

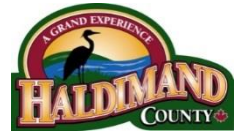
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# HALDIMAND COUNTY

## Report CS-SS-08-2018 4th Quarter Insurance Loss Report - 2017

For Consideration by Council in Committee on March 27, 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 October 1, 2017 to December 31, 2017.

### RECOMMENDATIONS:

1. THAT Report CS-SS-08-2018 4<sup>th</sup> Quarter Insurance Loss Report – 2017 be received as information.

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

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

**Approved:** Karen General, CPA, CGA, Deputy Chief Administrative Officer

### EXECUTIVE SUMMARY:

The fourth quarter and full year insurance activity for 2017 indicates an increase in the number of claims received by the County, as compared to the whole of 2016. 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 external insurance carriers for general insurance coverage. In addition, funds are allocated annually within the 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 2017, as with previous years, the County was subject to varying levels of deductibles for our general insurance coverage, depending on the coverage area. The deductible for liability coverage is \$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 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, 2017 to September 30, 2017 (Report CS-SS-34-

2017). This report represents the fourth quarter of 2017 claims experience, as well as a comparison to the full year's claims in 2016.

## **ANALYSIS:**

The attached schedule (Attachment #1) depicts the forty six (46) claims that were received in the fourth quarter of 2017. Of the claims received during this quarter, nineteen 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 thirteen (13) for the fourth quarter. Three claims involved contact with stationary objects being made by County snow plows. One claim involved an incidence of vandalism to a County vehicle for which the responsible party has not been identified.

The property area of coverage saw twenty five (25) claims, mainly to roads infrastructure (guard rails, posts, guide wires, etc.). Seventeen of the property claims are attributed to damage caused by third parties, seven of which the responsible parties were not able to be identified. The responsible parties for the remaining 10 claims have been identified and those claims are being subrogated by the County to attempt recovery of the County's expenses. Two other claims resulted in damage to County property as a result of weather conditions – lightning & wind. Ten property claims resulted in County property being damaged due to the actions of third parties..

Eight (8) liability claims were received in the fourth quarter of 2017, including damages incurred by third parties allegedly as a result of County tree failures and potholes. Of the eight liability claims received, five remain outstanding and are being investigated at this time.

During the fourth quarter, the County incurred costs to defend/settle claims of \$203,902, as per Attachment #6, excluding costs where subrogation is being attempted (see below). This includes \$138,820 paid to the County's external insurer for costs of defending and resolving claims that they are administering through the litigation process (see Report CS-SS-09-2018). The balance of the internal claims costs incurred in this quarter were 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 4<sup>th</sup> quarter of 2017. 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. Recoveries in 2017 were hampered by a lack of information for billing purposes. Staff have been able to obtain the necessary information in the fourth quarter and billing of the appropriate third parties has

occurred. Recoveries of outstanding amounts is expected to occur throughout 2018. 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 2017, the total number of claims received by the County increased by 19% last year - 152 as compared to 128 in 2016. This increase in claims occurred in the areas of auto (44-2017/30-2016) and property (81-2017/57-2016). While the liability area of coverage saw a 34% decrease in the number of claims received in 2017. The increase in property damage claims can be partly attributed to increased storm weather-related events which has been occurring annually. The costs to settle insurance claims in 2017 increased significantly from the 2016 year. As shown in Attachment #6, the related settlement costs increased by 37% in 2017 to \$633,648, as compared to the 2016 figure of \$461,348. Some of last year's expense was related to settlement costs for claims in litigation (see Report CS-SS-09-2018.)

Support Services staff have coordinated with the County's insurance provider to provide various risk management sessions to County staff throughout 2018 which will continue to reinforce using appropriate measures to reduce claims and mitigate damages.

## **FINANCIAL/LEGAL IMPLICATIONS:**

The 2017 budget for insurance costs and deductibles (both internal and external) was established at \$400,000. At the end of the fourth quarter, \$633,648 or 158% of this budget was expended. The 2017 expenditure does not include any allowance for outstanding claims or reserves that have been established by the insurer for larger unsettled claims (see below).

The County's Insurance Reserve is used to fund the costs incurred in settling claims administered internally, as well as the 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 our day-to-day business. Without such a source of funding, there would be major fluctuations in the actual expenditures incurred within the various divisions, as well as challenges in defining, monitoring and managing "normal" operations. The Self Insurance Reserve has an unaudited balance of approximately \$1.42 million at the end of 2017. This balance reflects an accrual for outstanding claims currently in litigation or under investigation totaling \$1.15 million.

CS-SS-23-2016 Award of General Insurance Program identified further annual savings in the external insurance premiums of approximately \$250,000. These savings were reallocated as a contribution to the internal self-Insurance program. This brought the annual contributions to the Insurance Reserve to \$500,000, starting in 2017. This continued contribution for 2018 should help maintain an adequate reserve balance in association with the larger deductibles that the County has selected over the past few years. However, such a level of self-insured funding will only be sustainable if future insurance claims are successfully avoided, mitigated and/or defended.

## **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. 2017 Insurance Loss Experience - Total Claims Received.
2. 2017 Insurance Loss Experience - Total Automotive Claims Received.
3. 2017 Insurance Loss Experience - Total Property Claims Received.
4. 2017 Insurance Loss Experience - Total Liability Claims Received.
5. 2017 Subrogation Chart – Costs Incurred/Recovery Achieved.
6. 2017 Insurance Loss Experience - Settlement Costs