Risk Management ASR Framework Plan Report

Executive Summary

The ASR process is focused on reducing the administrative costs of running the Risk Management function. However, the real potential for reducing overall City expenditures in this area is to reduce both the number and cost of claims. Most of the focus of the framework plan will be directed towards this goal. We currently spend approximately $6 million on WC and Liability claims per annum. It is not unreasonable to expect a 50% reduction in this amount over the next several years with an aggressive, highly managed but collaborative loss control program that has built-in accountabilities and high level management support. The effort would focus on a three pronged approach:

- Organizational Structure and Legal Framework
- Organizational Accountability
- System efficiencies

Organizational Structure

❑ Total Centralization is not the answer. The bureaus need Loss Prevention champions who are viewed by employees as carrying out the Loss Prevention desire of the bureaus' management.   It is imperative that Loss Prevention Officers in the bureaus control, implement, monitor and measure the Loss Prevention Programs within their respective bureaus.

> Likewise, total Decentralization is not the answer either. Decentralization represents our current Loss Prevention organizational structure. The structure is good, with Loss Prevention Officers in each bureau. However, each bureau is totally independent in their sphere of operation. The perception is that the Bureau of Risk Management exists to meet the bureaus' demands, but it is not viewed as an organization with leadership authority to set policies and direction for the bureaus.   The current environment is not operating at maximum efficiency. The environment creates confusion over who leads and who follows, and our various roles and responsibilities. The bureaus and Risk Management need to partner and have shared ownership and agreement in the strategic planning and in the activities to carry out the strategic plan. However, ultimate authority when agreement cannot be reached should be given to the Bureau of Risk Management.

> There are inefficiencies created by acting independently with decentralized authority. Each bureau attempts to recreate the services of Risk Management in their respective bureaus, thus creating redundancies. The focus on Loss Prevention activities is weakened by perceived bureau needs and independence. The Loss Prevention program in the City lacks common corporate strategy, activities, and monitoring.

Recommendation:

Risk Management recommends that Risk's corporate roles and responsibilities be fortified through City Code and City Policy to authorize Risk to define how the City will conduct Risk Management and its services Citywide. It is recommended that a Risk Management Corporate Policy Manual be developed jointly by Risk Management and the Loss Prevention Officers and staff from the bureaus. The Risk Management Corporate Manual and the City Code changes would be reviewed by bureau management.

❑ The Bureau of Risk Management recommends a collaborative approach using the model on page 19, Chart III, of the ASR Framework Plan Report. Bureau Loss Control personnel would remain bureau employees, but would be accountable to Risk for Loss Prevention activities within the bureau. They would assist Risk Management in developing corporate Loss Prevention strategies that would include program standards, directives and activities on how Loss Prevention will be managed throughout the City. Bureaus will be responsible for implementing the work plan, and Risk and the bureaus will meet quarterly to jointly report on the progress and results of bureau activities and citywide losses. The Loss Prevention activities would focus on major loss categories, attempting to find the root cause of accidents. Page 18, Chart II, in the ASR Framework Plan illustrates the process and focus. Utilizing specialized programs such as Incident Analysis, Job Safety Analysis and Industrial Ergonomics will identify the hazards that create the City's major loss categories.

❑ Risk Management and the ASR Team recommends a reporting change in the bureaus. Loss Prevention personnel should report to the Bureau Director or the Chief Operations Manager or Director. They should not report to Human Resource personnel. Operations are where the bulk of the hazards are, and experiences the greatest amount of exposure. This would establish a connection between bureau Operations and bureau Loss Prevention.

❑ The "Management Forum" would involve two executive teams: the Executive Management Team, which includes the CAO and Directors, and the City Council.

The presentation to the Executive Management team would take place prior to the budget process in August/September. The second presentation would be mid-year.

The presentation to City Council would be given in October in conjunction with the Council Safety Recognition Day, and the second report would be given mid-year.

The agenda for the bureaus and Risk would be to review the Citywide claims experience, review last year's Loss Control work plan and bureau level accomplishments, and review and comment on the proposed work plan for the next year. At mid-year, the Executive Management Team and City Council would receive a report on the progress of each bureau in accomplishing the defined work plan activities.

❑ The Council would continue to receive an annual Risk Management report.

❑ Restructure the role of the Risk Manager:

- The Risk Manager should evaluate all new City activities, projects or services for exposures and hazards to minimize the loss exposures to the City.

- The Risk Manager performs a role very different from the City Attorney. The City Attorney declares new projects and services legal and interprets law. The Risk Manager declares new projects and services safe for employees and evaluates the work environment to minimize hazards and exposures. The Risk Manager evaluates operational processes to minimize our loss exposure from worker injury and public liability.

- The Risk Manager's role is to identify windows of exposure not protected by insurance or self-insurance, and if possible, recommend a transfer of the exposure to another party or ways to retain it and minimize the loss exposure to the City.

- The Risk Manager's role is to forecast our "cost of risk" for new services and projects. This is necessary to evaluate the resources needed to administer claims or Loss Prevention and potential cost to the City.

Organizational System Accountability

- The Bureau of Risk Management will develop a Risk Management Corporate Policy. The Policy will define standards for services to support cost reductions in Workers' Compensation, Fleet Liability, General Liability, and Property losses. The Policy will define standards for the following services: Loss Prevention, Claims Administration, and Risk Underwriting and Acceptance.

  Bureaus operating outside the standards set forth in the Corporate Policy may be subject to additional charges, higher deductibles, and exposure transfer to insurance carriers or coverage restrictions.

- The proposed plan will create higher visibility and accountability through the proposed changes, such as:

  - Changing the City Code to reflect a stronger role for the Risk Manager and Bureau of Risk Management,
  - Holding Management Forums to review losses and Loss Prevention,
  - Bureau Loss Prevention and the Risk Manager working together on Joint Collaborative Strategic Planning, and
  - Development of the Risk Management Corporate Policy Manual which will establish Service Standards and Measuring and Monitoring Standards that will change the culture overtime.

  The proposed sanctions and underwriting authority given to Risk Management will focus on improving the "Cost of Risk".

System Efficiencies

- Technology enhancements will provide bureau desktop access to Risk data.   Bureaus will have the ability to review their Claim and Loss Prevention results as needed. Presently, they receive a limited number of hard copy reports, but often the reports do not reach the director

or others in the bureau who need to know. Additionally, It will reduce paper costs and administrative costs.

❑ The City should pursue economies of scale and specialization by offering Risk Management services, specifically Claims Administration and Loss Prevention, to other public agencies through an Intergovernmental Agreement. Risk has already begun making an investment in technology to make our operation more efficient. The revenues would reduce our overhead costs by competing for these services. Some jurisdictions have expressed an interest in our ability to perform such services.

A. ACTION STEPS

Key Issues	Start	Finish
1. The Risk Management Corporate Policy Manual	3/1/01	9/1/01
2. Third Party Claim Administration	Under way	7/1/03
3. Technology Enhancements	Under way	7/1/03
4. Organizational Restructuring – Collaborative Management Model	3/1/01	7/1/02
5. Change City Code to Provide the Risk Manager with authority	3/1/01	9/1/01
6. Schedule Executive Management Team & Council Meeting	1/1/02	3/1/02

ASR Framework Plan Report
Bureau of Risk Management

I.   **Introduction**

B. Service Description

Core Services

1. Claims Service, investigation, evaluation, reserve setting, negotiating, and closing a claim.

2. Loss Prevention, education and training, program development, program administration, monitor compliance to laws and regulations, and assisting bureaus with loss reduction and prevention (hazard assessment and abatement).

3. Maintain a Risk Management Database, for management of claims and Loss Prevention data, administration of claims, and preparation of reports.

4. Fund Management, maintain and manage the Insurance & Claims and the Workers' Compensation Funds.

5. Develop Rates, to allocate charges to the bureaus for the cost of Risk Management.

6. Commercial Insurance, to contract with a broker through an RFP process, to market our insurance needs, and managing changes to the policy throughout the year.

C. Budget and Service Trends

	1998	1999	2000	2001	2002
Pers. Serv.	$1,683,088	$1,792,278	$1,942,417	$1,762,594	$1,811,946
Ext. Mat. & Serv.	$350,072	$419,028	$503,143	$313,719	$322,503
Int. Mat. & Serv.	$314,980	$341,555	$658,856	$445,822	$458,305
COLA	$73,592	$68,011	$33,515	$70,459	$72,431
Gen. Fund O.H.	$249,332	$219,559	$262,317	$271,447	$279,048
Cap. Computers (98)	$56,224				
POB Debt Serv. (01,02)				$55,644	$57,202
Total	**$2,727,288**	**$2,840,431**	**$3,400,248**	**$2,919,685.00**	**$3,001,435**
% Incr. or Decr.	-2%	4%	20%	-14%	3%

1.   Risk Management Five-Year Administrative Budget Trend

This represents the Insurance and Claims Fund and Workers' Compensation Fund budget trend for five fiscal years. The reductions for the Deferred Compensation Program, Employee Assistance Program, and Health and Wellness have been deducted. The programs were transferred to the Bureau of Human Resources effective 2001. The 20% increase for 2000 was for the move back to the Portland Building.

2.   Risk Management Claims Service Trend

This is best illustrated by the data on the next page. It shows the claims frequency by incurred cost categories. Claims for all lines of coverage have gone down in the 0-0 and $1-$1000 but have remained virtually stable in the higher incurred cost categories.

Fleet Incurred Cost as of 6/30/00							
Incurred Costs	95	96	97	98	99	2000	Total
0-0	62	63	65	61	64	53	368
1-1000	102	96	111	86	88	81	564
1001-2500	48	51	45	39	58	37	278
2501-5000	26	23	22	23	30	25	149
5001-10000	10	16	18	13	17	14	88
10001-25000	11	12	15	4	7	9	58
25001-50000	1	3	3	3	1	0	11
50001-100000	2	0	1	2	3	1	9
100001-1mil	1	1	1	1	0	0	4
Annual Total	263	265	281	232	268	220	1529

General Liability Incurred Costs as of 6/30/00							
Incurred Costs	95	96	97	98	99	2000	Total
0-0	602	667	636	466	415	272	3058
1-1000	203	230	193	185	193	214	1218
1001-2500	58	58	44	48	46	42	296
2501-5000	31	17	26	23	50	38	185
5001-10000	22	25	14	21	33	41	156
10001-25000	16	23	18	20	14	16	107
25001-50000	8	12	4	8	9	3	44
50001-100000	6	14	7	7	3	4	41
100001-1mil	1	6	4	3	4	1	19
Annual Total	947	1052	946	781	767	631	5124

Workers' Compensation Incurred Costs as of 6/30/00							
Incurred Costs	95	96	97	98	99	2000	Total
0-0	53	33	36	21	20	18	181
1-1000	282	250	240	219	190	140	1321
1001-2500	53	58	45	43	56	63	318
2501-5000	26	26	28	19	24	28	151
5001-10000	26	33	18	21	14	23	135
10001-25000	18	20	18	18	28	23	125
25001-50000	12	6	5	8	4	5	40
50001-100000	3	5	8	5	7	2	30
100001-1mil	2	2	2	0	0	0	6
Annual Total	475	433	400	354	343	302	2307

The claims are declining in the Claims Technician area (small claims) but are remaining the same for our Sr. Claims Adjusters and Examiners categories.
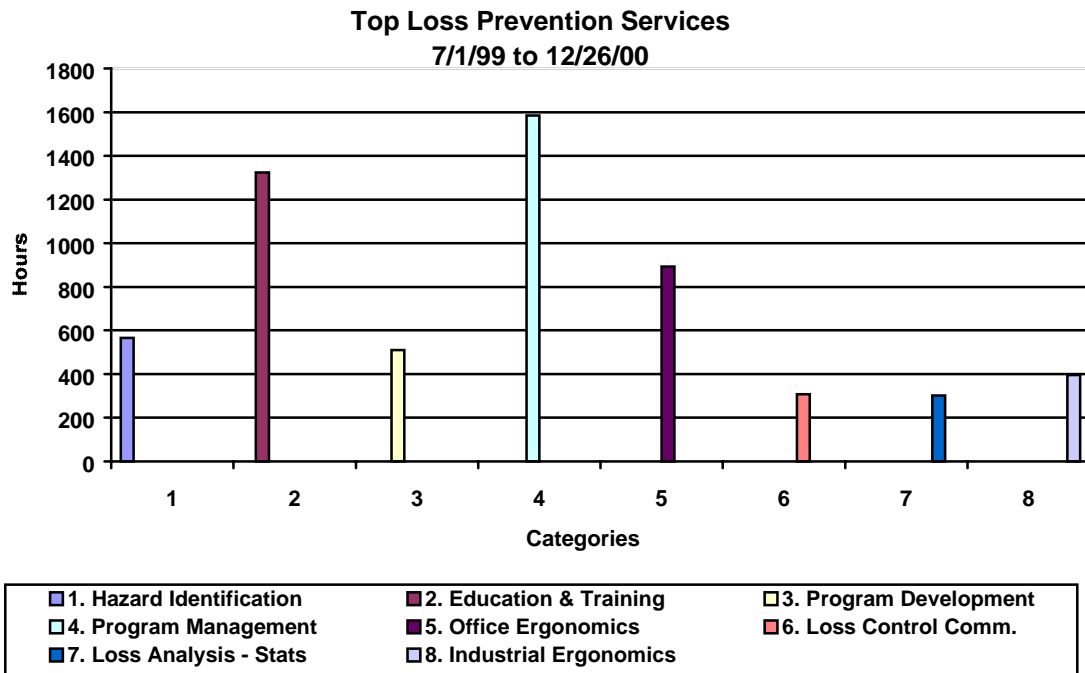
3.   Loss Prevention Service Area

The City is required as a Self-Insured Employer to provide Loss Prevention for its employees and locations. There are ten mandated Loss Prevention activities required at minimum. It is not clear who in the City should perform these mandates. Bureau Loss Prevention representatives feel this is Risk Management's responsibility and Risk feels it is a shared responsibility. The mandates are in bold and listed below. The bullets underneath the mandates are activities Risk is engaged in to meet these requirements. Bureaus are working on mandates as well. Those we are doing have an asterisk and those we anticipate doing do not. Administrative Rules, Chapter 437, 437-01-1060 govern the mandates.

Self-Insured Mandates

1. **Management commitment to health and safety**
   - Commitment to START program **
   - Safety Recognition Day **
   - Safety Committee Day **
   - Prepare annual audits and reports to management **

2. **An accountability system for employer and employees**
   - Audit Loss Prevention Policy (Annually) **
   - Audit Incentive Plan (Annually) **
   - Prepare quarterly reports on claim frequency by cause Code and monitoring loss categories **

3. **Training practices and follow-up**
   - Smart Driver Program (Monthly) **
   - First Aid/CPR Train-the-Trainer program (Quarterly)
   - Incident Investigation (Biannually)
   - Set up Web site to coordinate training
   - Bloodborne Pathogens Training **

4. **System for hazard assessment and control**
   - Conduct hazard assessments in bureaus (monthly) and document findings for follow-up and closure
   - Assist with JSA, Industrial Ergonomics Evaluations

5. **A system for investigating all recordable occupational injuries and illnesses that includes corrective action and written findings**
   - Risk provided Accident Investigation Training **
   - On a monthly basis, randomly help supervisors complete Accident Investigations
   - Maintain claims data system for tracking recordables

6. **A system for evaluating, obtaining, and maintaining personal protective equipment**
   - Bureaus do this on an individual basis **

7. **On-site routine industrial hygiene and safety evaluations to detect physical and chemical hazards of the workplace, and the implementation of engineering or administrative controls**
   - Risk will do an RFP to put on contract a hygienist and other centralized Citywide vendors for bureaus' use.

8. **Evaluation of Workplace design, layout, operation and assistance with job site modifications utilizing an ergonomic approach**
   - Risk will continue Office Ergonomic assessments, assisting with design, layout and job site modifications **
   - Risk will research and develop an Industrial Ergonomic Evaluation coupled with JSA. This will be done in conjunction with hazard assessments

9. **Employee involvement in the health and safety effort**
   - Encourage, train, and attend safety committees when needed **
   - Encourage employee focus groups to address safety issues in the work site. Using the "20 ft. Rule", letting employees closest to the problem work on its solution

10. **An annual evaluation of the employer's Loss Prevention activities based on the location's current needs**
    - Conduct Annual Audits of the Loss Prevention Policy and provide written feedback
    - Conduct Annual Audits of the Loss Prevention Incentive Plans

4.   The Citywide Loss Prevention Service Trend

Top Loss Prevention Services
7/1/99 to 12/26/00

Legend:
- □ 1. Hazard Identification
- ■ 2. Education & Training
- □ 3. Program Development
- □ 4. Program Management
- ■ 5. Office Ergonomics
- ■ 6. Loss Control Comm.
- ■ 7. Loss Analysis - Stats
- □ 8. Industrial Ergonomics

The primary service category is Program Management, which includes programs such as Bloodborne Pathogens, Motor Vehicle Record Flag System, Save-a-Back, Safety Recognition Day, SMART Driver Training, Hearing Conservation, Incentive Plan, Fleet Accident Review Board, Classical Chinese Garden Loss Prevention and others.

The next service area is Education & Training, which is provided in all of the major program areas mentioned above, and for the following specific areas: Accident Investigation, CPR/First Aid, Road Rage, Safety Committee Seminar, Supervisor Training in Accident Reduction Techniques (START), and others.

Office Ergonomics is the third highest service category and continues to be a popular program because of the difference it makes in the office work environment.

C.   Results from Cost Reduction Phase

The team's consensus decision for meeting the reduction target of $73,000 is as follows:

1. The first ASR decision for savings was found in an outside contract for **Bloodborne Pathogens Services**. It is an Oregon OSHA mandated program for those exposed to blood or needle sticks where an exposure to infectious Hepatitis B or C may occur in their employment.

   OHSU was the vendor with the contract. They notified us that they were not going to continue the Bloodborne Pathogen Program. The nurse that was handling our contract at OHSU was contacted to see if she had an interest in

working for the City. This effort will save the City **$35,000**. Those bureaus participating in the program will reduce their budgets proportionately representing the savings. Risk will administer the Bloodborne Pathogen service and charge the respective bureaus accordingly depending on their pro-rata share of usage.

2. The second opportunity for savings comes from rent reduction for space vacated by the Benefits Team moving to the Bureau of Human Resources. It is estimated that **$15,000** will be saved as we give up space for another bureau.

3. The third opportunity will come from a program reduction of **$4,000** in our Back Injury Prevention Program. The reduction should not impact the program in a significant way. We will still be able to carry on with the remaining $13,000.

4. The fourth and final decision was to evenly distribute the remaining **$19,000** between the following bureaus: Maintenance, BES, Police, Fire, Parks, and Water. This amounts to $3,167 per bureau.

II.   Business Environment and Strategic Vision for Service Delivery

A.   Real World Issues and Trends Internal and External to the City

1.   Increased Cost of Risk - Factors Impacting Risk Management

(a) State Workers' Compensation proposed legislation will roll back the reforms made in the 1990 legislation. The impact will be costly to the City's Self-Funded Workers' Compensation Program. It will burden claims processing with greater administrative costs and the system with higher claims costs.

(b) OSHA Federal Rules will burden the system with increased costs and liability through two of its recently passed rules. The Ergonomic Standard governing musculoskeletal disorders from work related injuries due to repetitive motion will be extremely costly to the industry. The standard has crossed over into the Workers' Compensation laws to require higher payments of disability and modification of worksites.

(c) The second area of concern is the increased liability for Owners, Contractors, and Sub-Contractors for job site injury or illness. One of the parties may be a culpable party, but all will be equally yoked with the fine or liability resulting from the work site injury or illness. This rule is entitled "Multi Employer WorkSite".

2.   Insurance Market Hardening is driving up commercial insurance premiums. This will mean higher rates for our property policy and our excess liability and Workers' Compensation policies. It will also impact the cost of Risk Management rates to our bureaus. Hard markets usually mean restriction

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of coverage and more stringent underwriting criteria. This often translates into higher insurance placement costs for the City.

3. Technology Enhancements are still in progress to enable Risk Management to provide bureaus with Desktop Services and to generate revenues.

    (a) Desktop Services is the ability to provide bureaus with claim screen access for monitoring their claims activity. It would allow them to access reports from their office and analyze their loss experience. They could track reserving, new claims filed, status of claims and claim closure reports. Risk would like them to have the ability to prepare graphics and trends of their individual bureaus.

    (b) Generating Revenues has been a vision for a few years. Risk Management would like to do claims administration for other municipalities. However, claims administration is contingent on computer technology. That is, having a system that can run multiple modules for the various jurisdictions under contract. The system must be flexible in terms of reports generated. Once the system is perfected we can develop the manpower as we bring in clients.

4. Tight Budget Constraints are definitely a business environmental issue that continue to impact services. The cost of Risk Management is driven by claims costs, insurance premiums, and Loss Prevention services. Managing Loss Prevention is the main ingredient for reducing the cost of Risk Management.

B. <u>Based on A, describe the critical business trends and issues (external and internal) that will drive the support service over the next 3-5 years.</u>

1. The critical business trends driving our services will be legislative issues changing the way we do Workers' Compensation. And the other is legislation impacting Occupational Safety and Health due to the new Ergonomic Standards, which will increase the cost of doing business.

These two issues will drive up administrative costs. Staffing for these two changes will become a financial factor. Handling Workers' Compensation claims will become more complex and require more time in the claims administration and process.

2. Tighter budget constraints impact our ability to perform with quality. The increased expectation that we can do more with less is not realistic. Quality and savings are sacrificed when we cut staff due to budget constraints.

3. Risk has a revenue opportunity in the near future, which will offset some of the future cost increases. The revenues would be generated by our adding service(s) for other jurisdictions. Risk Management recommends that Risk become a Claims Administrator (Third Party Administrator-TPA) for other jurisdictions through an Intergovernmental Agreement. This can possibly be expanded into other Risk services such as Loss Prevention.

Claims administration is contingent on our development of technology. Customers are going to want timely access to claims, diversified reporting capabilities, and top level performance claims management to satisfy their expectations.

C.   Summarize how this plan will address those trends and issues and position this service area to excel in response to the trends and challenges.

The business environment referred to in II. A & B will increase the cost of Risk Management. The recommended plan will address the key elements of the Risk Management equations dealing with the Cost of Risk and Claims Reduction. The plan will strive to bring more focus to Citywide Loss Prevention and ensure that services and systems are underwritten through a risk analysis to ensure the least amount of exposure to the City.

1.   Risk cost must be reduced. Claims are the major cost factor.

The Cost of Risk Equation = Claims Costs + Insurance Premiums + Cost of Loss Prevention + Administrative Costs. Each element of the equation must be analyzed. Each element must be efficient and effective, focused on reducing the cost of risk centrally in Risk and in the bureaus. This will require strategic planning and focused work efforts to accomplish.

2.   To offset legislative increased cost trends, we will have to decrease our claims. What does that equation look like?

Decrease Claims = Focused Loss Prevention (activities) + Management Involvement (accountability) + Loss Prevention Policy + Underwriting Sanctions (financial impact) + Recognition (reward).

The ASR plan contains activities and lines of communication to involve management more frequently. Citywide bureau Loss Prevention staff will work closely with the Risk Manager to ensure focus and compliance with Risk Management Corporate Policy Manual that will be developed by Risk and Bureau Loss Prevention staff. Loss Prevention accountability will be enhanced by reporting to the council and the bureau directors twice annually. In addition to the Council Safety Recognition Day, other recognition programs will be provided.

3.   Generate Revenues (TPA) and Desktop Services

The ASR Framework Plan includes the completion of the Risk Management Information System migration and enhancements to allow us to manage claims and reports for all of our customers internal to the City and for those jurisdictions where we have an agreement for claims administration (TPA) through Intergovernmental Agreement.

III. Service Policies

The major document for authorizing Risk Management services is found in the City Code. The Code is not current, and even when it was originally written, did not provide Risk Management with authority to manage or enforce Citywide Risk Management. Other than claims settlement for Workers' Compensation, Risk Management is defined as a consultant. The City Code is silent on who has ultimate responsibility for the management of corporate Loss Prevention in the City.

A. City Code

1. **3.15.060   Bureau of Risk Management**

   A. … shall **coordinate and control** the administrative and **technical activities relating to commercial and self-insurance**… shall have the authority to **monitor and coordinate a Citywide Loss Prevention and control program** to…minimize potential … losses … shall **maintain records relating to** commercial and self-insurance … **losses** by the City or claims filed against the City and shall execute any claim or proof of loss for damage to City property

   GAP: Code makes an assumption that through monitoring and coordinating Loss Prevention can be managed. There is no accountability to anyone for Loss Prevention. The words "authority to monitor and coordinate" are too soft. Loss Prevention in the Code rests with the bureaus with Risk in a consulting capacity.

   B. The Risk Manager is hereby **delegated authority to evaluate, approve or is approve** on such form as he finds necessary, on behalf of the City, all applications for self-insurance programs in lieu of commercial insurance requirements of contracts, permits, or any

   C. Workers' Compensation claims administration procedures … shall be based on the **guidelines of the Oregon Workers' Compensation Board … in ORS Chapter 656.** … **authority to settle** a "bona fide disputed claim" subsequent to an appeal of the employee's claim against the City in accordance with ORS 656, 283 or 656.289.

   D.   … authorized to act on behalf of the City of Portland on **all matters related to Workers' Compensation** not specifically delineated in
   Subsection B. This authorization includes, but is not limited to:

   1. The authority to accept, deny or defer claims.
   2. The authority to authorize all payments in amounts required by law relating to a Workers' Compensation claim.
   3. The authority to engage legal counsel to appeal any adverse decisions regarding a Workers' Compensation claim.
   4. Subject to … City Charter Section 1-106 governing settlements, the Risk Manager with the concurrence of the Human Resources Director, is authorized … **settlement of tort claims and court actions alleging employment discrimination and violations of civil rights.**

   E. The Risk Manager or designee is **authorized to investigate complaints of discrimination** filed with the Civil Rights Division of the Oregon Bureau of Labor and Industries, or the Equal Employment Opportunity Commission. … the Risk Manager or his designee is authorized to settle such complaints subject to the following provisions.

   1. … subject to the terms and conditions of City Code Section 3.15.050.B.4.c and d, make settlements to such complaints in an amount not exceeding $5,000.
   2. … payment claim in an amount in **excess of $5,000**, the settlement shall not be authorized to enforceable unless **approved by the City Council by ordinance.**

F. authorized to investigate and enter into settlements on **fair and moral claims** which are not covered by insurance, for which the Committee on Claims, under Chapter 3.72

2. 3.54.010 Definitions**.**

    A. "Bureau" means any City bureau, office, commission, or committee.

    B. "Committee" means the **Loss Control Advisory Committee**, consisting of the **Risk Manager as Chairperson, the Mayor and each Commissioner, the City Auditor, the City Attorney, the Director of the Office of Fiscal Administration, and the Personnel Director, or their designees.**

GAP: This Code was written in 1986 for a special Loss Prevention event and has not been operative for years. It is an excellent idea and, if put into practice, would make a huge difference in the City's Loss Prevention efforts. Presently there is no management oversight.

    C. "Loss Control Program" and "Program" mean a **citywide program consisting of the loss control components of the City's bureaus.** "Loss control component" and **"component" mean the written rules, regulations, and plan developed by each bureau and reviewed by the Committee, providing for both procedural and physical risk identification, measurement, and control in the bureau's activities.** Components may address any methods for Loss Prevention and control, including without limitation, accident reporting, accident review, hearing conservation, eye safety, respiratory protection, vehicular safety, industrial injuries and return to work, personal protective equipment, volunteer coverage, property loss management, and tort early warning.

GAP: The Bureau of Risk Management, in conjunction with Loss Prevention representatives of the bureaus, developed a Loss Prevention Policy. It was adopted by ordinance April 10, 1996, number 169959. It was not widely complied with and some bureaus never developed the bureau-specific plans this ordinance called for. Risk has monitored and coordinated but can not compel bureaus to comply with the plan. Our annual report measures the progress of claims reduction and claims costs.

3. 3.54.020 Bureau of Risk Management Responsibility and Authority.

The Bureau of Risk Management shall have the following responsibility and authority in the area of **City loss control and prevention:**

    A. **Develop guidelines, instructions, and a model plan to assist bureaus in developing Loss Prevention and control components;**

    B. On final review by the Committee of components submitted by the Bureaus, file the Citywide **program with the City Auditor** and issue the program for implementation by affected bureaus;

    C. **Advise and assist affected bureaus in the implementation of components or parts thereof;**

    D. **Monitor the effectiveness of components, and collect, analyze, and report annually to the Committee and City Council data showing the status of the components and the performance of bureaus implementing the components.**

GAP: Risk Management assisted in the development of the City Loss Control Policy, which is the model plan. Risk has monitored and measured the components of the Loss Control Policy and sent results to bureau directors. A report is prepared annually and sent to Council outlining trends resulting from bureau Loss Control Policy implementation. The program needs executive level involvement and directives.

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4.   3.54.030 Bureau Responsibility and Authority.

Each City bureau shall have the following responsibility and authority:

A.   Develop a written loss control component which shall include detailed and specific objectives, methods, and techniques for preventing injuries, illnesses, and other events leading to Workers' Compensation, liability, and property loss claims;

B.   Include in the component specific performance objectives to permit monitoring and reporting on the Bureau's performance in reducing claims;

C.   Submit the proposed component to the Committee for review;

D.   On completion of review by the Committee and approval by the Bureau of Risk Management, implement the component;

E.   Annually review its component, make any appropriate revisions, and submit any revisions of the component to the Committee for its review.

GAP: Not all bureaus completed a plan. Some of those that did complete a plan did not follow through with their plans. Management involvement was not evident in all cases.

5.   3.54.040 Loss Control and Prevention Advisory Committee Responsibility and Authority.

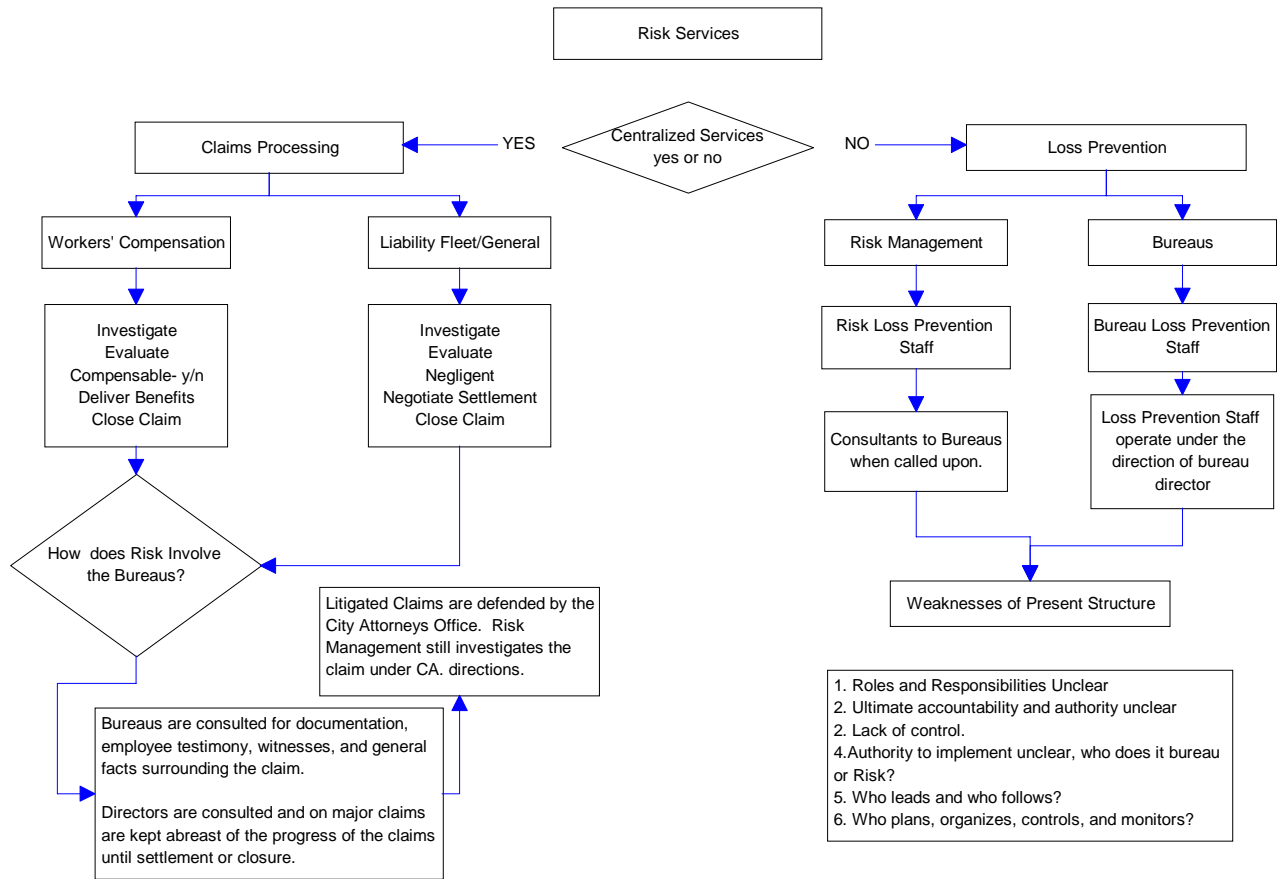The Loss Control and Prevention Advisory Committee shall have the following responsibility and authority:

A.   In conjunction with bureau managers, develop and propose for approval by the City Council goals for each bureau or appropriate groups of bureaus for the frequency and severity of Workers' Compensation and liability losses.

B.   Obtain from each bureau its proposed written loss control component;

C.   Review each component to ensure that it is appropriate, adequate, thorough, and consistent with components developed by other bureaus;

D.   Suggest revisions, if appropriate, and return the component to the bureau for consideration or revisions;

E.   Upon final review of components, provide them to the Bureau of Risk Management for approval and implementation by bureaus.

GAP: Does not exist and has never functioned. Presently there is no set time to conduct such reviews with council.

IV.   Organizational Structure

A.   **Services are Currently Organized**

The Chart on page 11 illustrates our current service structure.

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                          ┌─────────────────┐
                          │  Risk Services  │
                          └────────┬────────┘
                                   │
   ┌─────────────────┐        ╱◇╲              ┌─────────────────┐
   │ Claims Processing│◄── YES ◇ Centralized ◇ NO ──►│ Loss Prevention │
   └─────────────────┘        ◇ Services     ◇       └─────────────────┘
                               ╲ yes or no ╱
```

Centralized Services yes or no

YES → **Claims Processing**

NO → **Loss Prevention**

Claims Processing
- **Workers' Compensation**
- **Liability Fleet/General**

Workers' Compensation

Investigate
Evaluate
Compensable- y/n
Deliver Benefits
Close Claim

Liability Fleet/General

Investigate
Evaluate
Negligent
Negotiate Settlement
Close Claim

How does Risk Involve the Bureaus?

Litigated Claims are defended by the City Attorneys Office. Risk Management still investigates the claim under CA. directions.

Bureaus are consulted for documentation, employee testimony, witnesses, and general facts surrounding the claim.

Directors are consulted and on major claims are kept abreast of the progress of the claims until settlement or closure.

Loss Prevention
- **Risk Management**
- **Bureaus**

Risk Management

Risk Loss Prevention Staff

Consultants to Bureaus when called upon.

Bureaus

Bureau Loss Prevention Staff

Loss Prevention Staff operate under the direction of bureau director

Weaknesses of Present Structure

1. Roles and Responsibilities Unclear
2. Ultimate accountability and authority unclear
2. Lack of control.
4. Authority to implement unclear, who does it bureau or Risk?
5. Who leads and who follows?
6. Who plans, organizes, controls, and monitors?

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B.   Claims management and control is a centralized function within the Bureau of Risk Management. The bureaus are responsive to requests for information on claims. There is free exchange of claims information between Risk and the bureaus. However, Risk has the ultimate claims authority to settle up to $5,000 and City Council over $5,000. We are working on the Risk Information System to prepare the bureaus for access to their claims information at their desks. Risk will assist the bureaus in developing management reports such as graphics, charts, and trend analysis once the systems are in place to do so.

Claims communication process needs improvement, such as timely reporting from the field, claims status back to bureaus, and extracting Loss Prevention experience from the claims for Loss Prevention improvement.

Recommendation: Risk recommends that the Framework Plan include accountability, such as penalties for late notice of claims and rewards for timely notice of claims. Risk would develop a plan for utilizing our claims experience as an educational vehicle for Citywide Loss Prevention. The goal would be to learn from our mistakes regardless of in which bureau the incident occurred. Confidentiality would be maintained, but learning from our mistakes would be the salient objective.

C.   Loss Prevention is in need of change. Total decentralization without a win-win attitude instead of a lose-win attitude is not efficient for several reasons.

❑ Maintaining bureau focus on Loss Prevention activities addressing loss categories is left up to each individual bureau but with no accountability to Risk Management.
❑ Risk Management cannot control nor stop bureau management from assigning other duties to the Loss Prevention employees, thus diluting the Loss Prevention efforts within the bureaus.
❑ Efficient and effective management of Loss Prevention resources is sacrificed for decentralized and individualized bureau Loss Prevention policies and practices.
❑ The annual cost for Loss Prevention salaries Citywide is illustrated in the table below. The estimated annual cost is $722,164. The question to be analyzed is – Are we getting the best return possible on our investment?

Name	Bureau	F.or Pt. Time	%	Salary	35% Load
Baker	Risk	F.	100%	$ 69,822.72	$ 94,260.67
Turner	Risk	F.	100%	$ 62,816.00	$ 84,801.60
Abusneineh	Risk	F.	100%	$ 45,614.00	$ 61,578.90
Cuthbertson	Risk	P.	33%	$ 29,652.00	$ 40,030.20
Palmer	Police	P.	10%	$ 6,606.00	$ 8,918.10
Sprando	Fire	F.	100%	$ 80,371.00	$ 108,500.85
Aguon	Parks	F.	100%	$ 62,816.00	$ 84,801.60
Reiner	BES	P.	15%	$ 9,909.00	$ 13,377.15
Schuberg	BES	F.	100%	$ 62,816.00	$ 84,801.60
Herrington	Maintenance	P.	50%	$ 30,628.00	$ 41,347.80
Brown	Maintenance	P.	25%	$ 11,757.00	$ 15,871.95
Fullan	Water	F.	100%	$ 62,129.00	$ 83,874.15
					$ 722,164.57

How should we measure the investment? How do we monitor the investment? Who is being held accountable for the investment?

Risk Management recommends the following to address the deficiencies in the current structure.

1. Changing the Code to reflect the following:

The City Code should reflect a stronger corporate role for the Risk Manager and the Bureau of Risk Management. The management functions and roles of Planning, Organizing, Leading, Controlling, and Monitoring are not defined, but should be. The bureaus' and Risk Management's lack of clear roles and responsibilities create confusion over who leads and who follows. Ultimate authority is not defined but should be particularly when there is lack of consensus over issues. The ASR Framework recommends that the bureau Loss Prevention employees work with the Risk Manager in a Collaborative Management arrangement. Charts 1 & III, pages 17 and 19 recommend the Collaborative Management Model and the adoption of all the recommendations that follow.

2. **Establish a "Management Forum" creating lines of communication between Council, Directors, Managers and Risk Management.**

    The "Management Forum" would involve two executive teams. They are the Executive Management Team, which includes the CAO and Directors, and the City Council.

    The presentation to the Executive Management team would be presented prior to the budget process in August/September. The second presentation would be mid-year. The presentation to City Council would be given in October in conjunction with the Council Safety Recognition Day, along with a mid-year report, as well.

    The agenda for the Management Forums would be to review the Citywide claim experience, review last year's loss control work plan and bureau level accomplishments, and review and comment on the proposed work plan for the next year. At mid-year, they would receive a report on the progress by each bureau in accomplishing the defined work plan activities.

3. **Loss Prevention Centralized versus Decentralization and Roles and Responsibilities**

    Total Centralization is not the answer. The bureaus need Loss Prevention champions who are viewed by employees as carrying out the Loss Prevention desire of the bureaus' management. It is imperative that Loss Prevention Officers in the bureaus control, implement, monitor and measure the Loss Prevention Programs within their respective bureaus.

    Likewise, total Decentralization is not the answer either. Decentralization represents our current Loss Prevention organizational structure. The structure is good, with Loss Prevention Officers in each bureau. However, each bureau is totally independent in their sphere of operation. The perception is that the Bureau of Risk Management exists to meet the bureaus' demands but is not viewed as an organization with leadership authority to set policy and direction for the bureaus. The current environment is not operating at maximum efficiency. The environment creates confusion over who leads and who follows, and our various roles and responsibilities. The bureaus and Risk Management need to partner and have shared ownership and agreement in the strategic planning and the activities to carry out a strategic plan. However, ultimate authority when agreement cannot be reached should be given to the Bureau of Risk Management.

    There are inefficiencies created by acting independently with decentralized authority. Each bureau attempts to recreate the services of Risk Management in their respective bureaus, thus creating redundancies. The focus on Loss Prevention activities is weakened by

perceived bureau needs and independence. The Loss Prevention program in the City lacks common corporate strategy, activities, and monitoring.

The City Code provides little authority for Risk Management's corporate control of Loss Prevention. I quote from the code, "… shall have the authority to <u>monitor and coordinate</u> a Citywide Loss Prevention and control program."

<u>GAP: The Code is not strong enough to delegate authority to Risk Management to manage or control Citywide Loss Prevention. There is no centralized accountability for Loss Prevention. Loss Prevention in the Code rests with the bureaus and Risk in a consultant capacity.</u>

The City Code states further, "…Bureau of Risk Management shall have the following responsibility and authority in the area of City loss control and prevention:

Develop guidelines, instructions, and a model plan to assist bureaus in developing Loss Prevention and control components;…"

<u>GAP: The Model Plan was completed, but the Code does not go far enough. What if the bureaus do not maintain the focus on Loss Prevention and manage according to the Model Plan to make it a living, breathing document? Are there any consequences? There are none presently.</u>

Recommendations:

Risk Management recommends that Risk's corporate roles and responsibilities be fortified through City Code and City Policy to authorize Risk to define how the City will conduct Risk Management and its services Citywide. It is recommended that a Risk Management Corporate Policy Manual be developed jointly by Risk Management and the Loss Prevention Officers and staff from the bureaus. Bureau management would do the Manual review and the City Code changes.

4. **Clearly define the Risk Manager's Corporate Role**

Recommendation: That the City clearly define the Risk Manager's corporate role. Recommended suggestions to strengthen Risk Management would be to do the following:

➢ The Risk Manager shall be at the table on all new activities or projects to evaluate the exposure and provide recommendations to make the project or service an acceptable risk to the City.

➢ The Risk Manager's role is very different from the City Attorney's. The City Attorney declares new projects and services legal and

interprets the law. The Risk Manager declares new projects and services safe with respect to the work environment for employees. The goal is to minimize the hazards and exposures that have the potential for injury or harm to employees. The Risk Manager evaluates operational processes to minimize our loss exposure from worker injury and public liability.

➢ The Risk Manager's role is to identify windows of exposure not protected by insurance or self-insurance, And where possible, recommend a transfer of the exposure to another party, such as an insurance carrier, another contractor, or another entity.

➢ The Risk Manager's role is to conduct an analysis of the risk and where possible forecast our cost of risk for the new services and projects.

5. Generate Risk Management Revenues

Risk recommends that the City become a "Third Party Claims Administrator" for other jurisdictions through an Intergovernmental Agreement. Risk Management has made technological plans that will enable us to offer claims administration. We are posturing ourselves to offer other Risk Management Services in the future. Smaller jurisdictions have expressed an interest in our ability to perform these services.

There will be additional investment costs for the technology upgrades and staffing. We would price the services so as to make a profit to cover some of our expenses to reduce our drain on the City's budget.

6. Bureau Organizational Change

The consensus of the ASR Team was that bureaus' Loss Prevention Staff should report to the Chief Operation Officer/Manager. It would provide better connectivity to health and safety issues if they reported directly to them or the Bureau Director. Presently, many of them report to Human Resource Staff within the bureau. The greatest impact on losses Citywide will be when we can directly influence operations of the City.

In summary, the recommendations listed below and proposed in the ASR plan would create higher visibility and accountability that will change the City Loss Prevention Culture overtime.

➢ City Code change, to provide the Risk Manager and the Bureau of Risk Management a stronger corporate role.
➢ Management Forums, to provide management involvement, accountability, and establish a reporting process.
➢ Collaborative Management Model, to create strategic planning, decrease redundancies, and enhance Loss Prevention focus.

➢ Risk Management Corporate Policy Manual, to set standards to reduce the Cost of Risk defined in the equation: Cost of Risk = Claims Costs + Administrative Costs + Loss Prevention Costs + Premiums for Commercial Insurance. The Manual will identify underwriting criteria and sanctions for not accepting sound Loss Prevention criteria in bureau operations.

All of the above recommendations will change the landscape of Risk Management Citywide.

The following charts represent the recommended changes in 1 through 6.

Chart I   Risk Management's ASR Framework Plan Recommendation

This chart recommends that Loss Prevention be structured under a Collaborative Management Plan. It recommends the adoption of the seven recommendations mentioned in this report.

Chart II   Core Loss Prevention Categories Citywide

This chart is representative of the focused Loss Prevention mentioned throughout this report. It must be that focused, or any attempt to reduce our claims will be hampered. It is imperative that a strategy to implement this chart is agreed upon.

Chart III   Responsibility Model

This is a recommendation of what Risk and bureau roles might look like as we move forward in the City. Decentralization is important because the bureau Loss Prevention staff must be able to control and implement in their respective bureaus. A Collaborative Model is needed for Risk to carry out Citywide planning, organizing, and leading functions.

Chart I
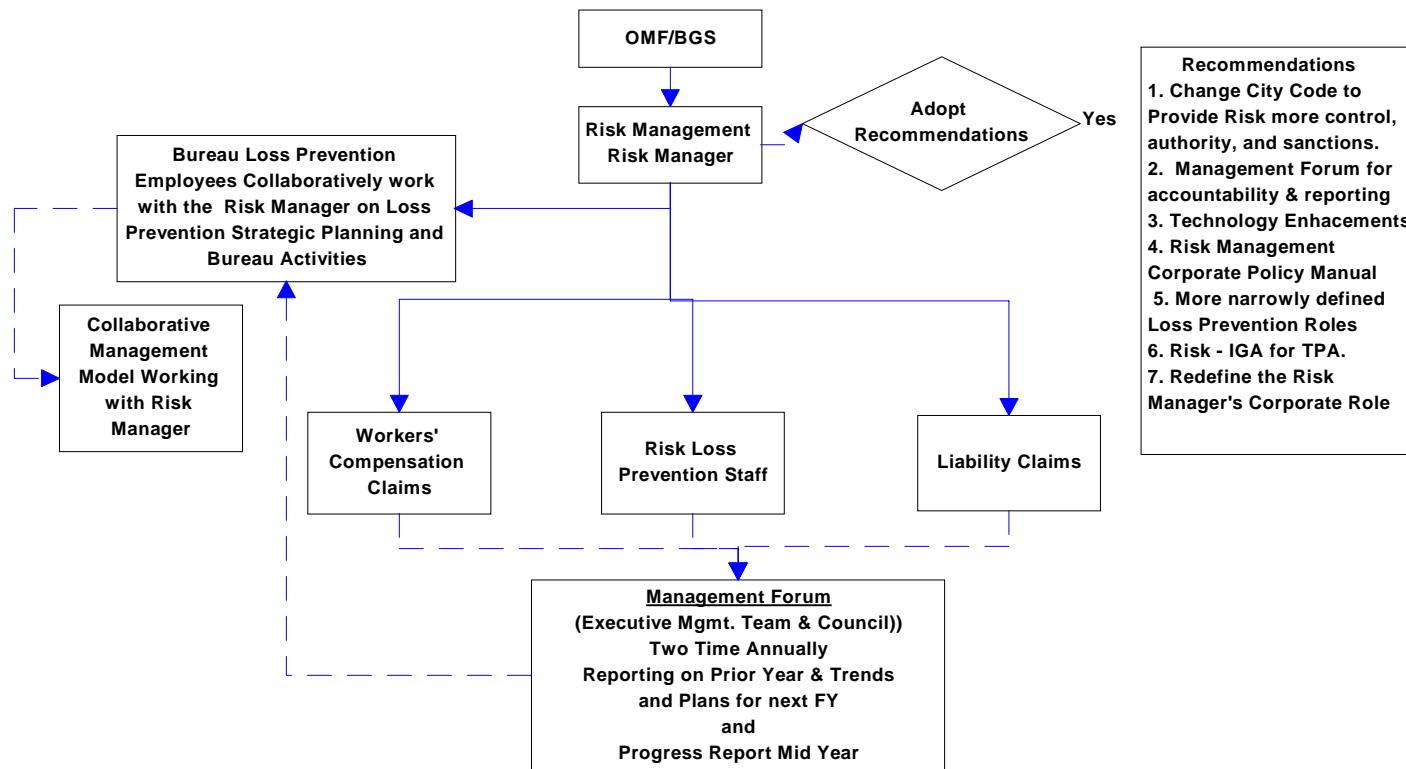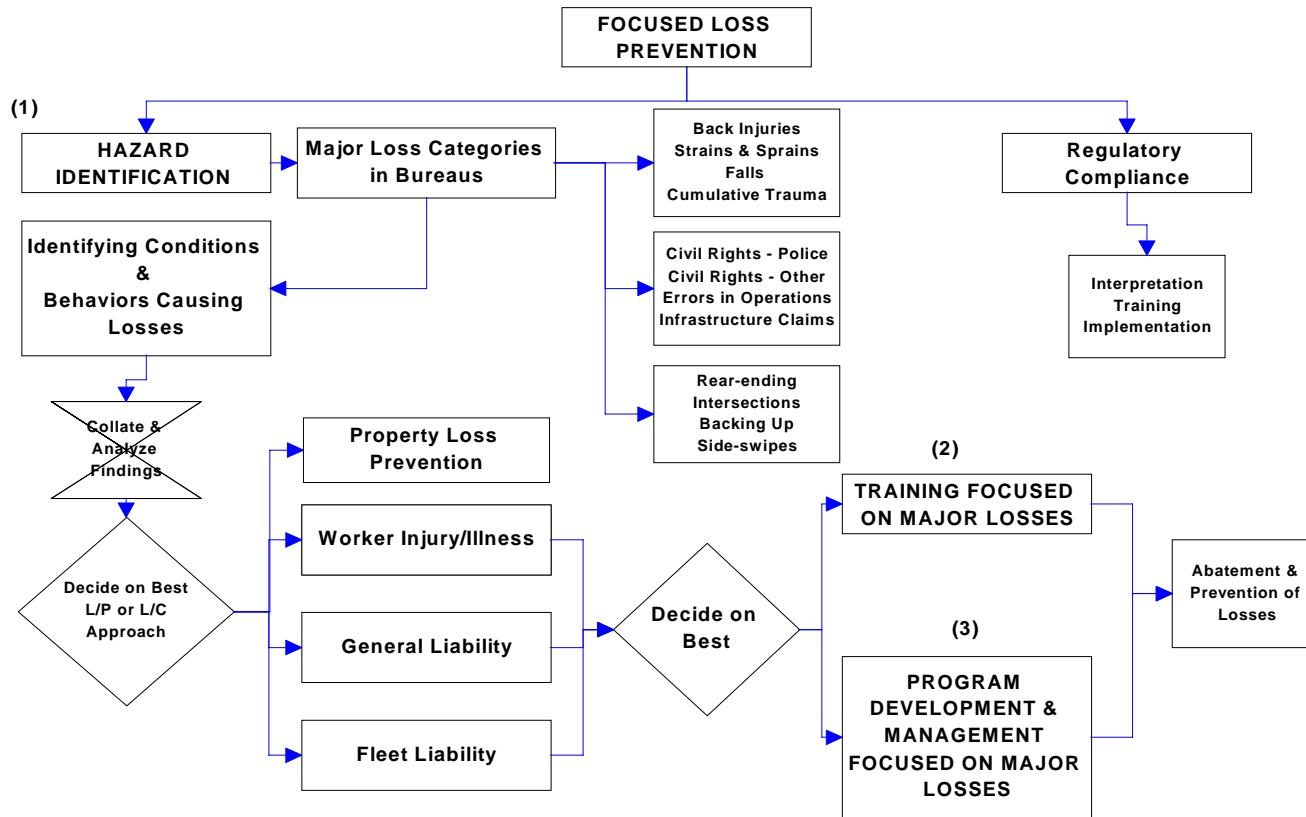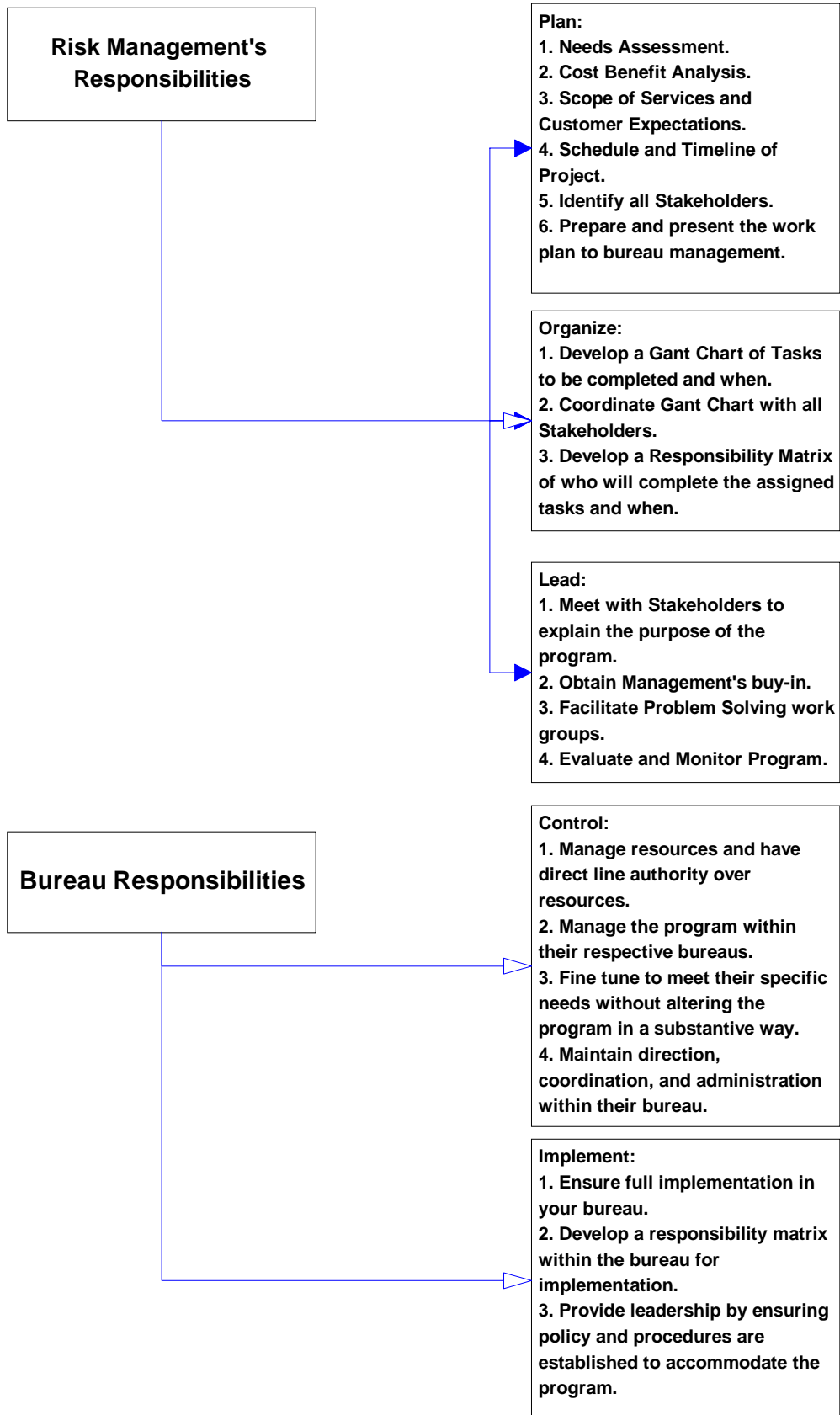**Risk Management's ASR Framework Plan Recommendation**

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                                    ┌─────────────┐
                                    │   OMF/BGS   │
                                    └──────┬──────┘
                                           │
┌──────────────────────────┐       ┌──────▼──────────┐        ◇ Adopt          Yes
│ Bureau Loss Prevention    │       │ Risk Management │◄──── Recommendations
│ Employees Collaboratively │◄──────│  Risk Manager   │
│ work with the Risk Manager│       └──────┬──────────┘
│ on Loss Prevention        │              │
│ Strategic Planning and    │              │
│ Bureau Activities         │              │
└──────────────────────────┘              │
                                           │
┌──────────────┐        ┌──────────┐   ┌─────────┐   ┌──────────┐
│ Collaborative│        │ Workers' │   │Risk Loss│   │Liability │
│ Management   │        │Compensa- │   │Preven-  │   │ Claims   │
│ Model Working│        │tion      │   │tion     │   └──────────┘
│ with Risk    │        │Claims    │   │Staff    │
│ Manager      │        └──────────┘   └─────────┘
└──────────────┘
                        ┌──────────────────────────────────┐
                        │         Management Forum         │
                        │ (Executive Mgmt. Team & Council))│
                        │        Two Time Annually         │
                        │ Reporting on Prior Year & Trends │
                        │      and Plans for next FY       │
                        │               and                │
                        │     Progress Report Mid Year     │
                        └──────────────────────────────────┘
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Recommendations
1. Change City Code to Provide Risk more control, authority, and sanctions.
2. Management Forum for accountability & reporting
3. Technology Enhacements
4. Risk Management Corporate Policy Manual
5. More narrowly defined Loss Prevention Roles
6. Risk - IGA for TPA.
7. Redefine the Risk Manager's Corporate Role

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Chart II
Core Loss Prevention Categories Citywide

FOCUSED LOSS PREVENTION

(1)

HAZARD IDENTIFICATION

Major Loss Categories in Bureaus

**Back Injuries
Strains & Sprains
Falls
Cumulative Trauma**

Regulatory Compliance

Identifying Conditions & Behaviors Causing Losses

**Civil Rights - Police
Civil Rights - Other
Errors in Operations
Infrastructure Claims**

**Interpretation
Training
Implementation**

Collate & Analyze Findings

Property Loss Prevention

**Rear-ending
Intersections
Backing Up
Side-swipes**

(2)

TRAINING FOCUSED ON MAJOR LOSSES

Worker Injury/Illness

Decide on Best L/P or L/C Approach

Decide on Best

Abatement & Prevention of Losses

General Liability

(3)

PROGRAM DEVELOPMENT & MANAGEMENT FOCUSED ON MAJOR LOSSES

Fleet Liability

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Chart III

Responsibility Model

Risk Management's Responsibilities

Plan:
1. Needs Assessment.
2. Cost Benefit Analysis.
3. Scope of Services and Customer Expectations.
4. Schedule and Timeline of Project.
5. Identify all Stakeholders.
6. Prepare and present the work plan to bureau management.

Organize:
1. Develop a Gant Chart of Tasks to be completed and when.
2. Coordinate Gant Chart with all Stakeholders.
3. Develop a Responsibility Matrix of who will complete the assigned tasks and when.

Lead:
1. Meet with Stakeholders to explain the purpose of the program.
2. Obtain Management's buy-in.
3. Facilitate Problem Solving work groups.
4. Evaluate and Monitor Program.

Bureau Responsibilities

Control:
1. Manage resources and have direct line authority over resources.
2. Manage the program within their respective bureaus.
3. Fine tune to meet their specific needs without altering the program in a substantive way.
4. Maintain direction, coordination, and administration within their bureau.

Implement:
1. Ensure full implementation in your bureau.
2. Develop a responsibility matrix within the bureau for implementation.
3. Provide leadership by ensuring policy and procedures are established to accommodate the program.

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D.   Evaluate Alternative Options

Core Risk Functions	Status Quo	Outsource	Centralization	Modified Decentralization
Loss Prevention Function	Cons: ❑ Losing Loss Prevention Capacity within the Bureaus and Citywide. ❑ Not focused enough to make enough impact on Fleet and General Liability. ❑ Reporting and Work Accountability controlled by diverse set of directors. ❑ Expecting Risk to do more service in the areas they cannot get to due to other assignments unrelated to Loss Prevention. Pros: ❑ Employees of Bureaus better known within their respective bureaus. ❑ Employee of bureau perceived to be a team member. ❑ Better able to meet frequently with staff and management. Tailor programs to meet bureau needs.	Cons: ❑ Programs too diverse to include all of them in an RFP scope of services. ❑ Response time by a vendor may be too slow. ❑ Controlling and managing the quality of services may be sacrificed. ❑ Cost prohibitive for the breadth/depth of services currently being provided. Pros: ❑ May force the City to focus on what matters most. ❑ Goals and outcomes contractually bound with vendor. ❑ Flexible budget not bound by fixed employee costs but can control cost based on contractual arrangement.	Cons: ❑ Bureau management support. ❑ May impact access to bureau staff requiring approval from bureau management. ❑ Equity in terms of service time for each bureau. ❑ More time defining bureau needs and wants. Pros: ❑ Better handle on Citywide management of Loss Prevention. ❑ Enable the marshalling of resources to improve a bureau's Loss Prevention needs. ❑ Core functions better focused on City losses, such as: Hazard Identification, Training and Program Development to abate loss causes.	Defined: Bureau Loss Prevention accountable directly to Risk Management but remains in bureaus. A plan defining their time commitment, plans and objectives approved annually by Risk Management and Bureau Management for the next fiscal year. Cons: ❑ Constant pressure on Loss Prevention people's time to do Loss Prevention and Bureau Managers priorities. ❑ "Cannot serve two masters" concept. ❑ Cannot control Loss Prevention activities if they work for bureau director. Pros: ❑ Defined objectives. ❑ Measurable objectives. ❑ Defined Standards ❑ Less disruptive. Centralize what can be centralized for efficiencies.
Workers' Compensation Claims	Cons: ❑ Need to share progress reports more frequently. ❑ Need to provide screens on bureau desktop for evaluation claims. ❑ Need capability of providing better management reports. ❑ Concern by bureau's Risk Services Representatives that their best interests are not being protected. ❑ Communication gaps and inadequacy. ❑ Early Return to Work communication break down. Pros: ❑ Quality Claims Handling/Control ❑ It is not broken don't fix it.	Cons: ❑ Cost of TPA/Profit Margins. ❑ Quality of TPA. ❑ Personnel expertise. ❑ Control of a TPA. ❑ Accountability of TPA. ❑ Would still require a Risk staff person to monitor TPA. ❑ Managing a TPA. Pros: ❑ Bind a vendor by contract for performance standards. ❑ Objective third party claims administration. ❑ May be perceived as confidential claims adjudication.	Currently Centralized	Don't see a viable option here.

Core Risk Functions	Status Quo	Outsource	Centralization	Modified Decentralization
Liability Claims	Cons: ❑ Need to share progress reports more frequently. ❑ Need to provide screens on bureau desktop for evaluation ❑ Need capability of providing better management reports. ❑ Concern by bureau's risk services representatives that their best interests are being protected. ❑ Communication is not adequate. Pros: ❑ Quality Claims Handling. ❑ Control ❑ If it ain't broke, don't fix it.	Cons: ❑ Cost of TPA/Profit Margins. ❑ Quality of TPA. ❑ Personnel expertise. ❑ Control of a TPA. ❑ Accountability of TPA. ❑ Lack institutional knowledge and political mine fields. Pros: ❑ Bind a vendor by contract for performance standards. ❑ Objective third party claims administration. ❑ May be perceived as confidential claims adjudication.	Currently Centralized	Cons: ❑ Control of claims data. ❑ Citizen being equally treated. ❑ Bureau resources. ❑ Expertise in claims processing. Pros: ❑ Bureau control of their own claims outcomes. ❑ Less work for Risk. ❑ Free up time for the more costly claims.
Risk Management Information System	Cons: ❑ Meeting customer needs per their specifications. ❑ Readability of Report. ❑ Reports not distributed widely to all that should know. ❑ Too many ad hoc report requests. ❑ Bureaus not able to have desktop access to claims data. Pros: ❑ Consistency in terms of claims delivery. ❑ Able to respond upon request to customer needs. ❑ Data integrity maintained. ❑ Working on continuous improvement presently. ❑ Cost effective system.	Cons: ❑ Cost ❑ Control ❑ Off the shelf as opposed to tailor made product ❑ Compatibility with our systems. ❑ Flexibility Pros: ❑ Rid ourselves of the responsibility of maintaining the system. ❑ Contractual obligation to perform. ❑ Flexibility of changing vendor if performance not adequate.	Currently Centralized	Cannot envision the RIMS system partially decentralized.
Self Insurance Fund Management	Cons: ❑ Disputes fund balances that are excessive or inadequate. ❑ Budget cycle forces and artificial rate for the second year of the budget cycle. Pros: ❑ It is properly done presently. ❑ It is managed in conformity with sound financial practices. ❑ Actuarially sound.	Cons: ❑ Outsourcing would mean buying commercial insurance that has many negatives. ❑ Lose control of profit margins, claims, and reserving practice.	Currently Centralized	Cannot envision this model.

V. Roles and Responsibilities

The entire document has addressed Roles and Responsibilities. Claims roles and responsibilities are well defined in the City Code. However, the Loss Prevention service area is not clear. The chart on page 11 defines the Loss Prevention problems. Common management strategies are the number one problem. Chart III illustrates the recommended responsibilities, and Chart I illustrates the recommended structure.

VI. Service Provisions Options

The tables on page 19 and 20 were prepared for the ASR Review Team and discussed. Consensus was not reached. Risk recommends that the best option of delivering Loss Prevention services would be a Modified Decentralization option or coined Collaborative Management Model. There must be accountability to Risk Management through some means. There needs to be a debit for non-performers and credit for performers. Risk has identified in its Framework Plan the development of The Risk Management Corporate Policy Manual for controlling high exposures and developing standards for Loss Prevention. It is recommended that this be fully adopted with the implementation of the Collaborative Management Model.

Risk Management conducted an RFI in fiscal year 97/98 to "Market Test" our services. The results at that time were as follows:

Risk Cost 97/98	Itemized Categories	Crawford Quote	Sedgewick Quote	Gates McDonald
Workers' Comp.	Claims Admin.	$ 340,959.00	$ 306,430.00	$ 342,776.00
	Add On Fees	$ 27,000.00	$ 30,000.00	$ 45,000.00
	Risk Staff	$ 150,000.00	$ 150,000.00	$ 150,000.00
$ 546,286.00		**$ 517,959.00**	**$ 486,430.00**	**$ 537,776.00**
Liability Claims Cost	Claims Admin.	$ 875,000.00	$ 395,000.00	Did not Quote.
	Add On Fees	$ -	$ 98,750.00	
	Risk Staff	$ 150,000.00	$ 150,000.00	
$ 593,165.00		**$ 1,025,000.00**	**$ 643,750.00**	

Loss Prevention services were more difficult to market test. Due to the variety of Loss Prevention services that could be requested, we were only able to get a range of hourly charges. The charges range from $60.00 per hour to $200.00 per hour, depending on the services requested.

Workers' Compensation on paper appears to be close. However, the vendor's costs do not reflect all the services we perform for our bureaus. Each of them felt that there is a margin of error of 20 or 30 percent higher than quoted. This was their best effort, given the information provided and the time spent on the project.

Liability Claims Cost was quite a different story. The margin between the two quotes was quite different. However, they too stated this was a low-end quote and could be 20 to 30 percent higher.

Factors that must be considered when contracting out are as follows:

❑ Claims Control – detailed knowledge and information is lost when others handle the claims.
❑ Quality of Claims Adjusting – investigation and claims management protocols are different with each claims administrator and quality may be sacrificed.
❑ Claims Administrator's Personnel – the experience and expertise of the personnel are not known and we cannot control personnel turnover.
❑ Profit Margins – they tend to impact service priorities and may limit the parameter of services the vendor is willing to provide.
❑ Learning Curve – it is important to understand the City and its culture; the City's expectations for service may exceed the vendors expectations.
❑ Timeliness – the responsiveness and ability to provide ad hoc reports as needed is critical and may be sacrificed by contracting out.
❑ Claim Philosophy – this may vary with each third party administrator, understanding claims adjustment thresholds, reserving practices, knowing when to defend or not defend, and whether cases are complex or easy.

VII. Service and Performance Standards

The ASR Review Team did not address standards, primarily because to a consensus was not reached on what the Framework Plan would look like. However, the Self-Insured Mandates on page 3 of this report have been discussed with bureau Loss Prevention staff. Risk would like to specify the activities under the mandates and the shared expectations for Risk and the bureaus.

As part of the program identified in this document, these are the standards Risk would propose.

ASR Framework Plan Component	Standard and Quality
Risk Management Corporate Policy Manual	Activities Identified Responsibility Matrix Measure & Monitor
Collaborative Management Model Structure	Expectations of Bureaus Clearly Defined Financial Sanctions and Rewards-Accountability Service Contract Outlining Each Party's Scope of Services – Accountability
Change City Code	Balance the Powers of Risk and Bureaus
Management Forum City Council & Executive Mgmt. Tm.	Agenda Focused on Reducing Cost of Risk Recommended Strategies
Third Party Claims Administration Revenue Producing	Technology Enhancements Identify Customer Needs and Specifications Profit Margin to Reduce Risk Costs

VIII. Technology

For the past two years, Risk has been going through a migration from our old platform to a new one contemporary with the City's technology. As part of the technology enhancements, Risk has identified services that will be improved.

Service Enhancements

1. Bureau access to Risk data, read only, changes to screens not available. Bureaus can check status of individual claims as well as department or work unit experience.

2. Paperless reports, they will be able to have access to reports and print what they need or want, such as bureau trends frequency or severity, and standardized reports at the click of a button.

3. Bureaus may access the Loss Prevention Reports showing cause code and nature. They will be able to analyze their reports to determine the type of Loss Prevention program to implement.

4. The enhancement will enable us to offer our claims services to external agencies and jurisdictions. This would generate revenues helping to reduce our cost of Risk.

IX. Financial Issues

The opportunity for the City to bring in outside income has been covered several times in this ASR Framework Plan.

Risk Management has reviewed its service rates several times over the past several years. Our most recent review was two years ago with our actuarial and bureau representative. Richard Sherman, our actuary, reviewed our cost allocation formula for fairness, accuracy, and ranking in terms of other systems. It was the actuary's professional opinion that it ranked in the top 5% of cost allocation systems.

Three years prior to our actuary's review we had our broker, Sedgewick, review the allocation system comparing it to other jurisdictions in Oregon and found our system to be excellent.

The driving force behind our rates is claim costs. The administrative piece (load factor) of the cost of Risk is less than 12%, which is competitive with industry administrative costs.

X.   Implementation

Key Issues	Start	Finish
1. Risk Management Manual	**3/1/01**	**9/1/01**
2. Third Party Claim Administration	**Under way**	**7/1/03**
3. Technology Enhancements	**Under way**	**7/1/03**
4. Organizational Restructuring – Collaborative Management Model	**3/1/01**	**7/1/02**
5. Change City Code	**3/1/01**	**9/1/01**

It is important not to piecemeal the plan implementation. All components must be in place as they are dependent on each other. Third Party Claims Administration is independent of 1, 4, and 5. However, 2 and 3 must hang together, as we cannot offer our services as a claims administrator without a well-functioning claim administration system.

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