

Section III – Items for the Information of the Board

TO: Chair and Members of the Executive Committee
Friday, October 6, 2023 Meeting

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: 2023 INSURANCE PROGRAM UPDATE

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

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

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years, the average Ransomware demand increased 13,000% from \$10K to \$1.3M. In conjunction with large rate increases, insurers are increasing deductibles and rapidly tightening the minimum cyber security requirements to maintain insurability. 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 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 annually. 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, in 2022, TRCA had to purchase three additional excess E&O policies to increase E&O coverage, which now stands at \$18M in coverage.

Directors and Officers (D&O) Insurance

TRCA's former D&O insurer, Chubb, was once again asking for increases in premiums and deductibles for the 2023-2024 renewal. After successful marketing by Marsh, Victor Insurance proposed the same coverage with lower premiums as well as removing the \$5K deductible that was imposed in 2022 by Chubb. This resulted in a decrease from \$17,805 to \$10,881 in D&O premiums for the April 1, 2023, to April 1, 2024 policy period, with a cost savings of \$6,924 for TRCA.

Marine Liability – Protection and Indemnity (P&I) Insurance

Due to new requirements by Transport Canada, ships carrying passengers must maintain liability insurance of \$250K per passenger. As a result, TRCA was required to obtain Marine Liability P&I insurance, in addition to the existing marine policy which covers loss or damage to TRCA's marine vessels and related equipment. Through Marsh, TRCA was able to secure a very competitive quote for \$150M in coverage, with a premium of \$3,500 for the 2023-2024 policy period.

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
- Marine Liability (Protection and Indemnity) Insurance
- Contractors Pollution Liability Insurance (CPL)
- Bathurst Glen Golf Course Club Package

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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.

Bond Number	Amount	Project	Obligee	Est Project End
TCS0123455	\$75,000	King's Park Project - Low Impact Development (LID) Stormwater Treatment Project	The Corporation of the City of Mississauga	09/30/2023
TCS0123113	\$153,000	Sediment Removal and Maintenance of the City of Toronto's Disco Rd. Stormwater Management Facility	City of Toronto	12/31/2023
TCS0122800	\$50,328,000	Ashbridges Bay Treatment Plant Landform Construction	City of Toronto	4/23/2024
TCS0123188	\$339,000	Paul Coffey Park Restoration Project	The Corporation of the City of Mississauga	11/29/2024

Relationship to TRCA's 2023-2034 Strategic Plan

This report supports the following Pillar and Outcome set forth in TRCA's 2023-2034 Strategic Plan:

Pillar 4 Service Excellence:

4.2 Provide and manage an efficient and adaptable organization

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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. However, the hard insurance market continued to soften in Q4 of 2022, with an increase of approximately 6% in premiums compared to 41% the previous year. The slow rate of the downward softening can be attributed to a more cautious approach by insurers due to the continuing escalation of claims, uncertainty from the lingering pandemic, the war in Ukraine, the general economic downturn, and supply chain issues as well as inflationary pressures which are driving up the cost of claims. 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. In addition, a large portion of the increases in project-specific insurance costs in 2019, 2020, 2022 and 2023 are a result of required policy extensions to the Builder's Risk policy for TRCA's new head office project.

Table 2 provides a summary of premiums paid by TRCA by line of coverage for the period of 2017-2023.

Insurance/Surety Line	2017	2018	2019	2020	2021	2022	2023
Auto	\$63	\$60	\$58	\$75	\$87	\$86	\$95
Commercial General Liability	\$149	\$171	\$186	\$210	\$270	\$433	\$451
Crime	\$4	\$4	\$4	\$4	\$4	\$4	\$4
Errors and Omissions	\$140	\$140	\$141	\$132	\$173	\$208	\$219
1st Excess Errors and Omissions	-	-	-	-	-	\$67	\$74
2nd Excess Errors and Omissions	-	-	-	-	-	\$44	\$49
3rd Excess Errors and Omissions	-	-	-	-	-	\$32	\$35
Property and Boiler	\$229	\$232	\$253	\$303	\$355	\$482	\$505
Umbrella	\$49	\$49	\$49	\$50	\$113	\$105	\$114

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Bathurst Glen	\$15	\$13	\$13	\$13	\$14	\$14	\$17
Non-Owned Aircraft	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Marine	\$9	\$14	\$14	\$11	\$14	\$13	\$13
Marine Liability (P&I)							\$3
Directors and Officers	\$1	\$1	\$2	\$3	\$8	\$20	\$12
Contractor's Pollution	\$17	\$27	\$27	\$46	\$46	-	\$79*
Cyber	\$9	\$9	\$9	\$9	\$7	\$25	\$29
Group and Travel	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Remote Piloted Aircraft System (Drone)	\$3	\$3	\$3	\$3	\$6	\$13	\$13
Surety Maintenance	-	-	-	\$2	\$2	\$2	\$2
SUBTOTAL	\$691	\$726	\$762	\$864	\$1,102	\$1,551	\$1,717
% Change	5%	5%	5%	13%	28%	41%	6%
Project Specific			\$1,373	\$701	\$12	\$389	\$818**
TOTAL	\$691	\$726	\$2,135	\$1,565	\$1,114	\$1,940	\$2,535
*Estimate, final invoice for Pollution Liability has not yet been received							
** Estimate, final invoice for Builders Risk Renewal Extension from June 30/23 to Apr 30/24 has not yet been received. Base premium is \$545K excluding taxes and brokerage fee (approximately \$678K)							

Attachment 1 provides a summary of TRCA's insurance policies for the 2023-2024 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 is achieved while ensuring both proper coverage but also maximum value from premium dollars spent.

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Date: August 1, 2023

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Attachment 1: 2023 Insurance Program Update