

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON TUESDAY, JANUARY 21, 2014</b>
<b>FROM:</b>	<b>JAMES P. BARBER MANAGING DIRECTOR, CORPORATE SERVICES &amp; CITY SOLICITOR</b>
<b>SUBJECT</b>	<b>2014 GENERAL INSURANCE RENEWAL</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Corporate Services & City Solicitor and on the advice of the Risk Manager, with respect to the general insurance program **BE CONTINUED** for 2014 on behalf of The Corporation of the City of London, Covent Garden Market Corporation, London Convention Centre Corporation, London Police Services Board, London Public Library Board, Museum London, London Middlesex Housing and the Middlesex-London Health Unit for a total annual premium of \$3,094,696.28 inclusive of sales tax.

<b>REASON FOR THIS MATTER BEING CONSIDERED IN CAMERA</b>
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None

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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"Property and Crime Insurance Program", December 1, 2004  
 "Property and Crime Insurance Program", April 27, 2005  
 "Ontario Municipal Insurance Exchange: No-retrocession Guarantee", July 19, 2006  
 "Ontario Municipal Insurance Exchange: No-retrocession Guarantee", September 22, 2006  
 "Request for Proposal 06-28 Insurance Services", December 13, 2006  
 "General Insurance Premium Review", September 16, 2009  
 "OMEX Retro Renewal", January 12, 2010  
 "2010 Insurance Renewal", May 12, 2010  
 "Property, Boiler and Machinery Insurance Deductible", April 14, 2010  
 "2011 Insurance Renewal", March 9, 2011  
 "2012 General Insurance Renewal", February 6, 2012  
 "2013 General Insurance Renewal", January 22, 2013

<b>BACKGROUND</b>
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**Ontario Municipal Insurance Exchange (OMEX)**

The City of London is a member of OMEX, a not-for-profit insurance organization wholly owned by member Ontario municipalities. In accordance with terms of the subscribers' agreement, OMEX coverage remains in force until the City terminates its membership with the reciprocal.

London continues to have a seat on the OMEX Board. All members are invited to an annual general meeting to receive a report on reciprocal operations and its financial position. Premiums are based on the amounts required to pay claims plus administrative expenses. Board-approved practices ensure competitive, fair and responsible risk financing prices that exclude any profit margin.

## Claims Frequency and Costs

Claim costs continue to rise more rapidly than the general rate of inflation. There are 16 claims currently open that have been reported to OMEX as having potential to exceed the policy deductible. The total estimated cost of those sixteen claims alone is in excess of \$4 million dollars. The number of claims reported to the Insurer has doubled since 2011, because of the rising expenses of settling claims.

## Changes in Coverage

During 2013, Canadian property insurers sustained unprecedented weather-related claims. European property insurers incurred severe claim costs attributable to flood damage. As a result of these world-wide claims insurance companies have begun thoroughly assessing flood and other weather exposures with a view to protect themselves from costs incurred in 'routine' flood events.

This is the most significant change to London's insurance coverage. Effective January 1<sup>st</sup>, the deductible for flood damage will be 3% of the value of the property affected with a minimum of \$500,000.00. Four locations have been identified as susceptible to high risk for damage by flooding. These locations are:

- Vauxhall pollution control plant (PCP), 54 Price St.;
- Westminster PCP, 3506 Dingman Drive;
- Greenway PCP, 109 Greenside Ave.; and
- Adelaide PCP, 1159 Adelaide St. N.

The deductible per loss has been increased effective January 1, 2014 from \$100,000.00 to \$500,000.00 or 3% of the total amount of the loss – whichever is more expensive.

Effect of Flood Deductible Change			
Location with high-risk for flood	Property Value	Loss Extent	Deductible: \$500,000. or 3%
Vauxhall PCP & pumping station, 54 Price St	\$50 million	Total :loss: \$50 million	3% = \$1.5 million
		Partial loss: \$10 million	3% = \$300,000.

Other changes effective January 1, 2014 include:

- Property coverage on landscaping features: limit increased from \$50,000 to \$100,000.
- Crime Insurance:
  - Depositors' Forgery limit – now a full \$1,000,000. Limit
  - Auditors Fees limit: was \$100,000. – now 10% of the loss or \$100,000. whichever is less

## Renewal Premiums

Insurance premiums are affected primarily by the following factors:

- The number and cost of claims reported to the insurer,
- The number and value of assets owned/leased by the City,
- The diversity of municipal operations, and
- The number of boards insured under the policies.

Type of Insurance	2013	2014	Comments
General Liability; Errors & Omissions	\$1,267,203	\$1,561,169	Premium increase due to worsening loss histories in municipal sector

Environmental Liability	\$90,000	\$81,000	N/A
Auto Fleet	\$416,383	\$553,790	Premium increase due to worsening loss histories in municipal sector and 49 additional vehicles and 1 additional trailer
Property	\$492,112	\$639,637	32% increase in values over 2013; Note comments re: flood, above
Boiler & Equipment Breakdown	\$41,554	\$54,963	32% increase in values over 2013
Crime	\$11,500	\$14,500	Decrease in number of insured employees by 280.81
Group Travel Accident	\$2331	\$1,422	No. of travel days decreased by 1896 days
Average overall premium increase: 25%			

The total renewal premium for the blanket insurance policies covering the City and insured local boards in 2013 was \$2,476,212.32 including provincial sales tax. The annual premium is allocated amongst the City and the Boards insured under the City's insurance policies. The renewal premium is shared proportionately amongst all of the entities covered under the blanket insurance program.

Contact with other Ontario municipalities indicates that insurance renewal premiums are, for the most part, increasing at a rate of 20% to 30% on average. Municipalities with deductibles in the \$50,000.00 range for liability are having their deductibles unilaterally increased to \$100,000.00. It seems that all municipal insurers are responding to higher settlements through these increases.

### Conclusion

The City of London's insurance premium is increasing 25% for the same term as last year based on a combination of increasing property values, an increased number of vehicles and insurers response to the rapidly increasing cost of liability claims settlements.

It is recommended by the Managing Director, Corporate Services & City Solicitor on the advice of the Risk Manager that the general insurance program covering the City and eight Boards be continued at an annual premium of \$3,094,696.28 including applicable taxes.

A summary of City of London 2014 insurance policies is attached below for reference.

<b>PREPARED BY:</b>	<b>RECOMMENDED BY:</b>
<b>R. JOY JACKSON – MANAGER III RISK MANAGEMENT</b>	<b>JAMES P. BARBER MANAGING DIRECTOR, CORPORATE SERVICES &amp; CITY SOLICITOR</b>

**CITY OF LONDON**

**2014 GENERAL INSURANCE PROGRAM**

<b>POLICY TYPE</b>	<b>BROKER / INSURER</b>	<b>LIMIT OF COVERAGE</b>	<b>DEDUCTIBLE</b>
<b>ALL RISK PROPERTY, COMPUTER &amp; BOILER/MACHINERY</b>	OMEX / RSA	All Property: \$1,452,791,972. (9.4% increase over 2012)	\$200,000.
<b>AUTO FLEET</b>	OMEX	\$50,000,000. Liability limit (added 10 vehicles)	\$250,000. Liability; \$100,000. Physical Damage
<b>CRIME (3-D BOND)</b>	OMEX / RSA	Employee Dishonesty & Depositors Forgery \$1,000,000. Loss Inside & Outside Premises - \$1,000,000. Counterfeit currency - \$1,000,000. Credit card forgery - \$1,000,000. Computer & Funds Transfer Fraud - \$1,000,000.	\$10,000. Except Credit Card Forgery - \$1,000.
<b>ENVIRONMENTAL LIABILITY</b>	OMEX	\$5,000,000. Limit per claim/ Annual Aggregate, claims made basis	\$500,000.
<b>ERRORS &amp; OMISSIONS</b>	OMEX	\$50,000,000. Limit, including Conflict of Interest & Defence Costs	\$500,000.
<b>EVENTS LIABILITY (Covers Event Organizers')</b>	Game Day Insurance Inc.	\$5,000,000. (Premium paid by event organizer)	\$500. (Deductible paid by event organizer)
<b>GARAGE AUTO LIABILITY</b>	OMEX	\$50,000,000.	\$250,000.
<b>GENERAL LIABILITY</b>	OMEX	\$50,000,000. Including Councillors	\$500,000.
<b>GROUP ACCIDENT</b>	AON/Industrial Alliance	\$100,000. & \$200,000. Principal Sum	varies
<b>HEALTH CARE: PROFESSIONAL LIABILITY</b>	OMEX	\$25,000,000. Included as sub-limit of General Liability	\$500,000.
<b>NON-OWNED AUTO</b>	OMEX	\$50,000,000.	varies