

Memorandum to the Council of

Corporation of the Municipality of Temagami

Subject: Chalet Heating System Failure - Insurance Claim

Memo No: 2025-M-079

Date: April 10, 2025

Attachment: None

Prepared By: Laala Jahanshahloo - CAO/Treasurer

Recommendation

BE IT RESOLVED THAT Council receives Memo 2025-M-079 as presented.

Contents

1. Executive Summary.....	2
2. Background	2
3. Incident Overview	2
4. Repairs and Restoration.....	3
5. Financial Settlement and Insurance Coverage	3
6. Subrogation Process	4
7. Compliance and Security	4
8. Conclusion	5

1. Executive Summary

- Background: On January 29, 2025, the installed heating system failed at the Chalet, resulting in frozen plumbing and substantial water damage.
- Cause: An improperly installed electrical connection to the furnace's flame sensor caused system failure. Liability is attributed to negligence by installer and / or manufacturer.
- Costs: Total repair costs were \$20,010.02. The Municipality received \$8,019.66 in reimbursement from Intact Public Entities, net of tax rebates and the \$10,000 deductible.
- Action Required: The Municipality must sign the Proof of Loss, pay the contractor directly, and support ongoing subrogation efforts.
- Status: All repairs are completed and fully compliant. Insurance settlement has been initiated, and recovery of the deductible is underway via subrogation.

2. Background

- October 31, 2022: Installer submitted a quote of \$24,182.00 to install a new HVAC system at the Chalet.
- December 7, 2022: The Municipality accepted the proposal from installer and the system was installed thereafter.
- System Performance: The unit operated without issue until failure was discovered on January 29, 2025.

3. Incident Overview

- Date of Failure: January 29, 2025
- Location: 120 Jack Guppy Way, Chalet facility

- Description: The heating system failed, resulting in frozen pipes, ruptured plumbing, and internal water damage.
- Investigation Findings: Adjusters SSA determined that a loose electrical connection to the flame sensor - improperly installed - was the cause. No post-installation modifications were made by Municipal staff or third parties.
- Liability: installer and/ or manufacturer.

4. Repairs and Restoration

- Contractor: DKI TCR, Project Manager Darwin Neault
- Repair Timeline:
 - Feb 7–10: Initial inspection, pipe defrosting, and drying completed.
 - Feb 12–24:
 - All plumbing lines repaired.
 - Toilets, faucets, and sinks fully replaced.
 - On-demand hot water heater and water treatment system inspected and repaired.
 - Dishwasher tested and confirmed operational.
 - Feb 24: Internet service installed to support a new remote temperature alarm system as a preventive measure.
- Final Inspection: March 27, 2025 – The MLEO confirmed all work was completed to satisfaction and the facility is fully secure and operational.

5. Financial Settlement and Insurance Coverage

- Total Repair Costs: \$20,010.02
 - Emergency Work: \$3,323.61 (Total Cleaning and Restoration)

- ▶ Restoration Work: \$16,686.41 (Priest Plumbing - \$12,949.88 and Brubacher Appliances - \$348.49)
- Tax Rebate Recovery:
 - ▶ GST (5%): 100% recovered
 - ▶ PST (8%): 78% recovered
- Net Claim (after rebates): \$18,019.66
- Insurance Deductible: \$10,000 (Municipality's responsibility)
- Insurer Reimbursement: \$8,019.66 from Intact Public Entities
- Municipal Payment: Full amount of \$20,010.02 to be paid to Total Cleaning and Restoration by the Municipality.

6. Subrogation Process

- Initiated: March 3, 2025 by SSA Adjusters
- Target: Installer and/ or Manufacturer
- Purpose: Recovery of the \$10,000 deductible paid by the Municipality, and \$8,019.66 reimbursed by the insurer.
- Status: Letters of claim submitted; insurer proceeding with legal recovery.

7. Compliance and Security

- Municipal Compliance:
 - ▶ All repairs were conducted under safety and procurement guidelines.
 - ▶ Invoices, inspection reports, and communications are on record and confirm due diligence.
- Facility Security:
 - ▶ Repairs restored full structural integrity and operational function.

- A temperature alarm system, enabled via internet, will be installed to ensure real-time monitoring and prevent future incidents.

8. Conclusion

- The Municipality has fulfilled all responsibilities related to the furnace failure incident.
- Financial Outcome: \$8,019.66 was recovered; \$10,000 deductible is under subrogation.
- Operational Outcome: The Chalet is restored, compliant, and will be equipped with improved safeguards.