
HALDIMAND COUNTY

Report LSS-15-2019 4th Quarter Insurance Loss Report - 2018

For Consideration by Council in Committee on April 16, 2019



OBJECTIVE:

To advise Council of insurance claims made against the County and the costs incurred for deductibles for the period October 1, 2018 to December 31, 2018.

RECOMMENDATIONS:

1. THAT Report LSS-15-2019 4th Quarter Insurance Loss Report - 2018 be received as information.

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

Approved: Donald G. Boyle, Chief Administrative Officer

EXECUTIVE SUMMARY:

The fourth quarter and full year insurance activity for 2018 indicates an increase in the number of claims received by the County, as compared to the whole of 2017. Although, at times, there are incidents that are beyond the control of the County, a further reduction in claims and expenses in all areas can be realized by placing an emphasis on reducing and managing risk/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 July 1, 2018 to October 31, 2018 (Report LSS-01-2018). This report represents the fourth 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 forty three (43) claims that were received in the fourth quarter of 2018. Of the claims received during this quarter, thirteen 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 categories of the claims received and the costs incurred.

The claims received in the automotive area total fifteen (15) for the fourth quarter. Four claims involved contact with stationary objects while the vehicles were in reverse. Three claims involved non-preventable damage to windshields.

The property area of coverage saw eighteen (18) claims. Five of the property claims are attributed to damage caused on the County's roads by third parties. The responsible parties for four of the claims have been identified and those claims are being subrogated by the County to attempt recovery of the County's expenses. Six other claims were as the result of graffiti and vandalism to County property by unidentified parties.

Ten (10) liability claims were received in the fourth quarter of 2018, including damages incurred by third parties allegedly as a result of potholes and debris on County roadways as well as alleged errors in the issuance of building permits. Of the ten liability claims received, seven remain outstanding and are being investigated at this time.

During the fourth quarter, the County incurred costs to defend/settle claims of \$230,433 as per Attachment #6, excluding costs where subrogation is being attempted (see below). This includes \$175,110 paid to the County's external insurer for the resolution of a claim being administered through the litigation process. The balance of the internal claims costs incurred in this quarter were mainly expended to repair and/or replace County property and vehicles which had sustained damage. The settlement costs and expenses realized in a quarter do not necessarily represent the full cost of claims received 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.

In an effort to reduce the incidence of claims and subsequently costs, various risk management measures are taken. Incidents involving County vehicles or equipment are reviewed by the 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 4th 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.

To summarize the insurance activity of 2018, the total number of claims received by the County increased by 8.5% last year – 165 as compared to 152 in 2017. This increase in claims occurred in the areas of auto (59-2018/44-2017) and liability (40-2018/27-2017). The property area of coverage saw an 18.5% decrease in the number of claims received in 2018. The costs to settle insurance claims in 2018 decreased from the 2017 year. As shown in Attachment #6, the related settlement costs

decreased by 10.2% in 2018 to \$568,419, as compared to the 2017 figure of \$633,301. Some of last year's expense was related to settlement costs for claims in litigation.

Legal & Support Services staff coordinate with the County's insurance provider annually to provide various risk management education to County staff which will continue to reinforce using appropriate measures to reduce claims and mitigate damages.

FINANCIAL/LEGAL IMPLICATIONS:

The 2018 budget for insurance costs and deductibles (both internal and external) was established at \$400,000. At the end of the fourth quarter, \$568,419 or 142% of this budget was expended. The 2018 expenditure does not include any allowance for outstanding claims or reserves that have been established by the insurer for larger unsettled claims. It also excludes approximately \$39,000 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 \$1.62 million as at the end of 2018. This balance reflects an accrual for outstanding claims currently in litigation or under investigation totalling just in excess of \$617,000.

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.