

Finance Committee Memorandum

City of Arts & Innovation

TO: FINANCE COMMITTEE MEMBERS **DATE: OCTOBER 10, 2018**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: ANNUAL REPORT ON THE CITY'S GENERAL LIABILITY CLAIMS – FISCAL YEAR 2017-2018

ISSUE:

Receive an annual report on the City's general liability open claims and costs for Fiscal Year 2017-2018.

RECOMMENDATION:

That the Finance Committee receive, provide input on, and forward to the City Council this annual report reflecting the City's general liability open claims for Fiscal Year 2017-2018.

BACKGROUND:

Prior to July 1, 2018 the Finance Department was responsible for administering the City's general liability claims program. Since then, the City Attorney's Office has taken on this responsibility. This report contains data through the end of Fiscal Year 2017/18 and is the third report on the City's general liability claims; the first was presented to the Finance Committee on September 14, 2016.

This report provides a snapshot of claims received, processed, closed, litigated or otherwise handled over the twelve-month period. In addition to this annual report presented to the Finance Committee and City Council, staff provides detailed reports to City Departments on a regular basis. On a quarterly basis, the City Manager's Office and the City Attorney meet with Finance (on the general liability claims) and Human Resources (on the workers' compensation claims) to identify patterns and discuss any changes to policies or management actions.

The City of Riverside carries a self-insured retention of \$3 Million for both general liability and workers' compensation, which are supplemented by excess insurance policies. Prior to July 1, 2018 the Risk Management Division of the Finance Department was responsible for administration of general liability claims and adhered to the California Government Code, which establishes general requirements for filing claims against public entities, and sets various deadlines for filing and processing claims. Risk Management administered claims through a contract with a Third Party Administrator (TPA), Carl Warren and Company.

The TPA was responsible for managing, reviewing and resolving all public liability claims filed against the City by establishing a collaborative working relationship with City Departments, including the City Attorney's Office. With the help of their proprietary Risk Management Information System (RMIS), the TPA also provided statistical reports, including loss run reports and ad-hoc reports as needed.

The City's agreement with Carl Warren expired on June 30, 2018 at which point the City transitioned the claims administration program in-house, in concurrence with the Riverside 2.0 Strategic Plan. The City also filled vacancies in the Risk Management Division to take on the additional workload. In addition, during their August 8, 2017 meeting, City Council approved a Software Subscription Agreement with Origami Risk LLC for a RMIS. Staff worked diligently with Origami Risk LLC to design the system in such a way that satisfies the City's needs. The software was successfully implemented on July 1, 2018 and has streamlined the City's general liability claims program by allowing staff to perform many of the functions that were performed by TPAs, including claim management, setting reserves, statistical reporting, increasing customer service efforts and enhancing claimant communications.

DISCUSSION:

Overview of Open Claims

As of June 30, 2018, the City had 160 open/outstanding claims, with \$9.8 Million in anticipated expenses (reserve loss and reserve expense) and \$1.2 Million in payment losses and expenses; for total incurred costs of approximately \$11 Million. The table below shows a snapshot of open claims, including litigated claims through June 30, 2018.

Type	Number Of Claims	Net Reserve Loss (1)	Net Reserve Expense (2)	Net Payment Loss (3)	Net Payment Expense (4)	Total Incurred
Administrative Services	8	34,500	27,029	-	471	62,000
Code Compliance/ Weed Abatement	2	507	-	-	-	507
Electric Services	8	17,732	1,861	-	18,139	37,732
Fire	4	21,867	-	-	-	21,867
Human Resources	9	332,007	58,168	-	41,526	431,701
Parks	3	135,000	6,034	-	26,422	167,456
Police	39	3,311,928	138,170	-	751,807	4,201,906
Public Works	41	591,131	100,916	150	59,239	751,436
Refuse Collection Services	2	4,335	-	-	-	4,335
Sewage Systems Services	1	8,596	-	91,404	-	100,000
Street Maintenance/ Sweeping	20	4,736,330	141,093	-	194,595	5,072,019
Street Trees	21	67,364	-	3,436	-	70,800
Water Services	2	10,865	19,921	-	79	30,865
Totals	160	\$9,272,163	\$493,191	\$94,990	\$1,092,279	\$10,952,623

- (1) Net Reserve Loss – Estimated amount to be paid for settlement of the claim(s)
- (2) Net Reserve Expense – Anticipated expenses (legal costs, attorney fees, investigations, etc.)
- (3) Net Payment Loss – Settlement amount that has been paid
- (4) Net Payment Expense – Paid expenses excluding settlements (legal costs, attorney fees, investigations, etc.)

Of the 160 outstanding claims shown above, 47 claims are being actively administered by the City Attorney's Office and account for over 91% of the total incurred amount listed above. These are tort claims with ongoing litigation, which could remain open for several years. Of the 160 open claims, 85 are related to the Public Works Department, and reflect claims mainly associated with damage caused by City tree roots and potholes in City streets.

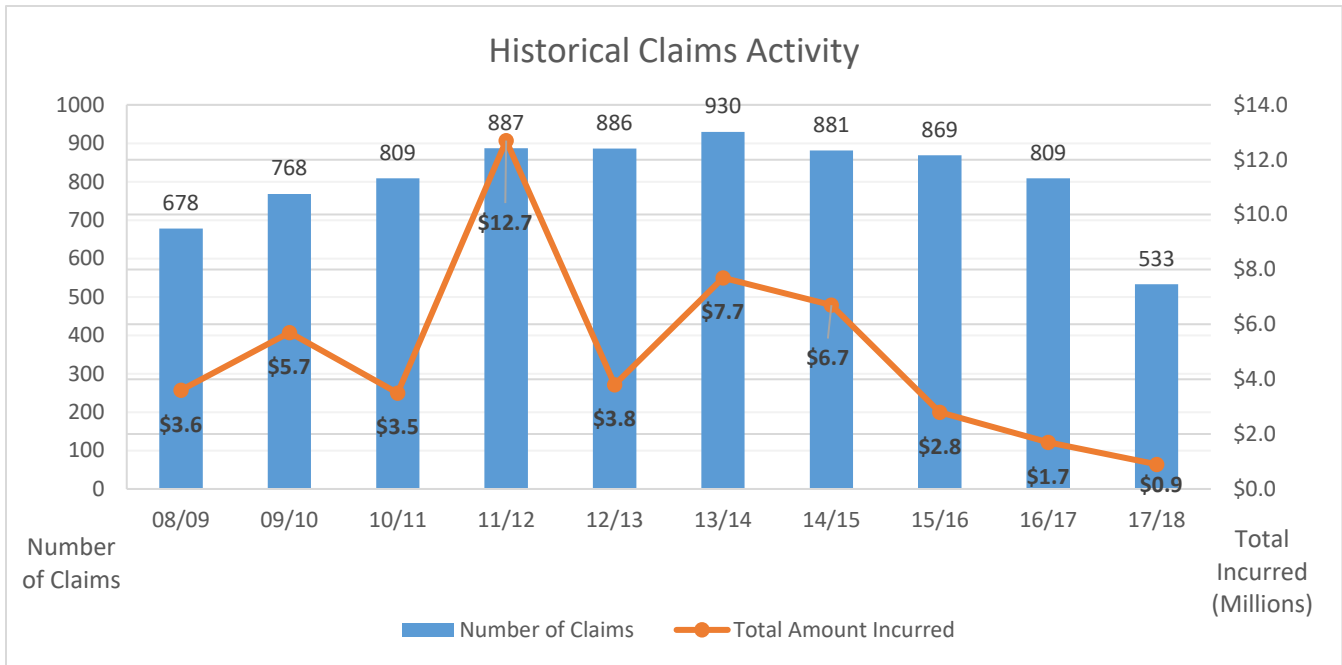
Fiscal Year 2017/2018 Claim Activity

The following table shows an overview of claim activity for the entire fiscal year 2017/18. During this time period, the City received a total of 533 general liability claims. This number, however, includes both actual claims (filed on the approved form with the City Clerk), as well as calls for service to address issues (mainly sewer-related) that would otherwise lead to claims. Property damage was the leading source of claims, generating approximately 83% of all claims received during the fiscal year. The total incurred amount of \$949,141 listed below includes anticipated and current expenses associated with claims filed during FY 2017/2018.

Type	Claim Count	% Of All Claims	Total Incurred	% Of Total Incurred
Auto Bodily Injury	16	3.00%	34,500	3.63%
Auto Property Damage	33	6.19%	64,580	6.80%
Bodily Injury	28	5.25%	105,011	11.06%
Employment Practices	4	0.75%	30,007	3.16%
Medical Payment	1	0.19%	-	0.00%
Property Damage	443	83.11%	648,535	68.33%
Personal Injury	8	1.50%	66,507	7.01%
Totals	533	100.00%	\$949,141	100.00%

Historical Claims Activity

During the 10-year period between July 1, 2008 and June 30, 2018, the City received a total of 8,050 claims, with an average of 805 claims per fiscal year. (Again, this number includes both actual claims and calls for service.) During this ten year period, the total amount incurred was \$49.2 Million with an average of \$4.9 Million per fiscal year. The total incurred amounts listed below include both anticipated and current expenses through June 30, 2018.



Outside Legal Counsel and Litigation Costs

The City retains outside legal counsel as applicable and required by the City Attorney’s Office, typically for claims where the claimant has retained legal counsel and/or other appropriate occurrences as determined by the City Attorney’s Office. Once this occurs, all communication and interaction between the claimant and the City are conducted via each party’s legal representative, including any formal or informal communication such as attending court proceedings. Selection of outside legal counsel is made by the City Attorney’s Office. Expenditures related to outside legal fees and costs dating July 1, 2017 through June 30, 2018 totaled \$ 2,893,123.

Customer Service Enhancements

The City’s Risk Management Division made several improvements with the goal of more effectively managing the claims administration process, thereby increasing the customer service effort to claimants utilizing the claims process.

As previously discussed, on August 8, 2017, City Council approved a Software Subscription Agreement with Origami Risk LLC, for a RMIS. The software was recently implemented on July 1, 2018 and has streamlined the City’s general liability claims program by allowing staff the capability to perform many of the functions that were previously performed by our TPA, including but not limited to claim management, setting reserves, statistical reporting, increasing customer service efforts and enhancing claimant communications.

Origami was selected for its unique software capabilities and ease of use. One of the major features that Origami has implemented is an Enterprise Data Entry Portal, which allows claimants to submit their claim and supporting documentation online. Another exciting feature that will be implemented soon is a Mobile Claimant App, which will allow claimants to safely view details and progress of their claim, all from the convenience of their mobile device. This feature is projected to significantly increase customer service efforts and enhance communications with claimants who utilize the process.

FISCAL IMPACT:

There is no direct fiscal impact associated with this report. For informational purposes, the General Liability program’s expenditures for claim settlements and expenses over the last two fiscal years are as follows:

	FY 2016/17	FY 2017/18
Legal Fees And Costs	2,116,757	2,893,123
Bodily Injury Claims	252,360	1,530,080
Property Damage Claims	1,705,195	2,307,024
Totals	\$4,074,312	\$6,730,227

Prepared by: Marie Ricci, Assistant Chief Financial Officer
Certified as to
Availability of funds: Edward Enriquez, Acting Chief Financial Officer/Treasurer
Approved by: Lea Deesing, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachment: Presentation