



The Corporation of the Town of Milton

Report To:	Council
From:	Glen Cowan, Chief Financial Officer / Treasurer
Date:	May 3, 2020
Report No:	CORS-026-21
Subject:	2020 Annual Risk Report
Recommendation:	THAT report CORS-026-21, the 2020 Annual Risk Report, be received for information

EXECUTIVE SUMMARY

The purpose of this report is to provide an overview of the Town of Milton's insurance and risk program and activity from January 1, 2020 to December 31, 2020.

REPORT

Background

The Risk Services section of the Purchasing & Risk Business Unit is responsible for administering the comprehensive insurance program for the Town of Milton and employing risk management strategies for protecting the Town's assets and reputation. The objective of effective loss prevention, claims administration and risk financing is to ensure loss exposure reduction and a high awareness for public safety.

Claims administration is a function of Risk Services and claims falling below the program deductible are investigated and adjusted internally or through the services of a third party adjuster. The circumstances of each claim are considered in conjunction with applicable legislation, regulations and insurance practices and are resolved fairly and equitably.

The Town of Milton is protected by a comprehensive insurance program covering the operations and functions of the municipality. An overview of the coverages and limits under this program is provided at Schedule A to this report.



Discussion

The primary strategies for financing the Town's risks are:

- Insurance coverage
- Appropriate contractual obligations placed on suppliers of goods and services
- Management of claims through the self-insured retention (deductible) as well as the reserve fund

With regard to insurance coverage, the premium paid by the Town for insurance is impacted by many factors including market conditions, legislative changes, inflation, claims history, the Town's growth and the nature of operations and services provided.

The comprehensive insurance program is procured using a competitive process. The Town's three year contract with Marsh (formerly Jardine Lloyd Thompson ("JLT") Canada Inc.) which began on January 1, 2017 included the option to renew the contract for additional terms, subject to satisfactory pricing and performance. The chart below provides a summary of the total premiums paid by the Town, inclusive of taxes and applicable fees, for the insurance program for the four years of 2017 - 2020.

4 Year Total Premium Comparison (including taxes and fees)	
2017	\$728,785
2018	\$771,667
2019	\$796,109
2020	\$844,900

The 2021 premium received for the Town's comprehensive insurance portfolio increased by approximately 25%. As was expressed to Council in Schedule A of the Purchasing Various Report CORS-014-21, the increase experienced relates to current conditions in the insurance industry, that being a hardened market. A hard market occurs when there is a high demand for insurance and lower supply of coverage available. This results in increased premiums and more strict limits being placed on coverage. Many Ontario municipalities experienced significant increases for 2021 renewals, as well as limitations on coverage.

Staff worked with the Town's broker to arrive at renewal terms within these conditions and constraints, and there were changes to the various policies including:

1. Most policies under the program for the 2021 include a communicable disease exclusion, which can be attributed to the Coronavirus Pandemic that was endured in 2020 and continues today.



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2. The Excess WSIB Policy the Town had in place was only extended until March 1, 2021. The previous carrier, Chubb, had indicated they would be placing restrictions on the coverage provided for firefighters due to the presumptive legislation put into place regarding prescribed cancers and their presumption to be work related occupational diseases. Staff have reviewed options for any additional insurance coverage, any options available under the Workplace Safety and Insurance Board, as well as canvassing other municipalities. This additional form of risk mitigation (i.e. Excess WSIB coverage) is not common amongst most municipalities. Based on the review to date, it would be most beneficial to self-insure this exposure and reallocate any funds that would have been used for premiums for this Excess WSIB Policy to the Town's WSIB reserve account to offset any claims that may arise. Through report CORS-017-21 Council approved a one-time contribution of \$1,255,272 to the WSIB reserve in consideration of this change in coverage. The Town is currently updating its actuarial valuation for WSIB and any further recommendations that may result from that process will be presented to Council at a later date.

The claims activity from January 1, 2020 - December 31, 2020 is summarized in the chart below.

Claims Activity - January 1, 2020 - December 31, 2020						
Claim Type	Number of Open Claims at Dec. 31/19*	Number Claims Rec'd in 2020	Number of Claims Resolved in 2020	Number of Open Claims at Dec. 31/20	Number of Open Claims with external insurer	Reserve Allowance for Open Claims at Dec. 31/20
Municipal Liability	130	106	126	110	16	\$ 396,949
Automobile	5	1	5	1	1	\$ 0
Property	1	1	1	1	0	\$ 5,000
Mailbox Claims	1	4	5	0	0	\$ 0
Total	137	112	137	112	17	\$ 401,949

(* Note: New parameters were used in this Report for reporting the data as part of a migration to an enhanced software solution. This led to an adjustment of previous figures and will serve to provide consistent treatment going forward.)

As noted a number of the open claims are being handled by the Town's external insurers due to the nature of the claims and the threshold for them being reported.



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As of December 31, 2020, the reserve allowance for the outstanding claims is approximately \$401,949. This represents the loss exposure to the Town based on the nature of the claims and applicable deductibles. The final amount realized for these claims has yet to be determined and will be subject to the remainder of the claims process. As a reference, the Town's Insurance Reserve finished the year 2020 with a balance of \$1,573,233.

Schedule B to this report provides a summary of the total costs to the Town for claims that were resolved in 2020 with comparative figures for 2019. It is important to note that these figures represent the lifetime value of these claims, including claims that have been in litigation for several years and were resolved in 2020. The values represent any amounts incurred from the time the claim was received through to its resolution and may include legal fees, expert fees and settlement costs (but excludes internal staff time). The total cost of municipal liability claims that were completed in 2020 has decreased slightly from that of 2019. With lengthy litigation claims, there is no way to predict when resolution will occur. The costs to the Town upon resolution of a claim are those that fall within the deductible. Any costs incurred on a claim exceeding the Town's deductible are incurred by the external insurers.

In an effort to reduce the incidence of claims and subsequently costs, various risk management measures are in place.

Incidents involving Town vehicles or equipment are reviewed by the Milton Accident Review Committee. Recommendations are made by the Committee to the applicable Director and Manager to reduce the likelihood of recurrence of such incidents. Managers are kept aware of liability claims that are received by the Town. This information is used to assess the necessity of implementing measures to mitigate against future claims and/or losses.

Risk Services continues to act as advisory support to staff in all divisions including the development, review and recommendations provided on Town contracts, new and existing programs, projects and operations.

Risk management education and training opportunities are made available including disseminating material, seminars and workshops for staff throughout the year including topics involving current trends in the municipal environment and insurance industry.

During 2020, similar to many other operations and functions, the Coronavirus Pandemic impacted the area of risk & insurance in many ways. Risk management efforts were heavily focused on the measures put into place and the newly tailored municipal functions and operations geared in response to the pandemic.

Within the past couple of years, Risk Services initiated a review for the implementation of an Enterprise Risk Management (ERM) Program for the Town. This work was delayed during 2020 as staff addressed COVID-19 related concerns. Risk Assessments were performed for various operations and facilities as the Town moved through the provincial phases. A registry of these



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assessments has been maintained. Work on the implementation of an ERM Program is continuing in 2021 and will include the development of a Risk Policy, Risk Assessments of regular operations and municipal functions (not just COVID-19 specific) and a Risk Register.

Financial Impact

Litigation impacts all departments within the Town, whether it is the actual staff time investigating and preparing to defend against claims or in potential increases to the insurance premiums which could result from a poor loss experience. Risk management strategies, including loss exposure identification, loss prevention measures and risk transfer approaches are integral to the operations of all departments. The trend of a more litigious society drives the need for more diligent acknowledgement, documentation and enforcement of preventative measures by staff. By taking a proactive approach to managing risks, the Town's exposure to potentially costly insurance litigation and the related diversion of financial resources will be reduced.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Dana McLean, Senior Advisor, Phone: Ext. 2158
Risk & Insurance

Attachments

1. Overview of Insurance Program Coverages
2. Summary of Claims Completed

CAO Approval
Andrew M. Siltala
Chief Administrative Officer

Schedule A to Report No. CORS-026-21

Overview of Insurance Program Coverages

Milton's Comprehensive Insurance Program consists of various policies of coverage. Below provides a brief overview of the major policies:

- Municipal Liability - insurance coverage providing \$50,000,000 per occurrence (\$5,000,000 primary, \$45,000,000 umbrella) protection for liability claims for third party bodily injury, death, or property damage with a \$50,000 deductible per occurrence; coverage for wrongful acts due to errors and omissions as well as environmental liability are also included under this policy, subject to a \$50,000 deductible.
- Automobile - provides liability coverage in the amount of \$50,000,000 per occurrence (\$5,000,000 primary, \$45,000,000 umbrella) for any one occurrence for third party liability including bodily injury, death or property damage arising out of the use of all licensed vehicles owned or leased by the Town. For physical damage, the Town has all perils coverage, subject to a \$50,000 deductible, therefore any damage suffered to Town vehicles, minor in nature and cost, would be self-insured. Any damage suffered to a fleet vehicle wherein the Town is not at fault and costs are incurred, may be recoverable under the Direct Compensation Property Damage (DCPD) coverage under the Policy. In addition, this coverage includes an Endorsement to the Policy which removes any deduction for depreciation from the value of a vehicle when settling a claim for loss or damage.
- Umbrella - provides additional liability coverage which sits overtop of the underlying policies for Municipal Liability and Automobile Liability. This coverage serves as an umbrella and carries a limit per occurrence of \$45,000,000 to supplement the limits of the underlying policies (Municipal Liability \$5M & Automobile Liability \$5M) to ensure there is ample coverage limits to protect the Town.
- Property - property of every description (buildings, contents, equipment, etc.) owned or leased by the Town is protected under an all risk policy which provides blanket replacement cost coverage, including Equipment & Machinery Breakdown coverage. The total insured value for 2021 is approximately \$450 million. This coverage is subject to a \$50,000 deductible.
- Cyber - provides liability coverage in the amount of \$5,000,000 per claim for claims resulting from network security, privacy liability and cyber-crimes such as data breach and extortion. It also provides first party coverage to the Town at various limits for impacts from cyber incidents such as system damage, post remediation

and regulatory, legal and forensic costs. In addition, included in the coverage under this policy, is assistance to the Town in the event of a cyber-incident. Such assistance includes things such as providing a “breach coach” to handle various aspects of the incident. Coverage under this policy is subject to a \$25,000 deductible per claim.

- Facility Users’ Insurance - provides liability coverage in the amount of \$5,000,000 per occurrence for third party bodily injury, death, and property damage with a \$1,000 deductible per occurrence. Those wishing to rent Town facilities (ie. ice time, meeting rooms, parks, etc.) are required to provide proof of liability insurance. Those who do not have such insurance or are unable to obtain same for a reasonable premium, may pay a small fee to be added as an insured onto the Town’s Facility User Policy. This protects both the Town and the user for third party liability claims while ensuring the community has access to facilities at a reasonable cost.

Schedule B to Report CORS-026-21

Summary of Claims Completed

January 1, 2020 to December 31, 2020

(with comparative figures from the same period in 2019)

Note: these figures represent the *lifetime value* of resolved claims (total costs within Milton's deductible (\$50,000) including legal fees and other professional services, and any resulting settlements from the inception of these claims to their completion)

Policy Type	2019* 2020	No. of Claims Completed	Total Costs to Milton
Municipal Liability	2019	142	\$ 416,004.80
	2020	126	\$ 329,737.78
Automobile	2019	9	\$ 19,349.12
	2020	5	\$ 67,146.08
Property (Town)	2019	2	\$0
	2020	1	\$0
Mailbox Program	2019	15	\$ 1,461.63
	2020	5	\$ 575.70
Totals	2019	168	\$ 436,815.55
	2020	137	\$ 397,459.56