



INFORMATION REPORT

TO: Chair and Members Audit, Finance and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: April 15, 2013	
SUBJECT/REPORT NO: 2012 Insurance Claims Review (FCS13037) (City Wide)	
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SIGNATURE: 	

Council Direction: Not applicable.

Information:

Report FCS13037 is submitted as a summary for Council on the 2012 insurance claims experience for the City of Hamilton.

Claims handled by the Risk Management Services Section (RMS), Financial Services Division, Corporate Services Department, are generally analyzed in four separate categories:

- Liability:** Claims presented against the City by a third party for property damage, personal injury or monetary loss. The more common types of claims in this category are sewer back-up, sidewalk falls, fallen tree limbs and potholes. This category does not include Fleet or Transit claims.
- Property:** Damage to City property (buildings, equipment, machinery, etc.). The more common types of claims in this category are vandalism, graffiti, and theft.

- **Motor Vehicle Accident (MVA):** Comprehensive and collision damages to City fleet vehicles. Also included are bodily injury claims made against the City by third parties involved in accidents with City fleet vehicles.
- **Transit:** Accident Benefit and Bodily Injury claims made against the Hamilton Street Railway Company (HSR) by third parties involved in accidents on or with HSR vehicles.

It is important to note that the City self-insures loss risks to certain levels on all claim categories. Similar to a deductible, self-insuring means that the City reserves for, and assumes losses, as follows:

Type of Loss	Self-Insured Retention Level
Liability	\$250,000
Property	\$500,000
Fleet Liability	\$500,000
Fleet Property Damage	\$25,000
HSR Liability	\$100,000

2012 Claims Statistics

Total Claims

2012 saw an 11% decrease in the number of new claims (2255) handled by Risk Management Services, as compared to an average (2526) of the previous four years. As the following chart illustrates, three of the four claim categories experienced a decrease against the 5 year average, with only property claims increasing slightly.

Total Claims By Loss Type 2012 Compared To 5 Year Average			
Loss Type	2008-2012 5 Year Avg. # Claims	2012 Claims	% Comparison Against 5yr. Avg.
Liability	1093	859	-21%
Property	658	746	+13%
MVA	695	570	-18%
Transit	90	80	-11%
Total	2536	2255	-11%

2012 Loss Type Analysis

Liability

The 859 new liability claims against the City in 2012 represents the lowest figure for this category since 2008, which correlates to a 21% decrease against the five year average. A downward trend in sewer back-up/flood claims is one reason for the lower liability claim total. Although 2012 sewer back-up/flood claims (262) were up, 35 claims in total from 2011, the figure nonetheless compares favourably to the five year average of 431. The downward trend for sewer back-up/flood claims can be attributed to property owners continuing to realize benefits from the efforts of the Public Works Department to lessen the impact of heavy rain events. Along with accelerated infrastructure and operational improvements, Public Works, in conjunction with the Storm Emergency Response Group (SERG), has developed and implemented programs such as the Protecting Plumbing, Flood Aware and Backflow Prevention which have provided flood victims and property owners with pro-active financial and technical support for controlling storm and sanitary flow on their property.

The second major reason for the lower liability claim total is a downward trend in winter weather related claims, namely, motor vehicle accidents and pedestrian falls. The 2012 total (26) for these claims compares very favourably to the five year average of 55. The decrease is particularly noteworthy given that winter weather related motor vehicle accidents (MVA) and pedestrian falls, historically, have some of the largest claim payouts.

While somewhat milder winters obviously have an impact in this regard, Public Works should also be commended for their enhancements to the winter maintenance program and the development of awareness campaigns such as "Snow Off Sidewalks", in conjunction with Parking and By-Law Services and "Snow Angels", in conjunction with Community Services.

The following chart illustrates the City's liability claims experience for 2012 by type:

2012 Total Liability Claims By Type		
Type	Total	Current \$ Expense To City
Sewer Back-Up / Flood	238	100,729
Wrap up Construction	96	126,375
Fall Sidewalk/Curb	71	949,750
Pot Hole	60	37,932
Fallen Tree Limb	51	164,436
Injury/Property Damage In City Building	37	177,586
Tree Roots	27	50,754
Fall - Sidewalk - Snow & Ice	19	205,858
Road Condition – Misc. Maintenance	18	109,824
Watermain Break	18	39,845
Forestry - Other Than Tree Limb	15	17,049
Road Cut	14	7,830
Wet Paint On Road	13	11,133
Bell	12	7,217
Debris On Roadway	11	1,800
Fall On Roadway	10	55,050
By-Law Enforcement	9	11,682
Condition - Parking Lot	8	12,688
Snow Removal Related Losses	8	1,200
Sanitation Section Related Losses	8	1,262
Fall - Walkway/Crosswalk	7	83,502
Injury/Property Dmage - Golf Courses	6	3,266
Grass Cutting	6	6,647
Ice/Snow On Road	5	25,650
Falling Rock	5	9,570
Blasting	5	12,375
Maintenance Lid	4	35,704
Road Design	4	43,000
Surface Flooding	4	6,032
Police - Excessive Force	4	1,744
Catch Basin - Surface Drainage	3	10,720
Road Sign - Improper/Missing	3	2,327
Water Shutoff Valve - Raised	3	56,594
All Other	40	84,475
Total	842	2,471,606

The City self-insures to a level of \$250,000 for liability claims.

Property Claims

New property claims (746) for 2012 represents a rise of 79 claims from 2011. The total number also represents a rise of 13% against the five year average. The increase in total property claims can largely be explained by a rise in graffiti claims (447), which is a five year high and is a 16% increase against the five year average for graffiti claims.

The following chart illustrates the City's property claims experience for 2012 by type:

2012 Property Claims By Type		
Type	Total	Current \$ Expense To City
Graffiti	437	89,914
Vandalism	119	159,022
Equipment Damaged in Use	59	160,127
Computer/Phone theft or damage	46	19,864
Theft	28	125,623
Fire	11	264,444
Overhead Door	10	18,003
Wind / Weather	8	33,930
Water Escaping	7	20,974
Property Damage-Other	7	58,944
Vehicle Accident	6	13,150
Missing	3	6,347
Flooding	2	129,545
Not Regional Property	1	498
Sewer Backup	1	168
Power Fail (Power Surge)	1	600
Fence	1	537
Total	747	1,101,690

The City self-insures to a level of \$500,000 for property claims.

Motor Vehicle Accident (MVA) Claims (Fleet)

Motor vehicle accidents in the Province of Ontario are governed by provincial insurance legislation, commonly known as "No Fault" insurance. Simply stated, the legislation requires that vehicle owners go to their own insurer for vehicle damage related to an accident with another vehicle, regardless of fault. Vehicle damage repair expenses are not recovered from the at-fault party and, except in rare circumstances, there is no legal recourse for this purpose.

There are three significant categories of claims within this category:

- **Comprehensive:** Damages other than those from a moving accident with another vehicle or stationary object.
- **Vandalism:** Normally considered to be part of the Comprehensive category; however, RMS has separated it out for ease of tracking.
- **Accident:** Collision damages from moving vehicle accidents with other vehicles or stationary objects. Also included are payments to third parties for bodily injury when the City is at fault for an accident. Insurance legislation allows individuals who surpass a certain injury threshold to sue an at-fault party for their injuries.

The 2012 MVA Claims experience (570) shows a significant drop of 120 claims from 2011 and an 18% decrease against the five year average. Public Works should be commended for the decrease, particularly Central Fleet Section, which has orchestrated a dedicated effort to reduce MVA's through increased driver training, enhanced reporting requirements, increased departmental reporting, and a general augmentation of the Driver Trainer profile.

The following chart illustrates the 2012 experience for the above three categories:

2012 Motor Vehicle Accident (MVA) Claims By Type		
Type	Total	Current Expense To City
Auto:Accident	458	986,580.63
Auto: Other Comp Loss	88	126,557.11
Auto: Vandalism	20	19,881.75
Auto: Theft	3	6,133.50
Auto: Fire	1	1,000.00
Total	570	1,140,152.99

The City self-insures to a limit of \$25,000 for accidental damage to a Fleet vehicle, with the exception of the Ambulance fleet, which is self-insured at a \$2,500 level.

Third party injury claims related to fleet vehicles are self-insured to a level of \$500,000.

Transit (HSR)

Transit claims consist primarily of claims from passengers who are injured while riding an HSR bus or if involved in an accident with an HSR bus. These claims are divided into the following two categories:

- **Accident Benefits:** A series of statutory benefits (e.g., medical and housekeeping expenses) available to anyone injured in a motor vehicle accident in the Province of Ontario. Injured parties must first apply to their own vehicle insurance policy for Accident Benefits; however, if they do not have a vehicle insurance policy, the policy attached to the vehicle in which they were riding becomes primary. Many Transit passengers do not, of course, possess vehicle insurance policies and essentially become first party insured with the HSR.
- **Bodily Injury:** As with Fleet claims, anyone injured in a vehicle accident in Ontario is able to sue an at-fault party for their injuries provided the injuries meet a certain medical threshold. The bodily injury exposure is much greater for the HSR given the annual ridership of approximately 20 million.

Both Accident Benefits and Bodily Injury payments can result from a single injury claim. An injured party would first go through the Accident Benefits process before commencing a Bodily Injury claim against an at-fault party.

New Transit claims (80) for 2012, decreased by 17 in comparison to 2011, which translates to an 11% decrease against the five year average.

The following chart illustrates the 2012 experience for Transit claims:

2012 Transit (HSR) Claims By Type		
Type	Number	Current \$ Expense To City
Non-Auto	12	56,058
Injury Due To Stop - No Collision	11	20,897
Injury While Alighting	9	19,095
Injury - Rear Door	6	16,600
Injury Due To Bus Motion - No Collision	5	12,260
Collision - Side Swipe	4	648
Injury - Trip/Fall On Board	4	13,030
Damage - Passenger Property	4	309
Collision - Intersection	3	12,000
Collision - Pedestrian/Cyclist Ahead	3	18,000
Collision - Left Turn	2	11,000
Collision - Pedestrian/Cyclist Right Turn	2	17,000
Injury - Away From Bus	2	7,000
Other Incidents	2	5,000
Collision - Vehicle Ahead	1	800
Collision - Right Turn	1	0
Collision - Lane Change	1	0
Collision - Moving From Curb	1	7,500
Struck - Changing Lanes	1	0
Struck - Intersection	1	7,500
Collision - Reverse Into Fixed Object	1	562
Collision - Pedestrian/Cyclist Left Turn	1	1,000
Injury - Boarding	1	2,500
Injury - Mobility Device	1	5,500
Disabled Transit System	1	150
Total	80	234,409

The HSR carries a \$100,000 deductible for injury claims.

Chart Clarification

Please note that all claim and monetary figures within the charts on this report represent a snap shot of the claims exposure at the end of the given year. While many claims are open and closed within the same claim year, there are also those which carry over and develop into the following years.

Annual Claims Expense

The annual claims expense is comprised of payments and reserves on all claims in a given year. The total claims expense for 2012 was \$10,467,489 which represents a

historical high and an increase of 15% against the five year average. While seemingly an alarming increase, analysis reveals that the increase should be viewed as an anomalous spike due to a significant increase in large reserve movement and settlements of older files in 2012, particularly for Hamilton Police Services and Public Works.

Claims expense in 2012 for Hamilton Police Services increased by 40% (\$597,000) against the five year average, almost entirely due to settlements of older, larger files.

Claims expense in 2012 for Public Works increased by 9% (\$653,000) against the five year average, again, similar to Hamilton Police Services, almost entirely due to settlements of older, larger files.

On a positive note, while contributing to the claims expense spike, the considered effort to resolve and close major files in 2012 means these files are no longer accumulating significant expenses such as interest on damages, staff time, legal fees/disbursements, investigation expenses, etc.

An examination of claims expense on new claims received in 2012 indicates that total claims expense should normalize and possibly improve in 2013. New claims in 2012 incurred an expense of \$4,973,676 which is a decrease of 15% (\$878,492) against the five year average. In fact, new claims expense for 2012 represents a 6 year low.

Compassionate Grant & Supplemental Relief Grant Experience

In 2006, the City started (refer to report FCS06007(a)) the Regional Municipal Disaster Relief Assistance Program (RMDRAP) for victims of basement flooding for specified flooding dates. The program was enacted, once in 2010, for a heavy rain event and related residential flooding on September 28. The following Table represents the historical experience for the RMDRAP:

RMDRAP Grant Payments for Heavy Rain Events							
As of December 31, 2012							
Event Date	Event Type	Location	Status	Total Liability Claims	Grant Apps Requested	Approved Grants	Total Grant Payments \$
26-Jul-05	Heavy Rain	City Wide	Closed	117	756	601	403,854
19-Aug-05	Heavy Rain	City Wide	Closed	561	958	794	512,334
10-Jul-06	Heavy Rain	City Wide	Closed	144	785	672	434,005
27-Jul-06	Heavy Rain	Waterdown	Closed	8	56	28	17,700
01-Dec-06	Heavy Rain	Greenhill	Closed	34	163	75	47,858
25-May-07	Heavy Rain	City Wide	Closed	90	118	45	30,199
Jun 13-30, 2008	Heavy Rain	City Wide	Closed	28	188	89	38,153
Jul 1-31, 2008	Heavy Rain	City Wide	Closed	60	442	198	70,858
Aug 1-14, 2008	Heavy Rain	City Wide	Closed	84	688	309	110,784
26-Jul-09	Heavy Rain	City Wide	Closed	1,600	7,694	4125	3,079,128
29-Aug-09	Heavy Rain	City Wide	Closed	43	379	154	101,481
28-Sep-10	Heavy Rain	City Wide	Closed	71	280	111	87,191
08-Jun-11	Heavy Rain	City Wide	Closed	32	96	51	41,215
04-Aug-11	Heavy Rain	City Wide	Closed	2	6	1	500
09-Aug-11	Heavy Rain	City Wide	Closed	11	43	21	16,800
22-Jul-12	Heavy Rain	City Wide	Closed	145	303	218	164,000
Total				3030	12,955	7492	5,156,060

In addition to the RMDRAP, the Supplemental Relief Grant (SRG) was developed (refer to report FCS06007(d)) in 2009. The SRP was designed specifically for residential property owners who experienced basement flooding on designated RMDRAP dates whose sewer back-up coverage has been limited or cancelled because of previous flood claims. The following table represents the historical experience for the SRG:

Supplemental Grant Payments for Heavy Rain Events		
As of December 31, 2012		
SRG Grant Apps Requested	SRG Approved Grants	Total SRG \$ Payments
194	27	106,464

The application submission deadlines for the July 22, 2012, RMDRAP and SRP have now passed. As such, the above numbers will see no significant change.