

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON MONDAY, NOVEMBER 2, 2020
FROM:	BARRY CARD MANAGING DIRECTOR CORPORATE SERVICES AND CITY SOLICITOR AND JASON WILLS MANAGER III, RISK MANAGEMENT DIVISION
SUBJECT:	ANNUAL REPORT RISK MANAGEMENT SERVICES

RECOMMENDATION

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

STRATEGIC PLAN

Strengthening our Community: Londoners have access to the services and supports that promote well-being, health and safety in their neighbourhoods and across the city.

PURPOSE

The purpose of this report is to give an overview of Risk Management costs and statistics for 2019/2020 compared to prior years.

BACKGROUND

The Division provides insurance and risk management services to the Corporation and City Boards.

The City's portfolio includes the following Boards:

- London Convention Centre Corporation o/a RBC Place
- Covent Garden Market Corporation
- London Public Library Board
- London Police Services Board
- London and Eldon House Corporation
- Museum London
- Housing Development Corporation, London

The Division is committed to continuous improvement through activities that eliminate, mitigate and control risk 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 primary role of the Division is to administer the City's insurance portfolio, manage loss exposure associated with claims made against the City, and manage recovery of loss to City assets. The Division achieves this by using risk management, legal, and insurance practices.

INSURANCE AND CLAIMS

INSURANCE

The City's insurance provider is the Frank Cowan Company. They have held the account since 2016, initially with a four year agreement, which has been extended an additional three years through the RFP process completed last year. Since inception, Frank Cowan has delivered consistent rates, with a maximum annual increase of 3%, and in 2020 we saw a 12% decrease in overall premium.

Starting in 2018 three new policies were added to the program; Cyber Insurance, Aviation (Drone-Police only) and the addition of the Directors & Officers policy for the Housing Development Corporation. As part of the RFP for the 2020 Renewal and Insurance Program, the Museum London's Fine Art Policy was brought into the program, making the 12% decrease even more acceptable considering the addition of this policy.

Insurance premiums past 5 Years

Insurance Premium	2021 Jan 1 st	2020	2019	2018	2017	2016
Change over Previous Year		-\$267,087	\$79,478	\$98,386	\$15,822	
Percent Change	13% Projection	-12%	3%	4%	1%	

* Tax excluded

Appendix A contains a list of Policies.

The City has been able to maintain premium stability through pro-active risk management and claims mitigation which allows competitive underwriting of our policies. The upcoming renewal premium is projected to be 13% increase. This is due mainly to a hardening insurance market, rather than increased asset value or the City's claims experience. Over the past two years the insurance market has increased rates and tightened coverage to correct catastrophic losses incurred in the global reinsurance market. Market conditions are projected to continue with rising premiums and coverage restrictions.

From a budgetary perspective, premiums have been allocated on an annual basis in the current operating budget to the appropriate service areas. The multi-year budget has accounted for the anticipated premium increase.

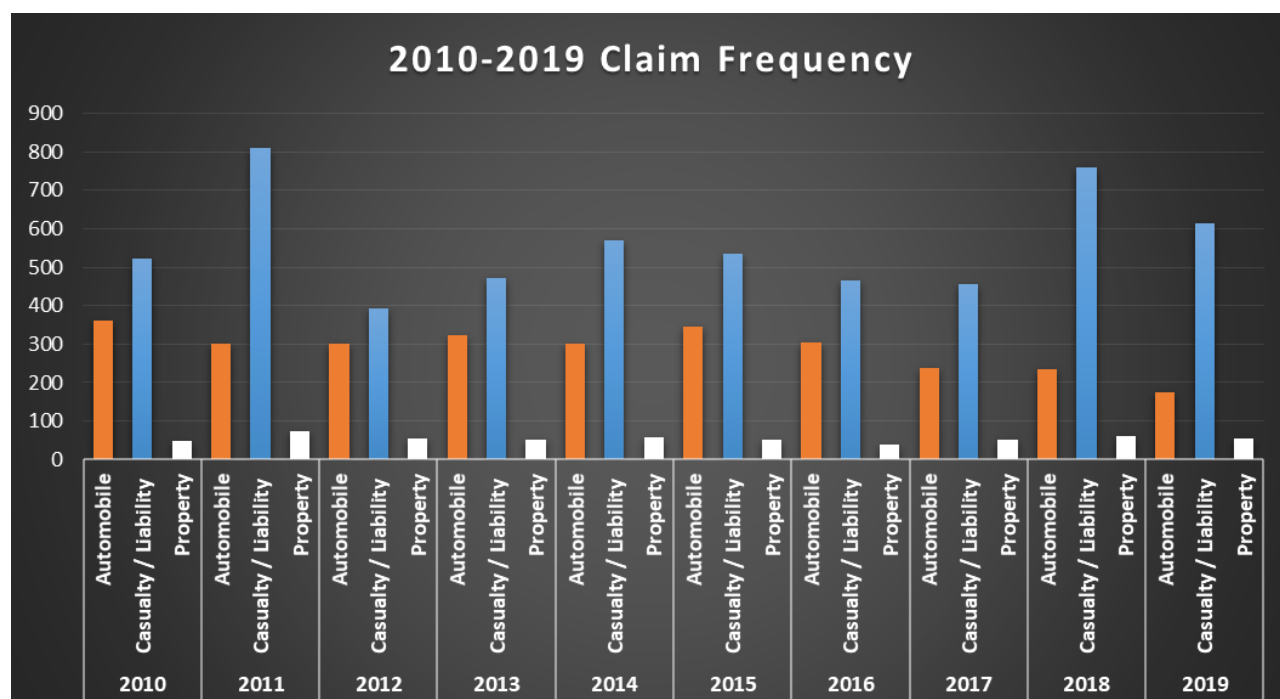
CLAIMS

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

- a) Objective and professional treatment of all claims.
- b) Protection of the City's defenses in the event a claim is pursued in the courts.
- c) Compliance with the conditions of the City's Contract of Insurance.
- d) 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, temperament, or the claimant's lack of insurance coverage, etc.

Our mission of supporting operational and non-financial risk management is achieved by providing vital information to service areas throughout the Corporation.

The chart below looks at the number of claims over the last ten years.



Municipal claims essentially fall into the following categories.

AUTO FLEET - Auto claims for physical damage and third party liability. In the City's portfolio we have a combined fleet of 760 vehicles. City - 467 / Police - 225 / Fire - 68.

CASUALTY/LIABILITY

Maintenance – As the road authority, significant responsibilities come from road and sidewalk maintenance, Parks, boulevard trees and storm sewers.

Enforcement – Law enforcement, By-law enforcement, Fire & building inspection, plans approvals. Municipalities have many enforcement, inspection and approval responsibilities.

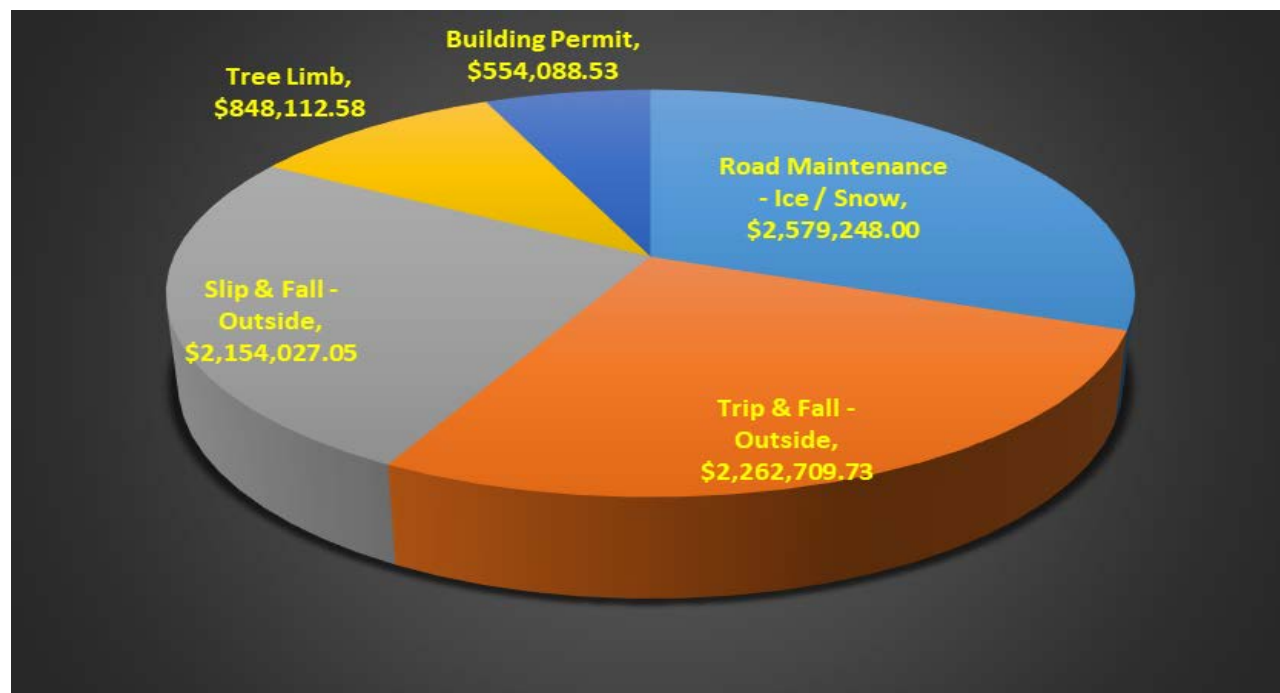
PROPERTY – Flood / Fire and Theft are accounted for in this class.

2010-2019 Claim Expenses

Claims Category	Claims	Net Paid	% of Net paid
Auto Fleet	2886	\$5,955,261	24%
Liability	5596	\$15,615,956	64%
Property	540	\$2,953,318	12%
Grand Total	9022	\$24,524,535	100%
Annual Average	902	\$2,452,453	

Liability claims produce the greatest frequency and expense. They often involve litigation which leads to a longer life cycle.

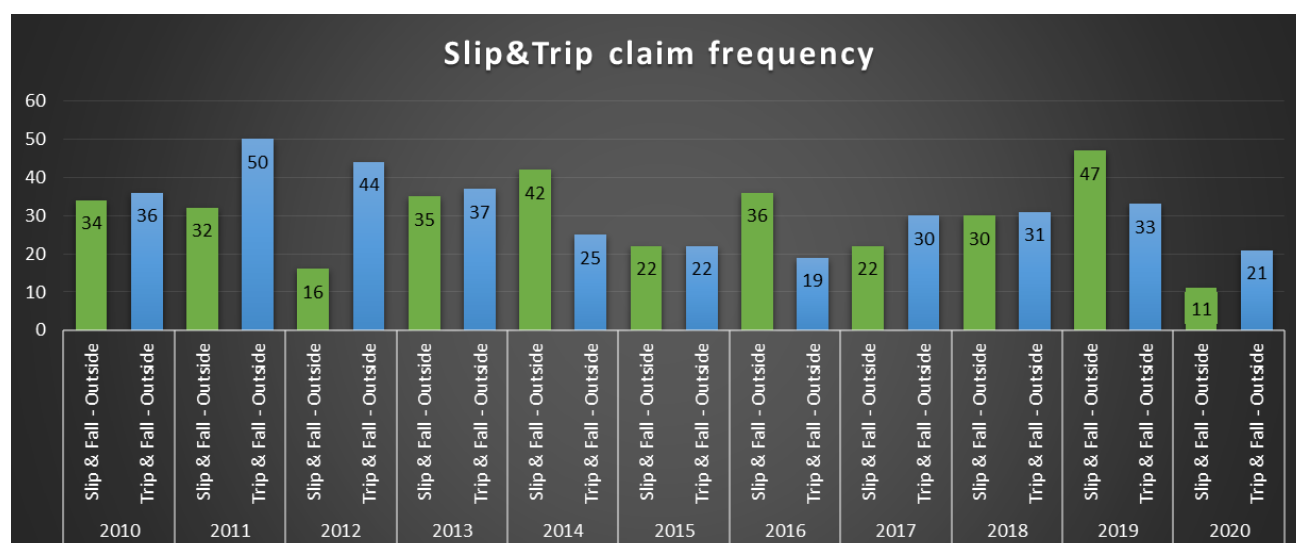
The leading causes of loss with the greatest expense.



Leading cause of loss	Expense	Number of Claims	per claim average
Road Maintenance - Ice / Snow	\$2,579,248.00	884	\$2,917.70
Trip & Fall - Outside	\$2,262,709.73	348	\$6,502.04
Slip & Fall - Outside	\$2,154,027.05	327	\$6,587.24
Tree Limb	\$848,112.58	337	\$2,516.65
Building Permit	\$554,088.53	52	\$10,655.55

Road maintenance is the leading cause of loss for the City. This is the leading risk for many municipalities. City streets are maintained according to guidelines set out by the Province. The City follows stringent standards to keep routes clear, safe and accessible for all users.

The City's sidewalk maintenance is vital to reducing liability. As part of the City's efforts to keep all 1,500 km of our sidewalks in good condition, crews are continually repairing surface cracks, unevenness and other minor sidewalk issues.



Slips and trips occur with a lower frequency than road maintenance claims while earning a higher per claim expense. It is imperative to continue appropriate resources to sidewalk infrastructure and maintenance.

Tree maintenance; injury and property damage claims from downed tree limbs are low in frequency, however; they can yield significant claim expenses. As the City grows its canopy, our attention to maintenance should be a key component.

Building Permits due to the broad scope of inspection requirements in addition to substantial application volume creates a claim exposure for many municipalities.

In addition to these leading causes of loss, stands a lengthy list of loss types such as flooding, construction, park pathways etc... The Corporation and associated Boards have numerous service areas who focus on repair, maintaining and rebuilding the City's infrastructure and the Division lends support to all service areas in their goal to promote safety and enhance the public's quality of life. The by-product of these efforts is a lower expense for claims and insurance.

Claims in 2020 as of October 20th

Automobile	\$256,520.56	79.41%	102	25.37%
Casualty / Liability	\$24,713.16	7.65%	283	70.40%
Property	\$41,790.39	12.94%	17	4.23%
Grand Total	\$323,024.11	100.00%	402	100.00%

The number of claims for this year is below the annual average which can likely be attributed to lower activity levels from the pandemic.

Subrogation Summary

Recoveries are carried out by the Division on behalf of other City departments. When a third party is at fault for a City loss, the Division will pursue recover from the at-fault third party or the at-fault party's insurer.

A majority of these damages are for traffic signals, street lights, traffic signs and trees. Over a six (6) year span, we have recovered \$1,363,022, which has been returned to the divisions that incurred the upfront costs.

Year	Amount Recovered
2020	\$160,215
2019	\$284,947
2018	\$309,600
2017	\$356,964
2016	\$85,689
2015	\$193,921
2014	\$131,901

Recovery totals vary by year due to fluctuating levels of claim frequency and severity and the probability of identifying the at-fault party. It is anticipated this year's recoveries will be in line with what was recovered in 2019.

CONCLUSION

Claims are down in 2020 at this time. This may be a temporary lull amidst the many closures and limited operations. Inclement weather and or a return to pre-covid business levels will likely lead us back to the annual claim averages.

The coronavirus pandemic has changed much of the way we conduct our business. Municipalities across Canada reacted swiftly and redefined their operations to ensure critical services continued. The City of London's business continuity plans have been

largely successful and operational risk functions have taken a much more active role than ever before in facilitating change and guiding service areas through the crisis.

The Division works closely with service areas to share guidance and to support their operational risk mitigation measures to address coronavirus-related issues.

In 2021, we hope to have a clearer picture of how the corona virus crisis has affected operational risk and we will be able to reflect this in next year's report. This will allow us to understand the full operational costs suffered.

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



City of London Summary of Coverage

POLICY TYPE	INSURER	COVERAGE LIMIT
General Liability	The Guarantee (60.00%); Lloyds (20.00%); Temple (20.00%)	\$15,000,000 (plus excess policies = \$50,000,000 total limit); Wrongful dismissal legal fees - \$500,000 per claim; \$500,000 aggregate
Errors & Omissions	The Guarantee (60.00%); Lloyds (20.00%); Temple (20.00%)	\$15,000,000 (plus excess policies = \$50,000,000 total limit)
Non-Owned Auto	The Guarantee (60.00%); Lloyds (20.00%); Temple (20.00%)	\$15,000,000 (plus excess policies = \$50,000,000 total limit)
Environmental Liability	The Guarantee (60.00%); Lloyds (20.00%); Temple (20.00%)	\$5,000,000 per claim; \$5,000,000 aggregate
Crime	The Guarantee (60.00%); Lloyds (20.00%); Temple (20.00%)	Employee dishonesty - \$1,000,000; Loss inside/outside premises - \$300,000; Money orders and counterfeit - \$200,000; Depositors forgery - \$1,000,000; Computer fraud - \$200,000; Credit card forgery - \$10,000; Audit Expenses - \$200,000
Conflict of Interest	The Guarantee (60.00%); Lloyds (20.00%); Temple (20.00%)	\$100,000 per claim; No aggregate
Legal Expense	The Guarantee (100%)	\$250,000 per claim; \$500,000 aggregate

POLICY TYPE	INSURER	COVERAGE LIMIT
Property and Data Processing Including Fine Arts	The Guarantee (64.65%); Lloyds (20.00%); Temple (15.35%)	\$2,286,082,394 total insured values;
Equipment Breakdown	BI&I (100%)	\$100,000,000 (see schedule of coverage for details regarding gross rentals and gross earnings, contamination and extra expense)
Owned Auto	The Guarantee (100%)	\$15,000,000 (plus excess policies = \$50,000,000 total limit)
Garage Auto	The Guarantee (100%)	\$15,000,000 (plus excess policies = \$50,000,000 total limit);
Cyber Liability	XL Catlin (100%)	\$2,000,000 Each Claim \$2,000,000 Aggregate
Unmanned Aircraft Vehicle Liability (London Police)	Global Aerospace (100%)	\$5,000,000 Each Claim
Follow Form 1st layer	The Guarantee (100%)	\$10,000,000
Follow Form 2nd layer	XL Catlin (100%)	\$25,000,000
Directors & Officers Liability (Housing Development Corporation, London)	The Guarantee (100%)	\$1,000,000 Each Claim \$1,000,000 Aggregate

This handout is intended to provide general information only. Please refer to the policy document for complete details. The policy terms, conditions and limitations shall apply in all instances. FCC-1115

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