

RE: UBCM SELF INSURANCE PROPOSAL
MUNICIPAL INSURANCE ASSOCIATION OF B.C. (MIA)
(Item 17, Report No. 42, 1987 June 22)

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendations of the Director Finance be adopted.

* * * * *

1987 June 25

File: I-55-6

TO: MUNICIPAL MANAGER

FROM: DIRECTOR FINANCE

SUBJECT: UBCM SELF INSURANCE PROPOSAL
MUNICIPAL INSURANCE ASSOCIATION OF B.C. (MIA)
(Item 17, Manager's Report No. 42, 1987 June 22)

RECOMMENDATIONS:

1. THAT Burnaby not participate in the Municipal Insurance Association of B.C. self insurance program; and
2. THAT annually we examine the desirability and possibility of joining the Municipal Insurance Association of B.C.; and
3. THAT a copy of this report be sent to the UBCM for receipt prior to 1987 July 15.

R E P O R T

Background

Council, following discussion of UBCM self insurance proposal on 1987 June 22, referred the report back to staff for additional information. Staff were asked to ascertain whether or not additional private insurance coverage would be available over and above that provided by MIA and also to determine the viability of the UBCM proposal without Burnaby's participation.

This report discusses this and other relevant information that Council requested.

Additional Market Coverage, Over and Above MIA

The insurance coverage limit proposed by MIA is \$5,000,000 whereas Burnaby currently has an excess liability policy which extends its coverage to \$15,000,000 (i.e., a primary policy of \$5,000,000 with self retention of \$1,000,000 plus an excess policy of \$10,000,000). In 1985 our coverage was \$20,000,000. One of the major concerns is whether a commercial underwriter would be willing to provide Burnaby with excess coverage, over and above the MIA coverage of \$5,000,000, should Burnaby join the MIA. Without exploring the entire market within the short time available, our insurance broker has contacted four commercial underwriters to determine whether they would provide this excess liability coverage.

All four underwriters said they would not provide excess coverage to members of the MIA on an individual basis. Three of them said they would consider group coverage which they believe would give them the necessary spread of risk but did not indicate the cost.

According to our broker at least 50% of the MIA members as a group would need to buy such excess coverage, before the underwriters would offer excess insurance. To achieve this is probably unrealistic because most B.C. municipalities have never carried liability insurance in excess of \$5,000,000.

Before considering the issuance of group excess coverage the potential excess insurance underwriters also stated that they would have to evaluate the claims handling procedure of the MIA administration and find it to their satisfaction.

Viability of the MIA

The UBCM Task Force has set up a desired level of member participation by population grouping. As at 1987 June 25, according to the UBCM, 122 out of 172 municipalities eligible to join have indicated they will join, or, their administrators are strongly recommending that they join. The statistics are as follows:

Group	Population Size	Task Force Desired Level		Participation Indicated as at 1987 June 25	
		No.	% Population	No.	% Population
A	0-2500	48	85%	42	78%
B	2500-5000	24	85%	26	87%
C	5000-25,000	47	80%	43	74%
D	Over 25,000	16	50%	11	24%
	TOTAL	135	60%	122	41%

There is strong interest and participation by members in Group A, B and C, and less interest by Group D members. Vancouver City has decided not to join.

According to the UBCM, other lower mainland municipalities in Group D who have not enrolled or indicate that they will not, subject to their respective Council's approval, are:

Coquitlam	N. Vancouver City
Delta	Surrey
Langley District	Richmond
Chilliwack	Capital Region
Kelowna	Saanich
Prince George	Victoria

Other communities with similar intentions not to enroll are:

The UBCM Executive Director indicated that the rate of enrollment is "on track" but that he would like additional participation of Group D members to reach the desired level of participation.

While these enrollment statistics may change as Councils make their decisions, it appears, at this time, that Group D participation may be less than desired, even if Burnaby joined the MIA.

Alternatives to Support the MIA

It is difficult to formulate alternatives to support the MIA without outright enrollment. Sufficient membership participation is needed to make the exchange a reality. The purchase of liability insurance is not like a normal expenditure, where it can be distributed over a number of suppliers. It is a contract with one underwriter who in turn may re-insure and distribute the risk with other re-insurers.

Some possible alternatives are:

- o Give the MIA a monetary grant. This is not practicable as sufficient membership on a population base is the criteria to the formation of MIA.
- o Ask for Provincial financial support if membership target is not attained and form the exchange in any event.
- o Ask the MIA to modify their coverage and purchase additional excess coverage for those members, like Burnaby, that need that additional protection from catastrophic exposure. Such coverage would likely have to be purchased on a group basis, but as discussed above there probably are not enough members interested in excess coverage to make this alternative possible.

Value of Having MIA in Existence

There are certain reasons why it would be valuable to have the MIA. These are:

- o It would be good for all municipalities because smaller municipalities would be able to purchase insurance coverage whereas they may not afford coverage otherwise, and it gives all municipalities the opportunity to participate now or later.
- o It provides competition to the commercial market and may potentially help prevent increases in commercial rates.

On the other hand, the MIA may cause the existing underwriters to withdraw from the municipal insurance market in B.C. and therefore reduce the market for those members who obtain their coverage in the commercial market.

Conclusions

The discussion and major points of both this and the previous report support the following conclusions:

While it is desirable to have the MIA insurance exchange, and Burnaby's participation would help this formation provided several other large municipalities also joined, on a strictly cost basis, in the short run, it does not appear that an expenditure of an additional \$165,000 is justifiable.

Furthermore, there is the uncertainty of our ability to purchase excess liability insurance to cover catastrophic losses.

Therefore it is recommended:

1. THAT Burnaby not participate in the Municipal Insurance Association of B.C. self insurance program; and
2. THAT annually we examine the desirability and possibility of joining the Municipal Insurance Association of B.C.; and
3. THAT a copy of this report be sent to the UBCM for receipt prior to 1987 July 15.



Howard Karras
DIRECTOR FINANCE

PWT:gmc

CC: DIRECTORS
MUNICIPAL SOLICITOR
REED STENHOUSE

