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**Halifax Regional Council**  
**July 8, 2003**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**   
Dale MacLennan, Director of Financial Services

**DATE:** June 18, 2003

**SUBJECT:** Residents Associations

### **INFORMATION REPORT**

#### **ORIGIN**

Request by Councillor Adams, requested information regarding all residents associations being provided liability insurance for their Directors through the Halifax Regional Municipality.

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## BACKGROUND

The insurance market is presently in, what is referred to as, a “hard” market. The indicators of a “hard” market is that insurance rates are increasing and insurance companies restrict coverage by either adding exclusions to the issued policies, by reducing the coverages, or simply not providing insurance for what they see as high risk or low profit business. Consequently there are many companies, associations and individuals that are dealing with the negative affect of these actions.

The HRM has only recently received the renewal rates for 2003-04 and, initially, is looking at an increase in premiums of 30% or \$500,000 dollars. Part of this increase is due to an increase in our assets. Staff are dealing with the insurance broker to reduce this cost and will provide a report to council once this process is finalized.

## DISCUSSION

Residents Associations are one of many groups and associations that either provide advocacy for local issues or provide services, and/or events in our communities. The HRM does not form, control or in any way manage these entities or their activities. The HRM has no control over their operations, the standard of care or the conduct of these volunteer groups .

These associations are not presently included in the HRM coverage. This type of insurance, Directors and Officers coverage, is very specific as to whom is covered by the policy. To obtain insurance for Members each Association will have to be a society or some type of recognized organization, an individual application would have to be submitted for each Group. Each association would then be rated and a premium would have to be paid. (approx. \$1000 to \$1500 dollars)

Directors insurance is only one part of an insurance program that is usually constructed of Property Insurance, Commercial General Liability, Auto insurance, Crime, and other policies depending upon the activities of the entity. Depending upon the activities of the association a more complete coverage may be required at an additional cost. It may be beneficial for the associations to obtain legal advice on their risk with regards to the activities that they are involved with. Also an understanding of the Societies Act and the Volunteer Protection Act may help them understand risk.

There are many associations in the HRM, such as recreation associations, sports associations, services, etc. The 2002 Clubs and Organizations book printed for the Halifax Regional Library lists over 1000 Clubs and Organizations within the HRM. Some of these agencies would also feel that they are providing service to the HRM and should also be supplied insurance by the HRM.

From the HRM liability point of view, with the increasing difficult market conditions and HRM current increase in cost for insurance, any additional entities would only add to the complexity of HRM risk and will increase our cost further or make it more difficult to maintain. Our premium for the 2003-04 year and our policy for Errors and Omissions (of which Directors and officer is a part

of) has increased 40% or \$100,000 this year. In addition to the cost of insurance the HRM has a large deductible of \$100,000 on most claims and \$20,000 on our Errors and Omissions. One claim can increase the total cost of this coverage substantially and, since we have no direct relationship with these associations, we cannot control this risk as we do with HRM operations. If we add to our insurance uncontrollable operations we may in fact find ourselves unable to obtain these coverages.

If Council wishes to provide some support to these groups direct funding or tax reductions would provide them funds to assist with expenses including insurance. They would still be responsible for their activities and the risk associated with those activities.

**BUDGET IMPLICATIONS**

None at this time. If council wishes to provide funding to these association funds would have to be identified in the operating budget.

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

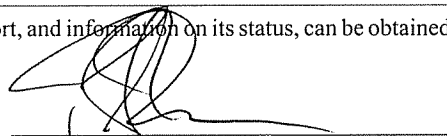
This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

**ALTERNATIVES**

**ATTACHMENTS**

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by:



Peter Ross, Manager of Procurement

490-6499