



AMO's 2011 Municipal Insurance Survey Results

Managing the Cost of Risk

August 23, 2011

Association of
Municipalities
of Ontario

200 University Avenue, Suite 801
Toronto, ON M5H 3C6 Canada
Tel: 416-971-9856 • Fax: 416-971-6191
email: amo@amo.on.ca
website: www.amo.on.ca

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The Association of Municipalities of Ontario has completed the first ever comprehensive survey of municipal insurance costs across the province. The survey reveals that since 2007, liability premiums have increased by 22.2% and are among the fastest growing municipal costs. Total 2011 Ontario municipal insurance costs are \$155.2 million. Liability premiums make up the majority of these expenses at \$85.5 million. Property taxpayers are paying this price.

Insurance costs exceed annual province-wide municipal spending in each of these respective areas: maintaining bridges and culverts, administering and providing Ontario Works employment assistance benefits, and funding Conservation Authorities.

These costs disproportionately affect small municipalities. The per capita insurance costs for communities with populations under 10,000 are \$37.56. By comparison, per capita costs in large communities with populations over 75,000 are \$7.71. Property taxpayers in one northern community are spending more on insurance than their library. In one southern county, for every \$2 spent on snowplowing roads, another \$1 is spent on insurance.

The survey was prompted by anecdotal reports of rising insurance costs. It sought to quantify, in part, some of the costs associated with joint and several liability in the provincial *Negligence Act*. It does not include legal fees, self-insurance costs, settlements, risk management expenses or court mandated awards. Based on current trends, insurance costs will rise to \$214 million annually by 2020.

The insurance premiums paid by municipalities reflect the legal reality that municipalities are “deep pocket” defendants, often targeted for litigation because the law has established such a low threshold of responsibility. Just a fraction of fault can cost a municipality millions of dollars. The premiums charged by insurance companies, non-profit insurance reciprocals and pools reflect, in part, this legal risk.

Continued advocacy by municipalities is needed to help change this legal environment and explore alternatives such as proportionate liability. Many common law jurisdictions have pursued proportionate liability in the face of rising costs and this unequitable burden. AMO looks forward to discussing these pressing municipal issues with the next government.

Please see the back of this booklet for tips on managing your municipal premiums.



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Municipal Insurance Survey Results

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Survey Results for 2011¹	All Municipalities
Total Insurance Costs²	
Average Annual Insurance Premium for 2011	\$378,589
Total Insurance Costs for 2011	\$155,221,422
Avg. % Change in Premiums since 2007	Up 20.8%
Liability Insurance³	
Avg. Annual General Liability Insurance Premium for 2011	\$208,767
Total Premium Costs for 2011	\$85,594,449
Avg. % Change in Premiums since 2007	Up 22.2%
Avg. Per Occurrence Deductible	\$108,583
Avg. % Change in Deductibles since 2007	Up 2.4%
Avg. Total Annual Dollar Limit of Coverage	\$27,327,876
Property Insurance⁴	
Avg. Annual Property Insurance Premium for 2011	\$82,774
Total Premium Costs for 2011	\$33,937,189
Avg. % Change in Premiums since 2007	Up 16%
Avg. Annual Deductible	\$46,882
Avg. % Change in Deductibles since 2007	Up 2.8%
Avg. Total Value Insured	\$162,501,159
Automobile Insurance	
Avg. Auto Insurance Premium for 2011	\$78,812
Total Premium Costs for 2011	\$32,312,881
Avg. % Change in Premiums from 2007	Up 21.2%
Avg. Annual Auto Insurance Deductible	\$42,085
Avg. % Change in Deductibles since 2007	Up 3.6%

¹ All results have been weighted from a sample size of between 97 and 122 municipalities representing approximately 50% of the Ontario population. With a 95% confidence limit, the results are accurate to within +/- 7.42%. Premiums vary based on individual municipal claims history.

² Premiums include all coverage from general liability, property and automobile insurance plus other coverage, including other liability insurance as well as environmental, transit, crime, aviation, and marine insurance.

³ Includes coverage for annual aggregate commercial or comprehensive general liability insurance (including primary, umbrella and excess layers).

⁴ Deductible includes coverage for boiler and machinery.



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Small Municipalities with Population under 9,999

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<i>Survey Results for 2011¹</i>	<i>Municipalities with a population of 1-5,000</i>	<i>Municipalities with a population of 5,001- 9,999</i>
Total Insurance Costs²		
Average Annual Insurance Premiums for 2011	\$98,757	\$189,765
Avg. % Change in Premiums since 2007	Up 13.4%	Up 15%
Liability Insurance³		
Avg. General Liability Insurance Premiums for 2011	\$68,680	\$120,780
Avg. % Change in Premiums since 2007	Up 20.0%	Up 8.2%
Avg. Per Occurrence Deductible	\$6,667	\$9,808
Avg. % Change in Deductibles since 2007	Up 2.6%	Up 7.4%
Avg. Total Annual Dollar Limit of Coverage	\$22,203,125	\$21,730,769
Property Insurance⁴		
Avg. Annual Property Insurance Premium for 2011	\$26,920	\$44,932
Avg. % Change in Premiums since 2007	Up 2.8%	Up 26.7%
Avg. Total Value Insured	\$22,497,108	\$44,661,275
Avg. Annual Deductible	\$8,393	\$6,944
Avg. % Change in Deductibles since 2007	Up 2.2%	Up 4.2%
Automobile Insurance		
Avg. Auto Insurance Premium for 2011	\$19,476	\$28,330
Avg. % Change in Premiums since 2007	Up 21%	Up 8.8%
Avg. Annual Auto Insurance Deductible	\$4,192	\$5,019
Avg. % Change in Deductibles since 2007	Up 19.8%	Up 5.9%

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² Premiums include all coverage from general liability, property and automobile insurance plus other coverage, including other liability insurance as well as environmental, transit, crime, aviation, and marine insurance.

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Medium Municipalities with Population of 10,000-74,999

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<i>Survey Results for 2011¹</i>	<i>Municipalities with a population of 10,000-42,500</i>	<i>Municipalities with a population of 42,501- 74,999</i>
Total Insurance Costs²		
Average Annual Insurance Premiums for 2011	\$375,666	\$895,023
Avg. % Change in Premiums since 2007	Up 25.4%	Up 8.6%
Liability Insurance³		
Avg. Annual General Liability Insurance Premiums for 2011	\$241,006	\$535,810
Avg. % Change in Premiums since 2007	Up 34.9%	Up 5.3%
Avg. Per Occurrence Deductible	\$14,167	\$41,500
Avg. % Change in Deductibles since 2007	Up 10.1%	Up 105.3%*
Avg. Total Annual Dollar Limit of Coverage	\$33,335,185	\$41,428,571
Property Insurance⁴		
Avg. Annual Property Insurance Premium for 2011	\$76,405	\$170,315
Avg. % Change in Premiums since 2007	Up 19.7%	Up 5.1%
Avg. Total Value Insured	\$62,950,880	\$246,306,435
Avg. Annual Deductible	\$11,111	\$28,125
Avg. % Change in Deductibles since 2007	Up 1.7%	Up 87.5%*
Automobile Insurance		
Avg. Auto Insurance Premium for 2011	\$53,845	\$146,336
Avg. % Change in Premiums since 2007	Up 28.5%	Down 4.9%
Avg. Annual Auto Insurance Deductible	\$7,650	\$22,500
Avg. % Change in Deductibles since 2007	Down 1.5%	Up 111.8%*

¹ All results have been weighted from a sample size of between 97 and 122 municipalities representing approximately 50% of the Ontario population. With a 95% confidence limit, the results are accurate to within +/- 7.42%. Premiums vary based on individual municipal claims history.

² Premiums include all coverage from general liability, property and automobile insurance plus other coverage, including other liability insurance as well as environmental, transit, crime, aviation, and marine insurance.

³ Includes coverage for annual aggregate commercial or comprehensive general liability insurance (including primary, umbrella and excess layers).

⁴ Deductible includes coverage for boiler and machinery.

* Reflects changes in policy.



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Large Municipalities with Population of 75,000 and up

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<i>Survey Results for 2011¹</i>	<i>Municipalities with a population of 75,000-165,000</i>	<i>Municipalities with a population of 165,001+</i>
Total Insurance Costs²		
Average Annual Insurance Premium for 2011	\$1,420,459	\$2,313,802
Avg. % Change in Premiums since 2007	Up 27.3%	Up 32.5%
Liability Insurance³		
Avg. Annual General Liability Insurance Premium for 2011	\$706,996	\$976,030
Avg. % Change in Premiums since 2007	Up 26.7%	Up 32.6%
Avg. Per Occurrence Deductible	\$177,778	\$584,444
Avg. % Change in Deductibles since 2007	Up 3.2%	Up 5.5%
Avg. Total Annual Dollar Limit of Coverage	\$48,888,889	\$43,750,000
Property Insurance⁴		
Avg. Annual Property Insurance Premium for 2011	\$272,502	\$433,840
Avg. % Change in Premiums since 2007	Up 25.6%	Up 20.2%
Avg. Total Value Insured	\$476,847,515	\$1,467,506,942
Avg. Annual Deductible	\$150,556	\$548,333
Avg. % Change in Deductibles since 2007	No Change (0%)	Up 3.1%
Automobile Insurance		
Avg. Auto Insurance Premium for 2011	\$322,913	\$583,872
Avg. % Change in Premiums since 2007	Up 34%	Up 26.5%
Avg. Annual Auto Insurance Deductible	\$138,889	\$560,278
Avg. % Change in Deductibles since 2007	Up 1.2%	Up 4%

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² Premiums include all coverage from general liability, property and automobile insurance plus other coverage, including other liability insurance as well as environmental, transit, crime, aviation, and marine insurance.

³ Includes coverage for annual aggregate commercial or comprehensive general liability insurance (including primary, umbrella and excess layers).

⁴ Deductible includes coverage for boiler and machinery.

Upper Tier Municipalities

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<i>Survey Results for 2011¹</i>	<i>Upper Tier Municipalities</i>
Total Insurance Costs²	
Average Annual Insurance Premiums for 2011	\$943,702
Avg. % Change in Premiums since 2007	Up 25.1%
Liability Insurance³	
Avg. Annual General Liability Insurance Premiums for 2011	\$440,005
Avg. % Change in Premiums since 2007	Up 30.9%
Avg. Per Occurrence Deductible	\$913,947
Avg. % Change in Deductibles since 2007	Up 0.8%
Avg. Total Annual Dollar Limit of Coverage	\$28,684,737
Property Insurance⁴	
Avg. Annual Property Insurance Premium	\$198,023
Avg. % Change in Premiums since 2007	Up 24%
Avg. Total Value Insured	\$512,273,482
Avg. Annual Deductible	\$102,632
Avg. % Change in Deductibles since 2007	Up 3%
Automobile Insurance	
Avg. Annual Auto Insurance Premium for 2011	\$302,497
Avg. % Change in Premiums since 2007	Up 20.1%
Avg. Annual Auto Insurance Deductible	\$81,861
Avg. % Change in Deductibles since 2007	Up 1.6%

¹ All results have been weighted from a sample size of between 97 and 122 municipalities representing approximately 50% of the Ontario population. With a 95% confidence limit, the results are accurate to within +/- 7.42%. Results for Upper Tier Municipalities include the Waterloo Region Municipalities Insurance Pool. Premiums vary based on individual municipal claims history.

² Premiums include all coverage from general liability, property and automobile insurance plus other coverage, including other liability insurance as well as environmental, transit, crime, aviation, and marine insurance.

³ Includes coverage for annual aggregate commercial or comprehensive general liability insurance (including primary, umbrella and excess layers).

⁴ Deductible includes coverage for boiler and machinery.

Have questions about the premiums paid by your municipality?

Five things your municipality can do:

1. See how your local premiums compare. Contrast your municipal premiums to the averages listed in this booklet. Keep in mind that this is only one point of reference. Claims history also plays a significant role in determining the premiums charged by insurers and were not part of this survey. Also, the types of facilities and services your community offers will likely differ over others and affect premiums.

2. Consider increasing deductibles. The survey reveals municipal deductibles have remained generally unchanged in the past five years. Consider increasing your municipality's deductible as a way to reduce premiums. This means your municipality will be responsible for managing a greater degree of risk before insurance coverage begins. Discuss this with your insurance provider.

3. Review the dollar limits of your municipal liability coverage. The survey reveals that over the past five years, the dollar limits of coverage have remained unchanged sector wide. With the increasing frequency and size of damage awards, discuss with your insurance provider the continued appropriateness of your municipality's exposure limits.

4. Continue to manage risk. Help to reduce the possibility of claims being made against your municipality by following good risk management practices. More information is available on the Local Authority Services Limited website www.las.on.ca. Look for *Risk Management* under the *Administration Programs* heading.

5. Advocate for joint and several liability reform. As "deep pocket" defendants with seemingly limitless public resources at their disposal through the power of taxation, municipalities have often become the targets of litigation when other defendants do not have the means to pay high damage awards. This reality is reflected in the insurance premiums paid by municipalities. Many common law jurisdictions have adopted reforms to restore the balance. Add your municipality's voice to the call for Ontario to do the same.

For information please contact Matthew Wilson, Senior Policy Advisor at mwilson@amo.on.ca or call 416-971-9856 extension 323.

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