



REPORT

To: Rural Budgets Administration Committee

Report Number: FN-RBAC-064

From: Teri Vetter, Chief Financial Officer

Date: March 18, 2021

Subject: Insurance Reserve

RECOMMENDATION:

That the Rural Budgets Administration Committee receive the report titled "Insurance Reserve – FN-RBAC-064", which provides background on the Insurance reserve, for information.

BACKGROUND/RATIONALE:

At the February 18, 2021 Rural Budgets Administration meeting, the following resolution was made:

MOVED, SECONDED and CARRIED

That staff determine the insurance reserve money and how it is allocated.

From research into the set-up and rationale behind this reserve fund, very little could be uncovered due to it being established over 16 years ago and many staff changes. The reserve was set up in the accounting software in April 2005 with an initial amount of \$395,046.75. This reserve is governed by the *Local Government Act Section 338 (2)(a)*, meaning it is a General Administration Operating reserve that does not require an establishing bylaw and would have been funded Regionally.

This reserve appears to have been set-up initially to offset the insurance deductibles from Municipal Insurance Association (MIA) for Peace River Regional District claims where the deductible was substantial and the function which it pertained to, could not cover it in general operating in the current year. MIA deductibles for Liability claims is \$100,000 and for Property claims is \$5,000.

There have been some payments to MIA in the past for deductibles, however, the majority of them have been quite minor in nature, and are as follows:

- 2005 \$6,377.58 for Pending Suit
- 2006 \$488.20 for North Peace Leisure Pool
- 2009 \$341.48 for North Peace Leisure Pool
- 2015 \$5,000 for Fort St. John Fire
- 2017 \$2,500 for Rolla Sewer

ALTERNATIVE OPTIONS:

1. That the Rural Budgets Administration Committee provide further direction.

STRATEGIC PLAN RELEVANCE:

- ☒ Not Applicable to Strategic Plan.

FINANCIAL CONSIDERATION(S):

As stated above, the reserve initially started in 2005 with a balance of \$395,046.75 and the balance as at February 28th, 2021 is \$501,455.53.

COMMUNICATIONS CONSIDERATION(S):

None.

OTHER CONSIDERATION(S):

Moving forward, creating a policy for this reserve fund would be prudent. The reserve could have a maximum balance, \$500,000 for example, that the PRRD would maintain. The policy could suggest that if there is an MIA claim, 50% of the deductible be paid out of the reserve and 50% be paid by the function it pertains to. If there are no claims in the year, then no money would be added to the fund, aside from interest earned.

This policy will be brought forward to the Board for discussion and approval as it does not fall under the RBAC Bylaw.