



Report to Council

Department: Office of the CAO
Division: Legal and Legislative Services
Date: December 7, 2020
Prepared by: Robert W Auger, Town Solicitor/Clerk
Report Number: Legal & legislative Services 2020-021
Subject: 2021 Town Insurance Program RFP Results
Number of Pages: 3

Recommendation(s)

That Legal & legislative Services Report 2020-021 entitled 2021 Town Insurance Program: RFP Results be received:

That Council award the Request For Proposal for General Insurance Services to Frank Cowan Company Limited ("Cowan") for a one year term (January 1, 2021 to January 1, 2022) with the option to renew for each subsequent year (up to a maximum of 5 years) based on satisfactory performance, quotes, and service.

Purpose

Section 270 of the municipal Act, 2001 requires that a municipality adopt and maintain policies and procedures with respect to the procurement of its goods and services. The Town's Procurement By-law (By-law 1043) requires that purchases in excess of \$100,000.00 be approved by Council.

Background and Discussion

In 2020 the Town experienced a significant increase in the premium cost of its general Insurance Program. This significant increase in premium cost was largely reflective of the increasing risks being faced by all Ontario municipalities as it relates to general municipal liability exposure and its associated “CGL” or commercial general liability insurance coverage . The Association of Municipalities of Ontario (“AMO”) in its August 2020 publication entitled “Municipal liability and Insurance costs” provided the following comments:

“Municipal governments cannot afford to be the insurer of last resort. The principle of joint and several liability is costing municipalities and taxpayers dearly, in the form of rising insurance premiums, service reductions, and fewer choices. AMO believes it is unfair to ask property taxpayers to carry the lion’s share of a damage award when a municipality is found at minimal fault, or to assume responsibility for someone else’s mistake. At the same time, Councils are being forced to redirect property tax dollars to pay rising insurance premiums.

In response to these issues, the provincial government announced a consultation with municipal governments in January 2019. In July 2019, the Attorney General wrote to all Heads of Councils seeking municipal perspectives on joint and several liability, insurance costs, and “liability chill” affecting public services.

AMO awaits the government’s response to the consultation and understands that delays are occurring due to COVID-19. However, the current environment is seeing increased liability concerns emerge as municipal governments work to manage COVID-19 and the phased re-opening across the province.”

Despite the current challenges that all municipalities generally are facing with respect to the rising costs of Insurance Programs it was still determined by Administration that it would be prudent for the Town to issue a Request For Proposal (“RFP”) for insurance services to see if it might be able to realize some savings for the taxpayers while not compromising the extent or scope of coverage.

As a result a Request for Proposal was posted on the Town's website and on MERX Canadian Public Tenders on September 28, 2020 and the RFP closed on October 21, 2020.

Two RFP's were received and evaluated by Administration using a scorecard approach taking into account the fee proposal itself, municipal experience, financial responsibility and services offered. After reviewing the proposals and totaling the scores, Frank Cowan Company Limited scored the highest and provided the best scope of work including pricing as identified in the RFP.

Coverages and deductibles for the various policies under the proposed RFP are in line with current coverages except with respect to the general liability policy where the proposed limits and deductibles are better than current coverages. With respect to deductibles it should be noted that prior to 2020 the Town was traditionally able to carry a claim deductible of \$25,000 on its policy for general liability. However starting in 2020 the Town was advised that \$25,000 deductibles for general liability coverage were generally no longer available or financially feasible in the market for municipal coverage and so for 2020 the Town's deductible on its general liability policy was \$100,000. This dramatic increase in the deductible was required in order to keep the overall premium feasible for the Town. Again the rationale for the increase is attributable to the increased claims and/or exposures to liability facing all municipalities and causing insurers to make adjustments in the market place to cover the resulting increase in loss claims.

The proposed RFP for 2021 provides a limit of liability of \$15 million for any one liability claim (as compared to \$5 Million under current 2020 coverage). The proposed RFP for 2021 likewise contains a claim deductible of \$100,000 on the general liability policy however the proposal offers an option to lower that deductible to \$50,000 for an additional add-on premium of \$30,000. Administration recommends that this option be exercised if council awards this RFP to the recommended proponent.

Finally this Insurance Program provides coverage policies for General Liability, Errors and Omissions, Property, Automotive, Facility Users, Environmental and Excess liability coverage.

The Towns Cyber and Volunteer Fireman's Accident and Sickness policies are separate "add-on" policies with separate renewal dates later in 2021 (March and August).

Financial Impact

The 2021 premium with the \$50,000 liability deductible option added in is \$604,309 (not including applicable tax). In 2020 the Towns renewal premium on this insurance program was \$738,429 (not including applicable tax). This represents a potential savings to the Town of approximately \$134,120.

Consultations

Jackson Tang, Assistant Manager, Business Services

Shelley Brown, Deputy Clerk, Legal & legislative Services

Link to Strategic Priorities

- ☐ Manage, invest and plan for sustainable municipal infrastructure which meets current and future needs of the municipality and its citizens.
- ☐ Create a safe, friendly and inclusive community which encourages healthy, active living for people of all ages and abilities.
- ☒ Provide a fiscal stewardship and value for tax dollars to ensure long-term financial health to the municipality.
- ☐ Manage responsible and viable growth while preserving and enhancing the unique rural and small town character of the community.
- ☐ Improve the experiences of individuals, as both citizens and customers, in their interactions with the Town of Essex.
- ☐ Improve the Town's capacity to meet the ongoing and future service needs of its citizens while ensuring the corporation is resilient in the face of unanticipated changes or disruptions.

Report Approval Details

Document Title:	Insurance Request For Proposal Results .docx
Attachments:	
Final Approval Date:	Dec 2, 2020

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

No Signature - Task assigned to Chris Nepszy, Chief Administrative Officer was completed by workflow administrator Robert Auger, Town Solicitor, Legal and Legislative Services/Clerk

Chris Nepszy, Chief Administrative Officer - Dec 2, 2020 - 11:06 AM