

Town of Whitby Staff Report

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Report Title: Annual Insured Claims Report

Report to: Committee of the Whole

Date of meeting: June 2, 2025

Report Number: FS 25-25

Department(s) Responsible:

Financial Services Department

Submitted by:

Fuwing Wong, Commissioner Financial Services and Treasurer

**Acknowledged by M. Gaskell,
Chief Administrative Officer**

For additional information, contact:

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1. Recommendation:

1. That report FS 25-25 regarding Annual Insured Claims be received as information.

2. Highlights:

- In accordance with the Town's Claims Handling Policy and Insurance Reserve Fund policy the purpose of this report is to provide Council with a summary of the insured claims activity for 2024, the status of open claims and the year end balance of the Insurance Reserve Fund.
- This report provides Council with an update on the Durham Municipal Insurance Pool and the Town's insurance and risk management program.
- The Town continues to benefit from being a member of the DMIP by continuing to receive protection against significant rising insurance costs.

3. Background:

The Town is a member of the Durham Municipal Insurance Pool (“**DMIP**”) which consists of seven of the other Area Municipalities and the Region of Durham in an integrated insurance program to achieve greater control over the insurance coverage and costs.

The DMIP administers the insured claims for all members. The Town is responsible for claims within its local deductible of \$10,000 per claim and shares in the pool claims that are beyond the local deductible of pool members and within the pool’s deductible of \$500,000. Claims beyond \$500,000 are insured by Intact Public Entities (IPE). By agreeing to share the claims and expenses of the integrated insurance program, pool members achieve a more stable supply of insurance coverage to meet the unique requirements of the municipal marketplace.

4. Discussion:**Insured Claims**

The Town of Whitby receives claims from individuals most generally because of damage to private property or bodily or personal injury. A claim is submitted when the individual who suffered the loss or the injury believes that the loss was a result of some negligence on behalf of the Town or its employees.

The Town carries insurance through the DMIP to protect its employees, volunteers, and officers from such claims in addition to insuring Town-owned property. The types of insured claims include:

- **Motor Vehicle Accident** – includes claims relating to winter road maintenance, pothole claims, road debris
- **Operations Action/Inaction** – includes claims relating to damage to property in the course of performing work e.g., utility cable/wires during construction, projectiles from work equipment, trees falling
- **Falls** – includes claims for trips and falls or slips and falls on municipal property e.g., sidewalks, parking lots, trails, inside facilities and at playgrounds
- **Professional Error** – claims for financial losses due to error, misstatement or omission e.g., negligence in building inspection, zoning, planning, passing by-laws, failing to enforce by-laws
- **Automobile** – includes claims from third parties relating to property/bodily injury and property coverage for Town-owned vehicle damage
- **Property** – claims for damage to Town-owned insured property e.g., facilities

The insurance coverage includes costs incurred in responding to a claim including investigation and defence and any third-party awards/settlements, in instances where it is determined the Town is liable for damages.

Claims with Costs Incurred within Deductible

The Town is responsible for the first \$10,000 on each claim. Currently for claims occurring in the calendar year of 2024, the Town has incurred costs totaling approximately \$100,344 in deductible expenses. As liability claims can carry a long tail, actual costs are not necessarily fully realized in the same year the claims occur, and this number will grow as claims develop to settlement. Oftentimes there is a lengthy delay from the date of the incident until the claim is ultimately settled, and its full cost is realized. To illustrate this delay, in 2024 out of 94 claims closed 58 (62%) of them did not occur in 2024, and one claim closed this year had an incident date in the year 2012, 13 years ago.

In addition to settlement costs, deductible expenses also include external legal and external adjuster fees, investigation charges and other. Any claim that is reported has a cost to the Town whether it is liable or not as every claim must be investigated and/or defended which incurs cost. The Town has budgeted \$180,000 for insurance expenses in 2024 and 2024 expenditures of \$100,344 (outlined above) are within budget.

Open Claims at Year-End 2024

There were 58 open claims at the beginning of 2024 and 39 at the end of 2024. Claim activity during the year is as follows:

- 58 Insurance claims open at the beginning of 2024
- 75 new claims were received as Whitby claims during the year
- (94) claims were closed in 2024
- 39 Insurance claims open at the end of the year

The number of claims received in 2024 was lower than the previous year. In 2023, there were a total of 121 new claims received. This means in 2024 there was a year-to-year decrease of 38% in claims reported. Overall, this is a positive trend as 2023 saw an increase of 31% in claims reported from the prior year. The largest decrease in reported claim types from 2023 were in Automobile – Owned decreasing from 21 reported in 2023 to 4 in 2024 (a decrease of 81%) and Operations Action/Inaction decreasing from 41 reported in 2023 to 23 reported in 2024 (a decrease of 44%). A large decrease in these claims is a positive sign the Town's risk management is trending in the right direction. It is important to continue putting risk management to the forefront by implementing proper procedures and risk education to continue this positive trend.

The 75 reported claims in 2024 are categorized by type in Table 1.

Table 1

Total # of Reported Claims	Motor Vehicle Accidents	Operations Action/Inaction	Falls	Professional Error	Property	Misc Liability	Automobile Owned
75	19	23	18	2	4	5	4

Risk Management Strategies

The Town of Whitby is continuing to work with the DMIP on mitigating the Town's insurance related risks as follows:

- Ensuring procedures, training, documentation, including the use of AVL/GPS technology, complies with Minimum Maintenance Standards (MMS);
- The Town has an annual sidewalk inspection program;
- The DMIP conducts annual inspections of a number of Town facilities to identify building and property hazards. A written risk control inspection report including recommendations is provided and staff follow up on completing recommendations;
- Town staff review agreements, certificates of insurance, programs, and procedures i.e., include insurance and indemnity clauses to transfer risk and potential future liability from the Town to the appropriate party;
- The DMIP and Intact Public Entities provide proactive/preventative risk management seminars to educate staff on mitigating risk to the Town;
- Procuring additional insurance coverages, as required, including volunteer accident benefit coverage;
- The Town has a facility user liability program. The facility user liability insurance program minimizes risk to the facility rental user and the municipality by providing an option to purchase insurance for the facility rental for those who do not have the required insurance;
- Obtaining insurance coverage for specific programs and events including the Town's Adult Hockey League Program and various amateur performers at Town events.

Renewal of Insurance Contract for 2025/2026

At the time of writing this report, the DMIP has not yet received renewal quotation information from IPE. The 2025/2026 renewal application has been completed and

there is a board meeting scheduled for June 13, 2025 in which the renewal will be further discussed.

The Town's 2025 budget assumed an overall 8% increase for corporate insurance premium and deductible costs. If the renewal exceeds the budget estimate the pressure will be reflected in the 2025 year-end operating budget projection and staff will look to offset this with other operating budget savings from across the corporation. If there are no other 2025 year-end operating savings to help offset this budget pressure, then the Insurance Reserve Fund may be used to offset an overall operating budget deficit.

Insurance Reserve Fund

The Town's insurance reserve fund, as per policy (F160), may be used to fund expenditures beyond the budgeted deductible and premium amounts, claims payments in excess of insurance coverage, payments required under the Town's indemnification by-law and additional insurance/risk management related expenditures/studies.

Industry experts anticipate that the trend is for municipal insurance premiums to continue to rise and experience upward pressures on rates throughout the remainder of 2025 due to the hard market. There is a cycle of hard and soft markets in the insurance industry. A soft market allows for more competition in the marketplace, lower rates, and more favourable terms whereas a hard market results in less competition, higher rates, and more restrictive terms. The DMIP met with the pool's insurer and was advised the hard market will continue and that the trend is for municipal insurance premiums to continue to rise. They advised the hard market is reflective of the following factors:

- increasing costs of claims due to increase in judicial awards and increasing litigious nature of society
- significant property loss claims related to weather events and climate change including wildfires, fires, flooding, ice storms

At the end of 2024 the balance of the Insurance Reserve Fund adjusted for budgetary commitments is \$1,776,762.

5. Financial Considerations:

The financial considerations are outlined throughout this report.

6. Communication and Public Engagement:

An electronic claims intake form was launched March 1, 2022 on the Town's website, where residents/other claimants receive automatic notification of receipt of a claim. The DMIP and Town staff are immediately notified and can begin the claims investigation process.

7. Input from Departments/Sources:

Claims and in particular those going through the litigation process require considerable staff resources. Staff resources from across the organization are involved in the investigation of claims, preparing and participating in the claims litigation process and identifying and implementing lessons learned. Further, staff work together to mitigate the Town's risks by establishing/updating policies and procedures and keeping records that demonstrate such and ensuring appropriate transfer of risk when procuring goods and services and permitting Town facilities and special events.

8. Strategic Priorities:

N/A

9. Attachments:

N/A