



December 14, 2005

The Corporation of the Town of Markham  
101 Town Centre Blvd.  
Markham, ON L3R 9W3  
Attention: Joel Lustig, Director, Financial & Client Services

**Re: Market Conditions Report**

Dear Joel:

Regarding the upcoming renewal for the Corporation of the Town of Markham, I would like to offer some facts and information regarding the current Public Entity marketplace conditions and the affect is having on your renewal terms.

The capacity for Public Entity Insurance in Ontario is very limited. There are 200+ insurers licensed to transact business in Ontario, yet only 4 or 5 are participating in this class of business. This is due primarily to the continuing poor loss experience, with both an increase in frequency and severity of claims against Public Entities. The continuing growth of municipalities and their supporting infrastructure, along with downloaded services such as regional roads, ambulance operations and social housing, are creating many more exposures to which a municipality is subject to potential loss.

Claims against Public Entities have, what is referred to in the insurance industry, a long tail. This means that many claims take a long time to settle because of their complexity or severity. As a result, the cost of these claims is escalating. The development of these claims has exceeded 300 percent since 1999. For example, assume claims that occurred in 1999 were opened and reserved for \$10,000,000. These same claims today have been closed and/or are still open in excess of \$30,000,000. Insurers need to collect an adequate premium today to pay for these claims when they do occur as this long tail claims development has outpaced premium increases.

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In addition, the courts are allowing awards for new "heads of damages" that are affecting the severity of claims. Plaintiffs are now being allowed to claim for future attendant care and loss of interpersonal relationships. Both of these "heads" have had an impact on the severity of claims.

Weather related catastrophes are on the rise both domestically and internationally. Domestically, these types of events have produced an increase in the frequency of claims against Public Entities.

As a result of these conditions, municipal liability remains a huge challenge to insurers. 2004 was a record year for municipal claims for Frank Cowan Company. By the end of September 2005, we had already reached the level for the entire 2004-year. The corrective measures in the premium and deductible levels are necessary in order to address the continuing deterioration of the Public Entity book of business.

I trust you find the above to be in order

Yours sincerely,

Randy G. Edwards, CIP, CAIB, CCIB  
Regional Manager, Cobourg, ON  
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