the “hardening” of the municipal insurance market. There has been a general increase in municipal insurance claims in recent years, and as such, insurers are becoming more selective in the risks they underwrite. The frequency and severity of weather events along with Covid19 coverage disputes and other class action lawsuits have created a great deal of uncertainty in the market. With claims costs continually rising, insurers having less capacity available to take on risk, so even municipalities with little to no claims activity are seeing increases in General Liability, Errors & Omissions, Property, Auto and Cyber coverages.

With respect to loss history, Mr. Rikley advises that insurers generally seek to underwrite to an acceptable loss ratio of no greater than 60% (losses to premium). Unfortunately the Town of Kingsville has a 10 year loss ratio of 76% for General Liability and 229% for historical Error and Omission losses.

The RFP FS20-101 General Insurance and Risk Management Service Program was issued in early October and closed on November 19, 2020. The submissions were received electronically through the Town of Kingsville Bids & Tenders System.

## **DISCUSSION**

There are essentially only four major insurance providers who participate in writing municipal insurance in Ontario – they are AON Reed Stenhouse Inc., BFL Canada Risk and Insurance Services Inc., MARSH Canada Limited and The Frank Cowan Company. Each one of these organizations were “plan takers” under the RFP process, meaning they received the bid documents for the purpose of considering submitting a bid.

Through the RFP process, the Town received only two (2) proposals from the following providers:

- i. Marsh Canada Limited (MARSH)
- ii. Frank Cowan Company

Appendix A provides a 3-year premium history by coverage type as well as premium indications from the incumbent Marsh (formerly JLT) and Frank Cowan Company. Administration requested pricing for both the current \$25,000 deductible as well as \$50,000 for various coverages. The renewal pricing from Marsh is \$682,550 or a 74.8% increase for the same deductible level as is currently in place. The Frank Cowan Company pricing is \$534,667 or a 36.9% increase for a standard \$25,000 deductible on the major insurance policies.

A thorough evaluation process was undertaken, and points were allocated in accordance with the criteria as set out in the RFP document. The evaluation criteria consisted of: Product (40 points), Services (20 points), Qualifications (10 points) and Price (30 points)

The following table illustrates the result.

Category	Total Available Points	Frank Cowan Company	Marsh (JLT)
Total	100	88.75	75.01

Based on the RFP evaluation, Administration is recommending Frank Cowan Company be appointed as the Town's insurance provider for period beginning January 1, 2021.

### **Loss History and Claims Management**

Kingsville's claims history or loss history is poor. On the one hand, the number and seriousness of claims are outside the Town's control and insurance is purchased to cover unknown future events that result in financial losses. On the other hand, Municipality's such as Kingsville see similar loss claims over and over. History is likely to be repeated. Kingsville needs to position itself to make it difficult for it to be a target for claims, needs to deny small frivolous claims, manage in-house smaller claims below our deductible, and hopefully see fewer large claims that need to be sent to our insurance.

In the past, Kingsville has forwarded most claims, even small ones, to its insurer. We are advised that this counts against our claims history even if the claim is below our deductible. Therefore, industry best practice is to manage the claims in-house and in the long term see a better claims history and reduced insurance premiums.

Dave Rikley will work for Kingsville and assist us with claims management at no additional cost to the municipality. He is paid a percentage of the total insurance premium by the proposed insurer, Frank Cowan Company. However, he has a professional duty to act in the best interests of Kingsville. His many years of experience will assist us in better managing claims going forward.

### **Deductible Considerations**

A detailed review of our loss history and deductible compared against a \$39,000 premium reduction offered by Frank Cowan to increase the General Liability deductible from \$25,000 to \$50,000 indicates that such a move would have benefitted the municipality in 9 of the past 10 years. The Town's 10 year average loss history with a \$50,000 deductible would have only increased by \$19,395 per year. The additional cost of this risk can also be reduced in the future by the utilization of internal legal counsel for minor claims.

On this basis, Administration is proposing that a \$50,000 deductible per claim be selected for the Town's general liability coverage. With a higher deductible, Staff would recommend increasing the Town's self-insured deductible account budget by \$25,000 per year, with any unspent amounts being transferred to the Budget Stabilization Reserve at year end.

Staff will monitor claims throughout 2021 to ensure that the increase in deductible continues to make a positive financial impact at the time of next award/renewal of Insurance Coverage and Risk Management services. •

## **LINK TO STRATEGIC PLAN**

Effectively manage corporate resources and maximize performance in day-to-day operations.

## **FINANCIAL CONSIDERATIONS**

The recommended insurance package for 2021, as outlined in Appendix A, amounts to \$495,667 (plus non-refundable PST). This represents a \$105,200 (26.9%) increase over 2020 and has been incorporated into the 2021 draft municipal budget.

## **CONSULTATIONS**

Dave Rikley, FCIP, FRM, Account Executive, Programmed Insurance Brokers Inc.  
Jennifer Astrologo, Director of Legislative Services, Town Solicitor, Clerk

## **RECOMMENDATION**

That Frank Cowan Company be appointed as the Town's insurance provider for the period beginning January 1, 2021, and that the Town;

- Increase the deductible for its Commercial General Liability policy from \$25,000 to \$50,000.
- Utilize Dave Rikley, FCIP, FRM as a local area sub-broker under the insurance agreement to provide Insurance and risk management assistance to the Town at no additional cost

*Ryan McLeod*

Ryan McLeod, CPA, CA  
Director of Financial & IT Services

*John Norton*

John Norton,  
Chief Administrative Officer