

# Municipal Risk

FALL 2023

**LAS** | AMO  
Business  
Services

## Provincial-Municipal Working Group: Evolving Approaches to Municipal Risk Management

This quarterly publication provides helpful information on insurance and risk management.

[Contact us](#) if there are topics you want us to cover.

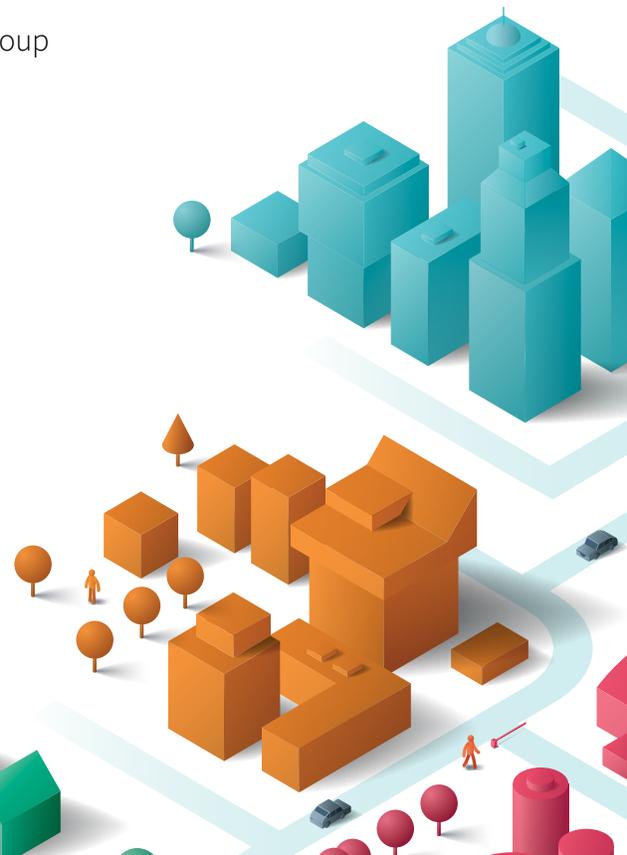
The market for municipal insurance is unpredictable and complex and it is only one way that municipalities can finance and manage risk. While there are no easy solutions, a provincial-municipal Technical Working Group has opened a dialogue and identified next steps to improve risk management to meet evolving needs. The group was comprised of staff from several provincial ministries, municipal governments, the Association of Municipalities of Ontario (AMO), its business arm Local Authority Services (LAS) and other experts as needed.

In the past, municipal advocacy has focused on addressing the legal concept of joint and several liability. It was seen as an important tool to manage financial risk and rising insurance premiums. Successive provincial governments have declined to take action. The province is looking for data to show that joint and several liability is indeed connected to rising premiums. To make meaningful progress, additional approaches are needed.

The Technical Working Group's objective was to broaden review of the municipal risk management challenge and identify gaps in data, discuss alternate liability models, and look for short and long-term options to address risk financing challenges.

In terms of advocacy and new risk financing solutions, the Working Group recommended:

- Collecting joint and several liability (JSL) data through AMO/LAS to further understand the impacts on municipal risk financing costs. More fulsome data is essential to developing new solutions. The ClearRisk partnership is designed to help gather this aggregated data. The more information collected, the better the quality of the analysis.
- Confirming the feasibility of a new municipal sector reciprocal insurance exchange or other alternative risk financing structure. Some public organizations and sectors have created alternatives to the traditional for-profit insurance market. The task force agreed that this merits further review.



The working group also identified regulatory and legislative matters that could better manage specific high-risk matters:

- Ensuring robust municipal involvement in the ongoing review of the Ministry of Transportation’s Minimum Maintenance Standards. The prescribed standards for road maintenance were initially created in 2003 to provide municipalities with greater liability protections. However, the case law since enacted reveals mixed results. Municipal input on these standards is critical, especially since a certain amount of operational flexibility is also needed.
- Ensuring municipal concerns about extreme weather resilience and building inspection liability is included in AMO’s broader advocacy on the Building Code and the provincial housing strategy. Updating approaches to development and building codes are ways to help prevent or reduce these losses from the increased extreme weather and climate change.
- Increasing awareness of the need for insurance or other compensation processes for individuals injured while using micro-mobility devices and other new vehicle types (e.g., e-bikes, pedal pubs).

Municipal insurance markets can be volatile due to:

- Global macroeconomic conditions (e.g., investment returns, inflation)
- Growing volume and scale of claims, including those from extreme weather events (both local and international) and cyber incidents.
- The ongoing impacts of the COVID-19 pandemic
- Level of competition between insurers and insurance providers

When pricing insurance, commercial insurers look to balance the effects of these factors with their business objectives.

### **Risk management is a key pillar of municipal financing.**

Risks today continue to grow and the insurance market remains uncertain. AMO and LAS are committed to continued collaboration. There are currently plans for a semi-annual forum to monitor progress on the Working Group Action Plan, review recommended action points, such as data collection initiatives, and identify emerging risks. AMO will also continue to promote education and outreach to share the Working Group’s learnings on municipal risk and liability, and to engage in ongoing work to support this important area of municipal concern.

#### **ClearRisk : A made-for-Ontario, digital solution**

Through its Digital Partnerships, AMO has partnered with ClearRisk, a software platform that streamlines claim processing for municipal government. Improved data insights and claims tracking helps municipalities better target risk management efforts to reduce the number of claims.

