

**THE CORPORATION OF THE MUNICIPALITY OF MISSISSIPPI MILLS**

**STAFF REPORT**

**DATE:** January 12, 2021  
**TO:** Committee of the Whole  
**FROM:** Rhonda Whitmarsh, Treasurer  
**SUBJECT:** 2021 Municipal Insurance

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**RECOMMENDATION:**

**THAT Committee of the Whole recommends that Council fund the 2021 additional insurance premium of \$39,752 first from savings realized in the 2021 budget for the 2021 municipal grant program and then from reserves;**

**AND THAT the Municipality's insurance broker be invited to attend a future Council meeting to provide an update;**

**AND THAT the Treasurer be directed to issue an RFP for municipal insurance in 2021 for coverage effective January 1, 2022.**

**BACKGROUND:**

Since 2012, the Municipality's insurance broker has been Halpenny insurance. The last RFP for insurance was issued in 2017 effective January 1, 2018.

From July 2005 (1/2 year) to 2011 the Municipality's insurance was with the Ontario Municipal Insurance Exchange (OMEX) which is no longer operating. Prior to that the Municipality's insurance was with Jardine Lloyd Thompson.

Annual insurance premiums are determined based on a number of factors such as, but no limited to, claims history, market conditions, number of employees, amount of coverage required, deductible limits, value of property and assets, etc.

Premiums since 2006 (Jan 1 to Dec 31) are as follows:

<b>Year</b>	<b>Premium</b>	<b>Year</b>	<b>Premium</b>
2006	\$149,513.04	2014	\$160,555.20
2007	\$162,779.36	2015	\$165,275.12
2008	\$174,000.00	2016	\$179,971.20
2009	\$182,950.92	2017	\$173,939.60

2010	\$227,620.00	2018	\$136,715.84
2011	\$270,040.28	2019	\$146,814.44
2012	\$159,114.60	2020	\$140,725.40
2013	\$153,837.24		

**DISCUSSION:**

In October 2020 the renewal process was started for insurance coverage for 2021. At that time, there was no indication that there would be an increase above 4-5%.

Halpenny provided notice of the renewal premium to the Municipality on December 21, 2020 indicating that the increase was \$45,577 over 2020 making the 2021 premium \$186,302.40. The notice was delivered late in 2020 because Halpenny was having difficulty securing insurance in the market. The 2021 budget had already been approved by the time notice was received and included an increase of \$5,825 for an unbudgeted difference of \$39,752.

Upon receipt of the renewal notice, the Municipality’s insurance broker was immediately contacted to obtain an explanation of this significant unexpected increase. The comments are as follows:

“The overall premium increase is \$45,577. which is a result of increased assets, claims experience and market conditions.

We had been receiving renewal terms with moderate increases during the earlier part of the year; however as market condition continues to deteriorate, rates and deductibles have increased significantly over the past couple of months which are being driven due to restrictions to Insurers reinsurance capacity and risk appetite.

Unfortunately, we are now coming off a long soft market where we had more insurers and lower rates. As industry wide losses accumulated over the last several years, some unprofitable insurers pulled out of the market. The remaining companies are forced to increase their rates in order to cover all their claims and to regain profitability. We have entered what is known as a “hard market” in insurance, which may consist of increased premiums, reduced coverage, and fewer risks that insurers are able to write various class of business. A hard market is caused by a number of contributing factors that include falling investment rates, increases in claims and larger global losses. There are many factors impacting premiums such as higher award settlements; accelerating future care costs; claim Inflations – this is running between 6% to 8% annually and the growing litigious society.”

A follow up telephone conversation provided additional information:

- The insurance market is experiencing a period of turmoil-if coverage can be obtained it should be secured

- The market is responding to claims for floods, tornadoes and other catastrophic losses
- Claims related to Covid 19 (if any) have not hit the market yet but may impact future rates
- The Municipality has had some recent claims i.e. plow truck payout of \$323,084.90 contributing to the premium increase
- The broker did not anticipate this rate increase as recent renewals for other clients had modest increases but the market has exploded in the last couple of months. Because Halpenny was not expecting such large increases in the Municipality's premium, they could not provide advance notice to the Municipality for budget inclusion
- Issuing an RFP in 2020 for 2021 coverage would not likely have yielded different results as all insurance providers are subject to similar market conditions
- The substantial rate increases are not unique to Mississippi Mills but affect all clients and all sectors-Mississippi Mills increase is mid range to what is being observed for other clients.

Because the Municipality was notified at a late date as to the premium increase, there was no time to issue an RFP as the Municipality's insurance coverage expires on December 31, 2020 and coverage is needed again on January 1, 2021. It is doubtful however that an RFP would yield different results. Funding of the additional premium over the amounts included in the 2021 budget needs to be determined.

#### **OPTIONS:**

- 1) Use funds allocated in the 2021 budget for municipal grants that will not be distributed to partially offset the insurance premium with the remainder to come from reserves. The report on municipal grants is being discussed by Council on January 12, 2021. That report suggests that unallocated funds included in the 2021 budget for the municipal grant program of approximately \$24,150 should be placed into reserves but could be reallocated to address the insurance premium budget shortfall. The remaining insurance premium increase of \$15,602 could then be funded from reserves.
- 2) Fund the entire 2021 insurance premium shortfall of \$39,752 from reserves
- 3) Leave the entire 2021 insurance premium shortfall of \$39,752 unfunded at this time with funding to come from any 2021 year end surplus if available, and if not, from reserves.

#### **FINANCIAL IMPLICATIONS:**

The financial implications are discussed above. It is recommended that Option 1 be approved to fund the 2021 insurance premium budget shortfall of \$39,752.

**SUMMARY:**

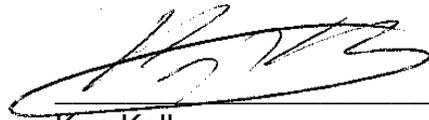
The Municipality's insurance premium for 2021 is significantly higher than the estimate included in the 2021 approved budget. It is recommended that the budget shortfall of \$39,752 be funded first from unallocated 2021 municipal grant funding and then from reserves. In addition, it is recommended that the Municipality's insurance broker be invited to a future Council meeting to provide further information on the premium increase and that an RFP for insurance coverage be issued in 2021 to take effect January 1, 2022.

Respectfully submitted by,

Reviewed by:



Rhonda Whitmarsh,  
Treasurer



Ken Kelly,  
CAO