

DATE: February 15, 2022

TO: Board of Trustees

FROM: Darrel Robertson, Superintendent of Schools

SUBJECT: Division Insurance
(Response to Request for Information # 4)

ORIGINATOR: Todd Burnstad, CFO

**RESOURCE
STAFF:** Corinna Andony, Madonna Proulx, Olena Vazquez

REFERENCE: [January 18, 2022, Public Board Meeting request for Information by Board Chair Estabrooks](#)

ISSUE

At the January 18, 2022, public Board meeting, Board Chair Estabrooks requested administration provide further information on rising insurance costs for the Division.

BACKGROUND

Edmonton Public Schools has been a member and key player in the formation of the USIC (Urban School Insurance Consortium) insurance reciprocal since the mid 1980's. The insurance consortium was formed with the strategic goal to pool insurance as a mechanism to keep insurance costs at a reasonable level while providing safe learning spaces and experiences for the students and staff that it serves.

In 2010, USIC became a licensed insurance reciprocal in the province of Alberta.

Today, USIC consists of 14 school board members, serving approximately 390,000 students or 52 per cent of Alberta students and insures approximately \$16 billion worth of buildings. Edmonton Public is USIC's second largest school division.

CURRENT SITUATION

Administration was asked to respond to several questions related to the Division's insurance. As some of the responses require discussion of matters of legal and/or of a confidential nature, those responses are not included in this report but will be discussed with Trustees at a future Caucus meeting.

Why are we seeing an increase in insurance premiums and what trends is the Division noticing?

Since 2019, the hardening of the insurance market has led to global increases in insurance rates in the commercial market. As a result of severe weather incidents, the insurance industry experienced exponential losses due to both local and worldwide natural disasters.

A look back at the most extreme global loss patterns of 2021, sets the stage for the insurance-related issues that Marsh, USIC's insurance broker, expects to dominate the 2022 public policy agenda. Losses experienced in 2021 stemmed from volatile weather events and large liability awards. Companies and organizations in areas at high risk of natural catastrophes such as wildfire, hurricanes, hailstorms and

tornadoes are seeing the highest rate hikes, non-renewals and even difficulty in securing coverage. For example, in wildfire areas of Canada rates were up over 20 per cent. Higher rebuilding costs due to materials price inflation and labour shortages are also creating increased premiums.

How could a backstop insurance program from the Government of Alberta benefit EPSB and other school divisions?

Currently USIC has secured a provincial government backstop on property insurance for the Fort McMurray Public School Division only (as opposed to all of the USIC members). The backstop means that should Fort McMurray suffer a future catastrophic loss; that particular loss, up to a certain dollar limit, would first be covered through the government's insurance program as opposed to the reciprocal's coverage. USIC advocated for a backstop with the government following the 2020 spring flood which was Fort McMurray's second catastrophic event in a five-year period. Without this provincial backstop for, premium rates for USIC would most likely have been higher.

Implementation of a government backstop could contribute to a potentially more sustainable risk for both the insurer and insured. The expectation is that this alternative risk transfer (ART) will help secure lower premiums from insurers by having the Government of Alberta take on additional risk on behalf of USIC (including all members).

Government backstop programs are intended to protect private citizens, businesses, and the insurance industry. However, based on news articles¹, Canada is the largest developed country in the world with a large exposure to earthquakes that does not have a formal government backstop program. It is further recommended that governments should pay particular attention to developing contingency plans as a result of increased catastrophic events. Increased natural disasters as well as the COVID-19 pandemic is highlighting the need for backstop insurance programs in Canada and worldwide.

KEY POINTS

- Edmonton Public Schools has been a member of the USIC insurance reciprocal since the mid 1980's.
- USIC has a membership of 14 metro and urban school divisions throughout Alberta.
- Various risk mitigation techniques will continue to be monitored, recommended and implemented where necessary.
- Implementation of a government backstop could reduce or shield all school divisions from large increases for insurance premiums.
- The Division's insurance premiums have increased by \$4.4 million or 125 per cent over the last five years.

FOOTNOTES¹:

- [Pandemic a reminder Canada's insurance industry needs a government backstop for catastrophic events](#)
- [Feds urged to consider backstop for "tail risks" such as pandemic, quake and flood](#)
- [Ottawa in talks with Lloyd's of London for insurance partnership to withstand 'black swan' events](#)

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