

MILWAUKEE COUNTY
Inter-Office Communication

DATE: February 26, 2015

TO: Supervisor Anthony Staskunas, Chairman, Judiciary, Safety, and General Services Committee

Supervisor Mark Borkowski, Vice Chairman, Judiciary, Safety, and General Services Committee

FROM: Amy Pechacek, Director, Risk Management

SUBJECT: Risk Review: Five Year Analysis of County Claims and Liabilities (INFORMATIONAL ONLY)

BACKGROUND

The basic principles of risk management consist of identifying all organizational exposures, analyzing these risks, controlling liabilities through a risk mitigation plan, and continually monitoring the plan for effectiveness. This report and the associated presentation is a high-level review of the past five years of the County's claims and litigation history, classified by claim type and department that identifies and analyzes Milwaukee County's common risks. Several frequency and severity measures are displayed to demonstrate the financial impact of these claims, along with the corresponding liability reduction plans developed by Risk Management.

WORKERS' COMPENSATION

Workers' compensation claims are statutory wage and medical benefits for employees of Milwaukee County to compensate for injuries that occur in the course and scope of their employment. The five year County-wide loss experience results in an average of 612 claims per year with an associated incurred value of approximately \$4,000,000 annually. These averages present an on-going opportunity for improvement in both frequency and severity measures. The loss leader departments are as expected given the nature of departmental functions, with Behavioral Health leading in the total number of claims filed and the Sheriff's Department leading in the highest expenses associated with their injury claims. The Parks, Airport, Department of Transportation, and House of Correction also make the list of departments with higher claim volume and expense. The top claim drivers throughout the County include the insurance industry code designation of "muscle strains" and "slip, trip, and fall" accidents, which combined represent 29% of all claim types filed and roughly 44% of the total expenses incurred.

Recent initiatives implemented by Risk Management have already significantly reduced the frequency and severity measures of workplace injuries at Milwaukee County. Transitioning the model of claims handling from self-administration to a third party administrator in November of 2014 resulted in the introduction of new resources for County employees such as the Milwaukee County Care Line, a twenty-four hour dedicated triage nurse to assist employees in seeking the appropriate level of medical attention for their injury, and transitional work options to encourage employee engagement during recovery periods which results in better claim outcomes. Increased training and accountability to safety policies and procedures and the revitalization of the County's Joint Safety Committee over the past year has shifted the focus of injury management from reactive to proactive, and renewed the County's commitment to ensuring our employees are working safely. Claim totals in 2014 represented a 20% decrease in the number of claims from the previous year, and in 2015 claim totals are trending at a 55% decrease in frequency compared to the five year historical averages in the same timeframe.

GENERAL LIABILITY

General liability claims encompass all claims made by a third party against the County for alleged damages resulting from our operations or our premises. Included in this general liability analysis are all employment practices and police liability claims. The most frequently filed general liability claims are related to road conditions, such as pot-holes, which account for 44% of all the claims in this category over the past five years. The vast majority of these road condition claims result in no liability and no cost to the County. Personal injury claims are the second category of most frequently filed claims under general liability, and include all allegations related to employment practices. The single most severe general liability loss in this analysis is the O'Donnell Park fatality litigation from 2010. The incurred values shown do not reflect the multi-million dollar recovery the County obtained from the at-fault contractor involved in this lawsuit.

During the years of 2010 through 2013, Milwaukee County averaged 145 general liability claims annually, with 2014 currently reflecting a total of 70 claims, representing a 48% reduction in frequency measures with an associated 87% decrease in incurred costs. However, 2014 general liability data is still immature given the three year statute of limitations for filing state law cases, the up to six year statute on federal cases, and the 300 day filing deadline with the state Equal Rights Division and the federal Equal Employment Opportunities Commission on employment practices claims. These numbers will likely adjust closer to the historical averages in time.

Over the past year, Risk Management has partnered with Human Resources and provided free training resources throughout the County to assist in increasing awareness of workplace best practices, reviewed snow plans and adverse weather mitigation plans to keep our premises clear, and will continue to review all relevant exposures with the departments to reduce third party operational risks.

AUTO LIABILITY

Milwaukee County currently has a fleet of 1,005 vehicles and an additional 1,823 pieces of fleet related equipment, such as plows, mowers, and trailers. Milwaukee County self-insures first party physical auto damage. Accordingly, all numbers represented in the auto liability portion of the presentation solely represent third party claims related to our fleet operations.

The most common auto liability claims over the past five years comprise the category of "plowing, non-contact", which includes alleged damage to mailboxes or other private property resulting from snow being displaced off the roadways from County plows during snow events. The weight and volume of snowfall and the condition of the private property within close proximity to our roadways are not factors under the County's purview and this damage is not indicative of any negligence on behalf of our plow operators while engaging in their public duty to provide clear and safe roadways for our citizens. As such, these claims rarely present any liability or costs to the County. Other auto liability causal factors include vehicle collisions and backing accidents occurring in the course of County operations.

Through the past five years, Milwaukee County averaged 46 auto liability claims annually. The year 2013 presented an uptick in claims compared to the historical experience, which is primarily attributed to the harsher than normal winter weather conditions. In 2014, claims decreased 22% compared to the historical average, and decreased 46% from the previous year. This data is also considered relatively premature as the statute of limitations for filing auto liability claims for occurrences in 2014 is still unexpired.

In the past year, Risk Management authored a new fleet and driving policy for the County, which includes re-establishing the County's Vehicle Accident Review Committee (VARC), a standing committee dedicated to examining all of the County's vehicle losses, performing a root cause analysis on accident trends, and recommending defensive driving and other policy reviews to ensure proper operations for the benefit of all employees and the public at large.

PROPERTY DAMAGE

Property claims are defined as physical damage to Milwaukee County's real and tangible building structures resulting from an insured peril including fires, flooding, and certain weather events. The County currently has insurable property assets appraised at approximately \$2.8 billion dollars.

Over the past five years, Milwaukee County has averaged 74 property claims annually representing an incurred value of \$34.4 million dollars in claim costs. The majority of this figure reflects the approximate \$19 million dollar courthouse fire in 2013. The Parks, Recreation, and Culture Department is the loss leader in property claims, an expected outcome given the volume and breadth of their expansive facilities. The most frequent claim causes are graffiti, vandalism, and water damage, with the most severe claim expenses related to fire, water damage, and vandalism.

As the Local Government Property Insurance Fund (LGPIF), the County's property insurer, substantially increased Milwaukee County's premium and aggregate deductible on our 2015 property policy, Risk Management developed a cost-sharing model that was rolled out to departments with built-in accountability measures to incentivize routine preventative maintenance. These initiatives, along with efforts from the Architecture & Engineering's Facilities Assessment Team, whose mission is to identify issues in our buildings before they result in claims, has resulted in zero property claims to date in 2015. This is a 100% claim decrease compared to the five year historical average.

RECOMMENDATIONS

Risk Management has drilled down on specific exposure data at the departmental level and authored individualized loss reduction plans based on the departments particular claims history and operations. These plans contain performance measures and risk management goals along with tailored training to be followed up by quarterly claims meetings between the department and Risk Management. A focus on strategic partnerships and accountability through incentives, resource allocation, and training will continue to decrease liabilities and improve positive organizational behaviors to ensure the success of effective long-term risk management for Milwaukee County. It is recommended that an annual presentation on the County's claims and liabilities be presented to the County Executive and the Judiciary, Safety, and General Services Committee to monitor progress and positive gains.



Amy Pechacek, Director, Risk Management

CC: Chris Abele, County Executive
Raisa Koltun, Chief of Staff, County Executive's Office
Teig Whaley-Smith, Director of Administrative Services
Paul Bargren, Corporation Counsel
Scott Manske, Comptroller