

Insurance & Claims

Led by: Law

Description:

Manage operational risks and claims arising from City operations through the civic insurance program.

Customers:

Business units, civic partners and the Calgary Police Service. We also provide front-facing service to citizens for potential claims.

What is delivered to customers:

- Risk mitigated/claim resolved.
- Avoidance of large unpredictable costs to customers and partners.

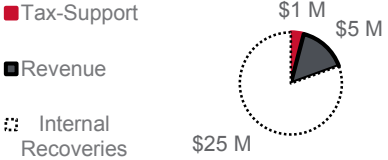

Partners:

Legal Counsel & Advocacy

Service need (value proposition):

Work with City staff and Civic Partners to identify and mitigate risks and address damages or potential liabilities as a result of their operations. Provide an avenue for citizens should they wish to submit a claim.

Current state service value

<p>\$8.27 / \$1,000 Cost of Risk (Per \$1,000 of Revenue)</p> <p>100% Percentage of City Services Served</p>	<p>100% Level of Client Satisfaction</p> <p>2.31% Liability Claims Going to Litigation</p>	<p>2018 Budgeted Gross Operating Expenditures Funding Breakdown (\$ Millions)*</p>  <p>\$1,700 Annual operating cost per employee</p> <p><small>* Gross operating budget and the service cost ratio may include internal recoveries that are also included in other services gross operating budget.</small></p>
<p>Connections to Citizen Priorities</p> 		<p>What the service includes This service has no sub-services.</p> <hr/> <p>Key Capital Investments N/A</p>



What we've heard and service outlook

What we heard: Research & Engagement Results

In a recent client engagement survey with five key clients, responses indicated they were grateful for the assistance, either financially or operationally, when they sustain an insured loss or ask for risk management and insurance advice. We act in the best interest of all Calgarians and, therefore, decisions on claims are based on legal liability. This can create situations where citizens are not satisfied with the outcome of our investigation, in which case the file can be escalated and reviewed to ensure the citizen is being treated fairly.

What Council has directed

W2 – This service will reduce costs and focus on value-for-money by focusing on the management of internal claims. For example, reducing the number of transactions between service lines when a City vehicle collides with another City vehicle or with City property. We will also review the internal deductible structure to see where efficiencies can be found.

W4 – By managing financial risk through loss prevention activities, and by transferring risk through commercially reasonable insurance, this service assists The City in offering quality services to citizens while maintaining an affordable tax rate.

M1 – The operations of Calgary Transit are extensive and this service supports the implementation of RouteAhead. Increasing the transit services available to citizens while also making it safer may reduce the number of incidents and claims that are occurring on our buses and trains.

H3 – This service has been actively involved in flood protection efforts to help mitigate a future flood loss, both from an insurance and a claims perspective. The insurance markets continue to recognize the improving risk profile of The City.

What are we watching?

Climate change: large weather events are occurring more frequently; potential impact to insurance markets. Citizen expectations: the velocity and complexity of claims are increasing. Technology: impact and risks associated with technological advances (e.g. autonomous cars, artificial intelligence, drones, etc.). Current economic environment: impact on Calgary's economic health and funding from other levels of government; cyber threats and data security issues. Legislative changes: including changes to soft tissue caps on liability and the legalization of cannabis. Personnel: succession and knowledge-transfer risks with increase in retirements; increased age of The City's infrastructure may add to the number of possible claims.

Benchmarking



Source: RIMS Benchmark Survey

Benchmark data is collected through the Risk and Insurance Management Society (RIMS) which is an industry association for companies across North America. Our data is compared to other government and non-profit organizations. Cost of Risk is defined as the sum of insurance premiums, self-funded losses, risk control expenditures, as well as internal and external administrative costs per \$1000 of operating revenue. As indicated above, Calgary's cost of risk is lower than the industry average for government and non-profit organizations. This demonstrates that the Insurance & Claims service is being operated more efficiently than other peer groups.

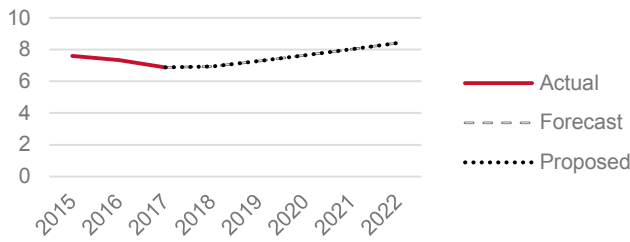
What matters to Calgarians

VALUE DIMENSION	DESCRIPTION
Reduces risk	Intentionally manage risk: provide comprehensive risk mitigation strategies to identify, manage, transfer or insure risks, and manage the adjustment of claims.
Responsiveness	Responsiveness: requested service will be addressed in a reasonable amount of time. Respond to citizen's inquiries within 24 hours.
Quality	Customer Service: deliver quality insurance and claims services through increased business insight and understanding of City services provided by City business units. Provide citizens service for potential claims that they may be involved in.
Legislative Compliance	Utmost good faith: ensure the adjustment of claims using sound insurance and legal principles in a transparent manner.
Affordability	Cost effective: provide a civic insurance program that achieves the best possible insurance coverage at the best rates available.

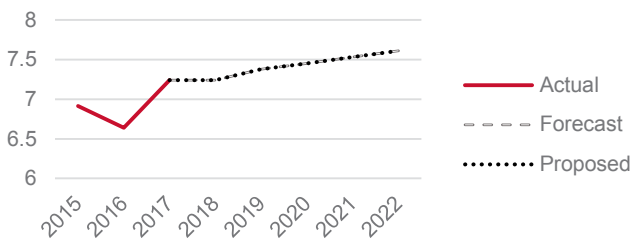


How is the Service performing? Where we are headed and where do we want to go?

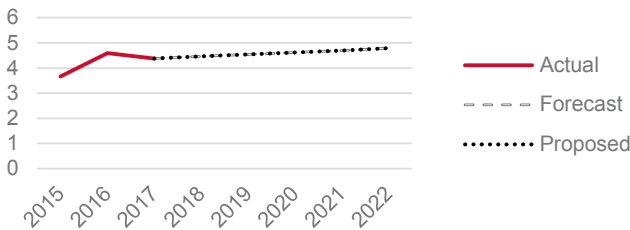
Funds Available for Insurance Premiums (in Millions)



Number of Claims per 1000 Citizens



External Recoveries by Year (in Millions)



Story behind the curve

Funds Available for Insurance Premiums:

Large weather events such as hurricanes, wildfires and floods are occurring more frequently and are having an adverse impact on commercial insurance rates. We experienced a five per cent increase in the property insurance rate from 2017 to 2018, and expect this trend to continue over the next four years. The City's insurance program will continue to be marketed internationally to attract the most commercially reasonable rates, while balancing the changing needs of the Corporation.

Number of Claims per 1000 Citizens:

Given the economic environment in Calgary, we are not anticipating significant growth in the number of citizens and, therefore, are not anticipating a significant increase in the number of claims per 1000 citizens. However, if there is a large reduction in an operating/maintenance budget (e.g. Roads maintenance) or large or several weather events this may change the number of claims being reported by citizens. In order to turn the curve, we will continue to educate citizens by utilizing the Claims website and ensure proper training is provided to City staff to reduce the potential for claims.

External Recoveries by Year (amounts collected from responsible parties):

Inflationary costs for repairing damage to City assets are increasing at a rate of 1.8 per cent per year. Therefore, we expect our recoveries from third parties who are responsible for damaging City assets to increase at a similar rate. Adjusting staff are also becoming increasingly diligent and persistent in collecting from responsible third parties.



What do we propose to do?

What we propose to continue doing

STRATEGY
Internal and external training.
Heading towards paperless claims handling.
Use of web submissions for claims.
Updating transparency of claims information on our website.
Upgrading risk management information system to handle claims while adjusters are in the field.
Templating risk and claims forms.
Appraisals and loss control inspections.

Why?

These strategies support providing insurance and claims services for A Well-Run City.

What we propose to do less of

STRATEGY
Internal transfers relating to claims costs in favour of direct billing of claims costs.
Ad-hoc risk and claims forms in favour of templated forms.
Use of hardcopy claims files in favour of electronic files.

Why?

These strategies will allow the Insurance & Claims service to reduce or eliminate processes that are considered unnecessary, and replace them with more efficient practices that will achieve the same or better results.

What we propose to do more of or include as a new offering

STRATEGY
Direct citizens to our website to provide information on claims and how to submit.

Why?

Provide more transparency to the public to explain how claims are investigated and how liability is determined.



What Operating Budget do we need to achieve these results and strategies?

For Council Approval

SERVICE PERFORMANCE RESULTS FOR 2019-2022	CURRENT	TREND
Funds Available for Insurance Premiums (in Millions)	6.93	↔
Number of Claims per 1000 Citizens	7.24	↔
External Recoveries by Year (in Millions)	4.46	↔

Breakdown of net operating budget (\$000s)

	2019	2020	2021	2022
Previous Year's Budget	1,268	1,244	1,244	1,244
Less Previous Year one Time	-	-	-	-
Base	1,268	1,244	1,244	1,244
Revenue Changes	(80)	(80)	(80)	(90)
Internal Recovery Changes	(1,401)	(1,475)	(1,553)	(1,624)
Inflation	1,481	1,555	1,633	1,714
Operating Impact of Previously Approved Capital	-	-	-	-
Operating Impact of New Capital (Incremental)	-	-	-	-
Efficiencies	-	-	-	-
Service Reductions	(24)	-	-	-
Service Increases	-	-	-	-
One Time	-	-	-	-
Realignments	-	-	-	-
Total	1,244	1,244	1,244	1,244

Total Operating Budget (\$000s) for Approval

	2018 Budget	2019			2020			2021			2022		
	At Mar 31	Base	One-Time	Total	Base	One-Time	Total	Base	One-Time	Total	Base	One-Time	Total
Expenditure	31,078	31,135	-	31,135	31,215	-	31,215	31,294	-	31,294	31,384	-	31,384
Recoveries	(25,033)	(25,033)	-	(25,033)	(25,033)	-	(25,033)	(25,033)	-	(25,033)	(25,033)	-	(25,033)
Revenue	(4,777)	(4,858)	-	(4,858)	(4,938)	-	(4,938)	(5,017)	-	(5,017)	(5,107)	-	(5,107)
Net	1,268	1,244	-	1,244	1,244	-	1,244	1,244	-	1,244	1,244	-	1,244



Recommended Capital Investment to Support Service Delivery

For Council Approval

Capital Budget for Council Approval

ACTIVITY	DESCRIPTION	2019 REQUEST (\$000s)	2020 REQUEST (\$000s)	2021 REQUEST (\$000s)	2022 REQUEST (\$000s)	2023+ REQUEST (\$000s)	Total REQUEST (\$000s)
Annual Investment Program(s)		-	-	-	-	-	-
Project(s)		-	-	-	-	-	-
Program(s)		-	-	-	-	-	-
Sub-Total (New Budget Requests)		-	-	-	-	-	-
Previously Approved Budget Remaining		200	-	-	-	-	200
Total Capital Investment		200	-	-	-	-	200

Explanation of Capital Budget Requests

No new Capital Budget for approval.