



City of London

THIS REPORT REPRESENTS A CURRENT DATA ANALYSIS OF STATISTICS FOR 2014 AND INCLUDES FOR COMPARISON PURPOSES, INFORMATION FROM THE PREVIOUS FOUR YEARS.

Contents

BACKGROUND 3
 RISK MANAGEMENT SERVICES INCLUDE THE FOLLOWING: 3

CLAIMS REVIEW 4
 CLAIM FREQUENCY..... 4
 CLAIM COSTS 5
 CLAIM FREQUENCY BY TYPE 6
 GENERAL LIABILITY (GL) CLAIM TYPE ANALYSIS 7
 RECOVERIES 7

RISK FINANCING 8
 COST OF RISK 8
 SELF-INSURED RESERVE FUND 9

SUMMARY 10

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BACKGROUND

The role of the Risk Management Division is to provide insurance and risk management services to the Corporation and City Boards who are within the Corporation's insurance program, and contribute to the funding of the City's Self-Insurance Reserve Fund.

The Boards served by the Division include:

- London Convention Centre Corporation
- Covent Garden Market Limited
- London Public Library Board
- London Police Services Board
- Museum London
- Public Utilities Commission of the City of London

In addition to the organizations listed above, the Division also provides risk management advice and procures insurance coverage from other insurers for the London & Middlesex Housing Corporation, Elgin Area Joint Water Board, and the Lake Huron Joint Water Board.

Risk Management services include the following:

- provide advice and training to departments by weighing risk exposures and providing options to reduce and transfer risk;
- administer claims effectively through detailed investigation for determining liability, damages and appropriate settlement or denial;
- managing the Cost of Risk through:
 - risk transfer to third parties and insurers;
 - managing self-insured reserve fund through claims and allocation assessments;
 - pursuing recovery from at fault third parties to compensate for losses to City property;

The Risk Management objectives are to embed risk management into the culture and operations of Council and the administration by approaching risk management as an integral element of service planning and performance management. This is to be done by responding to changing social, environmental and legislative requirements while ensuring departments have clear accountability for both ownership and cost of risk and provide the tools to effectively manage risk.

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Each employee and manager of the City of London is expected to show the highest possible concern for the safety of fellow employees, members of the public, and to do his/her utmost to prevent losses of the City of London's assets.

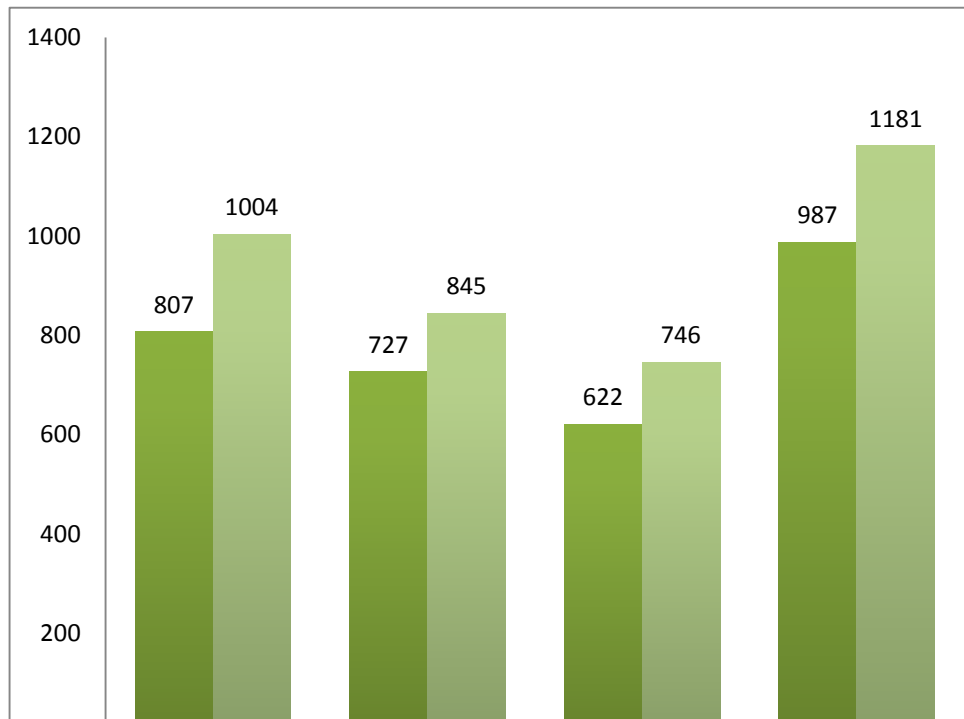
CLAIMS REVIEW

The period of review for this section is January 1, 2010 through to December 31, 2014. **(5 years)** During this period the City of London had **3941** claim occurrences. The following is a breakdown by frequency, cost and type.

Claim Frequency

An occurrence can have more than one claim. A severe flood is an example of an occurrence that often has many claims. The average number of occurrences and claims over the past five years is relatively consistent. Higher numbers follow in years where extreme weather events have occurred. The average number of occurrences per year is **788**, and average number of claimants per year is **941**.

Annual No. of claims



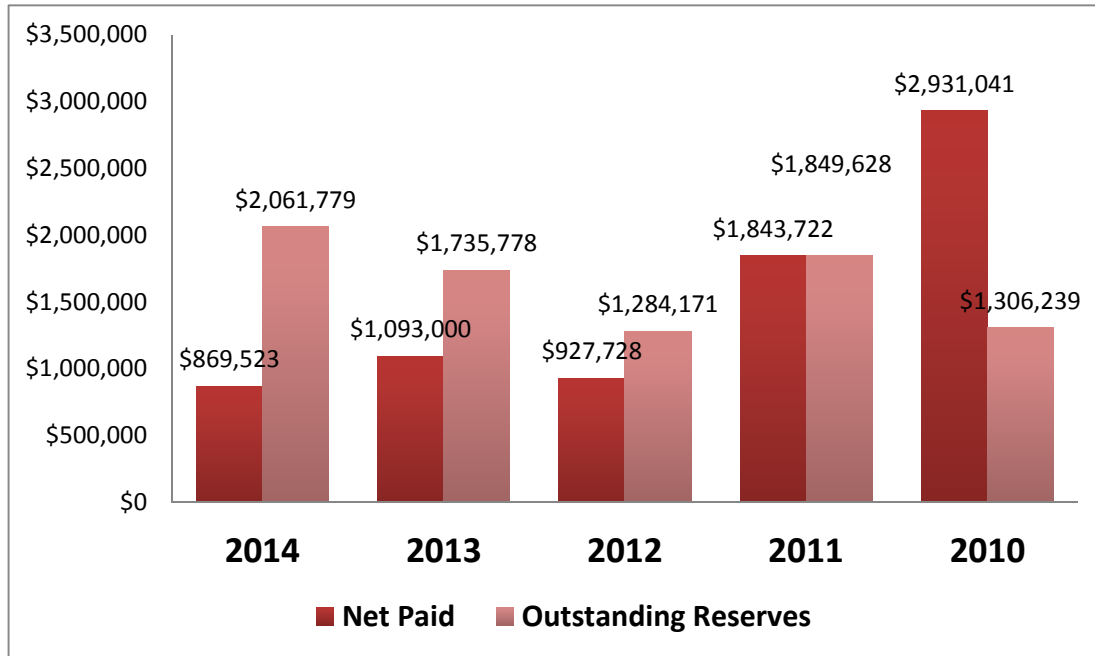
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**ANNUAL RISK MANAGEMENT REPORT
CITY OF LONDON**

Claim Costs

Annual claims costs are calculated by including all of the direct expenses attributable to each claim within the City’s deductibles. The Net Paid total includes incurred settlements and related Internal / external expenses. The Outstanding Reserves, account for expected outlay related to expenses and settlements on open claims that have not yet been incurred.

Annual Claims Cost (Property-Casualty)



Based on current data as of September 30, 2015

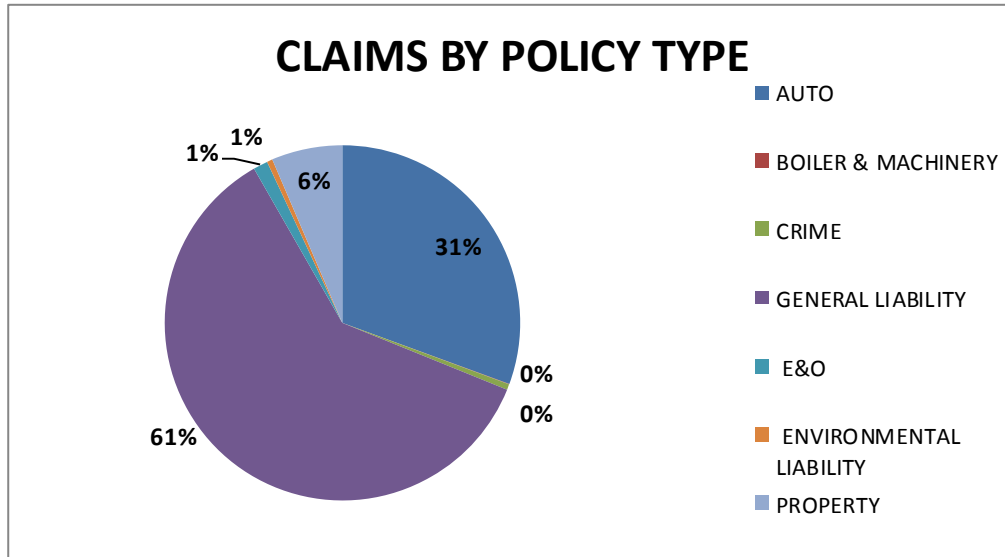
Net paid by Policy Type

Policy Type	Net Paid 2010-2014	Percentage
General Liability (GL)	\$3,166,000	41.3
Automobile	\$2,644,000	34.5
Property	\$1,104,000	14.4
Errors&Omissions	\$514,000	6.7
Crime/Enviro/ Boiler	\$237,615	3.1
Net Total	\$7,665,014	

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Claim Frequency by Type

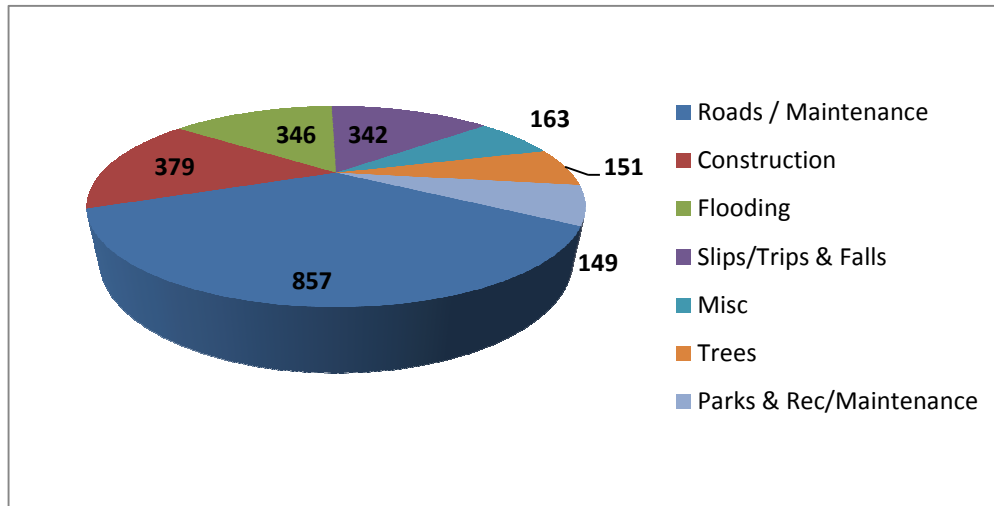
Of the **3941** claim occurrences, **2387** were reported against the General Liability (GL) policy. This represents **61%** of the total claims count.



Policy Type	Number of occurrences
General Liability (GL)	2387
Automobile	1206
Property	254
E&O	52
Environmental Liability (EIL)	21
Crime	20
Boiler	1
Total	3941

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General Liability (GL) Claim Type Analysis



The highest number of claim occurrences against the City of London’s general liability policy relate to road maintenance at **36%**, construction at **16%**, and slips/trips and flooding coming in at **14%** each. The majority of claim expenses relate to **road maintenance** and **slips/trips** accounting for **50%** of claim occurrences for general liability.

Recoveries

Recoveries (also referred to as subrogation claims) are carried out by the Division on behalf of EESD for damage to City property by a third party. In most cases this relates to City infrastructure that is not covered by our insurance policies. (street lights, signals lights, trees, bridges etc...) The Division pursues recovery from the liable party or their insurer. All monies recovered are allocated back to the Divisions that incurred the expenses at the end of the year, net of associated Risk Management Administrative costs.

Year	Recovery
2010	\$ 293,344.42
2011	\$ 282,399.00
2012	\$ 329,732.00
2013	\$ 186,657.00
2014	\$ 131,901.00

Recoveries in 2014 were lower than average due to temporary vacancies in the Division. (approximately five months) Recoveries for 2015 will exceed \$200,000. This accounts for the decline in the previous year.

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RISK FINANCING

Cost of Risk

The financial burden of retained and transferred losses fall on the City by way of claims expenses incurred within our deductible and in the form of transfer through insurance premiums. These expenses in addition to Risk Management Administration costs represent the City of London's Cost of Risk. The table below shows the expenses by year comparison from 2010 forward. This allows for the true Cost of Risk for each year comparative to the overall Cost of Risk.

Year	2010	2011	2012	2013	2014	2015
Premiums (Tx incl) + Retro Assessments	\$1,948,240	\$2,330,909	\$2,422,801	\$2,676,151	\$3,319,742	\$4,142,838
Claims Expenses	\$2,931,041	\$1,843,722	\$927,728	\$1,093,000	\$869,523	\$472,070
Outstanding Claim Reserves	\$1,306,239	\$1,843,722	\$1,284,171	\$1,735,778	\$2,061,779	\$867,977
Administrative Costs	\$268,165	\$268,165	\$268,165	\$296,944	\$223,289	\$258,000
Total	\$6,453,685	\$6,286,518	\$4,902,865	\$5,801,873	\$6,474,333	\$5,740,885

Based on current data as of September 30, 2015

The Cost of Risk consists of the following factors:

Insurance – The cost of premiums invoiced in a given year including applicable retro-assessments.

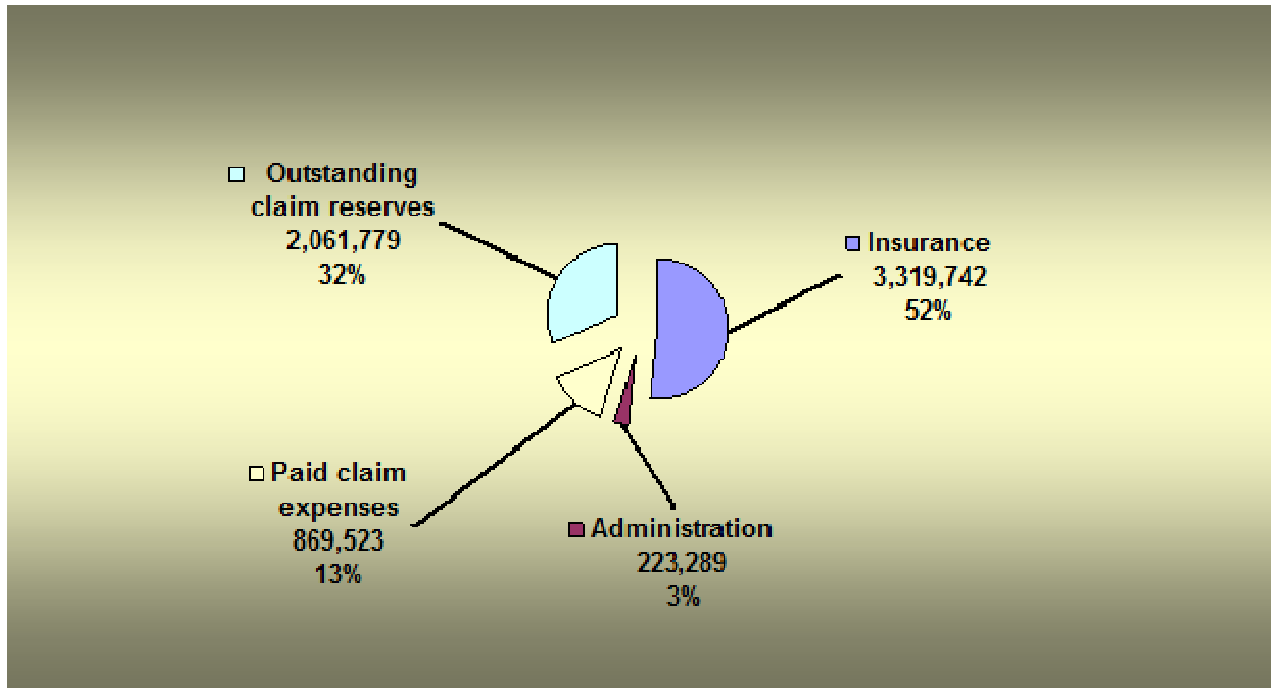
Claims Expenses– Are the costs related to claims in a given year. The expenses may be paid over a period of years, however for the purpose of tracking the Cost of Risk, is attributed to the year the claim occurred. These include paid settlements, and expenses.

Outstanding Reserves - Are the monetary value assigned to the claims, representing the probable outcome of anticipated but not yet incurred expenses and settlements.

Administrative Costs – This is the cost required to administer the City's insurance and risk management efforts. These cost include, salaries for the four employees in the Division as well as associated costs to run the division.

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2014 Cost of Risk and Insurance Program



In 2014 the cost of insurance was 52% of the Cost of Risk. Claim expenses and outstanding reserves totaled 45% with the majority of these costs to be incurred in the future. The administration costs were lower than average due to staff vacancies.

Expressed on a per property basis*, the 2014 Cost of Risk was **\$65.20**, the number of Assessable Primary Roll Numbers in 2014 was 99285.

Self-Insured Reserve Fund

The City's Self-Insurance Reserve Fund is maintained for the purpose of paying claims within the deductible range of the various insurance coverages. Monies paid into the Fund are derived from annual assessments on the City, local boards, and commissions covered by the City's insurance based on their respective claims experience.

The amounts and timing of outflows to finance recovery from these losses depend on the frequency, severity, and the sequence (development) of claim events which may vary from days to years. The variance of claim development allows for resolution distribution over time and as such the SIRF account is not required to cover 100% of the liabilities at any single point in time. However, due to the uncertainty of rising claim frequency and cost, it is prudent to keep the SIRF at a level above 70% of outstanding liabilities. Should

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the balance begin to fall below this level, an adjustment to the funding model will need to be considered. At the time of this report the SIRF is adequately funded.

SUMMARY

The scope of liability exposure for municipalities are vast and further complicated by the issues facing all municipalities which include infrastructure deficits, climate change, limited budgets and other growing trends. Risk management requires all employees to be proactive in loss prevention and control. A continued effort in assessing risk and making appropriate adjustments is required as we strive to meet the goals of London's Strategic Plan. As the City of London advances in minimizing infrastructure gaps and enhancing our roads, sewers, and water systems, risk assessment and safety will receive significant consideration. Risk management strategies for short term and long term plans and goals will be integral in making London the best it can be. The risk management culture is found throughout the Corporation in our daily work and strategies, whether it's purchasing a driving simulator for training, corporate asset management systems, additional funding to enhance inspection and repair of our sidewalks, or climate change mitigation. The notable efforts to prevent losses to persons, properties or finance on a continual basis are appreciable.

Moving forward, the Division will continue to focus on training and communication with staff to strengthen of our risk aware attitude. In partnership with our insurance provider, we will deliver risk workshops on road & sidewalk maintenance, trail management, cyber risks and climate change in 2016.