

Grand River Conservation Authority

Report number: GM-04-23-38

Date: April 28, 2023

To: Members of the Grand River Conservation Authority

Subject: General Insurance Renewal – 2023-2024

Recommendation:

THAT Report Number GM-04-23-38 – General Insurance Renewal – 2023-2024 be received as information.

Summary:

The Grand River Conservation Authority (GRCA) obtains general insurance as part of a group consisting of 34 Conservation Authorities and Conservation Ontario. The policies run from April 1 to March 31. The policy terms, renewals, loss reviews, and other administrative matters are overseen by the Conservation Ontario General Insurance and Benefits Committee (Insurance Committee), which consists of 10 senior staff from Conservation Authorities (including GRCA) and the General Manager of Conservation Ontario. This Committee reports to Conservation Ontario Council and, in addition to carrying out a number of ongoing risk management activities, the committee reviews and approves renewal terms annually.

The Insurance Committee met with Marsh in March to review the proposed coverage and premiums for 2023-2024, and the committee approved the April 1, 2023 renewal as recommended by Marsh. A summary of GRCA's 2023-2024 premiums is included below. In total, GRCA's insurance premiums will increase by \$29,108, or 4.7%, with total premiums for the policy period of \$645,615.

Report:

Background

The Insurance Committee was formed in 1986 on the basis that obtaining coverage through a group rather than individually provides better value, allows sharing of administration costs and risk management experience/expertise, as well as helping to offset the impact of significant claims that may arise at one Authority. The GRCA was one of the founding members of the group.

Marsh is the current insurance broker and, since being appointed in 2014, they have negotiated many favourable renewals. Marsh provides ongoing service to all Conservation Authorities and staff at the GRCA have found significant value in their practical expertise on risk management matters, and assistance with claims management.

2023-2024 Renewal

Market conditions created tough negotiations for insurance renewals in recent years. Since 2019, the insurance market has been considered a hard market due to record-breaking years of global catastrophes, increased frequency and severity of natural disasters, and a continuing and escalating litigious environment. It is also important to note that the risk profile for Conservation Authorities does reflect high susceptibility to weather-related, vandalism, and fire damage claims. In addition to increased insurance premiums, many insurers have also restricted coverage, or reduced available limits as additional methods to control their exposure.

A list of the current insurance policies, with carriers noted, and a brief summary of the coverage provided is attached as Appendix A.

Risk Management Program

Another service that Marsh provides to the Conservation Ontario group is a risk management program. This program provides significant value to the Conservation Authorities. This team conducts risk assessments to determine the largest drivers of losses to help Conservation Authorities make informed operational decisions and prioritize risk management spending and they develop guidance documents on a variety of risk management topics relevant to Conservation Authorities.

The Marsh risk management team has performed on-site assessments at several GRCA properties to identify site-specific risks and challenges in order to make recommendations for improvements to mitigate and reduce risks.

Financial Implications:

Since the policies are purchased at a group level, a number of formulas are used to allocate the premiums to the 34 Conservation Authorities in the group. The formulas are designed to measure the relative risk exposures at the individual Conservation Authorities. Due to changes in the reported numbers in the statistics used (revenue, hectares of owned and managed land, number of permit and planning files, number of Conservation Area visitors, Nature Centre classes, etc.), the portion allocated to an individual Conservation Authority will vary year-over-year.

In total, the GRCA's insurance premiums will increase by \$29,108 or 4.7% in the 2023-2024 term over the 2022-2023 rates. This includes increases to insurance premiums, increases in property and asset values, and other exposures. Details of the cost changes in the policies are as follows:

<u>POLICY</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>Change</u>	<u>% Change</u>
Commercial General Liability (CGL)	\$174,331	\$181,891	\$7,560	4.3%
Umbrella Liability	\$41,365	\$47,602	\$6,237	15.1%
Property	\$231,988	\$241,124	\$9,136	3.9%
Errors and Omissions	\$98,457	\$103,938	\$5,481	5.6%
Directors and Officers' Liability	\$10,572	\$6,461	(\$4,111)	-38.9%
Automobile	\$46,647	\$50,165	\$3,518	7.5%
Equipment Breakdown	\$6,609*	\$7,047	\$438	6.6%
Crime	\$878	\$878	\$0	0.0%
Cyber	\$5,660	\$6,509	\$849	15.0%
Total Premium with Group	\$616,507	\$645,615	\$29,108	4.7%

*This amount was reported as \$7,263 in Report GM-04-22-40 and was subsequently reduced by Marsh during the reconciliation process. The billing in 2022 reflected the adjusted amount of \$6,609.

In addition to the insurance premiums referenced above, there is a brokerage fee of \$31,618, which is a 5% increase over 2022 and the first increase in brokerage fees in 10 years, and tax on most lines of insurance (excluding automobile).

The 2023 budget for insurance expenses is \$825,000. The forecast insurance expense (calendar year) will be decreased by \$105,000 to \$720,000 as a result of the premiums which came into effect on April 1, 2023 (partial year impact in 2023). A forecast adjustment will be brought to the Board when the invoice is received, and the allocation assessment has been completed.

Other Department Considerations:

All departments provide input to the renewal documents to ensure adequate coverage for all of GRCA's properties and activities.

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