

FINANCIAL MANAGEMENT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

**SUBJECT: INSURANCE CONTRACT – NETWORK SECURITY AND PRIVACY
LIABILITY**

RECOMMENDATION:

1. THAT Council approve the award of one contract of insurance for the period of thirteen months (Dec 2022 to Jan 2024) for a total amount payable to Aon Reed Stenhouse Inc. of \$164,259 to fund the insurance premium for the Network Security and Privacy Liability Policy.

REPORT

The Financial Management Committee, at its meeting held on 2023 January 24, received and adopted the attached report seeking Council approval to award an insurance contract for the Network Security and Privacy Liability Policy.

Respectfully submitted,

Councillor Dhaliwal
Chair

Councillor Gu
Vice Chair

Copied to:	Chief Administrative Officer Deputy Chief Administrative Officer & CFO Chief Information Officer Risk Manager
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TO: CHAIR AND MEMBERS **DATE:** 2023 January 18
FINANCIAL MANAGEMENT COMMITTEE

FROM: DEPUTY CHIEF ADMINISTRATIVE OFFICER **FILE:** 5820-01
& CHIEF FINANCIAL OFFICER *Aon Reed Stenhouse Inc.*

**SUBJECT: INSURANCE CONTRACT – NETWORK SECURITY AND PRIVACY
LIABILITY**

PURPOSE: To obtain approval to award an insurance contract for the Network Security and Privacy Liability Policy.

RECOMMENDATION:

1. **THAT** the Financial Management Committee recommend Council approve the award of one contract of insurance for the period of thirteen months (Dec 2022 to Jan 2024) for a total amount payable to Aon Reed Stenhouse Inc. of \$164,259 to fund the insurance premium for the Network Security and Privacy Liability Policy.

REPORT**1.0 INTRODUCTION**

In 2020, the City went to RFP for Insurance Broker services. The contract was awarded to the international brokerage firm, Aon Reed Stenhouse Inc, (Aon). The contract term was 2 years with an option for a 3 year extension. The City is currently in the first year of the extension. Working closely with Aon, the Risk Management Division of the Community Safety Department manages the process of marketing, selecting, and arranging insurance coverage for the City. The 12 insurance coverages that make up the insurance program include the following contracts:

1. Main Property (Limit \$100 Million)
2. Excess Property (Limit \$400 Million)
3. Primary General Liability (Limit \$10 Million)
4. Excess/Umbrella Liability (Limit \$39 Million)
5. Excess/Umbrella Liability (Limit \$21 Million)
6. Crime & Fidelity (Limit of \$10 Million)
7. Major Equipment Breakdown (Limit \$870 Million)
8. Minor Equipment Breakdown (Limit \$130 Million)
9. Minor General Liability (Limit \$5 Million)

- 10. Accidental Death & Dismemberment
- 11. Commercial Non-Owned Auto Liability (Limit \$10 Million)
- 12. Network Security and Privacy Liability Policy (Limit \$3 Million)

In consideration of an annual fee, Aon is providing a wide range of professional services that include: advice and negotiation of coverage and policy wording; marketing of the City's risk in the global insurance market; binding coverage and paying premium on behalf of the City; and, as necessary, acting as a claims advocate with insurers.

Cybersecurity events are increasing annually around the world. In the last few years Canadian government organizations have seen an increase in cyberattacks and ransomware events. Consequently, the City has deployed a number of preventative measures to protect City assets and digital infrastructure, such as increasing cybersecurity awareness through mandatory staff training, deploying more frontend security tools and using multi-factor authentication.

The City continuously reviews its cybersecurity strategy and tools to improve resiliency and protection against the threat of a cybersecurity event occurring. The City also looks to further mitigate cyber risk exposure by purchasing insurance. As a result, Aon was instructed to research and approach markets for cybersecurity insurance options. Cybersecurity insurance includes but is not limited to coverage for Security & Privacy Liability, Incident Response/Crisis Management, Data Restoration and Cyber Extortion. The 17% increase from last year's premium is contributed to an 8.2% market increase and selecting an additional month making the policy term 13 months (December 2022 – January 2024).

2.0 INSURANCE PROGRAM

The Network Security and Privacy Liability coverage for data assets is purchased from American International Group Inc. through Aon Reed Stenhouse and includes a maximum limit amount of \$3,000,000. The cost of this program is in alignment with current insurance market rates and is a necessary operating expense that is included in the City's 2023 – 2027 Financial Plan. The premium for the Network Security and Privacy Liability is \$164,259. Insurance charges are exempted from PST and GST. As the City continues to reinforce its cybersecurity infrastructure and maintain a clear claims record, then higher limits could potentially be purchased in future years.

Due to high frequency and the complexity of cybersecurity events, insurers are limiting their exposure to losses. In the current insurance market, it is very difficult and in some cases not possible to obtain cybersecurity insurance, or such insurance has been costly even if it is available. The City is fortunate to be able to purchase this type of policy at the stated cost.

To: *Financial Management Committee*
From: *Deputy Chief Administrative Officer & Chief Financial Officer*
Re: *Insurance Contract – Network Security and Privacy Liability*
2023 January 24 Page 3

3.0 RECOMMENDATION

It is recommended that Council approve the award of one contract of insurance for the total amount payable of \$164,259 to Aon Reed Stenhouse to fund the insurance premiums for the Network Security and Privacy Liability policy.



For Noreen Kassam, CPA, CGA
DEPUTY CHIEF ADMINISTRATIVE OFFICER
& CHIEF FINANCIAL OFFICER

NK:SH:BK / kl:mt

Copied to: Chief Administrative Officer
Chief Information Officer
Risk Manager