



**The Corporation of the
City of Sault Ste. Marie**

COUNCIL REPORT

February 3, 2025

TO: Mayor Matthew Shoemaker and Members of City Council
AUTHOR: Shelley Olar, Risk Manager
DEPARTMENT: Legal Department
RE: Insurance Program Renewal – Policy Period 2025-2026

PURPOSE

The purpose of this report is to advise Council of the renewal particulars of the City's major insurance program with Intact Public Entities for the period February 28, 2025 to February 28, 2026.

Attached as Exhibit A is a copy of the Report to Council authored by the Assistant City Solicitor/Senior Litigation Counsel dated October 21, 2024 which recommended Council approve By-law 2024-156 which authorized a year extension to the General Insurance Services Agreement between The Corporation of the City of Sault Ste. Marie and Intact Public Entities Inc. Council thereafter passed By-law 2024-156.

BACKGROUND

In February 2021, following a Request for Proposals, the City entered into a contract with Frank Cowan Company Ltd. (the "Contract") to provide General Insurance Services and act as broker (collectively "Managing General Agent") to market and place the municipal insurance program for the City. The Contract had a three-year term that expired February 28, 2024. In April 2021, the Managing General Agent rebranded the company and are now known as Intact Public Entities Inc. ("Intact"), providing risk and claims management services to municipal, public administration and community service organizations across Canada.

The City reserved the right to extend the Contract on a yearly basis upon mutual agreement of the parties hereto and on completion of the term of the agreement. Staff recommended a one-year extension (Year 4) due to a continued difficult insurance market and also given that there were projects which had not yet been completed with Intact. Council approved the extension of the agreement in October 2023.

On October 21, 2024, By-law 2024-156 was passed, which authorized a further year extension to the term of the agreement with Intact Public Entities after they guaranteed a maximum premium increase of 5% for the period 2025-2026. Legal was to provide Council with this report that sets out the renewal particulars once received.

The City paid the following amounts (including applicable taxes) for General Insurance Services over the term of the agreement:

- First year of the Term - \$1,364,643
- Second year of the Term - \$1,536,038
- Third year of the Term - \$1,713,735
- Fourth year of the Term - \$1,870,663
- Over the period 2024-2025, the City added properties to the portfolio, which increased the premium to \$1,930,438

The pricing for all insurance coverage is set out in the renewal documents.

The City received renewal documents on January 10, 2025. Intact Public Entities honoured their maximum price increase of 5%, providing an increase of 4.9% which establishes the premium payable for the period February 28, 2025 to February 28, 2026 as \$2,026,962 (excluding taxes).

The favourable rate is the result of low claims, historical trends, consistent risk management practices and confidence in the City's operations through constant dialogue with our Insurer.

ANALYSIS

Intact has met its commitment to provide the City with a good insurance program for Year 5 of the term, specifically the period from February 28, 2025 to February 28, 2026. There are no changes to coverage terms of the insurance policies.

A difficult insurance market, that has lasted four years continues, with prices increasing across all lines of coverage, although for many lines of coverage, the increases are no longer hitting the same heights. The current insurance market is attributed mainly to the large catastrophic losses globally in the property insurance market during the past few years (hurricanes, wildfires, earthquakes, flooding). The impact of municipal claims driving premiums is unique to the municipal sector. Other factors that impact municipal insurance include the joint and several liability rule, class action lawsuits, more substantial damage awards and additional heads of damages being sought in lawsuits and social inflation, a trend of rising insurance costs over and above general economic inflation due to increased litigation costs, plaintiff-friendly judgments and higher jury awards caused by a shift in societal attitudes.

With respect to Intact's renewal documents for Year 5, the following analysis and comments are relevant to each of the four broad areas of coverage:

Liability

Increases in rates for liability are continuing to slowly trend downward. Municipal claims generally continue to increase in frequency and severity and insurers are continuing to tighten their underwriting standards.

The City's rate increase is slightly above that of last year, specifically this year's increase is 4%, while last year's increase was 3%.

Excess Liability

Excess liability insurance provides additional limits of insurance coverage over and above the limits of insurance provided by the primary or underlying insurance. The insurance program includes excess auto liability and excess liability.

The City's rate increase is below that of last year. This year's increase for excess auto liability is 0% and 0%, respectively, while last year's increases were 10% and 0%.

Property

Pricing of property insurance remains challenging. Declarations of value and related sums insured have come under scrutiny by underwriters.

Building values have been increased in order to reflect inflationary trends, and a 5% increase was applied to the City property assets. All insurers are now applying inflationary increases to building values every year.

The City's rate increase is above that of last year due to added properties to our portfolio, achieving an increase 19.15% as opposed to last year's increase of 13.15%.

Automobile (including Transit)

Moderate rate increases continue for automobile insurance. Claim costs have risen as the cost of replacement vehicles and vehicle parts remain accelerated as well as reduced or delayed availability.

The City's rate increase is below that of last year, achieving an 5.68% increase. Last year's increase was 11%.

Overall, Intact continues to provide the City with a good insurance program with no changes to the coverage provided by the Liability, Property and Auto policies as previously outlined in this report for Year 5. Intact has mentioned that looking forward, underwriters are keeping a watch on police and transit related coverages given claims, issues and losses in those areas. The City has had no issues in these areas; however, Intact has advised of increases elsewhere, which may impact matters in the future.

FINANCIAL IMPLICATIONS

Intact is proposing an annual premium for February 28, 2025 to February 28, 2026 to be \$2,026,962 (not including applicable taxes). This premium represents an increase of approximately 5% to the cost of the City's insurance, not including all City insurances, compared to the 2024 insurance premium increase of 7.11%. After adjusting for the corporate fiscal period (January 1, 2025 to December 31, 2025), inclusive of applicable taxes, the total cost for 2025 is \$2,113,880.

From these amounts, there will be a portion that is allocated to the Police Services and the Library, as they are part of the City's insurance program. There will also be additional changes as assets are sold or purchased. The 2025 insurance cost can be accommodated within the corporate operating budget.

STRATEGIC PLAN / POLICY IMPACT

This is an operational issue and not part of the strategic plan.

RECOMMENDATION

It is therefore recommended that Council take the following action:

Resolved that the report of the Risk Manager dated February 3, 2025 concerning the Insurance Program Renewal – Policy Period 2025-2026 be received and that the Legal Department be authorized to bind coverage for the City in accordance with Intact's Municipal Insurance Program Renewal Documents which establishes the premium payable as \$2,026,962 plus applicable taxes.

Respectfully submitted,

Shelley Olar
Risk Manager