

Date: 2023-09-06

Subject: Risk Management and Insurance Claims – 2022 Annual Report

Contact: Jonathan Brewer, Acting Manager, Risk and Insurance

Report Number: Legislative Services-2023-454

Recommendations:

1. That the report from Jonathan Brewer, Acting Manager, Risk and Insurance to the Committee of Council Meeting of September 6, 2023, re: “Risk Management and Insurance Claims 2022 Annual Report,” be received.

Overview:

- This 2022 Annual Report provides information on insurance claims experienced during 2022 as well as an overview of activities completed by the Risk Management and Insurance Section.
- The graphs in section A outline the claims (by type of coverage) received, settled, denied and/or closed during 2022. Also showing are the outstanding open claims remaining at the end of 2022.
- Section B shows the 2022 claim expenditures split by type of payment made. It should be noted that the majority of the payments made during 2022 relate to transit claims.
- Section C reflects files handled by Risk Management and Insurance for various operating departments to recover damage costs to city property caused by third parties (known as subrogation).
- The final section D outlines some of the risk management initiatives that we continue to lead to ensure that the claims experience and the associated costs are kept to a reasonable level on a go forward basis.

Background:

The city of Brampton is continuously exposed to the risk of an event occurring that could affect the city's ability to achieve its objectives in almost every activity it undertakes. This includes events that could negatively affect the municipal services the city provides, the potential delay in the delivery of a project, an event that could negatively affect any of our stakeholders, or a falsely assumed transfer of liability to the city, all with the potential to have an adverse effect on the city's finances.

The city mitigates these risks with a comprehensive risk management program and through purchasing sufficient insurance coverage to cover the following categories of risk:

Reputational risk: Is the threat to meeting expectations that in turn precipitates a challenge or a crisis. It is created when expectations are poorly managed and exceed capabilities, or when an organization simply fails to execute.

Cyber risk: Means any risk of financial loss or disruption or damage from a failure of information technology systems.

Legal liability: Every public service exposes the city to the potential of legal action arising from an incident causing losses or injuries to members of the public or damage to their property. The scope of liability continues to expand as courts increasingly hold government entities responsible for negligence and wrongful actions, personal injuries, and property damage.

Physical loss or damage to property: This includes real property (buildings and grounds), contents, equipment, and stock.

Loss of revenue: Revenue is received through taxes, user fees, licenses, permits and the use of city property. A disruption in revenue reduces operating funds and can result in higher operating expenses.

Disclosure of confidential information to unauthorized parties.

The City's Risk Management Program mitigates these risks by:

- Promoting stronger employee engagement.
- Improving decision making and contingency planning.
- Proactively anticipating and responding to issues before they impact the city.
- Optimizing risk mitigation approaches.
- Raising risk awareness throughout the city and key stakeholders.
- Reducing costs by preventing losses and disruptions.
- Identifying new exposures that may be insured or more appropriately managed.
- Improving the effectiveness of risk identification, teamwork and communication between key stakeholders.

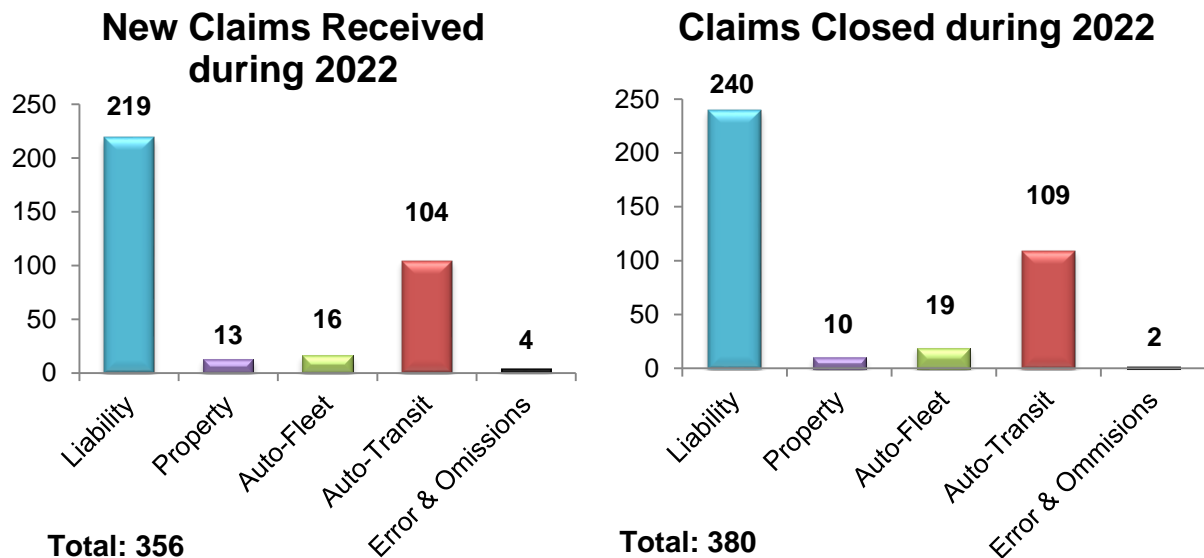
The annual Risk Management and Insurance Claims report provides Council, staff and the public with a synopsis of the status of the City's insurance claims and the completed and planned activities of the Risk Management and Insurance team.

Current Situation:

Insurance & Risk Management's previous manager retired in April 2021. An internal audit of the division that occurred in 2022 determined that the last annual report to Council was for the year 2018. Attached as appendices to this report are the claims and subrogation figures and statistics for 2019 (appendix A); 2020 (appendix B) and 2021 (appendix C)."

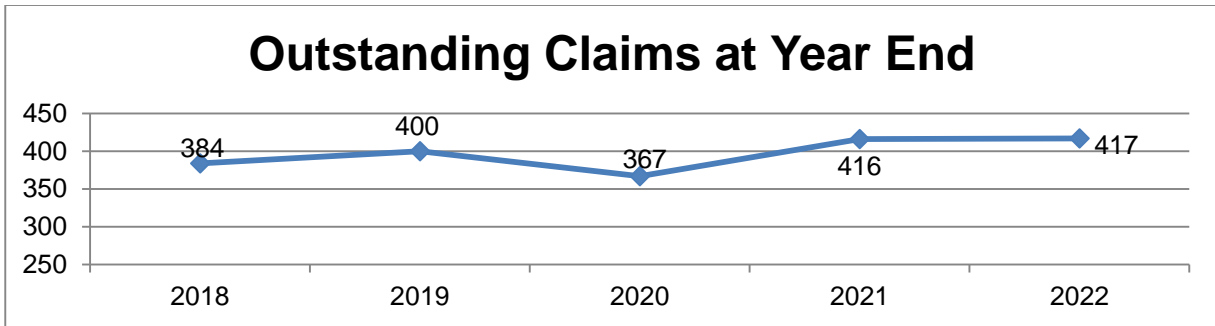
2022 Insurance Claims Activity and Payments:

A) Summary of Claims Activity:

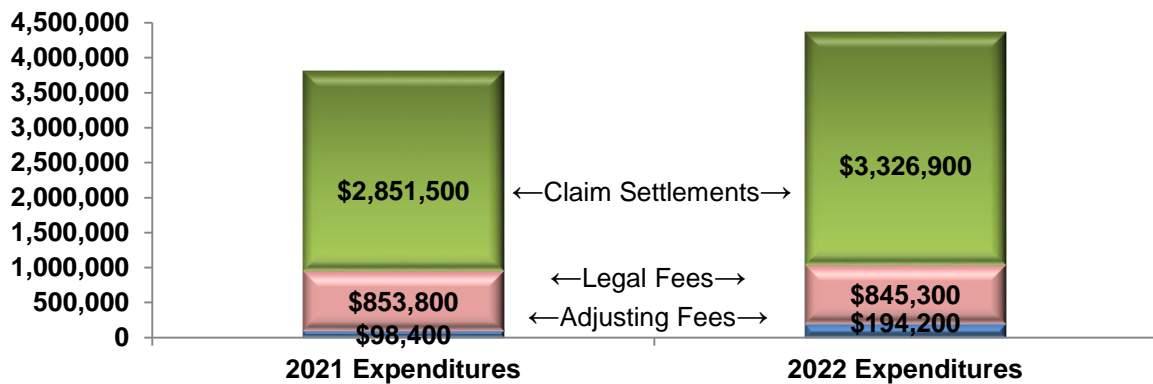


A total of 416 claims were outstanding as at December 31, 2021. During 2022, 356 new claims were received. There are 25 claims previously closed prior to December 31, 2021 but were reopened in 2022. At the end of December 2022, a total of 380 claims had been closed leaving 417 open claims as at December 31, 2022. Of the 417 outstanding claims, 150 of them are transit related.

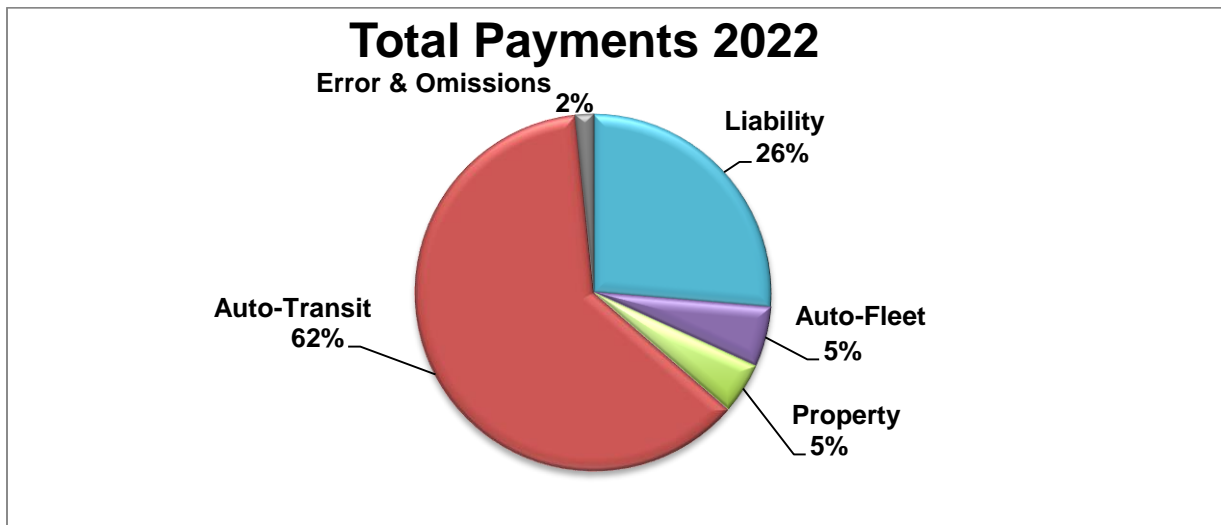
It is important to note that most claims are not able to be closed quickly due to the complexity of the injury and/or the litigation process. Bodily injury claims and claims that proceed through the litigation process can remain open for a number of years.



B) Summary of 2022 Claims Expenditures:



A total of \$4,366,400 was paid out for all 2022 claim handling expenditures, including claim settlements, legal fees and adjusting fees. We continue to maintain a \$1,000,000 deductible on all of the corporate insurance policies up to December 31, 2022. As such, the majority of our claims are below this threshold and are handled by the Risk Management and Insurance staff. A breakdown by line of coverage is provided below:



C) Subrogation

The Risk Management and Insurance Section provides assistance to operating departments in the recovery of costs for damage caused to City property by third parties. These damages are generally not covered by the City's insurance program and this process is known as Subrogation. Since June 2016, our section has also been assisting Brampton Fire in recovering service fees for motor vehicle accidents involving non-residents. Below is a summary of the recoveries made.

Files outstanding at the end of 2021	1,442
New files received in 2022	827
Files outstanding at the end of 2022	1,748
Amount recovered for Brampton in 2022	\$384,735

D) Risk Management

It is proven that a strong risk management program reduces the number of claims received by the corporation and ensures that a suitable defense can be provided should litigation arise. It also assists in keeping the city's insurance premiums at a competitive level. Our program is proactive and strategically targets problem areas to ensure corrective measures are implemented in a timely manner. Some of the 2022 activities are as follows: reviewed for compliance and approved over 1700 certificates of insurance received from contractors, consultants, service providers, developers, vendors, and renters entering into contractual agreements with departments throughout the corporation. Provided insurance recommendations on over 350 procurements and over 90 contracts and agreements. Continued to work closely with legal services to review all contracts and agreements that the city enters into to ensure that appropriate insurance requirements and acceptable indemnification provisions are included to protect the city's interests and limit its potential exposure to risk. Ensured, through networking and liaising with external organizations that the city of Brampton is up to date on emerging industry trends and legislative changes that could impact municipal operations. Conducted risk management presentations and workshops for city departments to raise awareness throughout the corporation and instill a proactive approach towards identifying and managing risk exposures.

Risk management continues to be a high priority for this section. We continue to work closely with all departments providing training and advice on risk management initiatives and assisting with the implementation of various risk mitigation techniques. We continue the implementation of an enterprise risk management program which will be integrated across the corporation. This includes conducting numerous risk assessments and training sessions for our various departments.

Corporate Implications:

We continue to experience an increase in the number of claims received on an annual basis. This is a reflection of the population growth that Brampton continues to experience.

The risk management and insurance team is diligent in ensuring that these claims are handled in a fair, timely and transparent manner. Due to the organization's extensive risk management programs, we have been able to keep our annual insurance program renewal to a minimal premium increase.

Financial Implications:

Financial implications have been described throughout the body of this report.

Other Implications:

N/A

Strategic Focus Area:

In alignment with the City's strategic focus area; "Health and Well-being" the City's risk management program examines services provided by the City and advises on strategies and techniques to reduce injuries to the public.

The City's risk management and insurance claims programs also support the Strategic focus area; "Government & Leadership." These programs provide timely service to individuals who advance claims against the City, and timely professional advice to divisions and departments throughout the City. These programs have allowed the City to maintain favourable insurance rates in a difficult municipal insurance market.

Conclusion:

The city remains proactive in its risk management initiatives and continues to review and analyze the ongoing claims experience. This helps to identify trends and future potential areas of exposure. Implementing appropriate risk control techniques helps to reduce and or eliminate those potential exposures.

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Attachments:

- Attachment 1 – Appendix A: 2019 Insurance Claims Activity and Payments
- Attachment 2 – Appendix B: 2020 Insurance Claims Activity and Payments
- Attachment 3 – Appendix C: 2021 Insurance Claims Activity and Payments