

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON WEDNESDAY, OCTOBER 11, 2017
FROM:	JASON WILLS MANAGER III, RISK MANAGEMENT DIVISION
SUBJECT	ANNUAL REPORT RISK MANAGEMENT SERVICES

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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.

PURPOSE OF THE REPORT

This report will provide a general overview of activities within the Risk Management Division.

BACKGROUND

The Division provides services including the management of Claims, Insurance, Risk Control and Training. Through this work, we promote efficient decision-making, while balancing risk against expected benefits and opportunity.

The Division supports the Corporation by providing advice on emerging issues so Staff understand the risks we face, and through training to ensure staff awareness in identifying & managing risk. We encourage all divisions to make risk considerations a required annual exercise within each business unit and to incorporate risk considerations in their budget process.

A metric for comparing Risk Management costs year to year is through tracking our Cost of Risk. The COR is a record of the total annual cost of Insurance, Claims and Division expenses. All expenses illustrated in the COR are funded through the City of London's annual budget. The goal is to keep the COR at a minimum, while protecting the Corporation against harm to property, persons, assets or reputation. As London grows, it will add services and infrastructure required to maintain or enhance the City. Through effective risk management and long term planning the Division aims to maintain a low COR which provides certainty in managing liabilities of the Corporation.

The average annual COR is best determined by excluding the most recent years as claim costs require 3-5 years to mature and settle. Excluding the past three years, the average annual COR is **\$4,536,143**.

Funding for insurance and expenses within our schedule of deductibles is part of the four-year budget projection. We are now past the mid-point of the four-year cycle and in review of the current COR, the annual contributions remain adequate for the ongoing associated expenses.

SUMMARY

This Annual Report is an overview of the Divisions activities. For reference, our 2016 report is attached. The 2016 report was not previously presented as we awaited the arrival of the new City Solicitor. 2016 activities were consistent with the activities in this year's report.

Risk Management improves decision-making and planning, and allows an organization to anticipate and respond to issues before they affect operations. It optimizes risk mitigation and reduces costs by preventing losses and disruptions. It raises risk awareness throughout an organization and promotes stronger employee engagement. Overall, it improves the effectiveness of risk identification and teamwork.

The Risk Management Team at all times is available to be engaged, and or consulted, when new initiatives are being considered to ensure risk is minimized or eliminated.

PREPARED BY:	RECOMMENDED BY:
JASON WILLS – MANAGER III RISK MANAGEMENT	BARRY CARD MANAGING DIRECTOR, CORPORATE SERVICES & CITY SOLICITOR

Appendix 'A' - Risk Management Division Annual Report 2017

Appendix 'B' - Risk Management Division Annual Report 2016

Appendix A

RISK MANAGEMENT DIVISION
2017 ANNUAL REPORT

Balancing Risk with Opportunity

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RISK MANAGEMENT DIVISION

Risk Management Division

DIVISION ROLE

The Division is responsible for coordinating the protection of assets. We assist City Departments and associated Boards achieve objectives by providing advice and services that allow effective, efficient management of risk. The Division's role includes:

- Evaluating controllable and insurable risks
- Enabling necessary and desirable activities at minimum financial risk while protecting citizens, employees, customers and the entity's reputation
- Controlling exposures that may result in damage to property or injury to third parties
- Optimizing the cost of risk through transfer to others via contractual agreements and insurance coverage

MAKING THE MOST OF OUR DECISIONS

The Division participates in many discussions involving risks that may threaten the City and its ability to deliver services. For all municipalities, delivering service is a highly scrutinized business, where transparency is an essential part of what we do. This demands efficiency in our decision-making. Measuring our risk tolerance is difficult; however, our governing Corporate and Council Policies promote efficient decision-making, while balancing risk against expected benefits and opportunity. Risk management is imbedded in the City's Strategic Plan. This risk awareness creates many benefits; which are strengthened through:

- Consistently incorporating risk considerations in the budget process
- Providing risk management advice to staff to minimize or eliminate risk
- Conducting risk education to ensure staff awareness in identifying & managing risk
- Making risk assessment a required annual process within each business unit



Education & Prevention

RISK MANAGEMENT COURSES

Education is an important component of any Risk Management program. We regularly conduct training sessions where we relay claim results to staff, which relates to the services they provide. This allows staff to understand the importance of their work and to make improvements as needed. By encouraging interactive participation and sharing experiences, we gain insight about the City's operations and promote an attitude of continuous improvement.

The Division is available to provide training on a topic specific to employee services.

Sample Topics include:

- Employee Liability – Indemnification By-laws, what is covered, what you need to do to be protected by the by-law and insurance
- Events' Liability – risks and insurance
- Recreation Liability (arenas, sports field, programming, etc.)
- Summer/casual staff – responsibility to manage risk, how to report claims, etc.
- Full-time staff – detailed, specific training on relevant topics
- Volunteers' Liability – benefits and responsibilities when working with volunteers
- Negligent Misrepresentation – when you are the expert, be careful how you give advice

Course topics span from general information relating to risk management practices and everyone's risk management role, to customized courses that address specific service area needs. Courses may include presentations from the Legal Department, Fire Services, and London Police or by the City's insurer and other outside specialist.

REPORTING HAZARDS

Preventing losses requires a team approach. Pro-active reporting of hazards is essential to guard against injury and property damage. Generally, hazards include any substance, material, process, or practice that has the ability to cause harm or adverse health effects to a person under certain conditions. Maintaining and enhancing good working relations with all areas of the Corporation is important to ensure a preemptive approach to Risk Management.

Staff can call on Health & Safety Training, Facilities, or Risk Management for assistance in eliminating hazard. The public is encouraged to contact Customer Service.

COST OF RISK

Cost of Risk

The Cost of Risk is a metric used to track the total annual cost of Insurance, Claims and Division expenses. All expenses illustrated in the COR are funded through the City of London's annual budget. The goal is to keep the COR at a minimum, while protecting the Corporation against harm to property, persons, assets or reputation. As London grows, it will add services and infrastructure required to maintain or enhance the City. Through effective risk management and long term planning the Division aims to maintain a low COR which provides certainty in managing liabilities of the Corporation.

The table below shows the cost of risk back to 2006.

Data captured on August 2, 2017

TOTAL COST OF RISK BY YEAR

Year	Open Claims	Claims Expense	Insurance	Admin	Total
2017	164	\$ 112,035	\$ 2,736,815	\$ 413,883	\$3,262,733
2016	46	\$ 620,164	\$ 2,720,993	\$ 411,914	\$3,753,071
2015	46	\$ 967,732	\$ 3,926,262	\$ 403,867	\$5,297,861
2014	48	\$ 1,531,851	\$ 3,114,442	\$ 332,519	\$4,978,812
2013	33	\$ 1,878,592	\$ 2,531,135	\$ 394,505	\$4,804,232
2012	16	\$ 1,116,949	\$ 2,276,062	\$ 381,155	\$3,774,166
2011	12	\$ 2,400,823	\$ 2,177,890	\$ 373,401	\$4,952,114
2010	5	\$ 3,454,664	\$ 1,799,663	\$ 390,399	\$5,644,726
2009	2	\$ 2,340,735	\$ 1,394,094	\$ 378,775	\$4,113,604
2008	2	\$ 3,382,519	\$ 1,168,657	\$ 348,797	\$4,899,973
2007	2	\$ 2,673,824	\$ 1,179,036	\$ 256,896	\$4,109,756
2006	0	\$ 2,145,447	\$ 1,157,614	\$ 244,840	\$3,547,901
Average Annual	N/A	\$1,885,444	\$2,182,653	\$360,912	\$4,428,246

*Claims Expense = amount paid within deductible *Admin = amount paid for Division staffing, office expenses

*Insurance includes retro-assessment costs

The average annual COR is best determined by excluding the most recent years as claim costs require 3-5 years to mature and settle. Excluding the highlighted years above, the average

COST OF RISK

annual COR is **\$4,536,143**. Due to above average premiums in 2014 & 2015, it is possible the COR will exceed six million for those years.

CLAIM FREQUENCY

The annual number of claims fluctuates 100+/- in a given year, with the average number of claims per year being **925**.

Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	
Claims	782	929	1026	850	747	1185	929	1034	1131	865	703	
Overall	7.68%	9.12%	10.08%	8.35%	7.34%	11.64%	9.12%	10.16%	11.11%	8.50%	6.91%	
Claims by type									Grand Total		10181	100.00%
Liability 57%				Auto 35%				Property 8%				
Liability claims represent the largest percent of claims.												

Leading cause of loss for Liability 2016-2006 by amount paid.

Cause of Loss	Claims	Expenses
• Road Maintenance - Ice / Snow	141	\$1,692,791
• Road Maintenance	1214	\$1,532,361
• Slip & Fall - Outside	266	\$1,289,381
• Trip & Fall - Outside	298	\$1,174,954
• Building Inspection	56	\$785,530

The Division routinely provides feedback and training to Managers and Staff based on the lessons learned from our claims experience. The above Causes of Losses are the most common areas of focus. These are typical for large municipalities.

SUBROGATION

The Division recovers monies from at-fault Third Parties or their Insurer with respect to claims where City of London property is damaged. These recoveries relate to property that is uninsurable, such as trees, streetlights, guardrails and graffiti.

COST OF RISK

YEAR	RECOVERED	
2016	\$98,589	Recoveries in 2016 were lower than expected, due to a combination of resource priorities and a lower claim volume. Recoveries for 2017 will be greater than 2016; current projection is approximately \$200,000.
2015	\$189,051	
2014	\$131,381	Recovered revenue is returned to the Departments that have incurred the loss.
2013	\$186,657	
2012	\$329,732	

INSURANCE PROGRAM

The Insurance Portfolio for the Corporation and associated Boards is comprised of 37 policies including the addition of a new Cyber Risk Policy, which was added to the Portfolio as of June 2017. Premiums for 2017 have increased by \$15,800, for a total annual cost of \$ 2,736,815. The Frank Cowan Company provides the Corporation's Property and Casualty Insurance. Premium increases for 2018 will be under five percent.

Cyber Coverage Summary - Limit: \$1 million/ \$25,000 Deductible Effective date: June 1, 2017

Media Services Liability	Media exposures such as defamation arising from our online publishing.
Network Security Liability	Failure to protect against unauthorized access to, unauthorized use of, or denial of services attack.
Privacy Liability	Coverage for our liability when we fail to safeguard personal information we have been entrusted with.
Extortion Threat	Coverage to assist in dealing with the costs of handling/response to a threat from a hacker to attack information and electronic assets.
Crisis Management Expense	Coverage to assist after a compromise to our own system. (e.g. public relations costs)
Business Interruption	Coverage to assist in dealing with the costs of replacing lost profit due to hacking attack. *(\$500,000 Limit)

The addition of this coverage was placed with considerations and advice from ITS and the Finance Divisions.

COST OF RISK

RESERVE & INSURANCE FUNDING

Revenue for deductibles and premiums is collected annually through allocated costs charged to the benefitting operational departments based proportionately on their claim exposure and experience. Allocations include insurance premiums, direct claims costs, and legal expenses. The Division reviews and updates the allocation program on an annual basis.

Funding for insurance and expenses within our schedule of deductibles is part of the four-year budget forecast. We have now past the mid-point of the four-year cycle. The current COR and the annual contributions remain adequate for the ongoing associated expenses.

SUMMARY

Summary

UPCOMING PROJECTS

The City of London has plans to change the downtown with the BRT and My Dundas initiatives. These exciting projects will transform the downtown core and will benefit many. Throughout the course of the projects, the Division will work closely with stakeholders and project managers to ensure risks are mitigated. Eliminating, transferring, and insuring associated liabilities will be a priority for the Corporation. The Division will use all available resources to manage these risks.

SUMMARY

Risk Management improves decision-making and planning and allows the City an associated organization to anticipate and respond to issues before they affect operations. It optimizes risk mitigation approaches and reduces costs by preventing losses and disruptions. It raises risk awareness throughout an organization and promotes stronger employee engagement. Overall, it improves the effectiveness of risk identification, teamwork, and communication between an organization's key stakeholders. As such, the imperative is to position the Risk Management Programs as opportunities for overall corporate improvement, a process from which all departments can benefit and one in which all should actively participate. The Risk Management Team remains at all times available to be engaged, and or consulted, when new initiatives are being considered to ensure risk mitigation.

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Appendix B

Risk Management Division 2016 Annual Report

We take pride in the embedded risk management culture within our organization. Our goal is to limit risk. We support the City's values through risk management services that sustain or enhance our quality of life.

Risk Management

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Risk Management

The purpose of the Risk Management Division is to develop and administer programs to protect the physical and financial assets of the Corporation against accidental losses which could otherwise significantly reduce those assets or affect the Corporations' ability to fulfill their mandated responsibilities.

Being mindful of risks is key in sound governance at both a strategic and operational level. The City provides close to one hundred services, all of which give rise to some level of risk and we are committed to regularly assessing and treating these risks to minimize their effect on service delivery. This way, we will better achieve goals and enhance the value of the services we provide.

Our focus is to be proactive and strategically target problem areas to ensure corrective measures are implemented in a timely manner.

The Division has three primary responsibilities:

1. **Loss Prevention:** independent risk-focused advice on achieving objectives while minimizing risk,
2. **Claim Management:** includes fulfilling legal obligations, ascertaining the root cause of accidents, and identifying remedial actions to prevent recurrences.
3. **Risk Financing:** determining the overall cost of risk, identifying alternative risk financing options and liaising between the City, Insured Boards, and Insurer representatives.

These objectives relate to Operational Risk & Hazard Risk.

Operational risk relates to loss resulting from inadequate or failed internal processes, people and systems. Most operational risks are typically managed within the departments in which they arise.

Hazard risk exists where there is no potential for gain from a hazard risk. The potential outcomes are either loss or no loss. The types of risks in this category are frequently "insurable" type risks for which coverage is purchased.

Loss Prevention

Loss prevention is every employee's responsibility. The Division is a resource for all service areas to draw advice and assistance in controlling risks. We focus on training and communication to enhance risk awareness. For 2016, in partnership with our insurer, Frank Cowan, we provided risk workshops on several topics including, Road & Sidewalk Maintenance, Trail Management, and Document Management. We spoke with employees from Parks and Recreation, EES Roads, Sewer & Water, Forestry, and Planning.

Presentations occurred on the following dates.

Topic	Facilitator	Date
• Roadside Maintenance	RM Division & Legal Services	January 20 th
• Trail Risk Management	Frank Cowan	March 7 th
• Communication Not Litigation	RM Division & Frank Cowan	April 14 th
• Risk Management 101	RM Division	April 26 th
• Parks and Recreation Risk	RM Division & Legal Services	June 1 st /2 nd
• Construction Administration	RM Division	June 29 th
• OTM Training Session Book 6	Frank Cowan	Sept 20 th

Loss Control Inspections

The objectives are:

- Evaluate the risk control systems at the site, using established risk prevention strategies
- Present additional opportunities for risk improvement, and
- Enhance risk management awareness

The findings during loss control inspections is gathered from information captured at a specific point in time, and the outcomes of each evaluation is based on the experience and opinions of the Division and Insurer representatives.

Adrian Pitka from the Frank Cowan Company along with Division staff visited 11 City of London facilities in June. The facility managers showed the properties to be in good condition with

appropriate maintenance procedures. There were no issues with storage in electrical rooms or any other mechanical rooms. Our staff were complimented on their management practices.

Locations included the following.

- Greenway Pollution Control Plant
- Adelaide Pollution Control Plant
- Pottersburg Pollution Control Plant
- Oxford Pollution Control Plant
- Stronach Arena & Community Centre
- Forest City (Kiwanis) Senior's Community Centre
- A.J. Tyler Operations Centre
- North London Optimist Centre
- Argyle Arena
- Farquharson Arena
- Lambeth Arena & Community Centre

Emerging Climate Concerns:

The City is engaged in work relating to Climate Change Resiliency. Resiliency is comprised of both mitigation and adaptation to climate change. The City has a role to play in both.

The Division works with various service areas on projects related to Climate Change. This includes "Flooding Matters" which is a Council endorsed review of infrastructure, strategies and partnerships to enhance adaptation to intense flooding events, as well as preparation of a Climate Change Adaptation Strategy.

These initiatives are ongoing; the next steps in the City's Climate Change Adaptation Strategy are:

- Establish adaptation vision and objectives
- Identify options and actions
- Evaluate drivers and constraints
- Determine appropriate indicators and benchmarks
- Evaluate financing and budget requirements
- Establish implementation schedule and launch the strategy

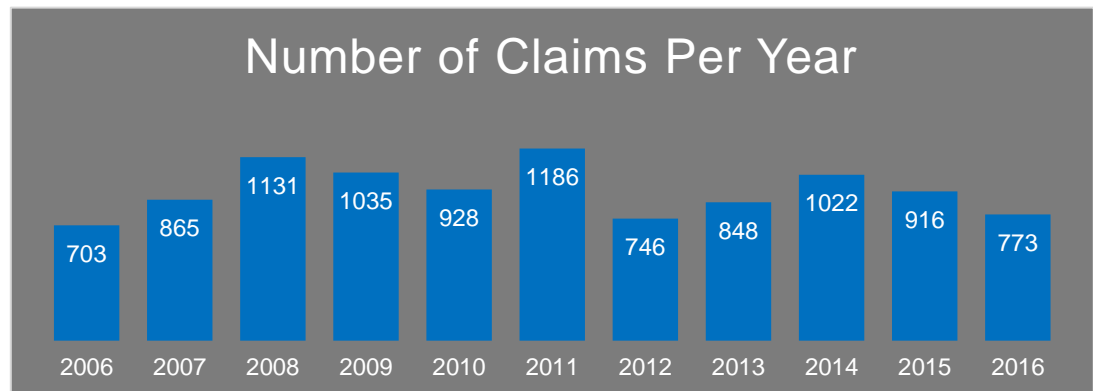
The Division continues to work with service areas in support of the Climate Change initiatives as set out in the 2015-2019 Strategic Plan.

Claims Management

The Division manages all claims below the City's deductible with in-house claims Specialists. This allows for efficient and effective handling with direct communication to service areas and provides the following benefits:

- a) Objective and professional treatment of all claims.
- b) Preservation of the City's defense in the event a claim is pursued in the courts.
- c) Compliance with the conditions of the City's Contract of Insurance.
- d) Efficient control of the City's self-insured retention (deductible).
- e) A businesslike approach accepting responsibility only where legal liability exists. This avoids setting precedents and exposing the City to significant liability, which may occur if responsibility was accepted on a nominal basis, the claimant's social circumstances, temperament, or the claimant's lack of insurance coverage, etc.

Claim Frequency



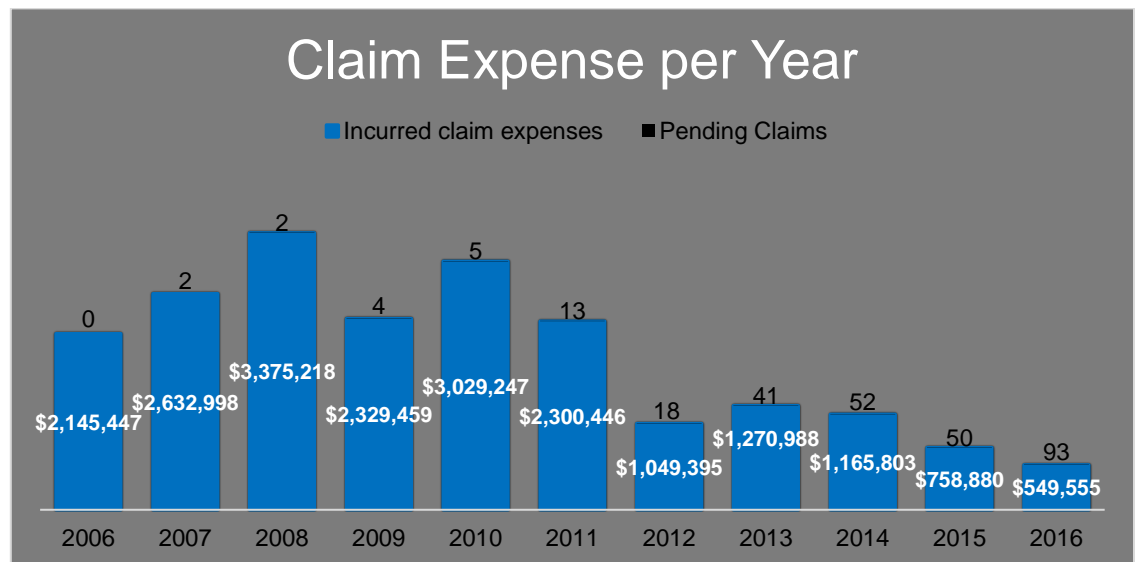
The average number of claims per year is **923**. The leading cause of claims for a municipality is road and sidewalk winter maintenance. Therefore, claim volume is higher in years with higher than average snowfall. Ninety percent (90%) of claims are resolved in the first year. An additional 5% will be resolved within two years. Finalizing the last 5% takes an average three – five years as they are in litigation.

Claim Trends

2007- Present / Top 5 claim types by Policy and Cause			
Cause	Policy Type	Sum of Net Paid	Number of Claims
Failing to yield	Automobile	\$ 1,675,727.48	77
Road Maintenance – Ice/Snow	Liability	\$ 1,466,519.55	16
Trip & Fall – Outside	Liability	\$ 1,015,847.28	38
Slip & Fall – Outside	Liability	\$ 888,864.89	26
Fire	Property	\$ 834,359.58	45
Total		\$ 5,881,318.78	202

(Based on all closed claims from 2007 to September 1, 2016)

The Division provides advice to staff based on past claims in an effort to stay current on pressing concerns and to reduce risk associated with their work. This reduces claims, albeit, a result that is difficult to measure against the demands of a growing city.

Claim Expenses

Claim expenses take several years to finalize as illustrated above. The total cost of claims for 2006 is complete, with a final cost of \$2,145,447. As claim years 2007 to 2016 conclude, the average annual cost is going to rise; however, the cost is likely to be within a range of \$3 - \$4 million for each year class.

Risk Financing

Review of Contracts

In 2016 the Division reviewed and approved for compliance, approximately 2200 certificates of insurance. Advice and direction was also provided in review of numerous contractual agreements

The Division has the authority to review the insurance requirements and risk implications of any contract entered into by the City. The Risk Manager has authority to change, add or delete insurance requirements in these contracts in consultation with the applicable departments. This practice takes into consideration the Risk Management objectives that will seek to both; manage risk in accordance with best practices and promote a more innovative, less risk averse culture.

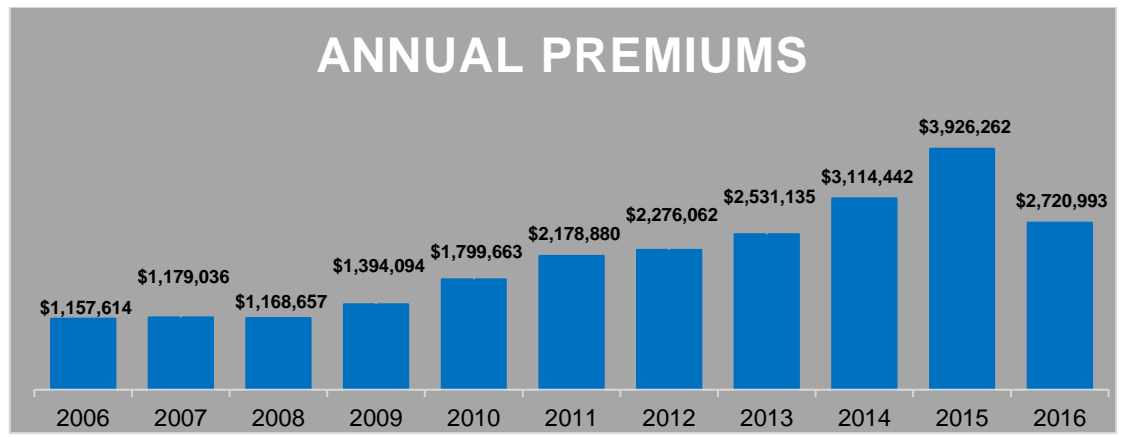
Self-Insurance Reserve Fund

The Self Insurance Reserve Fund was established in 2005 under By-law no. A5929-208. All monies standing in the reserve fund is to cover every expenditure incurred within the deductibles of the City insurance policies. The contributions to the reserve is through an annual allocation process where City service areas, local boards and commissions pay into the fund based on their respective claims experience and exposure.

The liabilities for all open claims currently stands at \$11,473,000, and the Self-Insurance Reserve Fund is sufficient to cover the liabilities as they come due.

Insurance

The majority of the City's insurance coverage is arranged through The Frank Cowan Company. Additional insurance coverage is purchased for unique exposures (e.g. fine arts, farmers' market vendors, and the Regional Water Boards) through insurers who specialize in those risks.



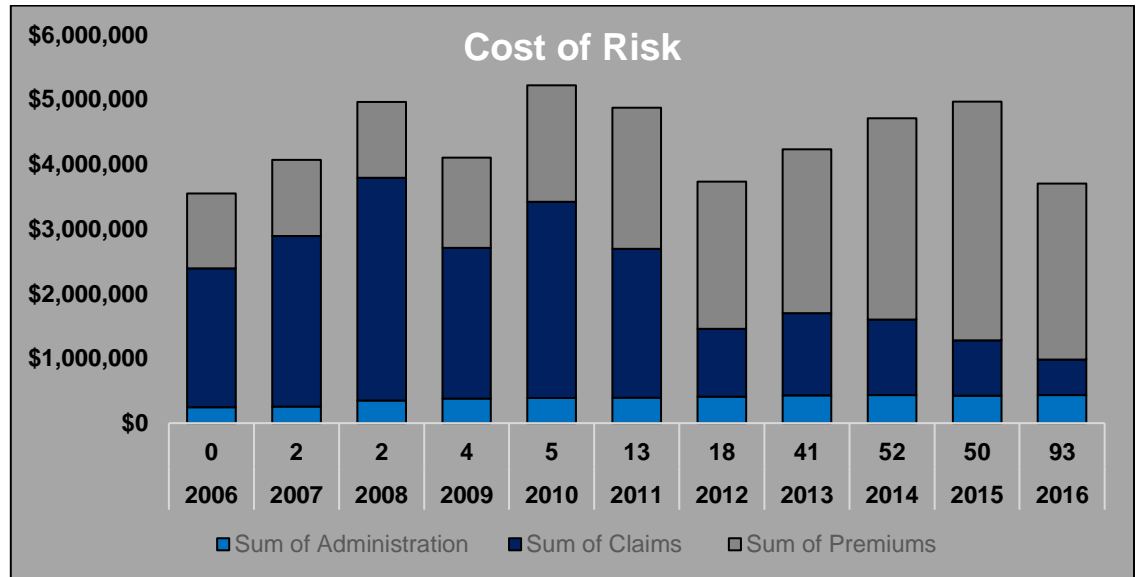
(Premiums plus retro assessments without tax)

In 2016 the total premium for the blanket insurance policies covering the City and insured local Boards was \$2,720,993. This includes retro – assessments paid this year. Insurance premiums for 2017 will be the same as 2016.

New coverage:

Software agreements, cloud computing, and associated cyber risks are now common. To assist in controlling cyber risk, the Division is currently working with the ITS, Finance and Communication Divisions in completing an application for Cyber Risk insurance for 2017. The ITS Division's comprehensive security processes and our thorough Breach Response Plan, will assist the Corporation in adding Cyber insurance to our portfolio for a nominal premium. This will help mitigate the increasing risk associated with technical advancements of today.

Total Cost of Risk



* The number of open claims is at the bottom of the column for each year.

The annual cost of risk includes; insurance premiums, claim expenses, and Division administrative costs. The Division employs four non-union positions. Prior to 2008, the Division held only three positions.

The above table illustrates a stable annual cost of risk, however, years 2013 forward will ultimately cost more as claim expenses mature. On a positive note, the mild winter of 2016 is similar to 2012, which may lead to a similar result. The cost of risk for 2006 is complete and with an approximate total cost of \$3.6 million.

The average Annual Cost of Risk over the past eleven years is \$4.3 million with claims accounting for the majority of the cost except for years 2013 – 2015 due to escalating insurance premiums.

Summary

Risk is unavoidable and present in most situation. Municipalities face risks every day. The idea of risk generally brings the notion of loss, injury, or hazard. The commonly accepted modern definition of risk is "the effect of uncertainty on objectives". This is a neutral definition of risk, recognizing that risks involve both threats and opportunities.

Decision making for the City of London involves a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, making decisions on, and communicating risk issues, as an integral part of good management. It does not necessarily mean risk avoidance in the case of potential threats, rather, risk management equips us to make decisions that are formed by an understanding of their risks, and ultimately to respond proactively to change by mitigating the threats, and make the most of the opportunities, that uncertainty presents to our objectives.

An embedded risk management culture is throughout the Corporation as an inherent part of good decision-making. The Division is primarily involved with operational risk and insurance related matters. We pride ourselves in assisting wherever the opportunity for improvement exists. The Corporation is diverse with many other Divisions/Departments that all have risk management responsibilities. It is collectively through shared communication and collaboration that we are able to limit risk.

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