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# HALDIMAND COUNTY

## Report CS-SS-26-2018 2nd Quarter Insurance Loss Report - 2018

For Consideration by Council in Committee on August 28, 2018

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### OBJECTIVE:

To advise Council of insurance claims made against the County and the costs incurred for deductibles for the period April 1, 2018 to June 30, 2018

### RECOMMENDATIONS:

1. THAT Report CS-SS-26- 2018 2<sup>nd</sup> Quarter Insurance Loss Report – 2018 be received as information.

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**Reviewed by:** Cathy Case, Manager, Support Service

**Respectfully submitted:** Karen General, CPA, CGA, General Manager of Corporate Services

**Approved:** Donald G. Boyle, Chief Administrative Officer

### EXECUTIVE SUMMARY:

Activity from the second quarter of 2018 indicates an increase in the number of insurance claims received by the County, being 54, as compared to the first quarter of 2018 which saw 38 claims received.

Although, at times, there are incidents that are beyond the control of the County, a continued reduction in insurance claims and related expenses in all areas can be realized by placing an emphasis on reducing and managing risk and loss exposures.

### BACKGROUND:

The County pays premiums to the external insurance carriers for general insurance coverage. In addition, funds are allocated annually within the County's budget for the self-insurance program. The self-insurance program is designed to cover the costs of investigation, defence and settlement of all claims falling below the deductible levels, as well as paying the respective deductibles to the insurer on all claims exceeding these levels.

For 2018, as with previous years, the County has been subject to varying levels of deductibles for general insurance coverage, depending on the coverage area. The municipal liability coverage carries a deductible of \$250,000; the property insurance deductible is \$50,000; and the auto insurance deductible is \$25,000. All deductibles are applicable on a per occurrence basis.

This report does not reflect the total value of insurance claims that exceed the County's deductible levels. The settlement costs, over and above the County's deductibles, are incurred directly by the insurance companies and are reflected back in the insurer's annual premium rates based on the County's historical claims experience.

The last quarterly report presented to Council, regarding the self insurance portion of the County's insurance program, covered the period of January 1, 2018 to March 31, 2018 (Report CS-SS-19-2018). This report represents the second quarter of 2018's claims experience, as well as a comparison to the full year of 2017.

At the time the 1<sup>st</sup> Quarter Insurance Loss Report (CS-SS-19-2018) was presented to Council earlier this year, a question arose as to how the County compares to other similar municipalities where insurance claims are concerned. Staff had significant difficulty in gathering this data, likely due to the summer holiday period and vacation schedules. The chart below depicts the data that was able to be obtained for 2017. The municipalities that provided data, requested confidentiality and therefore the municipalities have not been identified.

#### **Insurance Claims Comparison to Other Municipalities for 2017**

<b>Municipality</b>	<b>Approx. Population</b>	<b>Auto Claims</b>	<b>Property Claims</b>	<b>Liability Claims</b>	<b>Total Claims</b>	<b>Internal Deductible</b>
Haldimand	45,000	44	81	27	<b>152</b>	No
#2 – Single Tier	75,000	30	7	121	<b>158</b>	No
#3 – Single Tier	35,000	1	0	20	<b>21</b>	Yes
#4 – Single Tier	98,000	104	28	145	<b>277</b>	No
#5 – Upper Tier	450,000	69	7	127	<b>203</b>	Yes

The above chart requires an explanation related to the variation in claim numbers due to some municipalities having an internal deductible which skews the comparison. In such cases, municipal staff that administer insurance claims do not receive reports of an auto or property claim from other divisions/departments within their organization unless the value of the damage exceeds the internal deductible that has been set. For example, municipality #5 in the above chart has established an internal deductible for their auto of \$5,000. Therefore, claims handling staff do not receive any auto claims for the other divisions unless the damage exceeds \$5,000. This results in a number of claims being handled and funded up to that internal deductible by the division that has incurred the damage, and so those incidents are not reported as claims. Regarding municipality #3, the divisions cover all costs for auto and property losses up to the municipality's insurance deductibles and therefore the legal division only receives liability claims to handle or the auto and property claims which breach the deductibles and are reported to the insurer. This is why the number of auto and property claims reported above appear so low. It is evident that the above chart is challenging to analyze due to differing internal procedures among municipalities which result in incomparable reporting results. As well, it should be noted that this chart only presents one year of insurance claim statistics which may not be representative of a trend or issue.

### **ANALYSIS:**

The attached schedule (Attachment #1) depicts the 54 claims that were received in the second quarter of 2018. Of the claims received during this quarter, 18 remain outstanding as they are under investigation by staff or the County's adjuster. Attachments #2, #3, #4, #5 and #6 provide a further breakdown by the category of the claims received and the costs incurred.

The claims received in the automotive area amount to 16 for the second quarter. Five claims involved damage to windshields. Another involved damage to an ambulance when it struck a deer while proceeding to an emergency call on Concession 11, Walpole.

The property area of coverage saw 21 claims incurred, with 3 of the claims attributed to damage caused by weather related events, including a washout of a section of the Rotary Trail. Three of the property claims are the result of County property being damaged due to the actions of identifiable third parties. These claims are being subrogated by the County to attempt recovery of expenses.

Seventeen (17) liability claims were received in the second quarter of 2018, including 3 claims for damage involving County trees. Ten of the claims received arose from damage sustained to vehicles which struck drywall screws which were strewn on Haddington Street. Investigation of these claims indicates that perhaps a box of these screws may have fallen off a moving vehicle. Once Roads Operations was made aware of this roadway condition, a crew was dispatched immediately to clean up the roadway.

During the second quarter, the County incurred insurance settlement costs of \$98,167 as per Attachment #6. The settlement costs and expenses realized in a quarter do not necessarily represent the full cost of claims submitted during that quarter. Costs pertaining to claims from previous quarters, and even years prior, can be incurred at any time upon resolution or through continued negotiation and litigation. The costs incurred for the second quarter were due in large part, to payments of approximately \$60,000 being made with regard to the resolution of outstanding claims in litigation where the County's deductible had not yet been reached. Funds were also expended to repair and/or replace County property and vehicles which had sustained damage.

In an effort to reduce the incidence of claims and subsequent costs, various risk management measures are taken. Incidents involving County vehicles or equipment are reviewed by a staff Vehicle Accident Review Committee on a monthly basis. Recommendations are made by the Committee to the applicable Manager and Supervisor to reduce the likelihood of recurrence of such incidents. Managers are kept aware of liability claims that are received and the outcomes of those claims. This information is used to assess the necessity of implementing measures to mitigate against future claims and/or losses.

With regard to subrogation, the County has followed the approach of attempting recovery for costs incurred due to vandalism or for damage to County property as a result of certain motor vehicle accidents. Where the identity of the responsible party for the claim/damage can be proven, staff subrogate against the third party in an attempt to recover the County's costs. Attachment #5 outlines the costs that have been billed to third parties and recoveries achieved in the second quarter of 2018. Note that these amounts are over and above the claims costs reported in Attachment #6 and represent an additional expense to the County if recovery is not achieved. Due to the timing of the recovery invoices, receipt of payment is often not reflected in the same quarter that the claims costs are incurred. As noted, the costs reported in Attachment #5 are in addition to the County's expenses outlined in Attachment #6.

## **FINANCIAL/LEGAL IMPLICATIONS:**

The 2018 budget for insurance claim costs and deductibles (both internal and external) was established at \$400,000. The costs of the self insurance program reflect that, at the end of the second quarter, \$134,659 or 34% of this budget has been expended. This does not include any allowance for outstanding/unresolved claims or reserves that have been established by the insurer for larger claims. It also excludes approximately \$29,500 in costs related to claims for which reimbursement through subrogation is being sought.

The County's Insurance Reserve is used to fund the costs incurred in settling claims administered internally as well as payment of deductibles. This source of funding avoids significant negative variances affecting the annual operating budget due to unusual and costly events, which are typically not expected as part of day-to-day business. Without such a source of funding, there would be major fluctuations in the annual expenditures incurred within the various operating divisions, as well as challenges in defining, monitoring and managing "normal" operations. The Self Insurance Reserve has an unaudited balance of approximately \$1.21 million as at the end of 2017. This balance reflects an accrual for outstanding claims currently in litigation or under investigation totaling \$1.15 million.

## **STAKEHOLDER IMPACTS:**

All Managers are provided with the details of the insurance claims filed against the County in order that appropriate risk mitigation steps can be taken to prevent future incidents of a similar nature, where possible.

## **REPORT IMPACTS:**

Agreement: No

By-law: No

Budget Amendment: No

Policy: No

## **ATTACHMENTS:**

1. 2018 Insurance Loss Experience - Total Claims Received.
2. 2018 Insurance Loss Experience - Total Automotive Claims Received.
3. 2018 Insurance Loss Experience - Total Property Claims Received.
4. 2018 Insurance Loss Experience - Total Liability Claims Received.
5. 2018 Subrogation Chart – Costs Incurred/Recovery Achieved.
6. 2018 Insurance Loss Experience - Settlement Costs