

To: David Creery, Chief Administrative Officer
From: Amy Humphries, Deputy Chief Administrative Officer & City Clerk
Re: Municipal Insurance Costs Update

AIM

To provide Council with an update on work being done to address rising municipal insurance costs in Ontario.

BACKGROUND

At the regular meeting of Woodstock City Council held on March 16th, 2023, Council considered correspondence from the Municipality of Chatham-Kent regarding the investigation of tools available to reduce municipal insurance costs and engagement with associations and other municipalities on the issue. The following resolution was passed in response:

Whereas Woodstock has also faced multiple double-digit increases to insurance premiums in recent years;

And whereas the costs of insurance are affecting municipal budgets across the Province, impacting funding which would otherwise go into improving and expanding needed services to residents and businesses;

Now therefore be it resolved that Woodstock City Council supports the resolution from the Municipality of Chatham-Kent regarding Reducing Municipal Insurance Costs;

And further that staff be directed to contact Local Authority Services (LAS) to indicate support for the creation of a municipal reciprocal insurance provider;

And further that staff be directed to monitor the findings of the Chatham-Kent report regarding the engagement process and any recommendations to support improvements to municipal insurance in Ontario;

And further that staff be directed to add this correspondence as an agenda item at the next Oxford County area CAO's meeting for discussion;

And further that this resolution be circulated to Oxford County and area municipalities for consideration.

COMMENTS

Ontario municipalities are experiencing higher insurance rates at each renewal with limited access to insurance providers willing to quote on municipal insurance needs. The commercial insurance market is cyclical and responds to the pressures created by existing market conditions and profitability. Hard market conditions include more stringent underwriting, less capacity, higher deductibles, and higher premiums, as well as some insurers exiting areas of coverage. Soft market conditions include competitive pricing, higher market capacity, lower deductibles, greater risk appetite, and higher coverage limits with fewer conditions. The

current hard insurance market and the COVID-19 pandemic have renewed the focus on the cost and availability of municipal insurance and municipalities have repeatedly raised concerns about the limited number of participants in the municipal insurance market and the challenges this creates for insurance procurement and pricing. Requests for proposals often receive only one bid with ensuing premium increases. Further, economic and environmental events elsewhere in the world (e.g., inflation; supply chain disruptions; severe weather events which cause significant losses) can have systemic effects on market capacity, pricing, and profitability. Many of these events are outside of municipal and provincial control but affect premiums nonetheless. Further information on premium increases for the City of Woodstock will be provided as part of the revenue budget presentations on February 20th, 2024.

Following the Council resolution on March 16th, 2023, staff contacted the Association of Municipalities of Ontario (AMO) and Local Authority Services (LAS) and representatives from the Municipality of Chatham-Kent. Chatham-Kent presented a briefing note to the Province during a meeting with the Ministry of Finance at the AMO Conference in August 2023. The municipal representatives requested a Provincial review of the current pressures in municipal insurance, including a request for a review of potential legislative changes and a municipal insurance reciprocal.

In Spring of 2022, AMO and the Province formed a Technical Working Group to provide for an inter-governmental dialogue on municipal insurance costs, coverage, and liability issues, including joint and several liability. Through its discussions, the group brought together a series of experts from various sectors to review joint and several liability issues, discuss alternate liability models, and develop a list of practical short and long-term options to address municipal insurance challenges.

In August of 2023 a Report from the Provincial-Municipal Technical Working Group titled “The Future of Municipal Liability and Risk Management” was released by AMO and the Province of Ontario. A copy of that report can be found at: [The Future of Municipal Liability and Risk Management \(amo.on.ca\)](https://www.amo.on.ca/~/media/AMO/Reports/2023/08/2023-08-23-Report-Future-of-Municipal-Liability-and-Risk-Management.pdf).

This report includes details of the significant efforts of the Working Group regarding municipal liability pressures, including a discussion on several risk financing alternatives to traditional insurance. The “Action Plan” of that Working Group is outlined on page 5 of the Report as follows:

The Working Group has identified the following as viable next steps:

- 1. Confirm the feasibility of a new municipal sector reciprocal insurance exchange or other alternative risk financing structure.*
- 2. Ensure robust municipal involvement in the ongoing Minimum Maintenance Standards review.*
- 3. Continue to collect joint and several liability (JSL) data through AMO Local Authority Services (AMO LAS) in order to further unpack the relationship between JSL and municipal insurance premiums before re-engaging on potential opportunities for legislative change.*
- 4. Include municipal concerns about extreme weather resilience and building inspection liability in AMO’s broader advocacy on the Building Code and the provincial housing strategy.*

5. *Increase awareness of the need for insurance or other compensation mechanisms for individuals injured while using micromobility devices and other new vehicle types (e.g., e-bikes, pedal pubs).*

AMO is committed to continued work on this issue and will continue the intergovernmental dialogue through a semi-annual forum to identify emerging risks and monitor progress on the Action Plan. AMO will also continue to promote education and outreach to share the Working Group's learnings on municipal risk and liability, and to engage in ongoing work to support this important area of municipal concern.

Upon discussion of the topic with Oxford County area CAOs, all Oxford municipalities acknowledged accelerating annual premiums for insurance programs and interest in AMO's review of the feasibility of a municipal sector reciprocal insurance exchange. Options such as this that span across the entire municipal sector would alleviate concerns over the assumption of risk of the other members if participating in a small reciprocal and the significant differences in risk profiles between rural and urban municipalities.

Based on the work that the Provincial-Municipal Technical Working Group has already performed, and the next steps they have identified, staff does not recommend any further actions at this time. Rather, staff will look for opportunities to participate in any of the next steps identified by the Working Group and will bring information to Council as it becomes available.

RECOMMENDATION

That Woodstock City Council receive the report regarding Municipal Insurance Costs Update as information.

Authored by: Amy Humphries, Deputy Chief Administrative Officer & City Clerk

Approved by: David Creery, Chief Administrative Officer