



BOARD REPORT

REPORT No.: 2023-39

MEETING DATE: OCTOBER 19, 2023

SUBJECT: 2023/24 HOUSING PORTFOLIO INSURANCE CONTRACT

RECOMMENDATION

THAT with respect to Report No. 2023-39 (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 \$1,021,933;

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 2023/24 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

Cost Analysis

Administration has received the 2023/24 direct-owned housing portfolio property insurance quotation from Marsh Canada Limited. The insurance policy covers approximately \$584 million in building property, \$1.6 million in building contents and \$26.0 million in lost rental income. The portfolio valuation increased from \$531 million to \$584 million to reflect current estimated replacement values. With the increase in estimated replacement values, a second excess property policy is necessary as six properties' replacement value exceeds the limit provided in the existing policy.

The annual premium quotation, in the amount of \$1,021,933.43, is 28.7% higher than the previous year. The insurance deductible for this quotation is \$50,000 per occurrence. The increase is a result of the current market conditions within the insurance industry globally, related to higher construction and replacement cost pressures due to the pandemic and inflation, as well as climate change impacts (frequency and severity of extreme weather and natural catastrophes).

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

Coverage Area	Premium		Change	
	2022/23	2023/24	\$	%
Property	\$ 233,254	\$ 229,599	\$ (3,655)	-1.6%
Property Claims Fund	\$ 364,120	\$ 572,138	\$ 208,018	57.1%
Equipment Breakdown	\$ 7,620	\$ 7,800	\$ 180	2.4%
Commercial General Liability	\$ 124,451	\$ 130,673	\$ 6,222	5.0%
Umbrella Liability	\$ 5,738	\$ 6,024	\$ 286	5.0%
Subtotal	\$ 735,183	\$ 946,234	\$ 211,051	28.7%
PST	\$ 58,815	\$ 75,699	\$ 16,884	28.7%
Premium (includes PST)	\$ 793,998	\$ 1,021,933	\$ 227,936	28.7%

*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 2022/23 policy period, there have been four claims, with a total estimated loss of approximately \$735,000. All claims are being handled through the Property Claims Fund, rather than the property insurance underwriter. TBDSSAB will incur the cost of four insurance deductibles, totaling \$100,000, financed from the Direct-Owned Housing Portfolio Capital Replacement Reserve Fund.

Risk Management

Over the years, TBDSSAB has implemented various policies/best practices in an attempt to mitigate risk within its housing property portfolio. These include:

- Implementing the Tenant Smoke-Free Policy (Report No. 2015-46);
- Implementing the Tenant Insurance Policy (Report No. 2015-17); and
- Implementing the practice of purchasing appliances with smart-burner technology (2017).

Fire claims related to tenant negligence have increased in recent years. As a result, Administration is implementing changes in its annual unit inspection process to focus more fully on fire and life safety elements. In addition, although fire separation was not a building standard at the time of construction of most of TBDSSAB's housing properties, the capital budget will include fire separation for the remaining property where this currently is not in place.

In response to the increased premium quotation, Administration requested additional information to determine the financial impact of increasing the insurance deductible from the current \$50,000, to \$75,000, \$100,000, \$150,000 and \$200,000 per occurrence.

The results are as follows:

Deductible	Quotation (including PST)
\$ 50,000	\$1,021,933
\$ 75,000	\$ 939,469 (Estimate Only)
\$100,000	\$ 926,488 (Estimate Only)
\$150,000	\$ 857,417 (Estimate Only)
\$200,000	\$ 846,477 (Estimate Only)

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

Although savings would be achieved in the insurance premium with an increased deductible, these savings would only be realized if there are less than four insurable claims and the deductible was increased to \$75,000. All other options result in an increase in total costs relative to the \$50,000 deductible option. In addition, the increased deductible would mean TBDSSAB would be fully responsible for any incidents that resulted in costs up to the deductible level.

Based on the financial analysis on the various deductible options, Administration recommends maintaining the current policy with a \$50,000 deductible for the 2023/24 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 2023/24 direct-owned housing portfolio property insurance premium of \$1,021,933, including the Provincial sales tax, with an insurance deductible of \$50,000, represents a 28.7% increase over the prior year.



Insurance costs are included annually within the TBDSSAB Operating Budget, and this increase will be included in the 2024 TBDSSAB Operating Budget.

CONCLUSION

It is concluded that the 2023/24 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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