

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON TUESDAY, DECEMBER 15, 2015</b>
<b>FROM:</b>	<b>JASON WILLS MANAGER III, RISK MANAGEMENT DIVISION</b>
<b>SUBJECT</b>	<b>ANNUAL REPORT RISK MANAGEMENT SERVICES</b>

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That, on the recommendation of the Manager III, Risk Management and Managing Director, Corporate Services & City Solicitor, this report **BE RECEIVED** for information.

<b>PURPOSE OF THE REPORT</b>
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This report will provide a general overview/background of activities within the Risk Management Division.

<b>BACKGROUND</b>
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The Division's objective is to embed risk management into the culture and operations of Council and the administration. Risk management is an integral element of service planning and performance management.

The Division's goal is to ensure adequate financial protection against liability, loss of assets and use of property. After claims and expenses have been paid, assets replaced or repaired and operations resumed, there should be no significant financial effect on the City. This work is done in collaboration with Corporate Departments and insured City Boards to minimize the Corporations overall cost of risk.

The attached report includes the following;

**Claims Occurrences from 2010-2104**

- During this period there were 3941 claim occurrences
- Claims against the General Liability policies accounted for 61 % (2387)
- The net paid total for liability claims in this period is \$3,166,000
- The leading cause of liability claims is road and sidewalk maintenance related, which accounts for 50% of the liability claims

**Cost of Risk from 2010 – 2014**

The cost of risk is captured by totaling claim expenses paid, outstanding reserves, insurance premiums and administrative expenses in a given year.

In 2014 the cost of insurance was 52% of the Cost of Risk. Claim expenses and outstanding reserves total 45% with the majority of these costs to be incurred in the future.

- The total Cost of Risk for 2014 is \$6,474,333
- The Cost of Risk during the review period is ranges from \$4,902,865 - \$6,474,333
- The average is \$5,983,855/yr.
- 2012 is the lowest Cost of Risk which can be linked to the mild winter conditions we experience at the time

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**Self-Insurance Reserve Fund**

The SIRF is the account used for covering retained losses within the City’s insurance deductibles. 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 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.

<b>SUMMARY</b>
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The report captures the cost of insurance and paid claim expenses for 2010-2014

The scope of liability exposure for municipalities are vast and further complicated by the issues facing all municipalities, which include infrastructure deficits, limited budgets and other growing trends. All employees are required 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 we advance in minimizing infrastructure gaps and enhance our roads, sewers and water systems, risk assessment and safety will receive top consideration. Risk management strategies for short term and long term plans will be integral to making London the best we 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, additional funding to enhance maintenance patrols and repair of our sidewalks, or climate change mitigation.

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

<b>PREPARED BY:</b>	<b>RECOMMENDED BY:</b>
<b>JASON WILLS – MANAGER III RISK MANAGEMENT</b>	<b>JAMES P. BARBER MANAGING DIRECTOR, CORPORATE SERVICES &amp; CITY SOLICITOR</b>