



## REPORT FOR ACTION

# Insurance Claim Trends Against the City of Toronto and Mitigation Measures to Reduce Claims

**Date:** June 10, 2019

**To:** General Government and Licensing Committee

**From:** Chief Financial Officer and Treasurer

**Wards:** All

## SUMMARY

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The purpose of this report is to respond to a request made by the General Government and Licensing Committee at its March 5, 2019 meeting that the Chief Financial Officer and Treasurer, in consultation with the Executive Director, Corporate Finance, the Chief Purchasing Officer and the City Solicitor, report back to the General Government and Licensing Committee at its meeting on June 24, 2019 with the following information:

- a. A breakdown of claim trends against the City of Toronto, the amount of money that has been paid out on claims, and mitigating measures that are being taken by the City to reduce the total number of claims;
- b. Details regarding aggregate claims, particularly those related to basement flooding; and
- c. Details regarding aggregate claims, particularly those on other related incidents.

## RECOMMENDATIONS

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The Chief Financial Officer and Treasurer recommends that:

1. The General Government and Licensing Committee receive this report for information.

## FINANCIAL IMPACT

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There is no financial impact resulting from the adoption of the recommendation in this report.

## DECISION HISTORY

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At its meeting on March 27 and 28, 2019, City Council adopted GL2.10, as amended by the General Government and Licensing Committee on March 5, 2019 thereby approving the results of the Request for Supplier Qualifications No. 9134-18-7160 for the Prequalification of Vendors to provide Supplementary Legal Services for Insurance Defence, including the terms and conditions and recommended successful law firms. The City entered into retention agreements with nine (9) law firms for a period of five (5) years which expires March 31, 2024.

The adopted amendment to GL2.10 requires the Chief Financial Officer and Treasurer, in consultation with the Executive Director, Corporate Finance, the Chief Purchasing Officer and the City Solicitor to report back to General Government and Licensing Committee at its June 24, 2019 meeting with additional information which is the subject of this report.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.GL2.10>

## COMMENTS

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Corporate Finance Division, Insurance and Risk Management (IRM) publishes an annual Claims Disclosure Report on the City's public internet website. The purpose of this report is to provide the public with an understanding of the financial impact insurance claims have on the City.

<https://www.toronto.ca/city-government/accountability-operations-customer-service/complaints-claims-compliments/make-a-claim-against-the-city/claims-disclosure-reports/>

The last published report was in February of 2019 which identified claim volumes and dollar values of claims as at December 31, 2018.

General Government and Licensing Committee requested a breakdown of claim trends against the City of Toronto, the amount of money that has been paid out on claims, and mitigating measures that are being taken by the City to reduce the total number of claims. Tables 1-3 provide aggregate information with respect to amounts that have been paid out on all City claims. Claim statistics change daily as payments are made, new files opened, old files closed and reserves (funds set aside to pay claim and claim related costs) are adjusted. The City will continue to receive new claims that have occurred in more recent years but have not yet been reported and the financials will change as the claims mature.

Mitigating measures being taken by the City to reduce the total number of claims are listed in the section of this report that follows the presentation of the requested claims data.

As a result of the variable and unpredictable nature of insurance claims, i.e. weather related claims, high winds causing tree limbs to fall, snow and ice on sidewalks and heavy rains which cause flooding, the volume and expense of insurable claims are increasing.

The Definitions applicable to the Tables below are provided in Attachment 1.

All City of Toronto Claims - Tables 1, 2 & 3

**Table 1 - Value of all claims  
Comprehensive General Liability (CGL), Auto and Property from January 01, 2014  
- December 31, 2018**

Loss Year	Count	Paid	Outstanding Reserve	Total Est. Value
2014	7,457	\$39,925,298	\$26,120,061	\$66,045,359
2015	5,342	\$26,050,316	\$37,628,962	\$63,679,278
2016	5,102	\$26,330,416	\$40,511,778	\$66,842,193
2017	5,160	\$14,547,596	\$38,626,437	\$53,174,033
2018	8,797	\$14,806,814	\$39,897,294	\$54,704,108
Total	31,858	\$121,660,439	\$182,784,531	\$304,444,971

**Table 2 - CGL, Auto & Property Insurance Claims Sorted by Coverage - January 01, 2014 - December 31, 2018**

Coverage	Count	Paid	Outstanding Reserve	Total Est. Value
Auto	6,964	\$29,191,581	\$15,607,716	\$44,799,298
CGL	23,982	\$51,837,438	\$150,939,514	\$202,776,952
Property	912	\$40,631,420	\$16,237,301	\$56,868,721
Total	31,858	\$121,660,439	\$182,784,531	\$304,444,971

**Table 3 - CGL claims only Sorted by Year 2014 - 2018**

Loss Year	Count	Paid	Outstanding Reserve	Total Est. Value
2014	5,659	\$23,410,200	\$20,959,155	\$44,369,356
2015	3,577	\$12,710,363	\$33,393,836	\$46,104,199
2016	3,405	\$8,724,815	\$32,582,612	\$41,307,428
2017	3,719	\$4,360,247	\$33,777,189	\$38,137,435
2018	7,622	\$2,631,813	\$30,226,721	\$32,858,534
Total	23982	\$51,837,438	\$150,939,514	\$202,776,952

General Government and Licensing Committee requests details regarding aggregate claims, particularly those related to basement flooding and other related incidents which is provided in Tables 4-8.

Tables 4 and 5 provide information on Transportation Services Division, specifically icy sidewalk slip and fall claims and pothole claims. The financial information contained in these tables is valued as of December 31, 2018.

**Table 4 - Transportation Services Division Icy Sidewalk - Slip & Fall Claims January 01, 2014 - December 31, 2018**

Loss Year	Total No. of all Trans. Claims	No. of Icy Sidewalk Slip & Fall Claims	% of Total	Average Claim Value (\$)	Paid	Denied	% of Total Denied
2014	3,981	364	9	50,680	38	241	86
2015	2,066	152	7	28,648	20	78	80
2016	1,861	143	8	21,385	9	69	88
2017	2,041	172	8	6,096	4	51	93
2018	5,254	165	3	842	2	34	94

**Table 5 - Transportation Services division Pot Hole Claims January 01, 2014 - December 31, 2018**

Loss Year	Total No. of all Trans. Claims	No. of Pot Hole Claims	% of Total	Average Claim Value (\$)	Paid	Denied	% of Total Denied
2014	3,981	2432	61	594	1,255	1,171	48
2015	2,066	867	42	718	342	521	60
2016	1,861	749	40	563	371	371	50
2017	2,041	922	45	521	422	447	51
2018	5,254	3,994	76	558	1,351	1,043	44

**Table 6 - Parks, Forestry & Recreation division Forestry Claims January 01, 2014 - December 31, 2018**

Loss Year	Total No. of all Parks, Forestry & Recreation Claims	No. of Forestry Claims	% of Total	Average Claim Value (\$)	Paid	Denied	% of Total Denied
2014	343	188	56	2,518	41	147	78
2015	411	260	64	2,474	70	189	73
2016	454	289	65	2,298	101	182	64
2017	533	386	73	2,318	89	256	74
2018	833	712	86	1,452	37	348	90

**Table 7 provides information on insurance claims for Toronto Water, involving public claims for damage due to escape of water from the City's sewage system including basement flooding January 01, 2014 - December 31, 2018**

Loss Year	Total No. of all Toronto Water Claims	No. of Sewer Claims	% of Total	Average Claim Value (\$)	Paid	Denied	% of Total Denied
2014	862	443	51	13,057	64	374	85
2015	682	268	39	5,334	63	203	76
2016	511	231	45	10,270	39	183	82
2017	541	220	41	5,324	41	171	81
2018	782	449	57	2,560	10	94	90

**Table 8 Values of City's Sewage System claims including Basement Flooding**

Loss Year	Count	Paid	Outstanding Reserve	Total Estimated Value
2014	443	\$1,084,997	\$228,002	\$1,312,999
2015	268	\$455,707	\$334,499	\$790,206
2016	231	\$493,802	\$341,143	\$834,944
2017	220	\$278,396	\$101,529	\$379,925
2018	449	\$52,254	\$559,843	\$612,097

### Claims Mitigation

The City's property insurer, FM Global, provides property loss prevention inspection and report recommendation follow up services to reduce physical asset hazards and resultant damages. For example, on July 30th, 2018, an improperly closed valve at Union Station was discovered during a routine inspection visit by FM Global. Several recommendations were made and once addressed, Union Station will be ranked a RiskMark Q1 location meaning that its RiskMark score will be in the top 25% of all locations in a similar industry.

Insurance and Risk Management (IRM) continues to share claims information and reasons for liability with City divisions including Transportation, Toronto Water and Parks, Forestry & Recreation to encourage operational changes that address the City's

exposure to claims. Affected divisions attend and participate in monthly City Council authorized Claims Review Group (CRG) meetings. IRM regularly circulates loss control notices for response to affected divisions following CRG meetings which include risk management recommendations concerning, for example, record keeping, winter maintenance practices, standard of care, response to hazardous conditions and preventable motor vehicle accidents.

Below is a list some additional mitigating measures that are being taken by the City to reduce the total number of claims:

- It is a requirement for lawyers reporting to CRG on individual claims to include a section in their report on risk management considerations arising from the file reported on.
- Staff from IRM, City Legal Services and lawyers from the roster of external firms participate in regular seminars for division staff to provide education on lessons learned and developments in the law affecting municipalities.
- IRM staff are fine tuning the Risk Management Information System database to enhance the capturing of loss data relevant to divisional operations thereby improving their ability to apply risk management techniques to address operational issues that give rise to claims.
- Development and distribution of useful analytics - IRM Claims Dashboard, Good News Stories Infographic, Pothole Infographic, Historical Sidewalk Claims Map, IRM Claims Website Traffic Volume Report assist City divisions and agencies in understanding their insurance risk.
- Development of divisional quarterly reports and recommendations - automated monthly reports highlighting key metrics including opened, closed and pending claim volumes, pending claims by cause, year over year claim volumes, historical claim expenditures, and outstanding reserve amounts.
- Better monitoring and control of claim expenses, i.e. Adjusting and legal fees, by identifying adjuster pending monthly hours, identifying which law firms are most cost effective and are achieving better outcomes.
- IRM provides insurance provision contractual review services to ensure optimal protection for the City.

## **CONTACT**

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## **SIGNATURE**

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Heather Taylor  
Chief Financial Officer and Treasurer

## **ATTACHMENTS**

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Attachment 1 - Definitions



## Attachment 1: Definitions

To assist with interpretation of the column headings used in the tables in the report, the following definitions have been provided:

**Loss Year** - (Date of Loss) The year in which the loss or event that is the subject of the claim occurred. Amounts paid in that year may continue to mature as the claim matures.

**Count** - The total number of claims that occurred in a given year

**Paid** - The total paid which may include a combination of the following: settlements, including damages, interest, also court ordered judgments and all expenses pertaining to the claims process which can include legal fees, claims adjuster fees and defence expert costs, plus legal and adjusting fees paid out on claims that are still open and remain unsettled to date.

**Outstanding Reserve** - The outstanding reserve established which is an estimated value anticipated to pay for future costs and may include damages, interest, court ordered judgments and all expenses pertaining to the claims process which can include legal fees, claims adjuster fees and defence expert costs.

**Total Value** - Total claims value by combining the Paid and Outstanding Reserve amounts.

**Denied (Transportation Services)** - Slip & fall claims, caused by ice and snow, and pothole claims have not demonstrated that there was liability for the City. eg. no gross negligence, City met its maintenance obligations.

**Denied (Forestry Claims)** - Claims advanced have not demonstrated liability for the City; e.g. no prior visible signs of decay or limb failure occurs due to a severe windstorm.

**Denied (Sewer Claims)** - Claims advanced have not demonstrated liability for the City; e.g. Sewer back-ups arising from system discharge due to severe rain storms do not constitute negligence.