



The Corporation of the Town of Milton

Report To:	Council
From:	Glen Cowan, Chief Financial Officer / Treasurer
Date:	April 11, 2022
Report No:	CORS-010-22
Subject:	2021 Annual Risk Report
Recommendation:	THAT report CORS-010-22, the 2021 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, 2021 to December 31, 2021.

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. Risk Services practices risk identification, risk assessment, risk control, risk transfer, and risk financing as a means of mitigating exposures that threaten the tax payers' purse while supporting strategic initiatives of the Town.

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. Trends identified in claims reported are used to evaluate where mitigation strategies can be focused as a means of reducing those claims related exposures.

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 five years of 2017 - 2021. It should be noted that the reduced premium figure in 2021 is as a result of the Town not renewing the Excess WSIB Insurance Policy as part of the overall program for the reasons outlined to Council in Report CORS-048-21.

5 Year Total Premium Comparison (including taxes and fees)	
2017	\$728,785
2018	\$771,667
2019	\$796,109
2020	\$844,900
2021	\$768,527

The 2022 premium received for the Town's comprehensive insurance portfolio increased by approximately 40%. As was expressed to Council in Report CORS-004-22, factors that influenced the outcome of the renewal include the hard market conditions that currently exist in the municipal sector, proceedings that the Town is currently involved with (example - the class action lawsuit), growth in the Town assets and trends within the sector. Many Ontario municipalities experienced significant increases for 2022 renewals, as well as limitations on coverage.

Staff worked with the Town's broker to arrive at renewal terms within these conditions and constraints. Some changes to the various policies were mandatorily made by the insurance underwriters and others through negotiation. These include the following:



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1. The Cyber Policy premium increased by 150% with a mandatory deductible increase from \$75,000 in 2021 to \$150,000 for 2022 and some coverage limitations. This is a direct result of market conditions and the cyber claims landscape being experienced globally. This coverage was also subject to the Town implementing multi-factor authentication (MFA) within 30 days. This was completed by Town staff.

2. The initial renewal quote received provided for a premium under the Primary Liability Policy with a 125% increase from the 2021 premium. In an effort to mitigate some of these costs, staff requested quotes from Marsh for the premium if the Town increased the deductible on the policy. The Town's deductible on the Primary Liability Policy in 2021 and for many years previous, was \$50,000. This deductible is quite low for a municipal liability policy and is no longer practical in a hardened market. Although raising the deductible could have the effect of increasing internal claims handling by staff, the quote received to raise the deductible under the Primary Liability Policy to \$100,000 was favourable in reducing the premium which was outlined for Council in Report CORS-004-22. The deductibles under the Town's other major lines of coverage (Auto, Property) remain the same at \$50,000 as there were no significant costs savings to be achieved by altering them.

The claims activity from January 1, 2021 - December 31, 2021 is summarized in the chart below.

Claims Activity - January 1, 2021 - December 31, 2021						
Claim Type	Number of Open Claims at Dec. 31/20	Number Claims Rec'd in 2021	Number of Claims Resolved in 2021	Number of Open Claims at Dec. 31/21	Number of Open Claims with external insurer	Reserve Allowance for Open Claims at Dec. 31/21
Municipal Liability	110	71	66	115	22	\$ 311,112
Automobile	1	2	1	2	0	\$ 0
Property	1	4	0	5	0	\$ 5,000
Mailbox Claims	0	4	2	2	0	\$ 100
Total	112	81	69	124	22	\$ 316,212



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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.

As of December 31, 2021, the reserve allowance for the outstanding claims is approximately \$316,212. This represents the estimated 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.

Schedule B to this report provides a summary of the total costs to the Town for claims that were resolved in 2021 with comparative figures for 2020. 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 2021. 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 2021 has decreased from that of 2020. 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 (MARC). Recommendations are made by the Committee to the applicable Director and Manager to reduce the likelihood of recurrence of such incidents. The MARC makes recommendations that support the education of drivers and operators of Town equipment such as driver training and refresher training, tailgate talks and reviews of operational procedures to ensure the safe operation of the Town's fleet.

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 2021, similar to many other Town operations and functions, the Coronavirus Pandemic continued to impact the area of risk & insurance in many ways. Risk management efforts



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continued to focus on the measures put into place and the newly tailored municipal functions and operations geared in response to the pandemic.

In previous years, Risk Services initiated a review for the implementation of an Enterprise Risk Management (ERM) Program for the Town. This work continued to be delayed during 2021 as staff addressed COVID-19 related concerns. With the reopening being implemented by the provincial government in 2022, it is the intention that some normalcy can resume and the consideration of an ERM Program can once again be a focus. The early stages of this program will continue to build on and further develop the implementation of a Risk Policy, risk assessments of regular operations and municipal functions 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



Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.

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 \$100,000 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 \$100,000 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 2022 is approximately \$460 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 \$150,000 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-010-22

Summary of Claims Completed

January 1, 2021 to December 31, 2021

(with comparative figures from the same period in 2020*)

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	2020 2021	No. of Claims Completed	Total Costs to Milton
Municipal Liability	2020 2021	126 66	\$ 329,738 \$ 147,022
Automobile	2020 2021	5 1	\$ 67,146 \$0
Property (Town)	2020 2021	1 0	\$0 \$0
Mailbox Program	2020 2021	5 2	\$ 576 \$ 128
Totals	2020 2021	137 69	\$ 397,460 \$ 147,150