Date: July 14, 2020

Report No.: 2020-274

To: Mayor and Members of Council
City Council

From: Brian Hutchings,
Chief Administrative Officer

1.0 Type of Report

Consent Item [ ]
Item For Consideration [x]

2.0 Topic Municipal Insurance Renewal Program – Non-Competitive Procurement [Financial Impact: $0]

3.0 Recommendation

A. THAT Report No. 2020-274 entitled Municipal Insurance Renewal Program – Non-Competitive Procurement BE RECEIVED; and

B. THAT the Staff BE DIRECTED to extend the existing contract for a six month period with the Frank Cowan Company at the renewal rate of zero percent; and

C. THAT the City Clerk BE DIRECTED to place the required extension agreement on a Signing By-Law for execution by the Mayor and City Clerk.

4.0 Purpose and Overview

The purpose of this report is to seek Council's approval for a six-month extension of the current agreement in the form of a non-competitive, renewal
agreement with Frank Cowan Company (FCC) for a six month term from January 1, 2021 to June 30, 2021, at a short-term, zero percent (0%) rate increase.

5.0 Background

On June 27, 2017, City Council adopted the following:

A. THAT report CS2017-066 titled “Single Source Procurement of the 2018 Corporate Insurance Policy” BE RECEIVED; and

B. THAT City Council APPROVE the single source procurement of the Frank Cowan Company to continue to provide the corporate insurance policy from January 1, 2018 to December 31, 2018 with the option to renew for two (2) one-year terms; and

C. THAT the City Clerk BE DIRECTED to extend the existing contract with the Frank Cowan Company at the renewal rate of $1,976,052.60 (plus applicable taxes); and

D. THAT the City Clerk BE DIRECTED to place the necessary contract on the June 27th, 2017 Signing By-law for approval by City Council.

The 2021 budget year marks the end of the second, one-year extension.

As a result of the COVID-19 global pandemic outbreak the Insurance & Risk Management staff has taken a pro-active approach by making preliminary inquiries into the upcoming January 1, 2021 renewal premiums. This included reviewing the stability and responsiveness of the municipal insurance market to determine the necessity of a competitive process at this time, as well as inquiring into the viability of changing the insurance policy effective date from January 1 to July 1, with a short term extension option. A report on the municipal insurance market, including options for future procurement of these services, will be presented to Council prior to Q-4 of 2020. In the interim, staff recommend a short term extension with the FCC to allow for the City to complete its due diligence with respect to the market, and to better align the effective dates of the City’s insurance policies.

6.0 Input From Other Sources

The Insurance & Risk Management staff met with Frank Cowan Company representatives regarding the 2021 renewal, and with the City’s Purchasing Department in preparation of this report. Input was also received by Legal & Real Estate Services, the Department now responsible for the Insurance and Risk Management Division.
Analysis

7.1 Overview of Municipal Insurance Program (MIP)

The City of Brantford maintains a full complement of insurance policies and coverages in order to protect the City and its assets from various exposures. The largest policy within the MIP is the Commercial General Liability Policy which protects the City from exposures up to $15,000,000. The City further maintains an Umbrella Liability Policy which includes an additional $10,000,000 providing a total General Liability limit of $25,000,000.

The City also maintains several additional, smaller liability policies to protect specific risks. The additional liability policies include Errors and Omissions, Non-Owned Automobile, Environmental Liability, Comprehensive Crime, and Cyber Liability. These policies protect against the specific losses that their respective names imply. Further, some rarely used policies are attached with these liability policies. This includes: Board Members’ Accidents, Legal Expenses, and Conflict of Interest policies.

The City provides $2,000,000 liability coverage for its Neighbourhood Associations and their volunteers through a liability policy specific to the associations, and their activities. The provision of this policy, which provides coverage for all approved events, allows for associations to run events that they would be unable to insure otherwise. The Clerk’s Department also manages a Lessee Liability Policy which provides coverage for individuals renting out City owned facilities for special events. The policy allows the renters to obtain coverage at a significantly reduced rate.

Several vehicle policies are purchased annually for the various fleets maintained by the City. There are two main vehicle policies within the City’s insurance portfolio: (a) the general fleet policy provides full automobile coverage on all fleet vehicles including Fire, Police, Parks & Recreation, Operations, Water, Engineering, Tourism, and Golf; and (b) the transit fleet policy provides coverage for both the City transit fleet along with the Brantford Lift fleet, and a Garage Automobile Policy to provide coverage for all vehicles it has in its care, custody, and control, but does not own. These policies have a third party liability limit of $15,000,000. The above mentioned Umbrella Liability Policy also sits over these policies, providing a $10,000,000 limit of liability, bringing the total limit of liability to $25,000,000.

Finally, the City provides physical coverage for all of its facilities and buildings. The January 1, 2020 Property Policy covers the buildings and
contents of the City totaling over $795,459,990. Equipment breakdown coverage in the form of a Boiler and Machinery Policy is also provided at required locations, with the inclusion of business interruption coverage.

7.2 Insurance Renewal Market

There are few insurers with the knowledge, expertise and willingness to underwrite the complexities of municipal operations. FCC provides insurance programs to nearly 50% of Ontario municipalities, which is more than any other provider. Recent discussions between FCC and staff revealed that the municipal insurance marketplace is limited in Canada, and Ontario.

The Municipal liability market in Ontario continues to face premium increases. The City is generally positioned favorably based on risk management protocols in place and the handling of the majority of claims in-house; however, a report to Council will be forthcoming with respect to the procurement of insurance policies in the near future, following the completion of due diligence by staff.

7.3 Municipal Insurance Program – Extension

Negotiations and discussions with regard to the renewal of the insurance program typically take place during the fall months (with the Jan. 1 renewal date), except during an election year, wherein the discussions would need to begin in early spring, and the renewal would need to be negotiated prior to July for a January 1 policy date. Typically, insurance companies do not quote on policies outside of 90 days (sometimes 120 days), except in very unique situations. This scenario exposes the City to prematurely negotiate renewal terms unnecessarily, without the opportunity to be able to take advantage of any reduced rates or policy enhancements that could affect the renewal premium. Given various pressures the City is facing, Staff discussed possibilities with the FCC to extend the current policy term for an additional 6 months which would transition the renewal date to July 1, 2021. FCC responded with an option to extend at the present premium rates (no additional increase). This would position the next renewal to be negotiated in second quarter (Spring) effectively removing the ‘lame duck council’ challenge for future years, reducing the end of year renewal time burden and provide the City with the opportunity to take advantage of an additional six months’ of rate stability. The value of the extension is approximately $1,147,356, noting that adjustments to buildings or deletions may impact the overall premium.

This proposal FCC has provided is equivalent to renewing the City’s insurance program on January 1, 2021 on a short term 6-month basis at a flat (0%) increase. During this time of uncertainty, this illustrates a
commitment to maintaining stable insurance rates and will establish a new annual renewal date of July 1\textsuperscript{st}, which will greatly assist the City, moving forward.

7.4 Municipal Insurance Program - Renewal

The Insurance and Risk Management portfolio recently transitioned from the Clerk’s Services Department to Legal and Real Estate Services. Staff will be auditing the Municipal Insurance Program and will be providing a report to Council regarding the renewal program for 2021 options in fall of 2020. Another benefit is that FCC has committed to providing response to renewal terms that reflect the City’s favourable insurance position.

8.0 Financial Implications

The initial renewal extension from January 1, 2021 to June 30, 2021 would be rated, based on 2020 rates, subject to property, automobile, or liability adjustments and claims that occur throughout the term which could also impact the overall amount. Based on the 2020 renewal premium, when prorated, the first extension premium would be approximately $1,147,356 (not including applicable taxes). Based on the experience of other municipalities a 0% increase for six months is financially beneficial for the City.

9.0 Conclusion

The decision to accept the terms of extension with FCC would be consistent with the previous decisions of Council. For the past twenty years, the Frank Cowan Company has regularly been the insurer of choice for the City, excluding the year 2002.

Given the current market conditions, there is no guarantee that an RFP would result in a significant savings; in fact based on the experience of other municipalities engaging in an RFP process is unlikely to generate any savings. As a result, staff recommend that council proceed with accepting the extension renewal terms and that staff present options to Council for consideration regarding the procurement for the Municipal Insurance Program commencing July 1, 2021.

Heidi de Vries, City Solicitor  
Director of Legal & Real Estate Services

Brian Hutchings  
Chief Administrative Officer
In adopting this report, is a by-law or agreement required? If so, it should be referenced in the recommendation section.

By-law required [ ] yes [X] no

Agreement(s) or other documents to be signed by Mayor and/or City Clerk [X] yes [ ] no

Is the necessary by-law or agreement being sent concurrently to Council? [ ] yes [X] no