
HALDIMAND COUNTY

Report LSS-01-2018 3rd Quarter Insurance Loss Report - 2018

For Consideration by Council in Committee on December 11, 2018



OBJECTIVE:

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

RECOMMENDATIONS:

1. THAT Report LSS-01-2018 3rd Quarter Insurance Loss Report – 2018 be received as information.

Prepared by: Dana McLean, Supervisor, Risk Management & Legal Services

Reviewed by: Cathy Case, General Manager, Corporate & Social Services

Respectfully submitted: Cathy Case, General Manager, Corporate & Social Services

Approved: Donald G. Boyle, Chief Administrative Officer

EXECUTIVE SUMMARY:

Activity from the third quarter of 2018 indicates a decrease in the number of insurance claims received by the County, being 30, as compared to the second quarter of 2018 which saw 54 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 April 1, 2018 to June 30, 2018 (Report CS-SS-26-2018). This

report represents the third quarter of 2018's claims experience, as well as a comparison to the full year of 2017.

ANALYSIS:

The attached schedule (Attachment #1) depicts the 30 claims that were received in the third quarter of 2018. Of the claims received during this quarter, 16 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 8 for the third quarter. Two claims involved minor damage to County vehicles caused by third parties.

The property area of coverage saw 14 claims incurred, with 5 of the claims attributed to acts of vandalism including graffiti related damage, wherein the responsible party has not been identified. 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.

Eight (8) liability claims were received in the third quarter of 2018, including 2 claims for damage to third party vehicles related to alleged road deficiencies. One of the claims received is due to a trip and fall incident on a sidewalk.

During the third quarter, the County incurred insurance settlement costs of \$203,327 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 third quarter were due in large part, to a payment of approximately \$145,000 being made with regard to the resolution of an outstanding claim 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 third 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 third quarter, \$337,986 or 84% 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 \$48,000 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.