



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: April 17, 2023

Report No: CORS-021-23

Subject: Risk Management - 2022 Annual Risk Report

Recommendation: **THAT the 2022 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, 2022 to December 31, 2022.

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 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



Discussion

- 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 since the start of this contract to the end of 2022 (including renewals).

5 Year Total Premium Comparison (including taxes and fees)	
2017	\$728,785
2018	\$771,667
2019	\$796,109
2020	\$844,900
2021	\$806,681
2022	\$1,090,926

The 2023 annual premium received for the Town's comprehensive insurance portfolio increased by approximately 21%. As was expressed to Council in Report CORS-016-23, 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 2023 renewals, as well as limitations on coverage. The 2023 renewal is for an 18-month period compared to 2022's 12-month timeframe. The longer timeframe offered better overall pricing in the latest renewal and provides the Town with additional time to consider next steps.

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. Of note, the Cyber Policy premium increased by 44%, however, there was a decrease in the deductible from \$150,000 to \$100,000 with the same coverage limitations. The reason for the deductible decrease was that Town implemented multi-factor authentication (MFA) within 30 days as well as Security Awareness Training for all Town employees which will take place every year.

The claims activity from January 1, 2022 - December 31, 2022 is summarized in the chart below.



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Discussion

Claims Activity - January 1, 2022 - December 31, 2022					
Claim Type	Number of Open Claims at December 31, 2021*	Number Claims Received in 2022	Number of Claims Resolved in 2022	Number of Open Claims at December 31, 2022	Reserve Allowance for Open Claims at December 31, 2022
Municipal Liability	122	98	105	115	\$ 266,003
Automobile	2	4	0	6	\$ 29,068
Property	2	8	0	10	\$ 17,849
Total	126	110	105	131	\$ 312,921

* Includes restatement of value previously presented via CORS-010-22

As of December 31, 2022, the reserve allowance for the outstanding claims is approximately \$312,921. 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 2022 with comparative figures for 2021. 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 2022. 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 2022 amounted to \$185,432.

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 also 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.



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. A brief overview of the major policies is provided below:

- 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 \$100,000 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-XXX-23

Summary of Claims Completed

January 1, 2022 to December 31, 2022

(With comparative figures from the same period in 2021*)

Note: these figures represent the *lifetime value* of resolved claims (total costs within Milton's deductible 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	2021	66	\$ 147,022
	2022	105	\$ 185,432
Automobile	2021	1	\$0
	2022	0	\$0
Property (Town)	2021	0	\$0
	2022	0	\$0
Mailbox Program	2021	2	\$ 128
	2022	0	\$0
Totals	2021	69	\$ 147,150
	2022	105	\$ 185,432