
HALDIMAND COUNTY

Report LSS-16-2020 1st and 2nd Quarter Insurance Activity - 2020

For Consideration by Council in Committee on October 27, 2020



OBJECTIVE:

To advise Council of insurance activity including claims made against the County and costs incurred for the period of January 1, 2020 to March 31, 2020 and April 1, 2020 to June 30, 2020.

RECOMMENDATIONS:

1. THAT Report LSS-16-2020 1st and 2nd Quarter Insurance Activity Report - 2020 be received as information.

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Approved: Craig Manley, MCIP, RPP, Chief Administrative Officer

EXECUTIVE SUMMARY:

The claims data from the first and second quarter of 2020 are being prepared jointly. Overall, claims trends were down in the first half of the year. The data is not completely indicative of a typical year as the activity over this time period partly reflects the effect of the COVID-19 pandemic. Furthermore, in order to offer more transparency to Council and the public, there are some minor changes and additions in how the claims data is being presented to Council from previous years; the details of which are outlined below.

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 Reserve (SIR) program. The SIR program is designed to cover the costs of investigation, defence and settlement of all claims falling below the deductible levels, as well as payment of the respective deductibles to the insurer on claims exceeding these levels.

As with previous years, deductible levels are varied and based on the type of insurance coverage applicable to a loss or claim. For example, municipal liability coverage carries a deductible of \$250,000, property coverage is \$50,000 and auto coverage is \$25,000. All deductibles are based on a per occurrence basis.

This report does not quantify the total cost of a claim if a deductible is exceeded. The dollar value of insurance claims over and above the deductible levels are reported in the annual litigation report and are also reflected in annual premium changes, which are based on the County's historical claims experience as well as market conditions.

The following information outlines the statistical data for the 1st and 2nd quarter of 2020 and compares the information to historical data in order to recognize the County's risk profile and trends that can be addressed and mitigated.

ANALYSIS:

Claims can vary in value and scope, are managed according to the specifics of each claim and fall within one of the three categories.

Litigation - is dealt with by legal counsel assigned by the County and/or the insurer, with staff working in close consultation on these matters.

Informal Claims - are claims for compensation managed by staff or with the assistance of a third party adjuster for more complex matters.

Incidents - are those events where staff receive notification of something happening, but there is no claim for compensation.

Claims which fall within the litigation category are provided annually to Council in a separate report. Attachment #1 provides information on the types of claims and incidents received in the first two quarters and by what means they are managed. It is important to continually review all reported incidents alongside the claims and litigation matters in order to obtain a holistic view of risk exposure. Staff continually review this data and engage in risk mitigation strategies, such as those described under the Risk Management section of this report.

In an effort to improve the data capturing and assessment of information, claims that are issued **against** the County, which are claims or demands for compensation by third parties to Haldimand County, are separated from claims issued **by** the County. Claims made **by** the County can include damage claims made internally, such as fleet claims due to damaged vehicles, lost or stolen equipment, as well as damage to County infrastructure by third parties (for example, motor vehicle collisions damaging a street light). Where the County can identify a responsible party for such damage, further administrative duties are completed, including subrogating for cost recovery. In the absence of a responsible party, claims are made by the applicable division to the risk management and legal services staff and processed internally for the division's cost recovery. Claims exceeding or nearing the deductible threshold are processed through the County's insurer in accordance with the contractual provisions of the respective insurance policies. Within the parameters set out above, the County is also responsible to report certain types of incidents, including liability claims regarding bodily injury matters to the insurer, even where the deductible threshold has not (yet) been met.

Data:

Within the first and second quarter of 2020, Haldimand County received 19 claims (8 and 11, respectively). While by comparison, the numbers are at par with the 2019 year to date (YTD) claims, it should be noted that staff are now tracking claims that are either falsely issued against the wrong municipality or where the legal responsibility lies with a contractor or third party and is noted as "Not County Jurisdiction/Other" on Attachment #1. In effect, this means the actual claims processed, compared with 2019 YTD is slightly lower than the average for Q1 and Q2.

Attachment #1 also breaks down the claims received by the applicable division. As is common with municipal operations, the Roads Operations division experiences the bulk of the claims made against the County as their risk exposure is the highest. Further, the presence of the ongoing pandemic has led to a small decrease in the typical services normally provided through the early months of the year and into the warmer months. This has resulted in a slight decrease in incidents and/or claims specific to facility operations, parks, and community events which would normally be seen during this time.

In terms of claims made by the County, 9 claims were processed in the first quarter and 8 in the second quarter. A breakdown of this information is provided in Attachment #2 and indicates that the volumes are well below the average for this time period. Attachment #2 also outlines the recovery/subrogation data in further detail, meaning costs that Haldimand County were able to recover for damage by a responsible third party. It is important to note that the subrogation figures do not necessarily reflect the actual quarter that the damage may have occurred in, rather they reflect the recovered amounts attained in Q1 and Q2, as the recovery process and timeline can vary depending on the type and nature of the claim that staff process or subrogate for.

Finally, Attachment #3 outlines costs associated with resolving claims, both by and for the County, as described above. The resolution of a claim is either in the form of settlement or denial of a claim, or in the case of litigation, a judgement. Costs associated with denial of claims are usually limited to the expenses incurred to investigate a claim and efforts are made to keep these costs to minimum, where feasible. Costs for settled claims during the stated period are not indicative of claims received during the same period, as the timeline and process of claims investigation varies according to the specific nature of each claim. Costs pertaining to claims from previous quarters and prior years include expenses to resolve claims involved in the litigation process. In these cases, one claim settlement might be for settlements up to a deductible threshold, while settlement of internal claims would represent compensation for a damage to property and might be somewhat lower.

Risk Management:

Efforts are made to reduce the frequency and severity of claims and costs incurred, using both proactive and reactive risk management measures. For example, incidents involving County vehicles and equipment are reviewed by the Vehicle Accident Review Committee (VARC) on a monthly basis. The VARC is comprised of stakeholders from Human Resources, Fleet and Management. Recommendations are made by the Committee to the applicable Manager and Supervisor in an effort to mitigate future losses by use of training, reassessment of business processes, as well as any other measures that may be applicable to the loss. Senior staff are also kept aware of liability claims that are received, as well as the outcomes of those claims. Staff are currently initiating a formal process where Notices of Settlement will be issued, whereby settlements have taken place and in consultation with senior staff, recommendations will be made to assist with mitigating or preventing future losses.

The practices of risk management are not limited to the division responsible for the insurance and risk program. For example, the Fleet division is responsible for administering the Commercial Vehicle Operators Registration (CVOR) program as mandated through the Highway Traffic Act. Fleet has confirmed this year that through the administration of this program, the County has achieved a zero violation rate over a period of more than 15 years.

Further, risk management techniques and the culture of risk management is prevalent in the day to day operations throughout Haldimand County and staff work collaboratively to reduce risks associated with municipal operations.

FINANCIAL/LEGAL IMPLICATIONS:

The 2020 budget for insurance claims costs and deductibles (both internal and external) was established at \$400,000. The costs of the SIR program reflect that, at the end of the second quarter, \$72,722.48 or 18.18% of this budget has been expended. This does not include any allowance for outstanding and/or unresolved claims or reserves that have been established by the insurer for larger claims. It also excludes approximately \$15,885.20 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 the 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 \$1,935,000 as at the end of 2019. This balance includes an accrual for outstanding claims currently in litigation or under investigation totalling just in excess of \$558,899.49.

STAKEHOLDER IMPACTS:

All Managers are provided with the details of the insurance claims filed against the County, as well as internal claims made, on a regular basis throughout the year.

REPORT IMPACTS:

Agreement: No

By-law: No

Budget Amendment: No

Policy: No

ATTACHMENTS:

1. 2020 Q1 & Q2 Claims Data – Total Claims against the County
2. 2020 Q1 & Q2 Claims Data – Total Claims by the County
3. 2020 Q1 & Q2 Claims Data – Resolution of Claims Data