

## Section III – Items for the Information of the Board

**TO:** Chair and Members of the Executive Committee  
Friday, September 9, 2022 Meeting

**FROM:** Michael Tolensky, Chief Financial and Operating Officer

**RE:** **2022 INSURANCE PROGRAM UPDATE**

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### KEY ISSUE

Report summarizing Toronto and Region Conservation Authority's (TRCA) Insurance and Surety Programs.

### RECOMMENDATION:

**IT IS RECOMMENDED THAT the staff report summarizing TRCA's insurance and surety programs, be received.**

### BACKGROUND

As a constituent member of Conservation Ontario, TRCA participates in a cooperative insurance program available to all 36 conservation authorities ("CAs"). The Conservation Ontario Insurance Committee ("COIC"), a sub-committee of the Conservation Ontario Council, has delegated authority to select both health benefits and property/casualty insurance providers for participating member CAs.

The COIC procures the following insurance policies on behalf of its participating members through a brokerage agreement with Marsh Canada Limited:

- Property
- Cyber
- Crime
- Auto
- Commercial General Liability ("CGL")
- Errors and Omissions Liability ("E&O")
- Umbrella Liability
- Directors and Officers Liability ("D&O")
- Boiler and Machinery ("Boiler")

The above policies are purchased by COIC and issued by the insurer to each member CA. Payable premiums under each policy are subsequently divided among each member CA based upon COIC approved allocation models. The allocation models are subject to review by the COIC membership.

### Cyber Insurance

TRCA's Cyber insurers have indicated that there continues to be a steady increase in cyber related attacks and losses facing Canadian public entities. Over the past two years, the average Ransomware demand increased 18,000% from \$10K to \$1.8M. In conjunction with large rate increases, insurers are increasing deductibles and rapidly tightening the minimum cyber security requirements to maintain insurability. Last year, TRCA's Cyber insurers required the implementation of Multi-Factor Authentication (MFA), which was successfully implemented in August 2021. This year, TRCA's Cyber insurers have also required formal cybersecurity training



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to be completed annually by all employees. TRCA's Information Technology and Records Management team launched the *Phishing and Security Awareness* training module on April 18, 2022, to be completed by all employees no later than May 16, 2022. TRCA is in compliance with all cyber security requirements set out by TRCA's Cyber insurers.

### Errors and Omissions Insurance

Due to a change in underwriting guidelines, TRCA's Errors and Omissions (E&O) insurers had to reduce E&O limits from \$15M to \$2M. As a result of reduced limits, TRCA had to purchase three additional excess E&O policies in order to increase E&O coverage back up to \$15M, resulting in an increase in premiums by approximately 14%.

### Other Insurance

In addition to the policies procured through COIC, TRCA has identified several additional exposures for which it requires coverage to conduct its business. To get the most competitive and cost-effective pricing for each coverage line, these policies have also been brokered through Marsh Canada and include:

- Non-Owned Aircraft
- Group Travel Insurance (includes Volunteer Accident Benefits)
- Remote Piloted Aircraft System (RPAS) Liability Insurance
- Marine Hull Insurance
- Contractors Pollution Liability Insurance (CPL)
- Bathurst Glen Golf Course Club Package

In addition to the above listed specialty lines of insurance, from time-to-time TRCA also procures project specific coverages, most often to facilitate major construction projects. Examples include Lakeview Waterfront Connection, Ashbridges Bay Landform Connection, and TRCA's new head office construction.

### Surety Update

As per Board of Directors resolution RES.#A165/18, TRCA entered into a standby surety facility arrangement with Trisura Guarantee Insurance Company (Trisura) in 2018. TRCA entered this facility arrangement in order to be able to issue bonds for public contracts in compliance with the *Construction Act*, but also to ensure best possible rates in situations where TRCA needs to post bonds for projects within its construction portfolio. Table 1 provides a summary of bonds outstanding at the time of writing.

Table 1: Outstanding Bonds (all figures in 000's)				
Bond Number	Amount	Project	Obligee	Est Project End
TCS0123113	\$153	Sediment Removal and Maintenance of the City of Toronto's Disco Rd. Stormwater Management Facility	City of Toronto	11/30/2022
TCS0122800	\$50,328	Ashbridges Bay Treatment Plant Landform Construction	City of Toronto	4/23/2024
TCS0123188	\$339	Paul Coffey Park Restoration Project	The Corporation of the City of Mississauga	11/29/2024

### Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan

This report supports the following strategy set forth in the TRCA 2013-2022 Strategic Plan:

**Strategy 3 – Rethink greenspace to maximize its value**



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### FINANCIAL DETAILS

The global insurance industry has been hardening consistently since the first quarter of 2018. A hardening market is characterized by increased premiums, reduced coverage offerings and increased underwriting or scrutiny of individual risks. Marsh Canada's 2022 Q1 Global Insurance Market Conditions Update reported that this hardening market started to stabilize in 2021 for Property, Auto and Primary Liability, but this improvement slowed in early 2022 due to the increase in catastrophe losses late in 2021. TRCA's 2022 policy renewal experienced premium increases of approximately 41% compared to premiums paid for 2021. This increase can also be attributed to the three additional excess E&O policies that were required to increase coverage. There were also significant increases in premiums for Commercial General Liability, and Directors and Officers policies that can be attributed to an increasingly litigious environment and increasing probability of the legal system to find blame and award larger judgments against organizations. According to Marsh's Insurance Market Conditions, the increases in premiums paid by TRCA are aligned with market conditions given the unique risks and factors facing Canadian public entities.

Table 2 provides a summary of premiums paid by TRCA by line of coverage for the period of 2017-2021.

<b>Table 2: Insurance and Surety Premium Summary 2017-2022 (All figures in 000's)</b>						
<b>Insurance/Surety Line</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Auto</b>	\$63	\$60	\$58	\$75	\$87	\$86
<b>Commercial General Liability</b>	\$149	\$171	\$186	\$210	\$270	\$433
<b>Crime</b>	\$4	\$4	\$4	\$4	\$4	\$4
<b>Errors and Omissions</b>	\$140	\$140	\$141	\$132	\$173	\$208
<b>1<sup>st</sup> Excess Errors and Omissions</b>	-	-	-	-	-	\$67
<b>2<sup>nd</sup> Excess Errors and Omissions</b>	-	-	-	-	-	\$44
<b>3<sup>rd</sup> Excess Errors and Omissions</b>	-	-	-	-	-	\$32
<b>Property and Boiler</b>	\$229	\$232	\$253	\$303	\$355	\$482
<b>Umbrella</b>	\$49	\$49	\$49	\$50	\$113	\$105
<b>Bathurst Glen</b>	\$15	\$13	\$13	\$13	\$14	\$14
<b>Non-Owned Aircraft</b>	\$1	\$1	\$1	\$1	\$1	\$1
<b>Marine</b>	\$9	\$14	\$14	\$11	\$14	\$13
<b>Directors and Officers</b>	\$1	\$1	\$2	\$3	\$8	\$20
<b>Contractor's Pollution</b>	\$17	\$27	\$27	\$46	\$46	-
<b>Cyber</b>	\$9	\$9	\$9	\$9	\$7	\$25
<b>Group and Travel</b>	\$2	\$2	\$2	\$2	\$2	\$2
<b>Remote Piloted Aircraft System (Drone)</b>	\$3	\$3	\$3	\$3	\$6	\$13
<b>Surety Maintenance</b>	-	-	-	\$2	\$2	\$2
<b>SUBTOTAL</b>	\$691	\$726	\$762	\$864	\$1,102	\$1,551
<b>% Change</b>	5%	5%	5%	13%	28%	41%
<b>Project Specific</b>			\$1,373	\$701	\$12	\$389
<b>TOTAL</b>	\$691	\$726	\$2,135	\$1,565	\$1,114	\$1,940

Attachment 1 provides a summary of TRCA's insurance policies for the 2022-2023 policy period.

### DETAILS OF WORK TO BE DONE

Staff are constantly reviewing exposure levels against current insurance limits to ensure adequate coverage. TRCA staff will continue to ensure that the correct balance between risk retention and risk transfer are achieved while ensuring both proper coverage but also maximum value from premium dollars spent.



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**Date: August 24, 2022**

**Attachments: 1**

Attachment 1: Insurance Policy Summary 2022-2023 Policy Term