

DECISION/DIRECTION NOTE

Title: Insurance Renewal Negotiations – 2020-21

Date Prepared: October 26, 2020

Report To: Committee of the Whole

Councillor and Role: Councillor Dave Lane, Finance & Administration

Ward: N/A

Decision/Direction Required:

Seeking approval for annual renewal terms commencing November 1, 2020.

Discussion – Background and Current Status:

Coverage expires on October 31, 2020.

The terms of the renewal plus a new Environmental Liability Insurance Policy initially offered and reviewed with Council were:

Aon Risk Solutions via Lloyds, Aviva & Other Specialty Insurers	
City Auto, Property, Casualty, Umbrella, User Group, Travel Insurance & Environmental	\$2,305,907
Tax	\$255,204.00
Total	\$2,561,111.00

Council agreed that the insurance coverage terms through Aon be reviewed in detail and that recommendations for cost savings be made realizing it would involve the City accepting extra risk. Coverage is to be arranged with Lloyds for the Casualty and Excess Liability coverage. If the City accepted a self-insured retention of \$250,000 the savings would be \$26,500. If the City accepted a self-insured retention of \$500,000 the savings would be \$53,000. This insurance provides protection for third party claims. The cost savings is not considered sufficient and it is recommended that the deductible of \$100,000 be maintained.

The Auto and Property coverage is through Aviva. The City's auto fleet cost savings if the City accepted a \$250,000 deductible would be \$52,402. The St. John's Transportation Commission savings would be \$34,900. Automobile Coverage is a legislated coverage. The savings offered pertains to Contractor Equipment Floater rather than third party liability and is not considered a sufficient savings versus the protection being offered and maintaining the current coverage and deductible. It is recommended that the City maintain its current \$100,000 deductible.

Property Coverage if the City accepted a \$500,000 self-insured retention the savings would be \$238,823. This is considered a substantial saving and since this protects the City's own

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property the City may wish to accept this risk for the cost savings offered. Excess property coverage has been offered to protect the City should any one occurrence exceed \$100 million in damages. The First Excess protects the City for an additional \$100 million for a total of \$200 million for any one occurrence. In examining City properties, the most expensive total loss that may occur would probably be on New Gower Street where there are multiple City properties: City Hall including the parking garage, City Hall Annex, Mile One and the Convention Centre. The total worth of these properties combined are estimated at \$182,555,188. The City could consider accepting just one Excess Property insurance policy with the principal property policy offers a total of \$200 million. This would save the City \$160,000 in premium for a total savings of \$398,823 plus tax. It is important to note that our Insurance Broker Aon is more comfortable if the City maintains the second and third excess which would cover the City for \$350,000 million loss per occurrence.

The total savings with accepting a \$500,000 Property Self-Insured Retention and just one Excess Property Policy would be \$398,823 plus tax \$59,823.45 for a total of **\$458,646.45**.

The cost for the Environmental policy \$36,404 plus tax for a total of \$41,864.60 is included in the above pricing. It was agreed that this coverage is required to maintain coverage now excluded from the Primary Commercial General Liability policy.

The total of the entire insurance program previously offered was \$2,561,111. The total now with the recommended \$500,000 Self-Insured Property Retention is \$1,907,084. The taxable amount is \$1,302,537 and tax is \$195,380.55 for a total of **\$1,497,917.55**. The auto is not taxable so the total for auto is **\$604,547**, for a full program **total of \$2,102,464.55**. This includes St. John's Sports & Entertainment Ltd. and the St. John's Transportation Commission.

Key Considerations/Implications:

1. Budget/Financial Implications
 - Within Guidelines of City Budget.
2. Partners or Other Stakeholders
 - Council, staff and members of the general public
3. Alignment with Strategic Directions/Adopted Plans
 - a. Fiscally Responsible & Risk Management Strategy
4. Legal or Policy Implications Insurance Appropriate Risk Protection
5. Privacy Implications – n/a
6. Engagement and Communications Considerations – n/a

7. Human Resource Implications – n/a
8. Procurement Implications – RFP issued and contract based on evaluation
9. Information Technology Implications - n/a
10. Other Implications – n/a

Recommendation:

That Council approve moving from a \$100,000 deductible for its Primary Property insurance to a \$500,000 Self-Insured Retention and purchase just one Excess Property Policy. This would result in a cost savings of \$398,823 plus tax \$59,823.45 for a total of \$458,646.45.

Prepared by: Elizabeth Clarke, Manager of Corporate Risk & Recovery

Approved by:

Attachments: N/A

Report Approval Details

Document Title:	Insurance Renewal Negotiations 2020-21.docx
Attachments:	
Final Approval Date:	Oct 26, 2020

This report and all of its attachments were approved and signed as outlined below:

Cheryl Mullett - Oct 26, 2020 - 11:17 AM