

Section III – Items for the Information of the Board

TO: Chair and Members of the Executive Committee
Meeting #4/20, Friday, June 12, 2020

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: **2020 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

Conservation Ontario Insurance Committee Cooperative Insurance Program

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
- Crime
- Auto
- Commercial General Liability ("CGL")
(Includes Statutory Defense)
- 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.

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)
- Marine
- Contractors Pollution Liability Insurance (CPL)
- Bathurst Glen Golf Course Club Package
- Cyber

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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 into 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
TCS0122707	\$341	Remedial erosion control works at various hazard sites along Patterson Creek within the City's Patterson Creek Lands, Contract No. 10021237 - 2019 Works at Site CC and C8 & 2020 Works at Site C11	City of Richmond Hill	8/1/2020
TCS0122800	\$ 50,328	Ashbridges Bay Treatment Plant Landform Construction	City of Toronto	4/23/2024

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 7 – Build partnerships and new business models

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 2020 Insurance Market Conditions Update reported that globally, the commercial property and casualty market, was seeking premium increases of 20% and higher. TRCA reviewed this market report with its municipal risk management counterparts and confirmed that the public market was experiencing renewals on similar terms with some municipalities posting premium increases as high as 40%.

While TRCA was exposed to similar increases on specific lines, TRCA's overall increase in premiums for its non-project specific is expected to be approximately 13% for the 2020 renewal year. Table 2 provides a summary of premiums paid by TRCA by line of coverage for the period of 2016-2020.

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Table 2: Insurance and Surety Premium Summary 2016-2020 (All figures in \$000's)					
Insurance/ Surety Line	2016	2017	2018	2019	2020
Auto	\$60	\$63	\$60	\$58	\$75
Commercial General Liability	\$128	\$149	\$171	\$186	\$210
Crime	\$4	\$4	\$4	\$4	\$4
Errors and Omissions	\$148	\$140	\$140	\$141	\$132
Property and Boiler	\$221	\$229	\$232	\$253	\$303
Umbrella	\$48	\$49	\$49	\$49	\$50
Bathurst Glen	\$18	\$15	\$13	\$13	\$13
Non-Owned Aircraft	\$1	\$1	\$1	\$1	\$1
Marine	\$8	\$9	\$14	\$14	\$11
Directors and Officers	\$1	\$1	\$1	\$2	\$3
Contractor's Pollution	\$19	\$17	\$27	\$27	\$46
Cyber		\$9	\$9	\$9	\$9
Group and Travel	\$2	\$2	\$2	\$2	\$2
Remote Piloted Aircraft System (Drone)	\$3	\$3	\$3	\$3	\$3
Surety Maintenance					\$2
SUBTOTAL	\$661	\$691	\$726	\$762	\$864
% Change	4%	5%	5%	5%	13%
Project Specific	\$121			\$2,001	\$196
TOTAL	\$782	\$691	\$726	\$2,763	\$1,003

Corporate wide lines of insurance, including CGL, E&O, D&O, Umbrella, Crime, and Group and Travel, are funded through the corporate insurance account 012-29 from municipal funding partners. Funding for project specific insurance as well as all other lines of insurance are covered by project specific accounts.

While insurance is not the only tool available to the organization in managing risk, it has been and will be the major component of TRCA's risk financing program for the foreseeable future. At the time of writing, TRCA had not suffered any significant losses outside of coverage offered by some form of insurance.

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: May 15, 2019

Attachments: 1

Attachment 1 – TRCA Insurance Coverage Summary