

City of Belmont Risk Management Annual Report Summary – FY 2018

2017/18 Year in Review

This marks the City's 6th year providing an Annual Report Summary highlighting the risk management activities for the fiscal year and providing updated information regarding the City's risk management initiatives. Significant accomplishments this year include, but are not limited to:

- ✓ Completed successful policy renewal with competitive market comparison;
- ✓ Provided CPR/AED First Aid training to employees;
- ✓ Conducted successful Fire Drill/City Hall Evacuation/Training;
- ✓ Expanded several types of training provided in-house and with neighboring cities

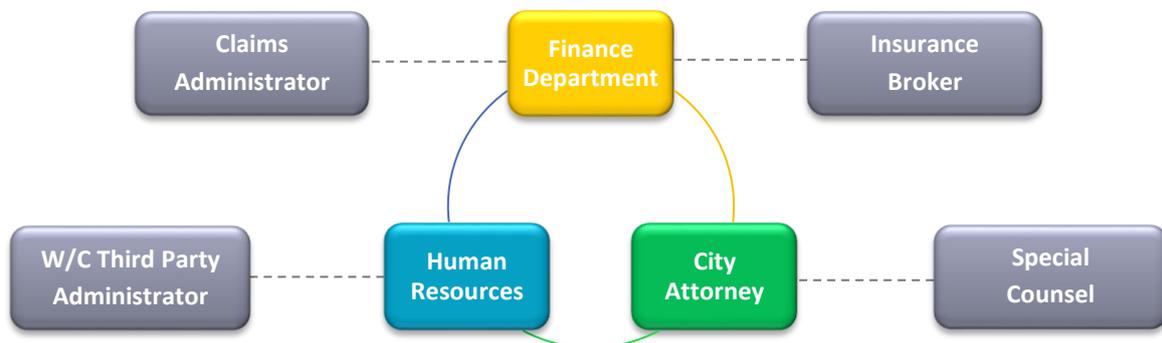
Belmont's Risk Management Mission

The Finance Department's Risk Management Division is responsible for managing the City's property and casualty risks and coordinating the City's safety programs. This includes, but is not limited to, Workers' Compensation program assistance, Liability and Property coverage assistance, Auto Comprehensive Damage and Liability coordination, and Safety Training. Our mission is to:

- Promote a safe and healthy work environment;
- Reduce costs related to accidents and injuries;
- Protect the resources and assets of the City of Belmont.

Risk Management Team

The key players in the City's Risk Management Division consist mainly of the Finance Department, the Human Resources Department, and the City Attorney.



The Finance Department is responsible for the main risk management functions, such as securing insurance placements, liability claims processing, and monitoring the overall risk management program. The Human Resources Department administers the workers' compensation program and coordinates safety training for employees. The City Attorney plays a vital role in assisting with liability claims that require legal response beyond the scope

of the City's Claims Administrator, as well as protecting the City's liability through contractual safeguards.

Risk Management Process

The City of Belmont approaches risk from two main sources, internal and external, and implements three main types of risk strategies to respond to those risks, as evidenced in the chart below:



Risk Avoidance – As the first layer of protection against losses, the City's Safety Committee strives to be a resource for City employees in regards to safety and wellness-related issues. The Committee consists of representatives from each department, and is chaired by the Human Resources Director. One of the purposes of the Safety Committee is to discuss various methods of improving employee safety practices and ensuring a safe work environment through feedback from department representatives. Quarterly safety meetings are held to discuss safety audits, training requirements, incident reports and any safety concerns employees may have that have been communicated to their department representative. The City supplements the Safety Committee's efforts by following best practices that reduce exposure to claims, e.g., routine sewer line inspections, Defensive Drivers Training, and Police Department Use of Force protocols.

Risk Transfer – As the second layer of protection against losses, the City annually purchases insurance policies to protect its property, assets, and employees. In doing so, the City essentially transfers its risk to the insurance carrier. The City's insurance broker tests the market annually in order to ensure that the City is securing quality coverage for the most value. In addition, the City utilizes standard insurance requirements for all contracts (drafted by the Risk Manager in collaboration with City Attorney) to ensure additional safeguards against risk occurrence by transferring responsibility to the vendor/consultant, through insurance coverage and indemnification clauses.

Risk Retention – As the third and final layer of protection against losses, the City has in place a structured system designed to respond to all remaining risk exposures, primarily liability claims, from initial submission to closure, in a timely manner. The City's claims administrator

and workers' compensation third party administrator (TPA) are responsible for adjusting the liability and workers' compensation claims, respectively. In addition, the City Attorney collaborates on claims filed against the City for damage to personal property, bodily injury, and alleged mistreatment or negligence.

Areas of Exposure

Liability and Workers' Compensation

The City participates in a risk sharing pool with other California public agencies for liability and workers' compensation coverage. Through a combination of risk sharing, reinsurance and excess insurance, the carrier provides the City with \$25M in Liability limits and Statutory Workers' Compensation limits. The City has a \$250,000 self-insured retention (SIR) on its liability coverage, and Workers' Compensation coverage is on a first dollar basis. A loss reserve is maintained to pay for claims that fall within the self-insured retentions, which is funded by contributions from divisions that have experienced liability losses.

Property

The City purchases property insurance with a \$10,000 deductible SIR to protect all City property and assets. The City self-insures for the risks of earthquake and flood, and the property program includes a cyber-liability component, providing first and third party liability coverage for security breaches.

Auto Physical Damage

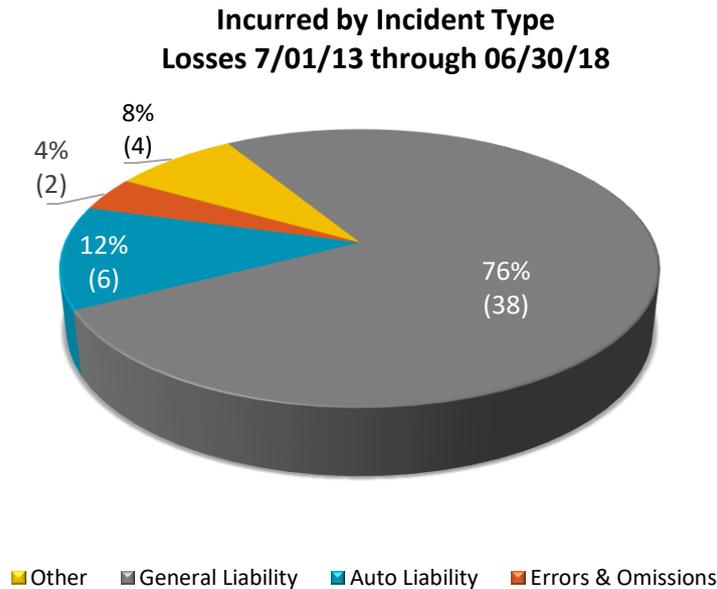
The City purchases physical damage insurance covering City vehicles and fleet, subject to a \$1,000 deductible.

Outcomes for FY 2018

Liability

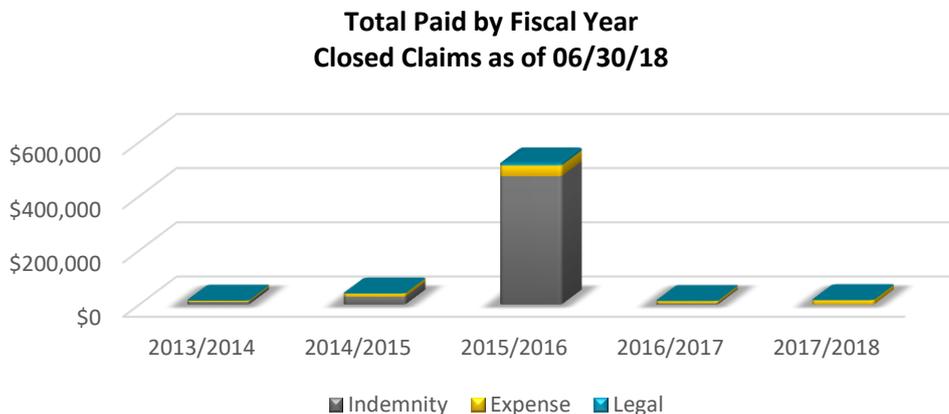
For FY 2018, the City budgeted \$191,475 for the Risk Management Division.

The chart below depicts the City’s general liability losses by incident type for the past five years (FY 2013 through FY 2018), including both percentages and number of claims. Results did not fluctuate significantly from last year’s reporting.



General liability claims are those claims filed against the City by claimants for personal injury or damage to personal property. The bulk of the City’s liability claims are typically due to sewer backup damage, but also include trip and fall claims, damage sustained by City trees, etc. Personal injury claims are claims against the City for pain and suffering. Auto 3rd Party claims are claims filed for damages sustained to the claimant’s vehicle. Errors & Omissions claims are those claims filed against the City for alleged mistreatment; and “Other” claims are those claims filed against the City that may fall under various other purviews.

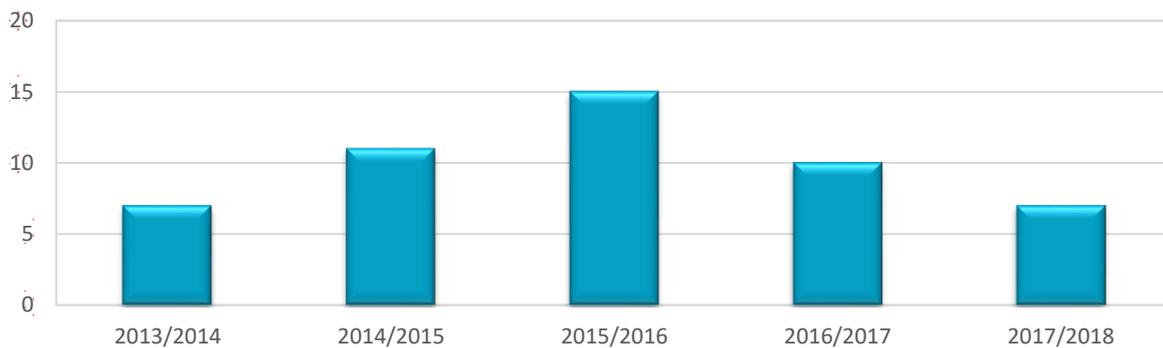
The next figure illustrates City’s total losses paid for the past five years, for all closed claims.



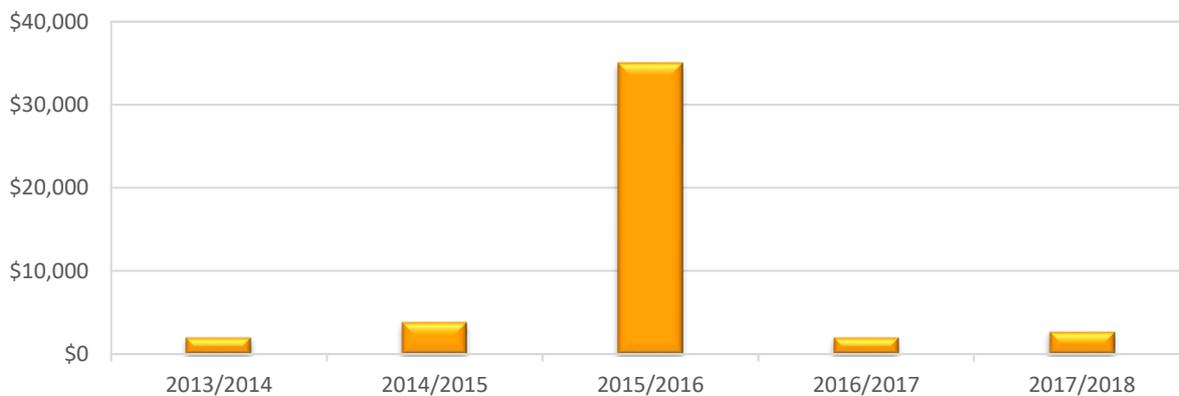
Indemnity is the settlement amount paid by the City to claimants. Legal expenses shown are any payments made to outside counsel, including any related expenses associated with defending a claim.

Lastly, the following two charts provide a visual representation of the City's claim frequency and the average paid by fiscal year for those claims, consecutively.

Claim Frequency
7/1/13 through 06/30/18
As of 06/30/18



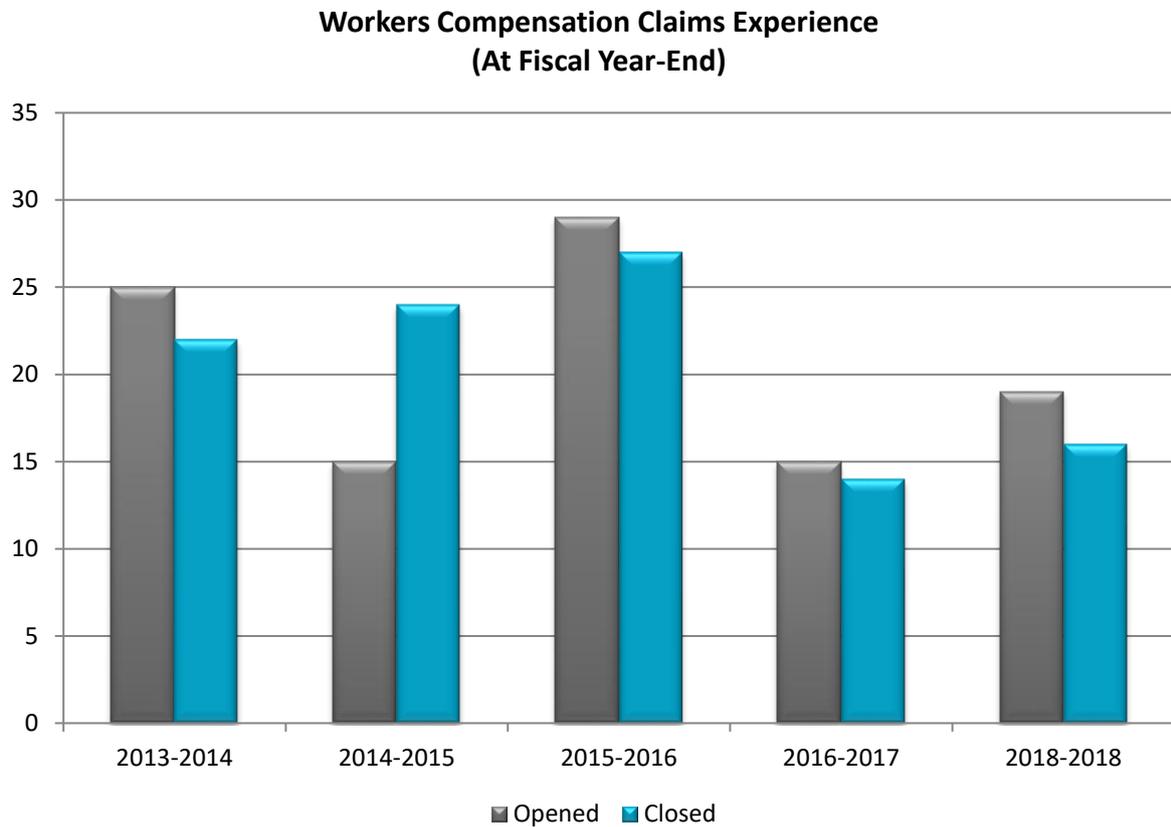
Average Paid by Fiscal Year
Open and Closed Claims
As of 06/30/18



The drastic spike in the City's incurred losses in 2015/2016 is due to a large claim that were reported to the City's excess carrier as a precaution. Those costs have since declined since both claims were handled by the City Attorney and ultimately rejected and closed. The City is continuing to look for ways to keep the losses to a minimum.

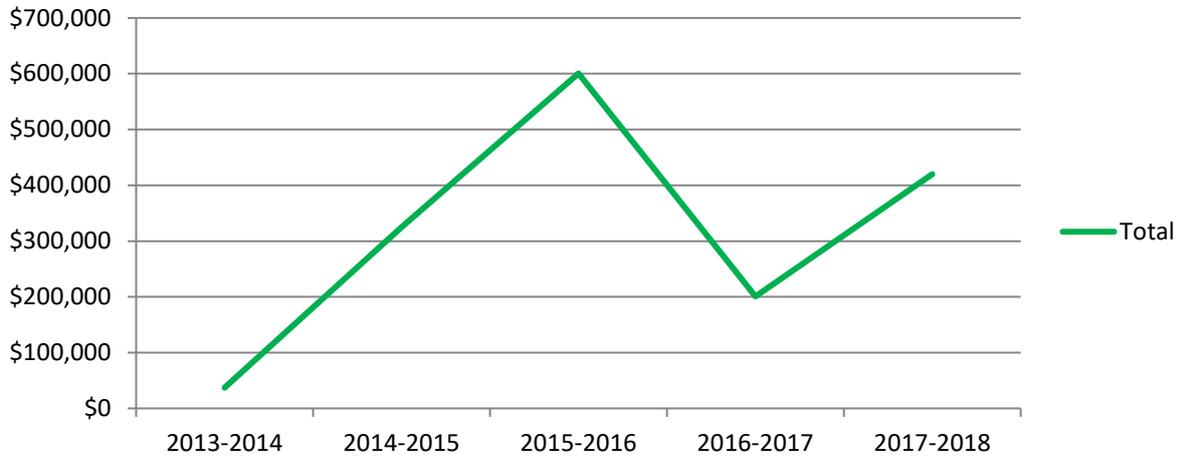
Workers' Compensation

The chart below illustrates the City's Workers' Compensation occurrence over the last five years, including both open and closed claims at fiscal year-end of each respective year. Because the City and Belmont Fire Protection District (BFPD) fall under the same Workers' Compensation program, the data below includes fire department claims, as well:



Correspondingly, the next figure shows the City's incurred costs (at fiscal year-end) of all Workers' Compensation claims from FY14 through FY18.

Workers' Compensation Claims Incurred Cost By Fiscal Year



The marked increase in incurred costs from 2016/2017 to 2017/2018 is due to several large medical claims that included surgery

Goals for 2019 include:

- Risk Management/HR to meet semiannually with departments with W/C claims to strategize on how best to reduce preventable claims/injuries/incidents.
- Continue to expand the different types of safety training that can be provided in-house or shared with neighboring cities
- Investigate the different types of safety reward programs available
- Finalize and implement Driver Safety Policy (pending labor group final review)

Summary

The Risk Management team will continue to look for ways to provide effective risk management solutions, including working with City departments to protect employees from injury, promoting accident prevention and selecting prudent and cost effective solutions to minimize the financial impact of losses to the City.

For any questions or additional information on the City's Risk Management Program, please contact Nawel Voelker, Management Analyst at (650) 595-7433, or nvoelker@belmont.go