

Consolidated Clause in Administration Committee Report 8, which was considered by City Council on October 26, 27, 28 and 31, 2005.

3

Disclosure of Insurance Claims Information

City Council on October 26, 27, 28 and 31, 2005, amended this Clause by adding the following:

“That, in addition to the format for disclosing insurance claims information suggested in staff Recommendation (1), the Deputy City Manager and Chief Financial Officer be requested to submit, on an annual basis, a confidential report to the Administration Committee, for transmittal to City Council, summarizing all active insurance claims in litigation by the type or nature of the claims and with the financial expenditures and reserves.”

This Clause, as amended, was adopted by City Council.

The Administration Committee recommends that City Council adopt staff Recommendations (1) and (3) in the Recommendations Section of the report (September 29, 2005) from the Deputy City Manager and Chief Financial Officer.

Action taken by the Committee:

The Administration Committee, in accordance with Recommendation (2), forwarded the report to the Policy and Finance Committee for information.

The Administration Committee submits the report (September 29, 2005) from the Deputy City Manager and Chief Financial Officer.

Purpose:

To initiate regular public reports on property, automobile and general liability insurance claims by City division and insured Agencies, Boards and Commissions and to review the claims settlement process.

Financial Implications and Impact Statement:

There are no financial implications of this report.

Recommendations:

It is recommended that:

- (1) disclosure of insurance claims information be provided on a quarterly basis in the format suggested in Attachment 1 to this report as a public agenda item to the Administration Committee for transmittal to City Council for information;
- (2) this report be forwarded to the Policy and Finance Committee for information; and
- (3) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

Historically insurance claims information has been considered confidential by municipalities, private companies and the companies providing the insurance policy coverage. However, as outlined in this report, summary insurance claims data has been provided to City Council in the past in support of operational recommendations concerning the City's insurance program.

Specific requests by City Council and recent developments concerning the Information Privacy Commission (IPC) ruling under Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) have led to the preparation and submission of this report to provide more regular public reporting on the City's insurance claims information. The IPC ruling provided a clear direction on claims information that must be disclosed. The ruling stated the "Exemptions should not simply be claimed because they are technically available in the Act; they should only be claimed if they genuinely apply to the information at issue."

City Council on November 30, December 1 and 2, 2004 amended Works Committee Report 10, Clause 4 "Status of Negotiations of Outstanding Issues with Eastern Power Limited" and requested the Chief Financial Officer and Treasurer to submit to the February 2005 meeting of the Policy and Finance Committee, a copy of Corporate Services Committee Report 4, Clause 6, headed, "Insurance Claims Administration" which was adopted by City Council on April 13, 14, and 15 1999, for the purposes of reviewing the role of the 'Claims Review Group' and to amend the policy to include a more current process of reporting to City Council on all claims settlements.

City Council at its May 17, 18 and 19, 2005 meeting, adopted Policy and Finance Committee Report 5, Clause 32, "Allocation of the 2005 Non-Program Amounts for the Insurance Reserve Fund" and the recommendations of the Budget Advisory Committee which requested the Deputy City Manager and Chief Financial Officer to provide an in-camera report to the Standing Committees on an annual basis on the claims that have been put forward and settlements of those claims.

Comments:

Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) and Information Privacy Commission (IPC)

The City receives Freedom of Information (FOI) requests for various information directed to various divisions. The City received four such requests under the MFIPPA for access to all records regarding civil lawsuits involving four City divisions which the City had settled with third parties in each year from 1998 through 2004 including the number of lawsuits, dates settled and dollar amounts. The four requests were directed at the following City divisions: Finance, for the City as a whole; Emergency Medical Services; Toronto Fire Services; and Transportation Services.

In processing the request the City clarified that the information requested was the total insurance costs incurred each year, the number of claims and date of loss for the City as a whole, as well as for the Emergency Medical Services, Toronto Fire Services and Transportation Services.

In considering how to respond to the request, the City consulted with its insurers and insurance broker who all objected to the disclosure of this information on the belief that such disclosure would invite more claims and ultimately increase insurance costs.

As a result, in a decision letter dated April 26, 2005, the City denied access in full to these records. In that letter, the City also advised that section 11 of MFIPPA was being relied upon to withhold records that contained information, the disclosure of which could reasonably be expected to prejudice the economic interests and/or be injurious to the financial interests of the City. The requester then appealed our decision to the IPC. Both the appellant and the City provided representations. The IPC Commissioner provided order #MO-1947 issued July 22, 2005 to release the requested information with which the City immediately complied.

Historical Reporting of Insurance Claims Information

Insurance claims information is generally regarded as private and confidential proprietary to the insurance company providing coverage, however, the City has regularly disclosed summary claims information to Committees in the past as part of its operations. Attachments 2 and 3 are examples of such reports containing claims information.

Attachment 2-Insurance Reserve Fund Adequacy report as received by Council in March, 2004

This report reviewed the adequacy of the Insurance Reserve Fund and discloses annual figures for the payment of insurance premiums, retained claims, claims service fees to adjusters and defense lawyers, insurance broker fees and related administrative expenses. Similar reports have been submitted to Committees regularly since amalgamation.

Attachment 3-Allocation of the 2005 Non Program Amounts for the Insurance Reserve Fund

This report re-allocated insurance costs to each City division and insured Agencies, Boards and Commissions using a combination of insurance claims experience and total operating budget expenses. The "Insurance Reserve Fund Continuity Schedule", attached as an appendix to the April 2005 report, contains insurance claims costs for a five-year period for each department, under the former City structure. Insurance claims information has also been included in other staff reports such as the reporting to Council on the annual renewal of the City's insurance policies.

Role of the Claims Review Group

The Insurance Claims Administration report approved by Council at its meeting of April 13, 14 and 15, 1999 set out procedures for insurance claims handling. The procedures provide a fair and equitable way of dealing with public claims made against the City. The process involves the application of fundamental legal principles and standard claims adjusting practices to ensure equal treatment to all claims. The City Solicitor and the City's insurance company reviewed the report and concurred with its content and recommendations.

Some of the procedures include:

- (i) The dollar authority levels for purposes of settlements and claim expenses;

Insurance and Risk Management Staff	5,000.00
Third Party Adjuster	10,000.00
Senior Risk Management Analyst	50,000.00
Deputy City Manager and Chief Financial Officer and Manager, Insurance and Risk Management or designate in conjunction with Claims Review Group (CRG)	Up to the City's insurance deductibles
Insurance Company	Over the City's insurance deductibles

- (ii) That the Claims Review Group provide a forum for the City's insurance and litigation specialists to review and provide recommendations to claims adjusters and defence solicitors on the handling of claims files over \$50,000. (The CRG consists of the Director, Corporate Finance, the Manager, Insurance and Risk Management, the Senior Risk Management Analyst, all within the Corporate Finance Division, and the two Directors of Litigation from the Legal Division, or their designate);
- (iii) In addition to reviewing and providing settlement recommendations, the CRG identifies important legal principles and loss prevention measures, which arise from the analysis of claims causes. The participation of senior risk management staff in the CRG allows this important information to be channelled into the City's risk management process to enhance corporate practices which will ultimately reduce losses and claims cost;
- (iv) The reporting relationship between the Insurance and Risk Management staff, Third Party Adjusters, the Claims Review Group and the Insurance Companies;
- (v) The process by which insurance claims defence work is assigned to internal and external legal counsel;
- (vi) The reporting and litigation strategies expected to occur between the Insurance and Risk Management staff and the retained solicitor defending the City's interest; and
- (vii) The procedure to be followed when a Member of City Council receives a public complaint pertaining to insurance claims.

A clearly prescribed City Council approval process is in place to deal with public claims made against the City. The process involves the application of fundamental legal principles and standard claims adjusting practices. Staff has reviewed the roles and operation of the CRG and conclude that the City's Claims Review Group continues to be the most appropriate mechanism for reviewing and approving of insurance claim settlement recommendations made by the City's insurance adjusters and legal defence specialists. This process is standard operating procedure within the insurance industry and is well received by the City's insurance companies.

Routine Disclosure of Insurance Data

As a result of the IPC order and Council requests for insurance claims information disclosure, the City will provide quarterly reports (Attachment 1) to the Administration Committee with regular consultation/partnership with the CAP office. This would address Council's requests for more regular reporting on insurance claims and the IPC's order regarding the public's right to access of certain information with a view to transparency and accountability. Such reporting will also seek to balance protection of the City's financial and economic interests and maintaining our relationship with external insurance companies.

Trend Analysis

Attachment 1 summarizes insurance claims by program and by coverage type for the period January 2000 to July 2005. Comparison tables are provided for programs for each annual term, 2000 through 2004 by coverage type. A trend analysis table shows the numbers of claims, paid, outstanding and incurred by coverage type for the years 2000 through 2004. Finally, detailed claims data is provided for each program by coverage type for the years 2004 and January to July, 2005. These terms are defined below. Please note that only programs with incurred claims will be displayed.

Automobile – On average the City sustains approximately 2000 claims per year which has remained fairly constant. This factor is higher than in it might otherwise be due to no-fault auto legislation where an insured must claim under their own policy for all accidents regardless of fault.

Property – Since 2000 the number of claims has declined 34 percent and the incurred has drastically reduced compared to 2002-2003. Through property inspections and implementation of recommendations of risk management made by the City's property insurer, positive results are evident.

Comprehensive General Liability – The Insurance and Risk Management Group continue to make strides toward the analysis and implementation of risk management strategies to reduce claims of liability against the City. The legal climate dictates how liability and negligence are assessed, as can be seen by the summary of claims counts and incurred payments the City has sustained since 2000.

Definitions

- Count** The number of claims.
- Incurred** The total of paid plus outstanding and may include a combination of the following; settlements, including damages, interest, also court ordered judgements 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.
- Paid** The total paid and may include a combination of the following; settlements, including damages, interest, also court ordered judgements and all expenses pertaining to the claims process which can include legal fees, claims adjuster fees and defence expert costs.
- Outstanding** Amounts reserved for possible future payment and may include damages, interest, also court ordered judgements and all expenses pertaining to the claims process which can include legal fees, claims adjuster fees and defence expert costs.

Conclusions:

Insurance and Risk Management recognizes the importance of regular disclosure of claims information but clearly needs to balance this between accountability, transparency and the protection of the City's financial and economic interests with external insurance companies. This report discloses Insurance Statistics for 2000-2004 and 2005 January - July which will be reported to the Administration Committee quarterly.

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Attachment 1

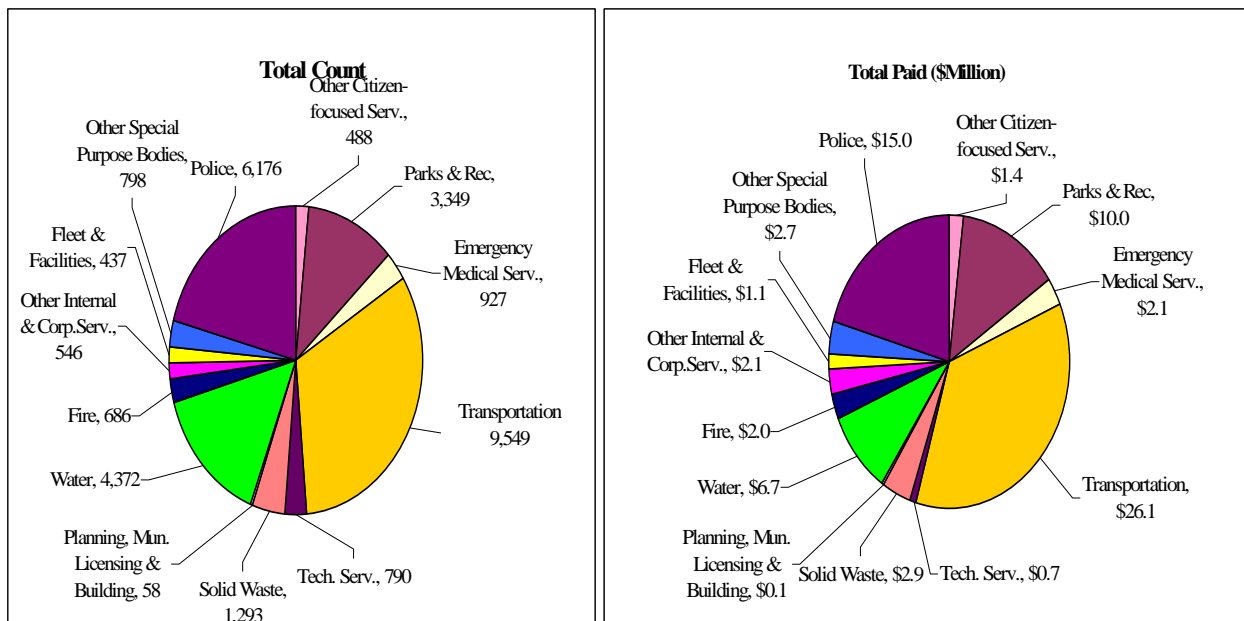
Insurance Claims Summary

- (A) Insurance Claims by:
- Program – January 2000 to July 2005 (Count and Paid)
 - Type and by Year (Count and Paid)
- (B) Summary Automobile, Property and Comprehensive General Liability Insurance Claims by Program - 2000 to 2004 (Count and Paid)

- (C) Trend Analysis – Claims (Automobile, Property and Comprehensive General Liability Insurance) 2000 to 2004
- (D) Automobile Insurance Claims by Program for 2004 and 2005 (January to July)
- (E) Property Insurance Claims by Program for 2004 and 2005 (January to July)
- (F) Comprehensive General Liability Insurance Claims by Program for 2004 and 2005 (January to July)

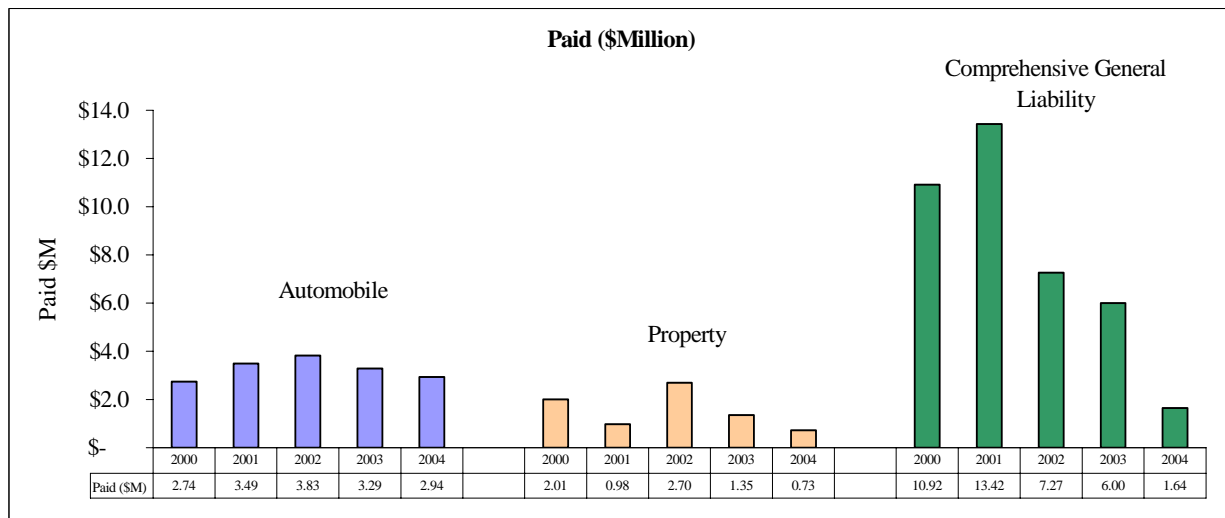
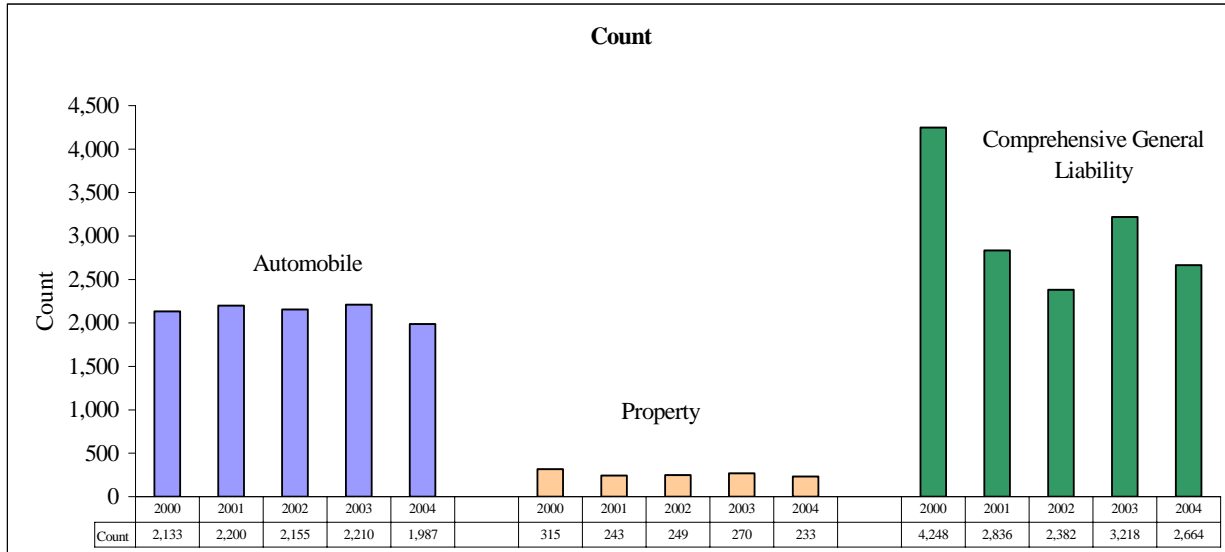
(A)

Insurance Claims by Program
 January 2000 - July 2005



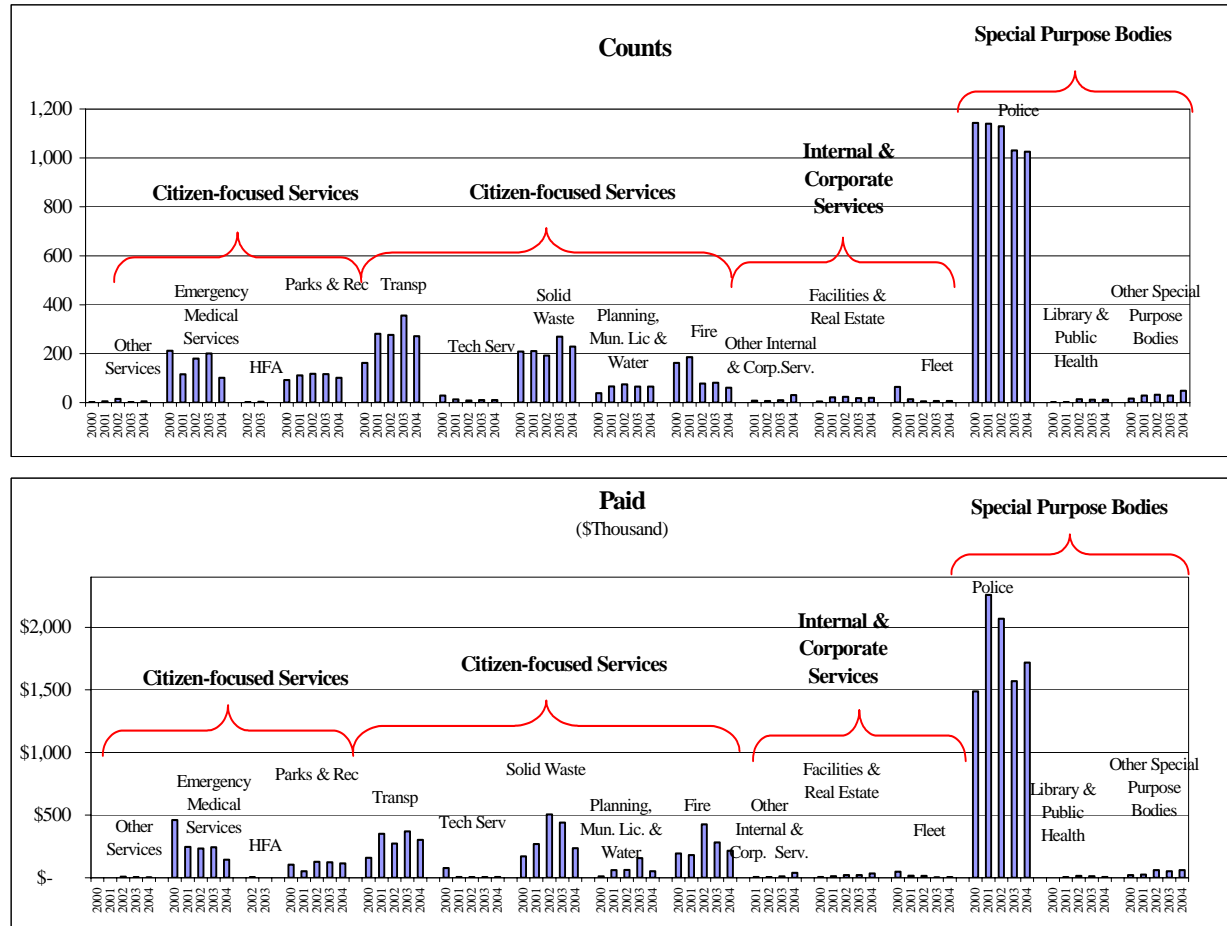
- Other Citizen-focused Services include: Children's Services, Economic Dev. & Culture, Homes for the Aged (HFA), Social Development & Admin., Special Events, Shelter, Support & Housing Admin., Social Services, Admin. & Support Services.
- Other Internal & Corp. Services include: Corporate Finance, Financial Planning, Accounting Serv., Pension Payroll & Employee Benefits, Purchasing & Materials Management, Revenue Services, Corp. Communications, I&T, City Clerk's Office, Legal Services, & City Councillors.
- Other Special Purpose Bodies include: Public Health, Public Library, Community Centres, Exhibition Place, Housing Company, Theatres, Toronto Zoo & Arenas.
- Does not include TTC

Insurance Claims - by Type and by Year



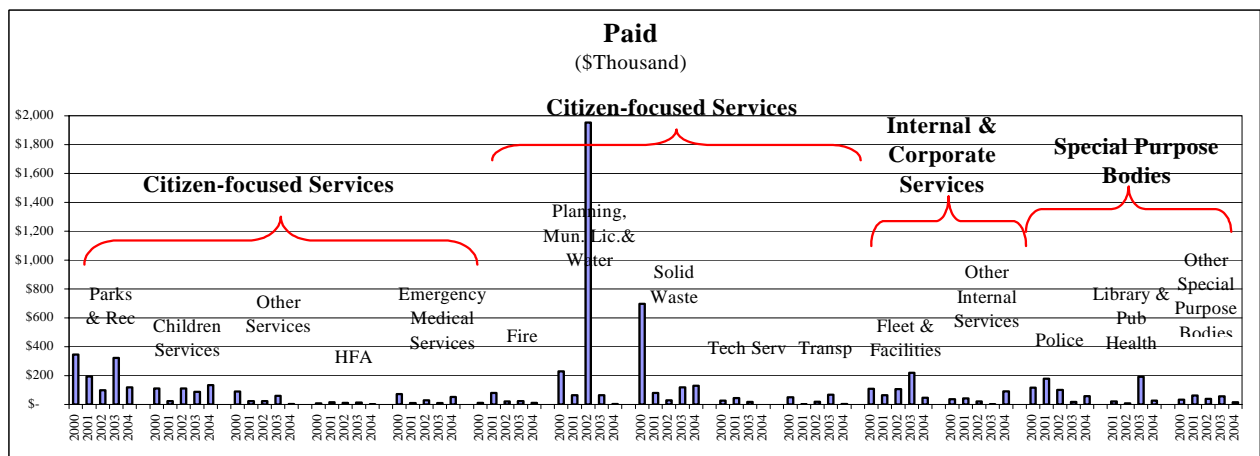
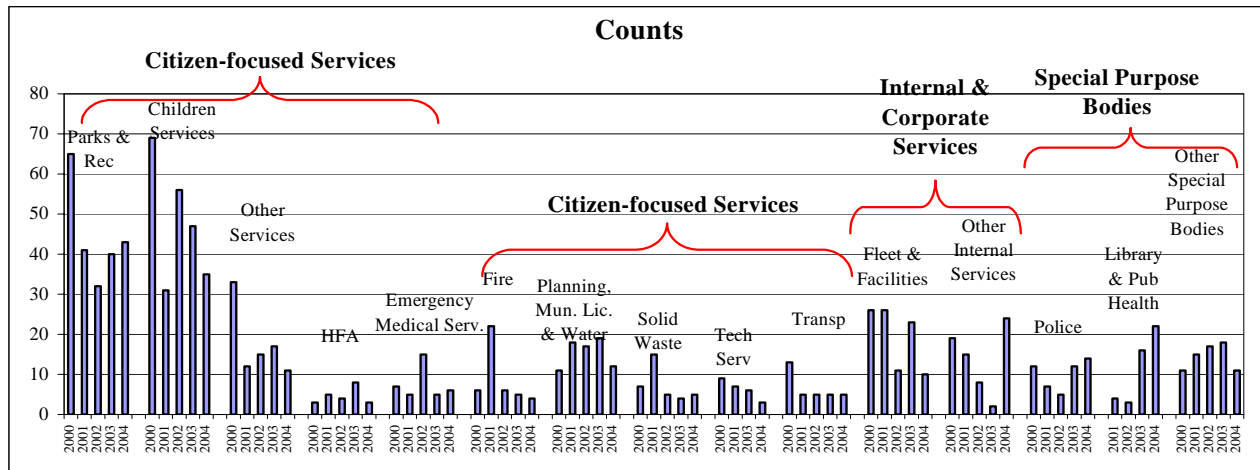
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Summary of Automobile Insurance Claims 2000 - 2004



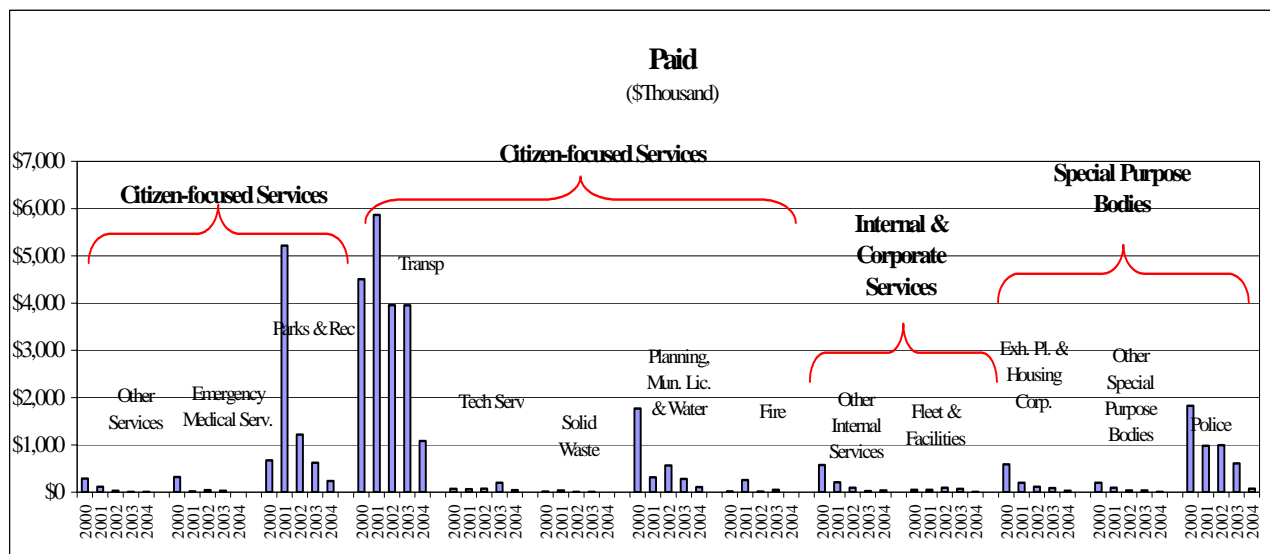
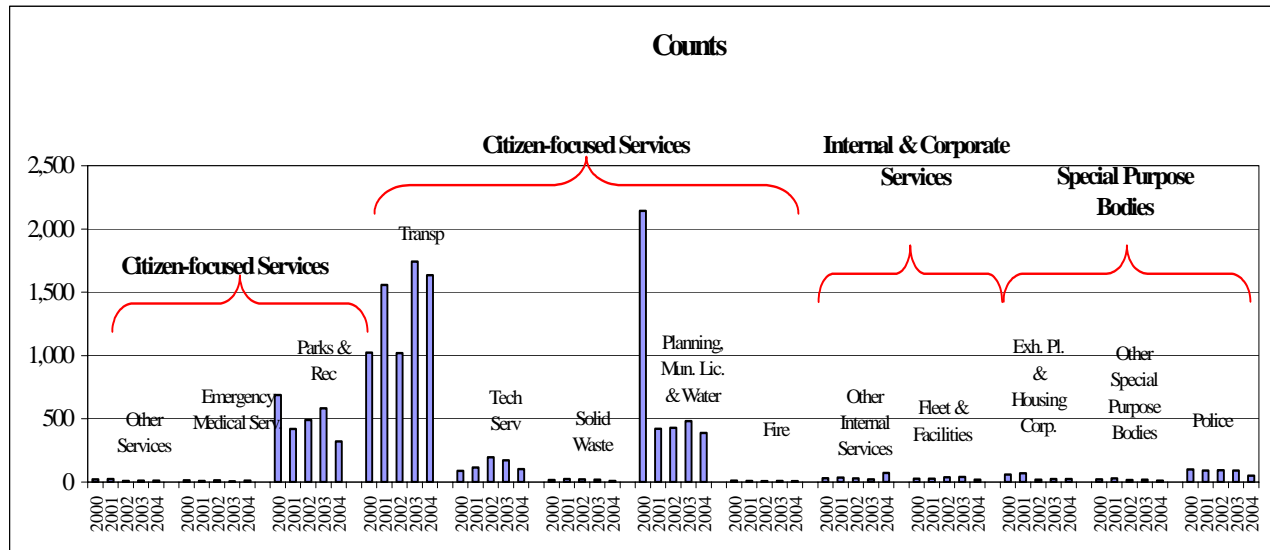
- Other Services include: Children's Services, Economic Dev. & Culture, Social Development & Admin., Special Events, Shelter, Support & Housing Admin., Social Services, Admin. & Support Services.
- Other Internal & Corp. Services include: Corporate Finance, Financial Planning, Accounting Serv., Pension Payroll & Employee Benefits, Purchasing & Materials Management, Revenue Services, Corp. Communications, I&T, City Clerk's Office, Legal Services, & City Councillors.
- Other Special Purpose Bodies include: Exhibition Place, Housing Company, Community Centres, Theatres, Toronto Zoo & Arenas.
- Does not include TTC

Summary of Property Insurance Claims 2000 - 2004



- Other Services include: Economic Dev. & Culture, Social Development & Admin., Special Events, Shelter, Support & Housing Admin., Social Services, Admin. & Support Services.
- Other Internal & Corp. Services include: Corporate Finance, Financial Planning, Accounting Serv., Pension Payroll & Employee Benefits, Purchasing & Materials Management, Revenue Services, Corp. Communications, I&T, City Clerk's Office, Legal Services, & City Councillors.
- Other Special Purpose Bodies include: Exhibition Place, Housing Company, Community Centres, Theatres, Toronto Zoo & Arenas.
- Does not include TTC

Summary of Comprehensive General Liability Insurance Claims 2000 - 2004



- Other Services include: Children's Services, Economic Dev. & Culture, Homes for the Aged (HFA), Social Development & Admin., Special Events, Shelter, Support & Housing Admin., Social Services, Admin. & Support Services.
- Other Internal & Corp. Services include: Corporate Finance, Financial Planning, Accounting Serv., Pension Payroll & Employee Benefits, Purchasing & Materials Management, Revenue Services, Corp. Communications, I&T, City Clerk's Office, Legal Services, & City Councillors.
- Other Special Purpose Bodies include: Public Health, Public Library, Community Centres, Theatres, Toronto Zoo & Arenas.
- Does not include TTC

(C)

Trend Analysis

Claims 2000- 2004

Year	Count	Amount (\$)		
		Paid	Outstanding	Incurred
A. AUTOMOBILE				
2000	2,133	2,740,021	932,894	3,672,916
2001	2,200	3,491,964	1,006,661	4,498,626
2002	2,155	3,827,509	2,989,822	6,817,331
2003	2,210	3,288,522	3,193,203	6,481,726
2004	1,987	2,936,442	2,989,285	5,925,727
B. PROPERTY				
2000	315	2,011,488	87,489	2,098,977
2001	243	977,709	75,520	1,053,229
2002	249	2,696,692	1,469,876	4,166,568
2003	270	1,353,390	2,262,391	3,615,781
2004	233	730,971	643,741	1,374,712
C. COMPREHENSIVE GENERAL LIABILITY				
2000	4,248	10,915,304	8,383,884	19,299,188
2001	2,836	13,420,739	10,388,575	23,809,314
2002	2,382	7,266,605	13,399,442	20,666,048
2003	3,218	5,998,105	15,423,055	21,421,160
2004	2,664	1,643,541	13,046,860	14,690,401

(D)

Automobile Insurance Claims Year 2004

Program	Count	Amount (\$)			
		Paid	Outstanding	Incurred	Average
<u>Citizen-focused Services</u>					
Emergency Medical Services	102	144,862	109,560	254,422	2,494
Parks, Forestry & Recreation	101	114,847	44,264	159,110	1,575
Children's Services	1	622	4,519	5,140	5,140
Social Services	1	827	0	827	827
Economic Dev. & Culture (Culture)	1	161	0	161	161
Parks, Forestry & Rec.(Policy & Dev.)	1	90	0	90	90
Shelter, Support & Housing Admin.	1	25	0	25	25
<u>Citizen-focused Services</u>					
Transportation Services	271	301,909	360,078	661,987	2,443
Fire Services	61	214,829	357,932	572,761	9,390
Solid Waste Management	229	236,019	106,398	342,417	1,495
Toronto Water	65	51,658	21,920	73,578	1,132
Technical Services	11	6,794	848	7,642	695
<u>Internal & Corporate Services</u>					
Corporate Communication	3	22,819	313,883	336,702	112,234
Facilities & Real Estate	19	33,768	21,502	55,270	2,909
Other	21	15,583	6,547	22,130	1,054
Human Resources	1	81	15,000	15,081	15,081
Fleet Services	6	4,967	684	5,651	942
Human Resources	2	919	0	919	459
Purchasing & Materials Management	1	264	0	264	264
Mayor & Councillors	1	90	0	90	90
Building	1	25	0	25	25
Revenue Services	1	25	0	25	25
<u>Special Purpose Bodies</u>					
Toronto Police Services Board	1,026	1,718,312	1,553,493	3,271,804	3,189
Toronto Zoo	37	45,715	27,117	72,832	1,968
Public Health	8	2,881	26,488	29,369	3,671
Exhibition Place	8	6,771	17,494	24,264	3,033
Board of Health	1	6,074	0	6,074	6,074
Toronto Public Library	4	2,846	1,560	4,406	1,102
Public Library Board	2	2,660	0	2,660	1,330
Total Automobile Insurance Claims - 2004	1,987	\$ 2,936,442	\$ 2,989,285	\$ 5,925,727	\$ 2,982

Note: Only programs with incurred claims will be displayed.

Automobile Insurance Claims Year 2005 (Jan-July)

Program	Count	Amount (\$)			
		Paid	Outstanding	Incurred	Average
<u>Citizen-focused Services</u>					
Parks, Forestry & Recreation	12	15,973	204,907	220,880	18,407
Social Services	4	0	51,500	51,500	12,875
Children's Services	9	10,075	24,393	34,468	3,830
Economic Dev. & Culture (Culture)	2	0	20,000	20,000	10,000
Emergency Medical Services	3	1,845	5,955	7,800	2,600
Homes for the Aged	1	0	5,000	5,000	5,000
Shelter, Support & Housing Admin.	1	0	2,000	2,000	2,000
Support Serv. (all citizen-focussed serv.)	1	0	500	500	500
<u>Citizen-focused Services</u>					
Solid Waste Management	2	6,367	21,133	27,500	13,750
Toronto Water	1	8,801	1,199	10,000	10,000
Transportation Services	2	0	2,000	2,000	1,000
<u>Internal & Corporate Services</u>					
Other	8	0	42,000	42,000	5,250
Facilities & Real Estate	3	3,123	10,000	13,123	4,374
Mayor & Councillors	1	0	6,000	6,000	6,000
Information & Technology	1	3,648	0	3,648	3,648
<u>Special Purpose Bodies</u>					
Public Library Board	5	1,003	47,882	48,885	9,777
Exhibition Place	7	284	38,500	38,784	5,541
Toronto Public Library	2	0	10,000	10,000	5,000
Toronto Police Services Board	3	1,422	8,000	9,422	3,141
Ralph Thorton Community Centre	1	0	2,200	2,200	2,200
Toronto Zoo	2	0	1,500	1,500	750
Total Automobile Insurance Claims - 2005 (Jan - Jul)	71	\$ 52,538	\$ 504,669	\$ 557,208	\$ 7,848

Note: Only programs with incurred claims will be displayed.

(E)

Property Insurance Claims Year in 2004

Program	Count	Amount (\$)			
		Paid	Outstanding	Incurred	Average
<u>Citizen-focused Services</u>					
Parks, Forestry & Recreation	43	118,501	97,376	215,877	5,020
Children's Services	35	133,528	81,495	215,023	6,144
Emergency Medical Services	6	53,214	93	53,308	8,885
Economic Dev. & Culture (Culture)	7	2,809	14,000	16,809	2,401
Shelter, Support & Housing Admin.	2	636	8,875	9,511	4,756
Homes for the Aged	3	2,599	2,441	5,040	1,680
Social Services	2	0	1,500	1,500	750
<u>Citizen-focused Services</u>					
Solid Waste Management	5	130,549	82,525	213,074	42,615
Transportation Services	5	4,783	54,879	59,662	11,932
Fire Services	4	10,682	13,000	23,682	5,921
Technical Services	3	280	5,000	5,280	1,760
Toronto Water	12	4,013	985	4,998	416
<u>Internal & Corporate Services</u>					
Other	20	91,443	50,101	141,544	7,077
Facilities & Real Estate	10	44,326	38,000	82,326	8,233
Human Resources	1	0	3,000	3,000	3,000
Fleet Services	1	2,886	0	2,886	2,886
City Clerk's Office	2	0	1,000	1,000	500
Corporate Communication	1	140	0	140	140
<u>Special Purpose Bodies</u>					
Toronto Police Services Board	14	58,724	71,766	130,490	9,321
Exhibition Place	24	28,950	18,542	47,492	1,979
Toronto Public Library	15	18,463	25,565	44,028	2,935
Hummingbird Ctre.for the Performing Arts	3	10,274	22,758	33,032	11,011
Toronto Centre for the Performing Arts	1	429	25,000	25,429	25,429
Public Library Board	3	3,183	13,257	16,440	5,480
Public Health	4	6,292	7,119	13,412	3,353
Toronto Zoo	4	4,267	2,864	7,131	1,783
Applegrove Community Centre	3	0	2,600	2,600	867
Total Property Insurance Claims - 2004	233	\$ 730,971	\$ 643,741	\$ 1,374,712	\$ 5,900

Note: Only programs with incurred claims will be displayed.

*Other includes Corporate Finance, Financial Planning, Accounting Services, Pension Payroll and Employee Benefits, Purchasing and Materials Management, Revenue Services, I and T, Legal Services and City Councillors

Property Insurance Claims Year in 2005 (January – July)

Program	Count	Amount (\$)			
		Paid	Outstanding	Incurred	Average
<u>Citizen-focused Services</u>					
Emergency Medical Services	21	7,733	105,748	113,481	5,404
Parks, Forestry & Recreation	28	6,572	28,170	34,742	1,241
Children's Services	2	1,637	31,050	32,687	16,344
Social Services	1	0	0	0	0
<u>Citizen-focused Services</u>					
Fire Services	29	32,425	184,246	216,671	7,471
Solid Waste Management	55	69,073	105,609	174,682	3,176
Transportation Services	79	48,314	75,285	123,599	1,565
Toronto Water	16	15,855	54,434	70,288	4,393
Technical Services	1	7,119	0	7,119	7,119
<u>Internal & Corporate Services</u>					
Other	87	1,044	122,470	123,514	1,420
<u>Special Purpose Bodies</u>					
Toronto Police Services Board	213	337,051	578,621	915,672	4,299
Exhibition Place	5	8,082	5,402	13,484	2,697
Toronto Zoo	8	2,471	10,875	13,346	1,668
Total Property Insurance Claims - 2005 (Jan - Jul)	545	\$ 537,376	\$ 1,301,909	\$ 1,839,284	\$ 3,375

Note: Only programs with incurred claims will be displayed.

*Other includes Corporate Finance, Financial Planning, Accounting Services, Pension Payroll and Employee Benefits, Purchasing and Materials Management, Revenue Services, Corp. Communications, I and T, City Clerk's Office, Legal Services and City Councillors

(F)

Comprehensive General Liability Insurance Claims Year 2004

Program	Count	Amount (\$)			
		Paid	Outstanding	Incurred	Average
<u>Citizen-focused Services</u>					
Parks, Forestry & Recreation	321	234,666	1,302,602	1,537,269	4,789
Homes for the Aged	6	2,720	130,577	133,297	22,216
Emergency Medical Services	11	1,558	129,784	131,342	11,940
Economic Dev. & Culture (Culture)	2	412	16,000	16,412	8,206
Children's Services	4	889	0	889	222
<u>Citizen-focused Services</u>					
Transportation Services	1,634	1,081,834	8,004,933	9,086,767	5,561
Toronto Water	384	106,056	1,357,056	1,463,112	3,810
Technical Services	104	43,988	69,544	113,532	1,092
Fire Services	6	1,696	29,070	30,766	5,128
Building (East District)	1	2,554	24,957	27,511	27,511
Municipal Licensing & Standards	2	160	16,000	16,160	8,080
Solid Waste Management	10	2,491	1,733	4,224	422
City Planning	1	195	0	195	195
<u>Internal & Corporate Services</u>					
Other	67	34,416	342,306	376,722	5,623
Building	5	2,947	100,000	102,947	20,589
Facilities & Real Estate	17	8,805	71,199	80,004	4,706
Fleet Services	1	449	15,000	15,449	15,449
Corporate Communication	1	208	15,000	15,208	15,208
<u>Special Purpose Bodies</u>					
Toronto Police Services Board	51	79,075	950,482	1,029,557	20,187
Exhibition Place	22	33,573	340,617	374,191	17,009
Toronto Public Library	3	954	30,000	30,954	10,318
Toronto Zoo	3	495	22,500	22,995	7,665
Hummingbird Ctre.for the Performing Arts	1	231	17,500	17,731	17,731
Public Library Board	2	30	17,500	17,530	8,765
Scadding Court Community Centre	1	0	15,000	15,000	15,000
Toronto & Region Conservation Authority	1	2,500	12,500	15,000	15,000
Public Health	1	0	15,000	15,000	15,000
Board of Health	1	577	0	577	577
Toronto Housing Company	1	60	0	60	60
Total CGL Insurance Claims - 2004	2,664	1,643,541	13,046,860	14,690,401	\$ 5,514

Note: Only programs with incurred claims will be displayed.

*Other includes Corporate Finance, Financial Planning, Accounting Services, Pension Payroll and Employee Benefits, Purchasing and Materials Management, Revenue Services, Corp. Communications, I and T, City Clerk's Office, Legal Services and City Councillors

Comprehensive General Liability Insurance Claims Year 2005 (January – July)

Program	Count	Amount (\$)			
		Paid	Outstanding	Incurred	Average
<u>Citizen-focused Services</u>					
Parks, Forestry & Recreation	46	1,883	227,807	229,690	4,993
Homes for the Aged	4	837	80,000	80,837	20,209
Emergency Medical Services	3	0	45,000	45,000	15,000
Children's Services	3	928	17,500	18,428	6,143
<u>Citizen-focused Services</u>					
Transportation Services	1,111	71,433	5,087,123	5,158,556	4,643
Toronto Water	163	2,494	1,079,900	1,082,394	6,640
Technical Services	16	0	22,300	22,300	1,394
Fire Services	2	9,597	10,403	20,000	10,000
Solid Waste Management	1	0	1,500	1,500	1,500
<u>Internal & Corporate Services</u>					
Other	134	798	659,101	659,899	4,925
Building	1	0	100,000	100,000	100,000
Facilities & Real Estate	5	318	40,000	40,318	8,064
Mayor & Councillors	1	177	15,000	15,177	15,177
<u>Special Purpose Bodies</u>					
Toronto Police Services Board	13	1,429	379,782	381,211	29,324
Exhibition Place	3	205	20,500	20,705	6,902
Public Library Board	1	156	17,500	17,656	17,656
Toronto Zoo	2	570	17,000	17,570	8,785
Toronto Public Library	1	601	15,000	15,601	15,601
Total CGL Insurance Claims - 2005 (Jan - Jul)	1,510	\$ 91,427	\$ 7,835,416	\$ 7,926,842	\$ 5,250

Note: Only programs with incurred claims will be displayed.

*Other includes Corporate Finance, Financial Planning, Accounting Services, Pension Payroll and Employee Benefits, Purchasing and Materials Management, Revenue Services, Corp. Communications, I and T, City Clerk's Office and Legal Services

Attachment 2

(Report dated March 11, 2004, addressed to the
Budget Advisory Committee from the
Chief Financial Officer and Treasurer)

Purpose:

This report updates the review of the adequacy of the Insurance Reserve Fund and recommends \$5 million in additional funding for 2004.

Financial Implications and Impact Statement:

Additional recommended funding in 2004 for the Insurance Reserve Fund in the amount of \$3.3 million is included in the 2004 Non-Program tax supported budget request and a further \$1.7 million increase is recommended for inclusion in the 2004 budget for the Water and Wastewater program.

Recommendations:

It is recommended that:

- (1) additional funding in the amount of \$3.3 million be provided from the 2004 Non-Program Budget and an additional 2004 charge of \$1.7 million has been included in the Water and Wastewater budget to the Insurance Reserve Fund; and
- (2) the appropriate City Officials be directed to give effect to the foregoing.

Background:

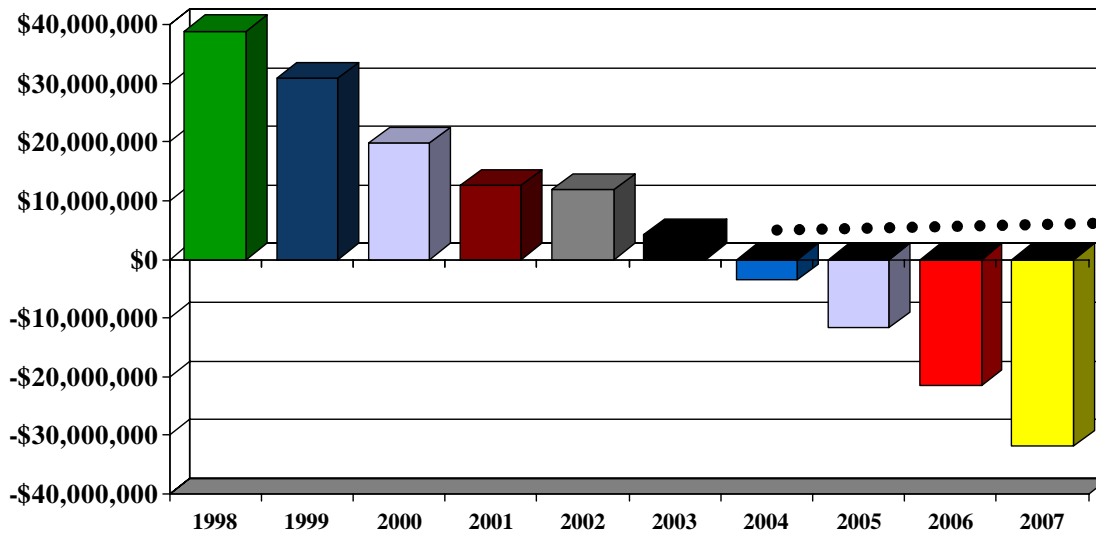
A November 4, 2002 Insurance Reserve Fund Adequacy report to the Budget Advisory Committee updated the adequacy of the Insurance Reserve Fund and recommended that contributions be increased by \$5 million for the 2003 non-program budget. City Council authorized \$5 million in additional funding for the Insurance Reserve Fund in the 2003 Non-Program budget.

Comments:

Insurance Reserve Fund Adequacy:

The City's estimated 2004 annual insurance expenditure will be approximately \$33.0 million. This expenditure is only partly offset by contributions of \$30.3 million, consisting of \$13.0 million from departments, agencies, boards and commissions operating budgets, \$16.0 million from the Non-Program budget and \$1.3 million from investment income and other recoveries. This leaves a 2004 annual deficiency of \$2.7 million, which will continue the dramatic draw down of the Insurance Reserve Fund. Graph 1 illustrates the history of the Insurance Reserve Fund and future status without additional funding and including the recommended funding increases.

**Graph 1
 Insurance Reserve Fund
 Year End Actual and Projections**



... .. Recommended Funding

This report recommends increasing contributions to the Insurance Reserve Fund by \$5 million from the 2003 budget amount to a 2004 budget amount of \$30.3 million. This recommended increase consists of \$3.3 million from the tax supported (Non-Program) Budget and a \$1.7 million increase to the water rate supported program. Consideration for a further \$5 million increase in 2005 is also suggested. These increases in contributions are illustrated in Table 1 which illustrates a net draw down of the Insurance Reserve Fund of \$7.7 million in 2003 with a projected net draw down of an additional \$7.7 million in 2004 if additional funding is not received. The recommendation for an additional \$5.0 million in contributions to the Insurance Reserve Fund in the 2004 budget is consistent with the plan adopted by Council with the 2003 Operating Budget to adequately fund annual insurance expenditures and to stabilize the Insurance Reserve Fund.

Table 1
Insurance Reserve Fund Continuity Schedule
(\$,000)

	2001	2002	2003	2004	2005
Balance at Jan.01	19,825	12,669	11,832	4,182	1,461
One Time Recovery	0	12,443	0	0	0
OMEX Recovery*	0	0	0	0	0
	19,825	25,112	11,832	4,182	1,461
Program Operating					
Budgets Contributions	10,307	9,821	11,326	13,026	13,026
Non-Program					
Budget Contributions	3,700	7,700	12,700	16,000	21,000
Investment Earnings	1,086	900	641	600	600
Recoveries	767	660	0	659	659
Total Contributions	15,860	19,081	24,667	30,285	35,285
Insurance Premiums	4,181	5,850	7,307	7,672	8,056
Self Insured Retention	18,154	25,778	24,389	24,389	24,389
Operating Expenses	681	733	621	945	945
Total Expenditures	23,016	32,361	32,317	33,006	33,390
Net Change in Year	(7,156)	(13,280)	(7,650)	(2,721)	1,895
Balance as at Dec. 31	12,669	11,832	4,182	1,461	3,356

* An amount is receivable from the Ontario Municipal Insurance Exchange (OMEX) subject to further negotiation and/or litigation. Timing of this recovery in 2004 or 2005 depends on the outcome of these options.

2004 Insurance Reserve Estimates:

The City's 2004 estimated insurance expenditure of approximately \$33.0 million is comprised of premiums to purchase insurance, payments of retained claims, claims service fees to adjusters and defense lawyers, insurance broker service fees and related administrative expenses. Operational and procedural initiatives to improve the cost effectiveness of the City's operation were identified and included in the November, 2002 Insurance Reserve Fund Adequacy Report. Those initiatives continue to be emphasized to control expenditure and implement savings. They are directed toward claims and claim related expenses such as adjusting and legal fees. Purchased insurance is another feature to be considered for expenditure control. Additional expense pressures are expected due to increases to insurance premiums and insurance brokerage fees and these amounts have been included in projected increased contributions to the Insurance Reserve Fund. The insurance market has increased premiums charged over past years and withdrawn some coverages. Generally, all property and casualty insurers will be imposing premium increases to all lines of business in order to recover from the financial hardships they have sustained. Actual increases from the insurance marketplace resulted in a premium increase of \$1.5 million in 2003 for the casualty and property programs and the other insurance policies which include boiler and machinery, marine, aircraft, crime and home day care liability as

illustrated in Table 2. Also, increases in self-insurance levels can result in increased pressure on the Insurance Reserve Fund.

Table 2

Insurance Property and Liability Renewal

Premium	2002	2003	Variance	
Casualty	\$ 2,935,701	\$ 4,059,925	\$ 1,124,224	28%
Property	\$ 2,422,209	\$ 2,523,762	\$ 101,553	4%
Other Insurance	\$ 492,090	\$ 723,313	\$ 231,223	32%
Total Premium	\$ 5,850,000	\$ 7,307,000	\$ 1,457,000	20%

Other Recoveries:

City Staff continue to pursue the conclusion of an insurance arrangement (the OMEX insurance reciprocal), which involved five of the former municipalities before amalgamation. That arrangement continues to hold City assets, which at its conclusion, will be returned to the City's Insurance Reserve Fund and improve its adequacy position. OMEX has rejected attempts to commute funds back to the City subject to further negotiations and/or litigation by the City.

Insurance Reserve Fund Target Balance:

As a corporate principle, the balance of the Insurance Reserve Fund should be maintained at approximately the same level as the City's estimated outstanding insurance liabilities. This principle was established by City Council at its meeting of June 7, 8 and 9, 2000, wherein it adopted, Policy and Finance Committee Report 7, Clause 7; the Chief Financial Officer and Treasurer's report dated April 5, 2000 entitled, "Adequacy of Insurance Reserve Fund and Insurance Liabilities". The report recommended that as a principle, the balance of the Insurance Reserve Fund be maintained at approximately the same level as the City's estimated outstanding insurance liabilities.

The City's external auditors, Ernst and Young at year end 2002 reported that the City's estimated claims exposure was approximately \$45.9 million of which \$5.3 million represents the insurer's portion. Therefore, the City's net exposure for active claims was \$40 million. The Insurance Reserve fund had approximately \$11.8 million at year-end 2002 and consequently the Fund balance was underfunded by \$28.2 million.

According to the principle of maintaining the Insurance Reserve Fund balance at approximately the same level as estimated outstanding insurance liabilities, the target balance amount should be \$40 million. The continuity schedule (Table 1) indicates that as at Dec. 31, 2003 the Insurance Reserve Fund balance was \$4.2 million (subject to finalization and audit of the 2003 year end results) which is \$35.8 million below target levels. This report recommends an action plan of gradual annual incremental increases to the Insurance Reserve Fund contributions in order to achieve the appropriate balance recommended by Ernst and Young.

Ernst and Young recommends that the City review the approach to ensuring that the reserve is sufficient to cover the City's net exposure to insurance claims. Once the reserve has been increased to meet the current net exposure, it is important that, on an ongoing basis, the City recover the actual cost of claim payouts from the individual departments.

With the recommended increases, the Insurance Reserve Fund will reach its target balance within approximately 10 years.

Conclusion:

The City's 2003 insurance expenses exceeded contributions by \$7 million in 2003, with an anticipated \$7 million shortfall in 2004 if no additional funding is provided which would completely deplete the Insurance Reserve Fund.

A ten-year funding plan continues to be recommended, to offset the annual funding shortfall and move towards an adequate annual balance in the Insurance Reserve Fund. Budget increases of \$5.0 million are recommended for 2004; and a further increase of \$5.0 million in 2005 is suggested.

Expenditure control and areas of savings continue to be implemented to improve the cost efficiency of the City's insurance operations, however turbulence within the insurance industry continues to be a cost challenge. Conclusion of the City's involvement in the OMEX reciprocal insurance exchange could return assets to the Insurance Reserve Fund to improve its adequacy, however further negotiation and/or litigation is required.

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Attachment 3

(Report dated April 26, 2005, addressed to the
Budget Advisory Committee from the
Deputy City Manager and Chief Financial Officer)

Purpose:

This report requests that the 2005 Non Program contribution to the Insurance Reserve Fund be reallocated to the appropriate City Program, Agency, Board or Commission operating budget through a technical adjustment to 2005 base budgets. Insurance charges in future operating budgets will be included in the budgets of each Program, Agency, Board and Commission with no further allowance in the Non Program Budget.

Financial Implications and Impact Statement:

There are no financial implications arising from the adoption of this report. The recommendation re-allocates the 2005 Non-Program Budget for insurance to applicable Program, Agencies, Boards and Commissions.

Recommendations:

It is recommended that:

- (1) the Non Program account of \$21.0 million for Insurance, Premiums and Claims, as contained in the 2005 budget, be allocated as outlined in Appendix A to this report through a technical adjustment to the City Programs, Agencies, Boards and Commissions based upon the Insurance Allocation Algorithm; and
- (2) the appropriate City Officials be directed to give effect to the foregoing.

Background:

The 2005 Non-Program Budget contain \$21.0 million in funding for insurance and an additional \$12.8 million was contained in the Operating Budgets of City Programs and applicable Agencies, Boards and Commissions.

Comments:

Since amalgamation, the costs of insurance have been charged to City Programs and applicable insured Agencies, Boards and Commissions and to the Non-Program account. It is now timely to allocate the insurance costs more appropriately through:

- (1) eliminating the corporate Non Program amount through the allocation of the funding to Programs, Agencies, Boards and Commissions; and
- (2) implementing a costing algorithm which allocates insurance costs based on historic insurance claims volume and value amount and operating budget size.

Insurance Reserve funding has increased through annual adequacy reports submitted through the budget process and approved by Council. The Non Program budget contributions have increased from \$3.7 million in 2001 to \$16.0 million in 2004. An additional \$5 million approved in the 2005 Operating Budget making the Insurance Reserve Fund contribution from Non Program, a total of \$21.0 million. During the same period, the funding from Operating Budgets of City Programs and Agencies, Boards and Commissions has remained fairly constant with the exception of an increase in the Water and Wastewater Budget to reach virtually full funding in 2004. The historical funding of the Insurance Reserve Fund is illustrated in Table 1 below.

Table 1
 Insurance Annual Funding

	Cost of Insurance	Funding from Operating Budgets	Non-Program Funding	Investments and Recoveries	Insurance Reserve Fund Drawn-Down
2000	27,164,000	10,195,000	3,700,000	2,050,000	11,219,000
2001	23,016,000	10,307,000	3,700,000	1,853,000	7,156,000
2002	32,361,000	9,898,000	7,700,000	1,485,000	13,278,000
2003	33,458,000	11,326,000	12,700,000	1,783,000	7,650,000
2004	32,170,000	12,798,000	16,000,000	276,000	3,096,000
2005 Budget	34,098,000	12,798,000	21,000,000	250,000	50,000

The City's estimated 2005 annual insurance expenditure will be approximately \$34.0 million. This expenditure is only partly offset by contributions of \$33.8 million, consisting of \$12.8 million from Program, Agencies, Boards and Commissions operating budgets, \$21.0 million from the Non Program budget and \$.25 million from investment income and other recoveries. This leaves a 2005 annual deficit of \$.05 million, which will continue the draw down of the Insurance Reserve Fund.

Insurance Cost Algorithm

Insurance and Risk Management in consultation with the City's external insurance advisor, Marsh Canada has developed a new insurance allocation algorithm, which utilizes insurance claim frequency and severity and operating budgets to establish the proportionate share of the City's cost of insurance among the participating entities. The principles adopted in developing an allocation algorithm suitable for the City's diversely distinct Agencies, Boards, Commissions and Programs are that it is:

- (a) responsive to changes in loss experience (claims) and to changes in exposure to loss (budget size);
- (b) stable so charges do not vary widely from year to year; and
- (c) equitable by using the same data for each insured entity.

This methodology utilizes the most consistent and accurate data available to Insurance and Risk Management in order to equitably allocate insurance costs, using a consistent and meaningful allocation, which in the future will increase awareness and become a meaningful benchmark. The algorithm is detailed in Appendix A to this report.

In preparation for this change in how insurance costs are allocated and for the required technical adjustment to 2005 base budgets an explanatory information package was provided to all members of the Finance and Administration Co-ordinating Team and some ABCs. Following distribution of that information, several consultative meetings took place to address questions.

Re-Allocation of 2005 Insurance Charges

It is recommended that the 2005 Non Program amount of \$21.0 million for contribution to the Insurance Reserve Fund be reallocated to appropriate cost centres from the Non Program contributions. In future additional funding will be requested through the Non Program budget in order to meet the target balance of the Insurance Reserve Fund.

Appendix A, entitled City of Toronto 2005 Insurance Charge Allocation, outlines the proposed Non Program allocation to Programs, Agencies, Boards and Commissions, based on the new algorithm.

City's Estimated Insurance Liabilities

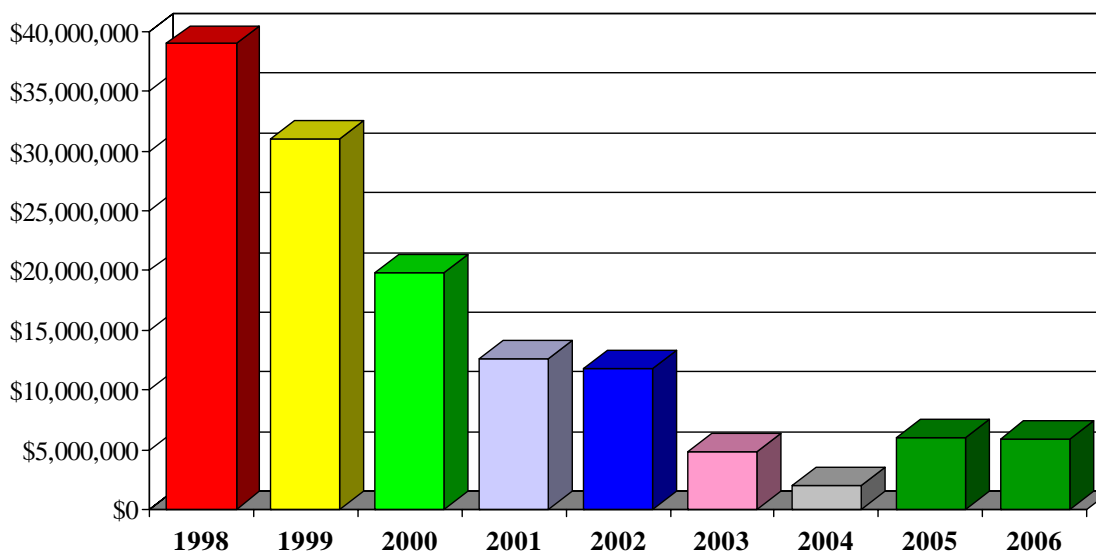
As a corporate principle, the balance of the Insurance Reserve Fund should be maintained at approximately the same level as the City's estimated outstanding insurance liabilities. This principle was established by City Council at its meeting of June 7, 8 and 9, 2000, wherein it adopted, Policy and Finance Committee Report 7, Clause 7; the Chief Financial Officer and Treasurer's report dated April 5, 2000 entitled, "Adequacy of Insurance Reserve Fund and Insurance Liabilities". The report recommended that as a principle, the target balance of the Insurance Reserve Fund be maintained at approximately the same level as the City's estimated outstanding insurance liabilities.

The City's external auditors, Ernst and Young at year end 2003 reported that the City's estimated insurance claims exposure was approximately \$66.8 million of which \$14.5 million represents the insurer's portion. The Reserve Fund balance was \$4.9 million at year-end 2003, therefore the unfunded insurance claims liability was \$47.4 million.

The methodology used in calculating outstanding insurance claims liabilities for purposes of auditing and reporting in the City's annual financial statements is under review and may affect the amount deemed to be unfunded. This will be reported as part of the 2006 Operating Budget process, along with a further update on a recommended funding strategy.

Graph 1 illustrates the history of the Insurance Reserve Fund and future status without additional funding.

Graph 1
Insurance Reserve Fund
Year End Actual and Projections



Ernst and Young recommends that the City review the approach to ensuring that the reserve is sufficient to cover the City's net exposure to insurance claims. Once the reserve has been increased to meet the current net exposure, it is important that, on an ongoing basis, the City recover the actual cost of claim payouts from the individual programs.

Therefore, contribution amounts to the Insurance Reserve Fund in years 2006 and beyond will be recommended on the basis of recovering the actual annual insurance claim payouts in conjunction with a plan to gradually establish a Fund balance at approximately the same level as the City's estimated outstanding liabilities. With increased contributions of \$5 million from Non Program in each of 2006 and 2007, the Insurance Reserve Fund will reach its target balance within approximately 10 years.

Risk Management

The redistribution of Non Program funding to the programs which are responsible for insurance costs will enable the City to focus its attention on loss prevention at the operational unit level; concentrate resources towards reducing the frequency and severity of claims and assist in determining the true cost of providing a particular public service through a full costing model. This model will reinforce loss control effort and make programs accountable for attributable losses.

Under the proposed redistribution of Non Program funding, the programs will experience no budgetary pressures in 2005, given that operating budgets will be adjusted by a corresponding change to program base budgets.

Conclusion:

This report recommends that the 2005 Operating Budget be amended by re-allocating the Non Program Account: Insurance, Premiums and Claims, to the budgets of each Program and applicable Agency, Board and Commission. The re-allocation is based on an algorithm which takes into account historic insurance claims volumes, charges and the relative operating budget size for each insured Program, Agency, Board and Commission.

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Appendix A
 City of Toronto 2005 Insurance Charge Allocation
 Based on Total Losses on a Five Year Rolling Average (1999,2000,2001,2002,2003)

Allocation of **\$34,098,000**

Total Cost of **\$ 34,098,000**

Total Percentage Allocated 100.00%

	A			B			C			D+E			TOTAL Insured Cost Allocated
	Previous 5 years Claim Count	Previous 5 years Claim Percent of Total	Allocator Weighting 25.00%	Previous 5 years Total Incurred	Allocator Weighting 55.00%	2004 Operating Budget	Percent of Total	Allocator Weighting 20.00%	Self Insured Total Cost Allocated	Insurance Percent of Total	Allocator Weighting 100.00%		
Works and Emergency Services	11,645	40.36%	\$3,440,825	\$63,722,394	50.11%	\$9,396,855	20.42%	\$1,392,440	\$14,230,123	41.73%	\$0	\$14,230,123	
Toronto Police Services	6,042	20.94%	\$1,785,270	\$23,034,582	18.11%	\$3,396,808	15.67%	\$1,068,343	\$6,250,420	18.33%	\$0	\$6,250,420	
Urban Development	169	0.59%	\$49,836	\$2,631,760	2.07%	\$388,094	1.94%	\$132,002	\$570,032	1.67%	\$0	\$570,032	
Finance	30	0.10%	\$8,864	\$415,343	0.33%	\$61,249	1.44%	\$98,514	\$168,627	0.49%	\$0	\$168,627	
Economic Development, Culture & Tourism	4,872	16.89%	\$1,439,562	\$13,247,956	10.42%	\$1,953,617	6.03%	\$411,169	\$3,804,348	11.16%	\$0	\$3,804,348	
Council	41	0.14%	\$12,115	\$922,717	0.73%	\$136,069	0.37%	\$25,288	\$173,472	0.51%	\$0	\$173,472	
CAO's Office	0	0.00%	\$0	\$0	0.00%	\$0	0.12%	\$8,145	\$8,145	0.02%	\$0	\$8,145	
Mayor's Office	10	0.03%	\$2,955	\$40,476	0.03%	\$5,969	0.04%	\$2,460	\$11,384	0.03%	\$0	\$11,384	
Auditor General	0	0.00%	\$0	\$0	0.00%	\$0	0.07%	\$4,634	\$4,634	0.01%	\$0	\$4,634	
Corporate Services	583	2.02%	\$172,263	\$2,471,074	1.94%	\$364,398	6.15%	\$419,623	\$956,283	2.80%	\$0	\$956,283	
Community & Neighborhood Services*	666	2.31%	\$196,787	\$3,521,829	2.77%	\$519,348	27.37%	\$1,866,286	\$2,582,421	7.57%	\$0	\$2,582,421	
Additional Agencies, Boards, Commissions*	579	2.01%	\$171,081	\$3,541,589	2.78%	\$522,262	8.97%	\$611,579	\$1,304,918	3.83%	\$0	\$1,304,918	
Water and Waste Water	4,213	14.60%	\$1,244,843	\$13,625,059	10.71%	\$2,009,221	11.42%	\$779,122	\$4,033,191	11.83%	\$0	\$4,033,191	
Total	28,850	100%	\$8,524,500	\$127,174,776	100.00%	\$18,753,900	100.00%	\$6,819,600	\$34,098,000	100.00%	\$0	\$34,098,000	

* Reduced by 724 M in Social Services provincial
 ** Exhibition Place, Zoo, Library, Theatres, Arena Boards, Community Centres, Dundas Square, TEDCO