

**City of Belmont**

**Risk Management  
FY 2013 Annual Report**

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January 2014

# City of Belmont Risk Management Annual Report Summary – FY 2013

This report represents a summary of risk management activities for the fiscal year 2013. It includes historical loss data for the last five years and information regarding the City's risk management initiatives.

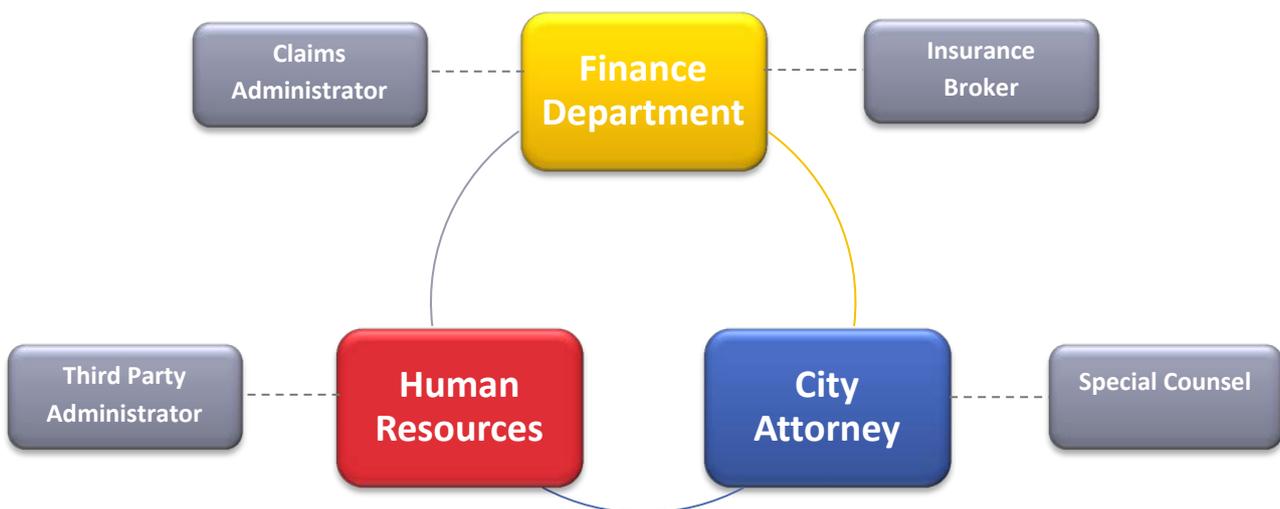
## About Risk Management

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 primarily handles workers' compensation claims 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. Quarterly safety meetings are held to discuss safety audits, training requirements, incident reports and any safety concerns employees may have. 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 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.

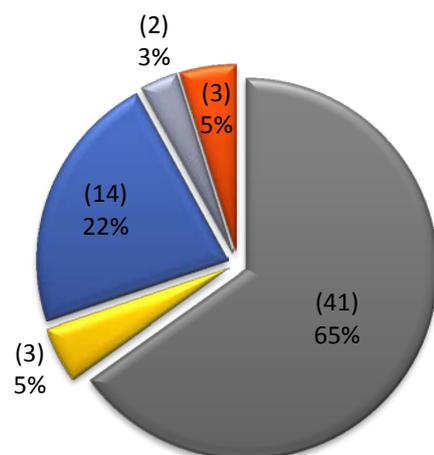
## Outcomes for FY2013

For FY 2013, the City budgeted \$193,120 for the Risk Management Division.

## Liability

The chart below depicts the City's general liability losses by incident type for the past five years (FY09 through FY13), including both percentages and number of claims.

**Incurred by Incident Type**  
Losses 7/1/2008 through 6/30/2013

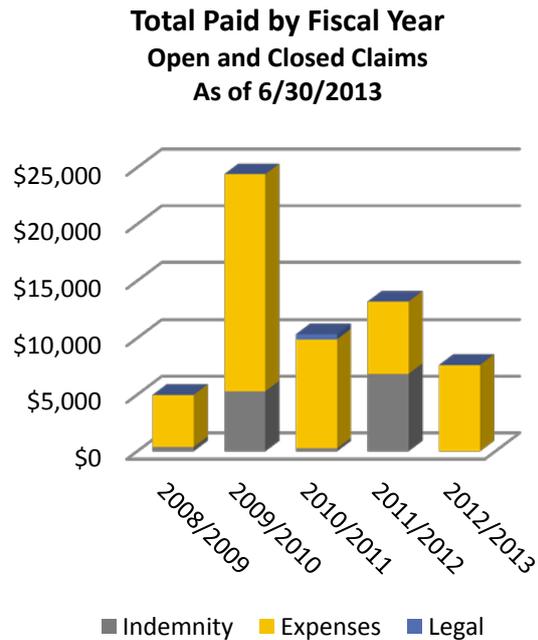
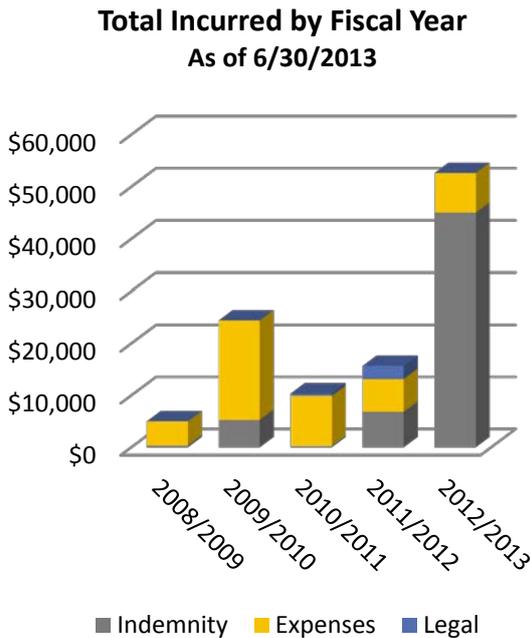


■ General Liability ■ Law Enforcement ■ Auto 3rd Party ■ Road ■ Personal Injury

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 3<sup>rd</sup> Party

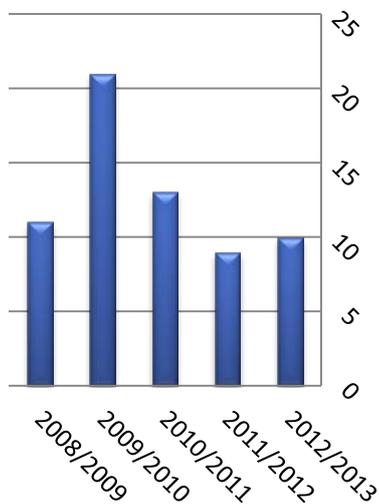
claims are claims filed for damages sustained to the claimant's vehicle. Law Enforcement claims are those claims filed against the City for alleged mistreatment; and Road claims are those claims filed against the City for damages to the claimant's property as a result of the City's streets.

The next two figures illustrate the comparison between the City's incurred losses, by fiscal year, for the past five years, and the corresponding total paid out by the City for those claims.

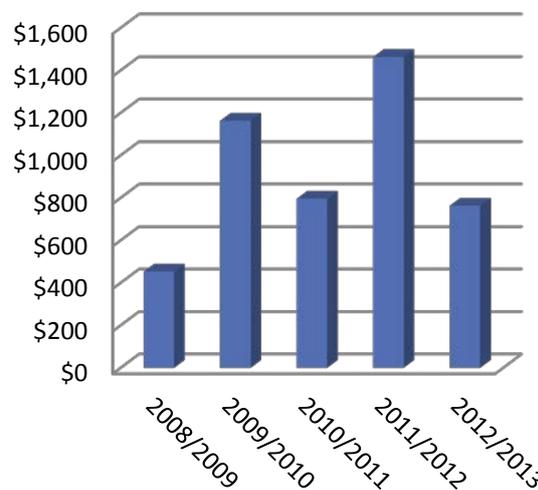


Lastly, the two final charts below provide a visual representation of the City's claim frequency, as compared to the average paid by fiscal year for those claims.

**Claim Frequency**  
Losses 7/1/2008 through 6/30/2013  
As of 6/30/2013



**Average Paid by Fiscal Year**  
Open and Closed Claims  
As of 6/30/2013



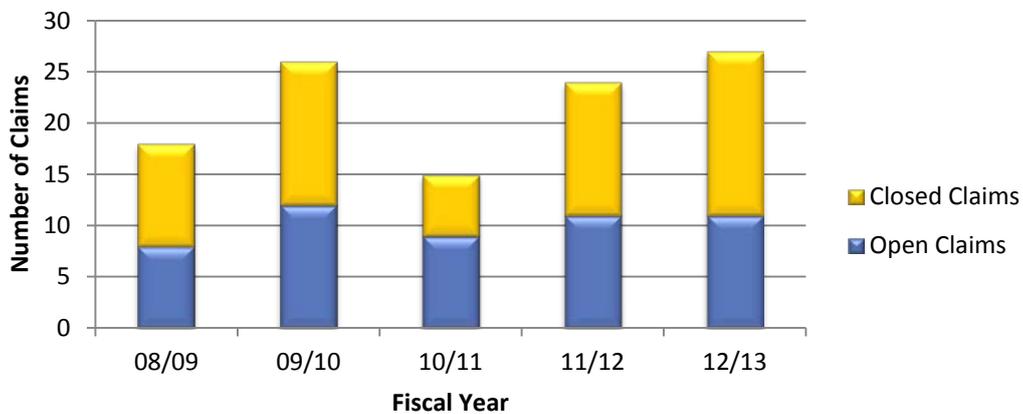
### **Liability Audit Report**

In order to ensure the City's claims administration is consistent with the guidelines and expectations of the City's insurance carrier a bi-annual audit of the City's liability claim process was conducted by an independent auditor. The audit was performed in November 2013. The results reported no negative findings and confirmed that the City is in compliance with claim industry standards, insurance carrier's Claim Administration Guidelines, and the California Joint Powers Association Claim Accreditation Criteria. The audit results/report is included as an Appendix to this report.

### **Workers' Compensation**

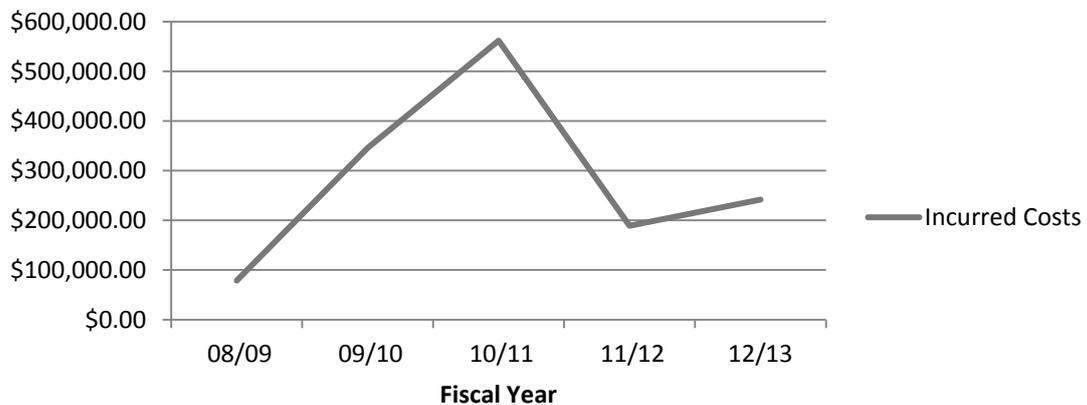
The chart below illustrates the City's Workers' Compensation occurrence over the last five years, including both open and closed claims at fiscal year-end of each respective year.

**Workers' Compensation Claims Experience  
(At Fiscal Year-End)**



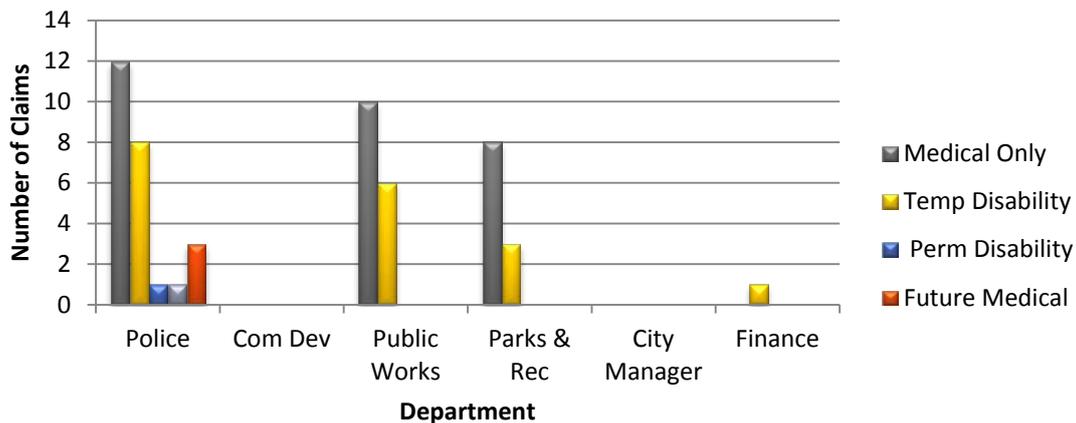
Correspondingly, the figure below shows the City's incurred costs (at fiscal year-end) of all Workers' Compensation claims from FY08 through present.

**Workers' Compensation Claims  
Incurred Cost  
(Fiscal Year-End)**



Lastly, the chart below depicts the actual number of claims by type/severity for the past five fiscal years. Departments listed below with no data (Community Development and City Manager's Office) do not have any Workers' Compensation claims within the past five years.

### Workers' Compensation Claims by Department and Severtiy July 2008 - June 2013



#### Accomplishments for Risk Management in FY13 Include:

- Worked with the Fire Department to provide fire extinguisher training to all employees
- Expanded several types of training provided in-house and with neighboring cities
- Driver Safety Policy drafted and under review with labor groups
- Implemented smooth transition to a new, more competent TPA for transfer of workers' compensation tail claims
- Provided 12 hours of safety training to internal staff

#### Goals for 2014 include:

- 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 City Attorney & labor group final review)
- Reduce sewer back-up, trip & fall, and City tree-related liability through proactive implementation of Inspection Plan/Schedule in place

#### 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.gov](mailto:nvoelker@belmont.gov).

## Appendix

# CITY OF BELMONT

## LIABILITY CLAIM AUDIT

### NOVEMBER 2013



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## **I. CONCLUSIONS**

The City of Belmont's self-insured liability claim administration program is being managed effectively within claim industry standards by George Hills Company, Inc. in their San Jose, California office.

There is a sense of urgency regarding investigation and the identification of adverse liability claims for disposition. There continues to be an aggressive approach toward the defense of non-meritorious claims and litigation.

I found that the reserving philosophy and practice are sound and the examiner/adjuster currently involved is very familiar with CSAC Excess Insurance Authority's reporting requirements.

There were no negative findings as a result of this audit.

The City of Belmont and CSAC Excess Insurance Authority should continue to anticipate compliance with claim industry standards, the CSAC Excess Insurance Authority's Claim Administration Guidelines, and the CAJPA Claim Accreditation Criteria.

## II. RECOMMENDATIONS

*There are no recommendations being made as a result of the audit findings.*

### **III. FINDINGS**

#### **A. STAFFING**

The City of Belmont's self-insured liability claim administration program is currently administered by George Hills Company, Inc. in their San Jose, California office, which is a change from the previous audit. The current examiner/adjuster is Marizel Bajoa, who is a thoroughly experienced public entity claim administrator. The claims manager is Rodger Hayton who is a professionally experienced liability claim manager with many years' experience handling public entity claim administration.

File reviews indicate that Ms. Bajoa maintains a high sense of urgency regarding the investigation and identification of adverse liability claims.

The staffing for the City of Belmont's self-insured liability claim program is proper.

#### **B. REPORTING**

File reviews indicate the City is reporting Verified Claims and incident reports to George Hills Company, Inc. in a timely manner. Ms. Bajoa's reporting is timely and comprehensive.

#### **C. GOVERNMENT CODES**

George Hills Company, Inc.'s claim personnel are making decisions regarding Government Code reporting timeliness, sufficiency, acceptance, or rejection. I found no exceptions in this area of performance.

The Government Code immunities are being identified and applied.

#### **D. INVESTIGATION**

George Hills Company, Inc. is responsible for all necessary investigation. Most investigation is conducted by telephone or electronic communication. George Hills Company, Inc.'s personnel perform field investigation when necessary. Investigative reporting is timely and comprehensive.

George Hills Company, Inc. continues to utilize the Index Bureau to report the City's bodily injury and personal injury claims.

## **E. SETTLEMENTS**

The City does not delegate specific settlement authority to George Hills Company, Inc.

I reviewed one claim in which the evaluation and negotiation process has taken place. I found the evaluation was based upon verified and documented special damages, and the settlement value was in the low to medium range.

## **F. LITIGATION**

Only one of the claims reviewed was in litigation. The law firm was assigned by the City and their performance was competent and aggressive. The law firm's status reporting was current and comprehensive.

There were no defense counsel invoices available for review during this audit.

## **G. TRANSFER OF RISK AND SUBROGATION**

Once claim reviewed during this audit involved the existence of a third party and the claim was successfully tendered to that third party.

There were no subrogation claims reviewed during this audit.

## **H. RESERVES**

I found reserving philosophy and practice to be sound. There appears to be an attempt to establish and maintain an "ultimate probable cost" reserve for both loss and expense based on current information available in each claim. I did not find it necessary to make any recommendations for reserve revisions as a result of this audit.

I matched each claim file reviewed to the computerized loss experience report provided by George Hills Company, Inc. Data entries were accurate and timely. George Hills Company, Inc. transmits a loss experience report to CSAC Excess Insurance Authority at least annually.

## **I. EXCESS NOTIFICATION**

The City of Belmont continues as a member of CSAC Excess Insurance Authority's GL I Program with a Self Insured Retention of \$250,000 per occurrence.

Three of the four claims reviewed during this audit are on report to CSAC Excess Insurance Authority based upon the nature of the damages involved. The reporting to CSAC Excess Insurance Authority was timely and comprehensive.

Ms. Bajoa and Mr. Hayton are thoroughly familiar with the CSAC Excess Insurance Authority's excess reporting requirements.