

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON TUESDAY, OCTOBER 30, 2018
FROM:	JASON WILLS MANAGER III, RISK MANAGEMENT DIVISION
SUBJECT	ANNUAL REPORT RISK MANAGEMENT SERVICES

RECOMMENDATION

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

To provide an overview of the Risk Management Division activities on an annual basis.

BACKGROUND

The City of London adopted the principals of risk management for the Corporation on June 7, 1982 in order to protect the health, safety and welfare of the public, City Council, employees and its' property, assets, reputation and other resources from the risks arising from all City operations.

The Division's role includes the management of claims, insurance and loss prevention initiatives. Through our work, we promote efficient decision-making, while balancing risk against expected benefits and opportunity.

Loss Prevention:

Our role supports the Corporation by providing advice on emerging issues and through training with respect to identifying and managing risk. We encourage all divisions to make risk considerations a mandatory exercise within each business unit and to incorporate risk control measures in their budgeting process.

Continuous efforts to minimize risk through loss prevention endeavors is required in all aspects of City of London operations. Although difficult to measure the results of prevention activities, it is certain that benefits are gained when applying best practices in our work.

Our Loss Prevention educational program in the past year included the follow subjects.

- *Risk Management 101*
- *Building Inspection and Plans Examining Risk*
- *Road Operations Risk (Sidewalk & Street Maintenance)*
- *Amendments to Maintenance Standards for Highways*
- *Communication Not Litigation*
- *Contract Risk Transfer*

In addition to the sessions, advice is provided regularly to staff on emerging issues. Risk identification and control exercises are done in every project and the Division has been involved in projects such as the Blackfriars Bridge, My Dundas and the Southwest Community Centre.

The Cost of Risk

The Cost of Risk (CoR) provides a benchmark on a yearly basis for insurance, claims and administrative expenses. All expenses illustrated in the CoR are funded through the City of London's annual budget. Cost of Risk is tabled in "Appendix A".

Finalizing the CoR takes several years due to the long process surrounding claims in litigation. In the eleven years shown, only 2009 is complete. The years 2007 & 2008 are nearly complete with only three claims pending.

The two main drivers of CoR are premiums and claims expenses. Premiums are charged annually and reflect the Corporations claims history, exposure to claims and the rates within the insurance market. When premiums rise, it is prudent to search the market for comprehensive coverage and competitive rates. The City's last two RFP's for insurance services were in 2006 and 2015. In keeping with our approach, the Division will seek proposals in 2019. For reference to annual premium costs see "Appendix A".

Upcoming Projects:

In 1988 the City of London established a 'Self-Insurance Reserve Fund' (SIRF) to cover expenses arising from property and casualty claims that are payable within the City's self-insured deductible amount. In addition to corporate risks, this SIRF also covers the following City Boards:

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

An actuarial report on the adequacy of the SIRF is undertaken every three years. The last report was in 2016 and was completed by the Oliver Wyman Group. In keeping with this consulting service, we will be retaining actuarial services in 2019 to complete a comprehensive review of our claim reserves.

SUMMARY

This report is an overview of the Divisions activities. 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 the 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

Attach – ‘Appendix A’ – Cost of Risk

APPENDIX A

COST OF RISK

Exp/Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Insurance	\$ 1,179,036	\$ 1,168,657	\$ 1,394,094	\$ 1,799,663	\$ 2,177,890	\$ 2,276,062	\$2,531,135	\$ 3,114,442	\$3,926,262	\$2,720,993	\$ 2,736,815
Claims	\$ 3,122,168	\$ 3,386,787	\$ 2,603,154	\$ 3,446,262	\$ 2,835,025	\$ 1,554,585	\$2,617,922	\$ 2,269,947	\$1,715,254	\$ 893,845	\$ 893,844
Admin	\$ 256,896	\$ 348,797	\$ 378,775	\$ 390,399	\$ 393,854	\$ 407,600	\$ 394,505	\$ 387,339	\$ 403,867	\$ 411,914	\$ 425,305
Open claims	1	2	0	3	4	12	32	36	34	33	43

Data captured Sept 10 2018

Average Annual

Insurance	\$ 2,275,004.00
Claims	\$ 2,303,527.00
Admin	\$ 381,750.00
Cost of Risk	\$ 4,960,281.00

Households 163,140
 Annual cost per household
 \$ 30.41

2018	
Insurance	\$ 2,455,151
Claims	\$ 524,300
Admin	\$ 434,887
Open claims	152

*2018 is not included in the Average Annual totals.