



BOARD REPORT

REPORT No.: 2022-62

MEETING DATE: OCTOBER 20, 2022

SUBJECT: 2022/23 HOUSING PORTFOLIO INSURANCE CONTRACT

RECOMMENDATION

THAT with respect to Report No. 2022-62 (Corporate Services Division) we, The District of Thunder Bay Social Services Administration Board, accept the property insurance quotation provided by Marsh Canada Limited, in the amount of \$793,997.66;

AND THAT the Director, Corporate Services Division be authorized to bind coverage and complete any administrative requirements of the insurance renewal process.

REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with the results of the 2022/23 property insurance quotation process for the TBDSSAB direct-owned housing portfolio.

BACKGROUND

The Housing Services Corporation (HSC), a non-profit organization established under the *Housing Services Act, 2011*, provides a group insurance program tailored to the needs of the Ontario non-profit housing sector. Marsh Canada Limited provides broker services for the HSC group insurance program. Housing Providers are required to participate in this program unless they can obtain a more favourable quote, with the same coverage, from an eligible insurer, as determined by HSC. TBDSSAB last received an alternative quote in 2013, with the results being significantly higher than the quote provided through the HSC program.

Policy No. CS-01:79 Approval and Signing Authorization, in conjunction with Policy No. CS-03:1 Procurement of Goods, Services and Construction, stipulates that any purchase of goods, services, or construction, greater than \$450,000, must be approved by the Board.

COMMENTS

Administration has received the 2022/23 direct-owned housing portfolio property insurance quotation from Marsh Canada Limited. The insurance policy covers approximately \$531 million in building property, \$1.4 million in building contents and \$26.0 million in lost rental income. Administration increased the portfolio valuation from \$448 million to \$531 million (18.5% increase) to reflect current estimated replacement values.

The annual premium quotation, in the amount of \$793,997.66, is 24.5% higher than the previous year. The insurance deductible for this quotation is \$25,000 per occurrence. The increase is a result of a higher level of insurance claims across Ontario in recent years, and supply chain issues which have contributed to increased replacement costs.

A breakdown of the change, versus the previous policy year, is provided, below:

Coverage Area	Premium		Change	
	2021/22	2022/23	\$	%
Property	\$ 178,908	\$ 233,254	\$ 54,346	30.4%
Property Claims Fund	\$ 289,717	\$ 364,121	\$ 74,403	25.7%
Equipment Breakdown	\$ 6,510	\$ 7,620	\$ 1,110	17.1%
Commercial General Liability	\$ 110,234	\$ 124,451	\$ 14,216	12.9%
Umbrella Liability	\$ 5,201	\$ 5,738	\$ 536	10.3%
Subtotal	\$ 590,571	\$ 735,183	\$ 144,612	24.5%
PST	\$ 47,246	\$ 58,815	\$ 11,569	24.5%
Premium (includes PST)	\$ 637,816	\$ 793,998	\$ 156,181	24.5%

*amounts in the above table have been rounded to the nearest dollar

The Property Claims Fund is a component of the insurance program and works like a group deductible in that all claims below a certain level are paid from this fund, rather than by the insurance company. Over time, this is expected to help control premium costs and support effective risk management. If the fund is not fully depleted by the end of the year, a proportionate share is returned to each Housing Provider.

To date, during the 2021/22 policy period, there have been two (2) claims, with a total estimated loss of approximately \$416,000. All claims are being handled through the Property Claims Fund, rather than the property insurance underwriter. TBDSSAB will incur the cost of two (2) insurance deductibles, totaling \$50,000, financed from the Direct-Owned Housing Portfolio Capital Replacement Reserve Fund.

In response to the increased premium quotation, Administration requested an additional quote to determine the financial impact of increasing the insurance deductible from the current \$25,000, to \$50,000 per occurrence.

The result is as follows:

Deductible	Quotation (including PST)
\$25,000	\$793,997.66
\$50,000	\$695,448.47

For the 2019/20 policy period, HSC raised the minimum insurance deductible option from \$10,000 to \$25,000. Since then, nine (9) claims have been finalized and four (4) are still open. Of the claims that have been finalized, three (3) were settled between \$25,000 and \$50,000, six (6) were in excess of \$50,000. The four (4) claims that are still open will likely be in excess of \$50,000.

Although \$98,549.19 in savings would be achieved in the insurance premium with an increased deductible, this savings would only be realized if there are less than four (4) insurable claims. In addition, the increased deductible would mean TBDSSAB would be fully responsible for any incidents that resulted in costs up to the \$50,000 deductible level.

Administration recommends maintaining the current policy with a \$25,000 deductible for the 2022/23 policy period.

STRATEGIC PLAN IMPACT

This Report relates to the Board's strategic direction of Financial Stewardship, with a focus on ensuring accountability of TBDSSAB resources.

FINANCIAL IMPLICATIONS

The 2022/23 direct-owned housing portfolio property insurance premium of \$793,997.66, including the Provincial sales tax, with an insurance deductible of \$25,000, represents a 24.5% increase over the prior year.



Insurance costs are included annually within the TBDSSAB Operating Budget, and this increase will be included in the 2023 TBDSSAB Operating Budget.

CONCLUSION

It is concluded that the 2022/23 direct-owned housing portfolio property insurance premium offered by Marsh Canada Limited provides the appropriate coverage, is consistent with a risk management approach to safeguard the assets of TBDSSAB, and should be accepted.

REFERENCE MATERIALS

None.

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