

Municipality Of Chatham-Kent

CAO Office

Legal Services

To: Mayor and Members of Council
From: David Taylor, Director, Legal Services
Date: January 10, 2022
Subject: 2022 Municipal Insurance Renewal Update

Recommendations

It is recommended that:

1. Cyber Liability Insurance be purchased from Ascent Underwriting for the quoted rate of \$72,000 plus applicable taxes for 2022.
2. The revised insurance premium amount of \$1,980,882.00 plus applicable taxes for 2022 insurance (other than cyber liability) be approved.

Background

At the December 6, 2021 Council Meeting, Legal Services brought a report recommending the purchase of municipal insurance from Intact Public Entities for the quoted rate of \$1,958,797.00. At the time the report was submitted, Intact had not been able to provide final pricing for the Municipality's 2022 insurance premium. However, it was necessary for a report to be brought based on quoted numbers from previous conversations with the insurance company in order to get Council's authorization to purchase insurance before expiry at the end of the year.

Intact Public Entities has since provided their final written renewal information, which included some adjustments to the total insurance premium amount and further adjustments to the terms of the insurance policy. This report shall outline these adjustments for Council's information.

The December 6, 2021 insurance renewal report also advised that the Municipality had been unable to acquire cyber liability insurance for the 2022 renewal. The Municipality's insurance broker, Mr. Dave Rikley, has since advised that one of the cyber liability insurance applications has since been accepted by Ascent Underwriting. Legal Services moved forward with submitting an application for this insurance based on the information outlined further in this report, and is recommending Council's approval of this purchase.

Comments

In Intact Public Entities' final report summarizing the Municipality's 2022 insurance renewal, the total annual premium was \$1,980,882.00 plus applicable taxes. This rate is a 41.4% increase from 2021, and is slightly higher than the figure approved by Council at its December 6, 2021 meeting. This premium did not include any cyber liability coverage.

Coverage Changes

The 2022 insurance renewal report from Intact Public Entities includes the following coverage changes:

- The Municipality was formerly insured on a "blanket basis" with a limit of greater than \$900 million available for any single loss. The Municipality now has a property insurance per occurrence limit of liability set at \$500 million.
- Flood and earthquake insurance coverages each have an annual aggregate deductible of \$500 million.
- The Unmanned Aerial Vehicle (drone) coverage was reduced to reflect liability-only coverage for the four new drones.

Property Inspections

The 2022 property insured value was estimated at \$984,775,158. The value was confirmed to be \$986,343,500 in Intact Public Entities' report.

Cyber Liability Insurance

The Municipality was successful in obtaining cyber liability insurance provided by Ascent Underwriting. The premium provided by Ascent Underwriting is \$72,000 for 2022, which represents a 48.5% increase from the 2021 premium. With this policy, the maximum coverage goes down to \$1 million from \$5 million in the Municipality's previous coverage, and the deductible has gone up from \$100,000 to \$250,000. While this cost increase and coverage reduction is less than ideal, by triggering this purchase the Municipality at least has some coverage in place and, most importantly, would have access to the incident response team from the insurance company. As stated in the previous insurance renewal report brought to Council, many municipalities are having difficulty obtaining any cyber liability insurance at all, as municipalities are not a desired class for cyber liability insurance providers.

In order to obtain cyber liability coverage which would retroactively apply to January 1, 2022 and ensure there would be no gap in coverage, Legal Services had to move forward with the paperwork to acquire the insurance prior to receiving Council's approval. The Chief Administrative Officer, Chief Financial Officer, and Information Technology and Transformation Services staff were consulted in making this decision. All agreed to submitting the application to the insurance company to avoid any gap in

coverage, with Legal Services bringing a report to Council at the next meeting to seek retroactive approval for this purpose.

Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports the following areas of strategic focus:

☐ Economic Prosperity:

Chatham-Kent is an innovative and thriving community with a diversified economy

☒ A Healthy and Safe Community:

Chatham-Kent is a healthy and safe community with sustainable population growth

☐ People and Culture:

Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community

☐ Environmental Sustainability:

Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

☒ Financial Sustainability:

The Corporation of the Municipality of Chatham-Kent is financially sustainable

☐ Open, Transparent and Effective Governance:

The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership

☐ Has the potential to support all areas of strategic focus & critical success factors

☐ Neutral issues (does not support negatively or positively)

Consultation

The Municipal Insurance Broker was consulted throughout the preparation of this report. The Director, Information Technology and Transformation and General Manager of Finance, Budget, and Information Technology and Transformation (FBITT) were also consulted regarding the cyber liability recommendation in this report.

Financial Implications

Payment of the recommended cyber insurance premium would be at a cost of \$72,000 plus tax.

Prepared by:

David Taylor
Director, Legal Services

Reviewed by:

Don Shropshire
Chief Administrative Officer

Consulted and confirmed the content of the consultation section of the report by:

Gord Quinton
General Manager, FBITT, CFO, Treasurer

Catherine Fitzgerald
Director, Information Technology and Transformation

Attachments: None

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