

Memorandum



DATE December 30, 2009
TO Honorable Mayor and Members of the Dallas City Council
SUBJECT Risk Management Overview

Attached you will find the Risk Management Overview briefing that will be presented to you on January 6, 2010.

Should you have any questions please feel free to contact me.



Mary K. Suhm
City Manager

cc: Deborah Watkins, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest Turner, Assistant City Manager
Dave Cook, Chief Financial Officer
Frank Libro, Public Information Office
Helena Stevens-Thompson, Assistant to the City Manager

Risk Management Overview

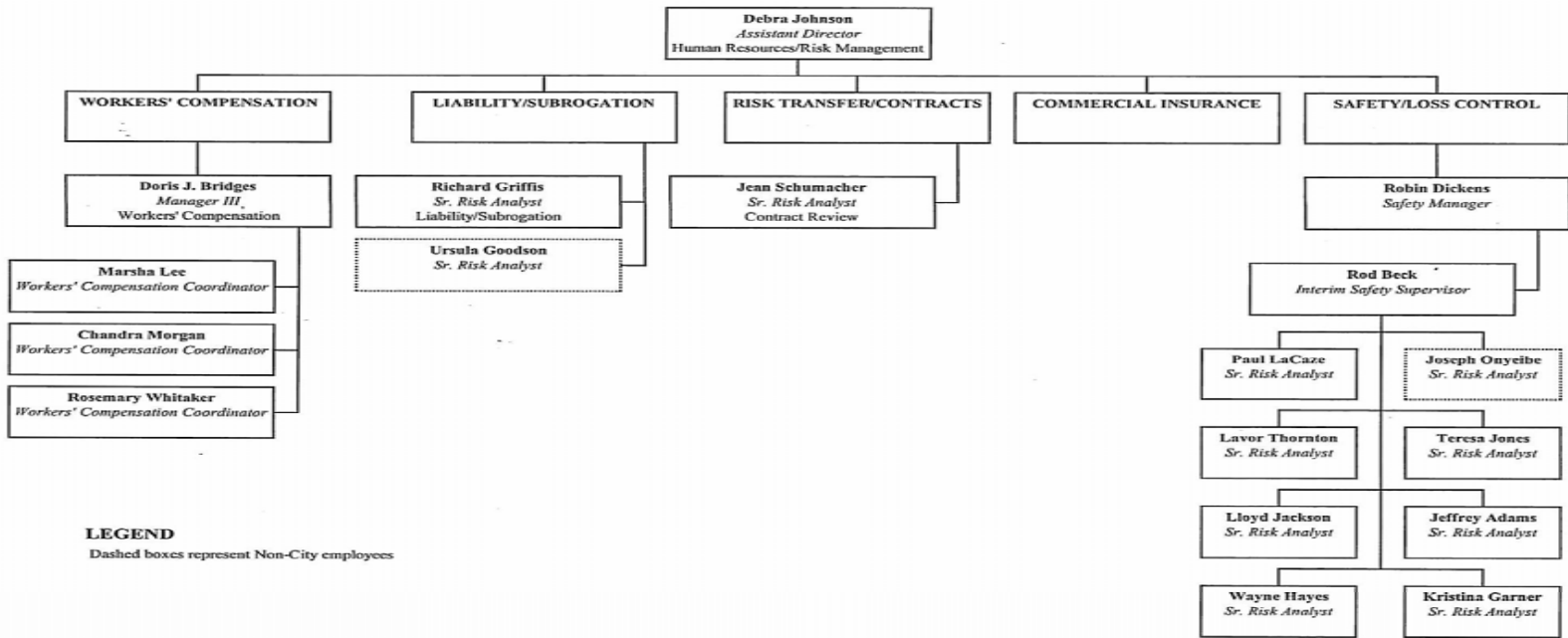
**Presented to the Dallas City Council
January 6, 2010**



Purpose

- Provide an overview of the City's Risk Management Division for FY 08-09
- Provide an update on Workers' Compensation Certified Network

Division of Risk Management



12/16/2009

Division of Risk Management

- ❑ Commercial Insurance & Facility Inspections
 - Ensures appropriate and adequate insurance placement
- ❑ Risk Transfer (Contract Management)
 - Evaluates contract-related exposure
- ❑ Liability & Subrogation
 - Liability investigates and pays claims on behalf of the City
 - Subrogation recovers funds resulting from damage to City property or injury to employees
- ❑ Workers' Compensation
 - Processes employee injury claims and manages the Limited Duty Program
- ❑ Safety
 - Works, through training and inspections, to reduce and/or eliminate conditions which could result in losses to City

Division of Risk Management Objectives

- To minimize financial loss by promoting a safer working environment, managing resources, and increasing safety awareness

Commercial Insurance & Facility Inspections

- The City owns or leases approximately 800 facilities with an insurance value in excess of \$3 billion. Risk Management ensures appropriate insurance placement to financially protect the City in the event of a covered loss.
 - Total Insured Value (TIV)
 - FY 08-09: \$3,241,169,760
 - FY 09-10: \$3,418,377,544
 - *Values increased by 5.5% (\$177,207,784)*
 - Renewal Rates (per \$100 of TIV)
 - FY 08-09: \$0.0571
 - FY 09-10: \$0.0502
 - *Negotiated a 12% decrease in renewal rate*

Commercial Insurance & Facility Inspections

- Annual Premium
 - FY 08-09: \$1,815,435
 - FY 09-10: \$1,716,142
 - *Represents approximately \$220,000 savings in premium*
(calculating the renewal rate against the TIV for each FY)
- *Received \$20,000 no-claims bonus from Aviation policy (FY 07-09)*

Commercial Insurance & Facility Inspections

- The insurability and workplace safety conditions of City facilities are monitored by performing annual inspections. Recommendations are monitored for completion.
 - Inspections Conducted:
 - Facility Inspections (conducted by HSB)
 - FY 07-08: 57 Inspections
 - 292 Findings
 - Advisory: 199 (68%)
 - Important: 91 (31%)
 - Critical: 1 (1%)

Commercial Insurance & Facility Inspections

- ❑ FY 08-09: 60 Inspections
 - 376 Findings
 - Advisory: 229 (61%)
 - Important: 147 (39%)
- Life Safety Inspections/Facility Assessment (conducted by Safety Officers)
 - ❑ FY 07-08: 39
 - ❑ FY 08-09: 41

Commercial Insurance & Facility Inspections

- Other Accomplishments
 - Implementation of Cybersure, an interactive Risk Management information system, which maintains the City's insurance documents, Statement of Values, Inspection Reports, policy changes, etc.
 - Identified COD income producing properties and their revenue for adequate business interruption coverage.

Risk Transfer

- Risk Transfer provides assistance to Procurement, City Attorney Office and other City departments in evaluating their contract-related exposure.
 - Certificate Reviews:
 - FY 07-08: 2,223 within an average of 7 business days
 - FY 08-09: 2,265 within an average of 8 business days
 - ***Represents 2% increase (42 certificates)***
 - Contract Reviews:
 - FY 07-08: 389 within an average of 2.5 business days
 - FY 08-09: 427 within an average of 3 business days
 - ***Represents 10% increase (38 contracts)***

Risk Transfer

- Other Accomplishments
 - Provided management level training seminar on risk evaluations, property insurance and certificate of insurance procedures
 - 65 attendees with 84% favorable rating
 - Major contracts/projects
 - DCC Hotel Developer and Operator
 - Revision of AD 4-5: Contracting Policy
 - Zoo and Aquarium Privatization

Liability & Subrogation

- Liability is responsible for the investigation and payment of damage claims caused by the City.
 - Liability Claims Processed:
 - FY 07-08: 1,629 claims
 - FY 08-09: 1,433 claims
 - ***Represents a 12% decrease (196 claims)***
 - Liability Claims Paid:
 - FY 07-08: \$4,772,042
 - FY 08-09: \$7,252,688
 - ***Represents a 52% increase (\$2,480,646)***
 - Brewster vs COD: \$1,836,406 (Class Act suit regarding fire taxes)
 - Heard vs COD: \$500,000 (Zoo claim)

Liability & Subrogation

- Subrogation recovers funds due to the City as a result of a third party's negligence.
 - Subrogation Claims Processed:
 - FY 07-08: 477
 - FY 08-09: 577
 - ***Represents a 21% increase (100 claims)***
 - Subrogation Recoveries
 - FY 07-08: \$602,172
 - FY 08-09: \$979,627
 - ***Represents a 62% increase (\$377,455)***

Liability & Subrogation

- Other Accomplishments
 - Implemented Valley Oak System (VOS) claims management software

Workers' Compensation

- Processes employee injury claims and develops strategies for prompt return to work.
 - Workers' Comp Claims Processed
 - FY 07-08: 2,371
 - FY 08-09: 2,150
 - ***Represents 9% reduction (221 claims)***
 - Workers' Comp Paid Claims
 - 5 yr Average: \$12, 045,791
 - FY 07-08: \$12,219,959
 - FY 08-09: \$11,140,220
 - ***Represents 9% reduction (\$1,097,738)***

Workers' Compensation

- ❑ Limited Duty Program Placement
 - FY 07-08: 363 employees
 - FY 08-09: 451 employees
 - *Represents 24% increase (88 employees)*
- Other Accomplishment
 - ❑ Implementation of Certified WC Network
 - The State of Texas made it possible through House Bill 7 for employers/carriers to enter into a certified network
 - Primary benefits of the certified network:
 - ❑ Credentialed Physicians
 - ❑ Quality Control
 - ❑ Cost Containment
 - Council approved recommendation for the City to enter into a workers' compensation certified network effective May 1, 2009

Workers' Compensation

- Results of initial 6 months: (5/08 thru 10/08 vs 5/09 thru 10/09)
 - *Average days employee missed work reduced 61%*
 - *Average days to close claim reduced 16%*
 - *Average paid claim reduced 15%*

Safety and Loss Prevention

- Develops strategies to reduce and/or eliminate conditions which could result in losses or harm to personnel, property and financial resources of the City.
 - City Vehicle Collisions
 - FY 07-08: 1,037
 - FY 08-09: 946
 - ***Represents 9% reduction (91 collisions)***
 - Risk and Safety Training Hours Conducted
 - FY 07-08: 75,073 hours
 - FY 08-09: 71,281 hours
 - ***Represents 5% less training hours (3,792)***

Safety and Loss Prevention

- Health & Safety Conference
 - FY 07-08: 960 employees attending
 - FY 08-09: 1,008 employees attending
 - *Represents 5 % increase (48 employees)*
- Other Accomplishment
 - Implemented On-line Training Classes for FY 2010
 - OHSAS Certification (Courts, Convention & Events Services)
 - Implemented Citywide Collision Review Board*
 - 1,371 Collision Reviewed
 - 589 Civilian
 - 782 Uniform

*See Appendix

Safety and Loss Prevention

- Implemented Citywide Collision Appeal Board*
 - 181 Appeals Heard
 - 115 Civilian
 - 23 Overturned
 - 24 Reduced
 - 68 Upheld
 - 66 Uniform
 - 21 Overturned
 - 11 Reduced
 - 34 Upheld

*See Appendix

Goals and Strategic Directions

FY 09-10

Goal 1: Liability/Subrogation: Offset City expenses through the recovery of costs from third party.

Strategic Direction: Actively pursue claims and recover 85% of costs associated with third party property damage and bodily injury claims to the City and its employees.

Goal 2: Workers' Compensation: Reduce and/or contain the costs associated with workers' compensation injuries by reducing number of claims paid and dollars paid by 10%.

Strategic Direction: Closely monitor progression of claims processed through the Workers' Compensation Certified Network and the TPA.

Goals and Strategic Directions

FY 09-10

Goal 3: Safety: Mitigate workplace hazards that expose the City to financial loss; reduce collisions by 10%.

Strategic Direction: Monthly monitoring to ensure City's primary and CDL drivers meet physical and drug testing requirements; offer defensive driving classes for all required drivers; conduct on-site fleet compliance checks.

Appendix

- Property Insurance
 - Premium Comparison
 - Program Structure
- Claims History
 - Liability & Workers' Compensation
- Collision Review Committee Procedures
- Collision Appeal Board Procedures
- Customer Service Results

Property Insurance Premium Comparison

FY	Total Insured Values	Renewal Rates	Est. Premium
FY 08-09	3,214,169,760.00	0.0571%	1,835,291
	3,214,169,760.00	0.0502%	<u>1,613,513</u>
			(221,778)
FY 09-10	3,418,377,544.00	0.0571%	1,951,894
	3,418,377,544.00	0.0502%	<u>1,716,026</u>
			(235,868)

Property Insurance Program Structure

Coverage	2008/2009	2009/2010	Premium Difference (08/09 vs. 09/10 Current Structure)	Premium % Change (08/09 vs. 09/10 Current Structure)	2009-2010 Recommended Structure Two Insurers (Lexington & TML)	Premium Difference (09/10 Current Structure vs. Recommended)	Premium % Change (09/10 Current Structure vs. Recommended)
	2008/2009 Premium	2009-2010 Current Structure Six Insurers, 4 Layers					
Total Insured Values =							
	\$3,241,169,760.00	\$3,418,377,544.00					
Property	\$1,781,643.00	\$1,944,631.00			\$1,588,178.00		
Terrorism ⁽¹⁾	\$26,470.00	\$27,104.00			\$47,645.00		
Surplus Lines							
Tax & Fees	\$43,322.31	\$45,690.94			\$80,318.90		
Total Property Premium	\$1,851,435.31	\$2,017,425.94	\$188,677.07	10.19%	\$1,716,141.90	(\$301,284.04)	-14.93%
Aviation	\$118,183.00	\$106,962.00	(\$11,221.00)	-9.50%	\$106,962.00	\$0.00	0.00%
Crime	\$30,501.00	\$29,636.00	(\$865.00)	-2.80%	\$29,636.00	\$0.00	0.00%
Fine Arts ⁽²⁾	\$38,000.00	\$32,295.00	(\$5,705.00)	-15.01%	\$33,845.00	\$1,550.00	4.57%
Total Premium	\$2,038,119.31	\$2,186,318.94	\$148,199.63	7.27%	\$1,886,584.90	(\$299,734.04)	-13.71%

⁽¹⁾ Terrorism limit included \$250,000

⁽²⁾ 2009 - 2010 Recommended Structure includes Terrorism Limit of \$25,000,000

* To reduce the deductible from \$1,000,000 to \$500,000, the premium will increase by \$275,000., plus \$1,386. Tax & Fees and \$7,456 Terrorism. For a total Additional premium of \$283,843. (Reduced deductible does not apply to Earthquake and/or Flood)

Optional Flood - with the National Flood Insurance Program

Includes \$10,000 Deductible for all properties that **do not** qualify for the NFIP Preferred Program & \$1,000 Deductible for the 12 Properties that qualify for the Preferred Program. \$25K & \$50K Deductible Options are available.

Coverage	2008-2009 Premium	2009-2010 Current Structure Six Insurers, 4 Layers	Premium Difference	Premium % Change	2009-2010 Recommended Structure + NFIP Two Primary Insurers (Lexington & TML)	Premium Difference (09/10 Current Structure vs. Recommended)	Premium % Change
Flood	\$0.00	\$113,736.00	N/A	N/A	\$113,736.00	N/A	N/A
XS Flood	\$0.00	\$117,920.00	N/A	N/A	\$117,920.00	N/A	N/A
Combined Premium Including Flood	\$2,038,119.31	\$2,417,974.94	\$379,855.63	N/A	\$2,118,240.90	(\$299,734.04)	N/A

5 Year Paid Claims History

Workers' Compensation			Liability		
FY	Budget	Cost	FY	Budget	Cost
04/05	\$18,500,000	\$14,590,431	04/05	\$7,550,000	\$16,468,647
05/06	\$18,800,000	\$11,310,315	05/06	\$11,500,000	\$5,513,113
06/07	\$13,000,000	\$10,968,032	06/07	\$5,000,000	\$6,570,054
07/08	\$11,860,000	\$12,219,959	07/08*	\$8,770,095	\$4,772,042
08/09	\$15,558,318	\$11,140,220	08/09	\$9,515,000	\$7,252,688
TOTAL	\$77,718,318	\$60,228,957	TOTAL	\$42,335,095	\$40,576,544
5 yr. Average	\$15,543,664	\$12,045,791	5 yr. Average	\$8,467,019	\$8,115,309
			*includes \$3.4M rebate		

Collision Review Committee (CRC) Procedures

- The Collision Review Committee and Collision Appeal Board are governed by Administrative Directive 3-3, Driver Safety Program
 - Standardized accountability and discipline for preventable collisions
 - Developed consistent standards applicable to all departments
 - Clarified collision response and reporting
- Each City collision is investigated by the Safety Officer from Human Resources, Dallas Fire-Rescue or Dallas Police who rules whether it was preventable by our employee.
- The collision ruling is then reviewed and issued by one of three Collision Review Committees (CRC):
 - HR Safety Team reviews civilian collisions
 - DPD Safety Team reviews Police Department collisions
 - DFR Safety Unit reviews Fire Rescue collisions

Collision Review Committee (CRC) Procedures

- All CRC rulings are reviewed by Risk Management prior to being finalized.
- A collision that is ruled preventable on the part of the employee will result in points being assessed against the employee's City driving record.
- Points are assessed based on:
 - Preventability
 - Type of Moving Violation
- Administrative Directive 3-3, Driver Safety Program, allows employees the right to appeal the ruling to the City Collision Appeal Board.

Collision Review Committee (CRC)

Collision Classification Point Table

Collision Classification Point Table	
Points	Designation/Description
0	Incident ; either not a collision or legally parked
0	Non-Preventable collisions where it can be determined that although the vehicle was in motion the collision was clearly not the fault of the City Driver.
1	Preventable Collisions where the city driver failed to take reasonable action to avoid collision. Collisions involving violations of department procedures, City standard operating procedures and collisions involving minor traffic violations which are not likely to result in serious injury or major property damage.
2	Minor Preventable Collisions where the City driver failed to take reasonable action to avoid a collision. Collisions that involve moving violations which usually result in moderate to serious vehicle and/or property damage.
3	Major Preventable Collisions where the City driver failed to take reasonable action to avoid a collision. Collisions involving major moving violations of a serious nature which normally result in severe bodily injury and major vehicle and/or property damage.
4	Serious Major Preventable Collisions where the City driver failed to take reasonable action to avoid a collision. Collisions involving major moving violations which normally result in severe bodily injury and/or property damage. All collisions involving a positive alcohol or drug test or a fatality. Collisions where the driver is determined to have shown disregard for others including road rage incidents.

City Collision Appeal Board (CCAB) Procedures

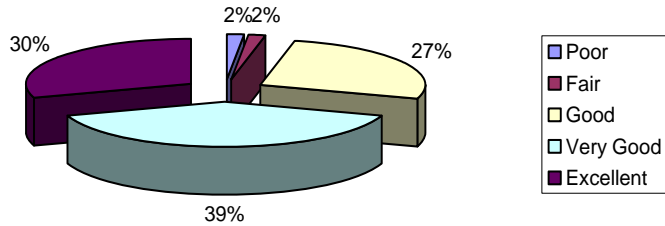
- The CCAB hears appeals from all City departments
- The CCAB members are:
 - Management or executive level employees appointed by the department director
 - Representatives of the top 10 departments with greatest driving exposure (to include DPD and DFR)
 - Required to serve 2 year terms (They may be reappointed.)
- Dallas Police Department provides an accident reconstruction consultant to address technical issues
- CCAB rulings are final

Customer Service Survey

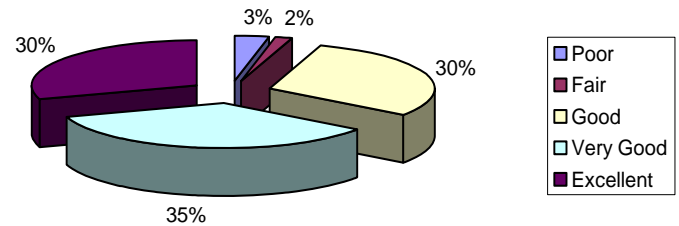
- Out of 245 respondents, Risk Management met its goal of maintaining a 90% overall favorable rating in each of the following categories:
 - Knowledgeable: 97%
 - Responsiveness: 95%
 - Helpful and Courteous Service: 93%
 - Overall Satisfaction: 91%

Customer Service Survey Results

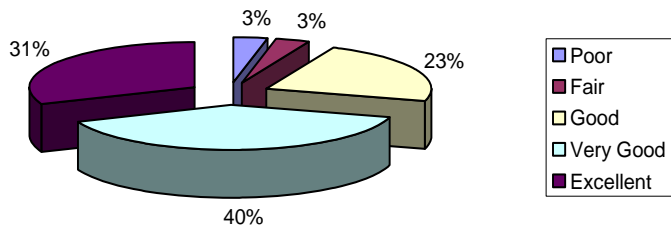
Was the Risk Management Representative Knowledgeable



Did You Receive a Response Within Two Business Days



Was the Risk Management Representative Helpful and Courteous



Please Rate Your Overall Satisfaction with the Risk Management Service(s) You Received

