



MUNICIPALITY OF West Elgin

Staff Report

Report To: Council Meeting
From: Magda Badura, Acting CAO/Treasurer
Date: 2020-12-17
Report: 2020-12
Subject: 2021 Municipal Insurance Renewal

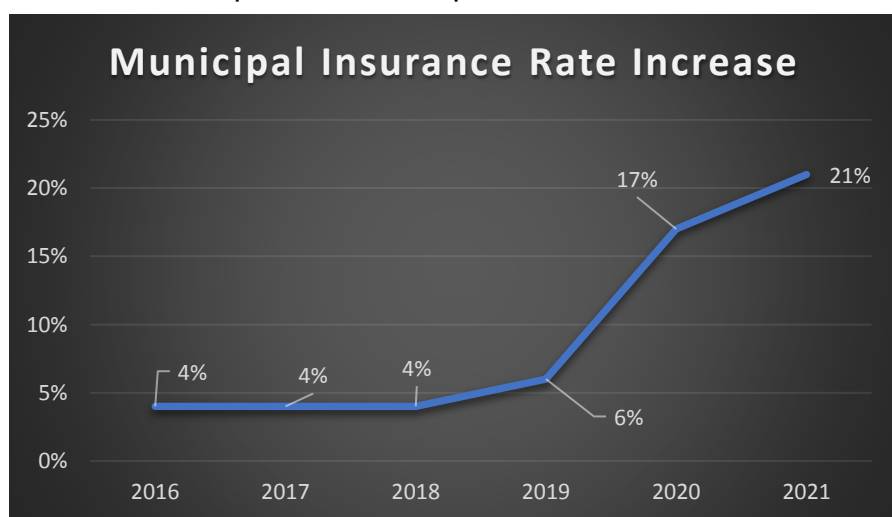
Recommendation:

That West Elgin Council hereby receives the report from M. Badura, CAO/Treasurer re: 2021 Municipal Insurance Renewal and approve the premium of \$273,041.00 plus applicable taxes for the 2021 renewal period.

Background:

Insurance is the transfer of risk from one entity to another. The Municipality transfers the risk of future unknown losses to its insurance company. The cost of purchasing this transfer of risk is the insurance premium that is paid annually to the insurance company. The Municipality pays a premium which transfers the risk to the insurance company for a period, normally for one year.

The Municipality's insurer has been the Frank Cowan Company since 2011. Frank Cowan offered a rate stability commitment between 2016-2018. In the 2019 year, the rate increase was 6%, this was higher than hoped for, but reasonable. In 2020 the rate went up to 17%. The Administration and the Municipality's insurance broker have worked together to negotiate the escalating prices of the insurance premiums. Request for reconsideration was submitted as the proposed 36%

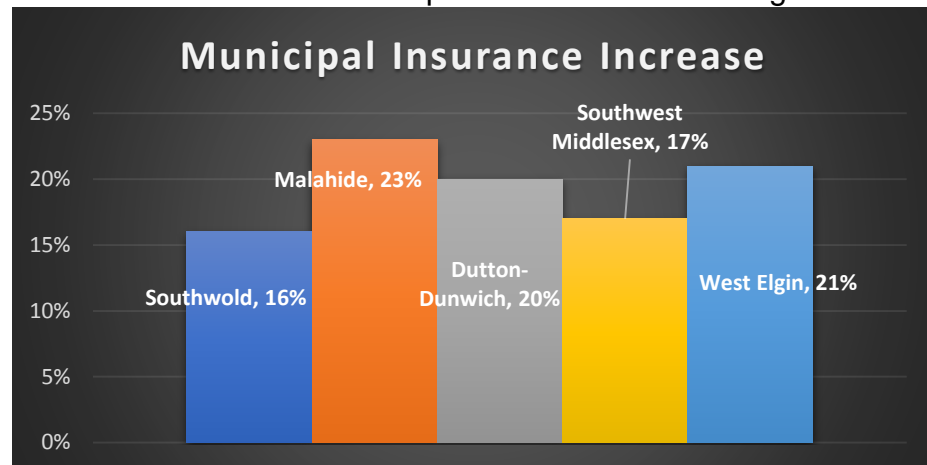


increase was unreasonable. Recently, Frank Cowan Company has informed the Municipality that they have reconsidered our rate increase and decided to drop the premium down to 21%, reasoning a good performance rating. Over the past few years, there has been a shift in a number of factors impacting municipal claims – factors that are driving up claims, which, in turn, are driving up the cost of insurance. Escalating insurance claims are the real culprit, as more municipalities make claims as a

result of climate change, joint liability, class action suits, rising legal costs, future care costs, transit system claims and, somewhat surprisingly, cyber-attacks that are now beginning to affect small Ontario municipalities.

Cowan said that rising insurance claims are not only driving up municipal government premiums, but the company noted the current situation has already forced one major insurance firm, Omex, to stop underwriting municipal government insurance policies all together.

To determine if this significant increase is reasonable, Administration have reviewed available information from other municipalities who are renewing their insurance policies. Based on this



review, it is my opinion that the premium increase is consistent with insurance renewals of other municipalities of similar size and loss experience. In order to assess whether insurance premium increases are reasonable and in line with the municipal insurance market, an RFQ was released in November. However, due to large volumes of requests the Insurance companies were

unable to respond to our deadline of December 14, 2020.

Financial Implications:

2021 Operating Budget and payment of the recommended insurance premium.

Related Documents:

2021 Municipal Insurance Program File attached

Report Approval Details

Document Title:	2021 Insurance Renewal - 2020-29-Administration Finance.docx
Attachments:	- 21770 - Report 2020.pdf - FCC_MunicipalInsuranceCrisis_FINAL_050613.pdf
Final Approval Date:	Dec 15, 2020

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

Jana Nethercott