

Welcome

5 Ways to Reduce Your Total Cost of Risk
September 12, 2017

Agenda

- Municipal Environment
 - Definition of Total Cost of Risk (TCoR)
 - What is Your Total Cost of Risk
 - 5 Ways to Decrease Your TCoR
 - Custom Approach
 - Long-Term Outlook
 - Closing
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Municipal Environment

- Increased Damage Awards
- Class Action Lawsuits
- Joint and Several Liability
- Apportionment of Liability
- Litigation & the Long Tail Effect
- Tight budgets
- Many municipalities do not have Risk Manager on staff
- Multiple exposures:
 - Roads
 - Sidewalks – trip and falls
 - Municipal building inspections – E & O
 - Toboggan hills
 - Trails
 - Transit



Definition of Total Cost of Risk

- TCoR = total cost of municipal insurance program
 - Annual premium
 - Cost of claims below the deductible
 - Cost of municipal insurance staff & related expenses
 - Cost of consultants
= TCoR
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What is *Your* Total Cost of Risk?

Start by looking at:

1. Claims Management
2. Root Cause of Claims



1. Claims Management

- Claims history – both under & over your deductible
- How are you managing your claims?
 - Best practices
 - Closing ratio, cycle times
 - Legal fees, consultant fees



2. Root Cause of Claims

- Identify the types of claims that are driving costs below your deductible and above your deductible (10 years).
 - Isolate the root causes of claims
 - What is driving your claims?
 - Roads
 - Sidewalks
 - Building inspections
 - Unique challenges and problem areas
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Now that you've analyzed your Total Cost of Risk, How can you manage it?



5 Ways to Decrease Your Total Cost of Risk



1. Multi-Department Approach

- Champion a multi-department total cost of risk method



2. Claims Management

- Review how well your claims are being managed.
 - Implement claims management best practices
 - Implement structures and tested claims management process that drives down cost
 - A claims management system will help to monitor and measure your best practices.
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3. Risk Management Assessment & Review

- Once the root causes of claims are isolated, develop and implement action plans to mitigate/eliminate.

Implement your plan

- Employ custom Risk Management services that mitigate incidents before they occur
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4. Partnership

Insurance is a service:

- TCoR highlights the full cost of the insurance program
- Choose a partner that can provide the assessment and review tools to manage risk and reduce cost
- In terms of optimizing your insurance program, municipalities must think long-term and focus on sustainability

Commit to partnering with an insurer that has extensive expertise and experience

5. Metrics

Review how well your claims are being managed:

Time = money = TCoR savings

- As claims age they become more costly
 - Quicker claims resolution also provides better customer service
 - Don't abandon file to external vendors – provide clear expectations with timelines
 - Leakage (\$) for typical claims department ranges from 5% to 10%
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5. Metrics

- Initiate a best practice claims review to measure efficiency and effectiveness of claims processing
- Municipalities with high deductible and/or high frequency of claims can save significant \$
 - Are liability investigations timely?
 - Are resolution strategies in place to resolve all claims?
 - Do you measure/monitor/manage your claims activity?
 - What is your closing ratio?
 - What is your cycle time?
 - How many claims files per examiner/adjuster?
 - What is the trend on your aged pending?
 - What is your trend on legal spend per liability claim

Gauge Metrics and monitor results

Custom Approach

- One size does not fit all, approach must be customized
 - Variables
 - Size of deductible
 - Local exposures
 - Frequency and severity of claims
 - What risk mitigation is in place at municipality
 - Ultimately what are the key drivers for increasing claims costs
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Long-Term Outlook

- A long-term perspective is needed in order to execute a successful TCoR plan
 - Reducing claims severity/frequency requires support and buy-in from other depts.
 - Will need external assistance to provide assessment of claims.
 - Municipal Finance can run the numbers - spending more on a sidewalk maintenance program will reduce claims.
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In Closing

- Each municipality is a unique entity defined by the services provided; geographical location; historical past and the special events celebrated.
- These distinct qualities also define your risk profile and your subsequent risk financing requirements.
- Know your risks and manage the cost; And,
- Choose a partner that understands your risks and can help you manage the cost



“There are risks and costs to a program of action. But they are far less than the long-range risks and costs of comfortable inaction.”

— John Fitzgerald Kennedy

Jessica Jaremchuk BA, LL.B

Regional Manager

jessica.jaremchuk@frankcowan.com

excellence.frankcowan.com

frankcowan.com