



Date: April 5, 2016
To: Risk Management Committee
From: Jim Hill, PLAN Risk Management Officer
Subject: ABAG PLAN Performance Highlights - Frequency and Severity Analysis

Action Required

This report is for information only. No action required.

Overview

ABAG PLAN program performance was negatively impacted in fiscal year 2014/15 by severe weather claims associated with the Bay Area storm surge in December 2014. PLAN staff and members have worked diligently on disaster and resilience planning strategies to reduce member exposure to severe weather conditions during the aftermath. Preliminary indications show these efforts have helped to reduce claim frequency this fiscal year in the face of "El Nino".

Data for the frequency and severity analysis is derived from the **PLAN FOCUS Database** and includes claims incurred over the past five fiscal years. Claims are valued as of March 9, 2016. Data for current fiscal year (FY2015/2016) is incomplete and excluded from the analysis. A copy of **PLAN Management Data Report (MDR) – All Members** valued as of December 31, 2015 is attached as a supplement to the analysis.

The analysis of claims by origin (department) and causation focuses on currently **open** General and Auto Liability claims. The underlying data for this portion of the analysis is available to the committee upon request.

Over the five year period, PLAN claim frequency (claim count) is being lead by Police claims, followed closely by Street, Trees, Sidewalk, Sewer and Storm/Water, respectively. Claim severity (paid/reserved) data indicates Police claims rank number one, followed by Streets, Storm/Flood, Sidewalk, Sewer and Trees, in that order.

Staff will report under separate cover all PLAN Safety/Loss Control activities (Best Practices) supporting our Risk Management strategy to reduce the overall frequency of PLAN claims.

Claim Frequency and Severity

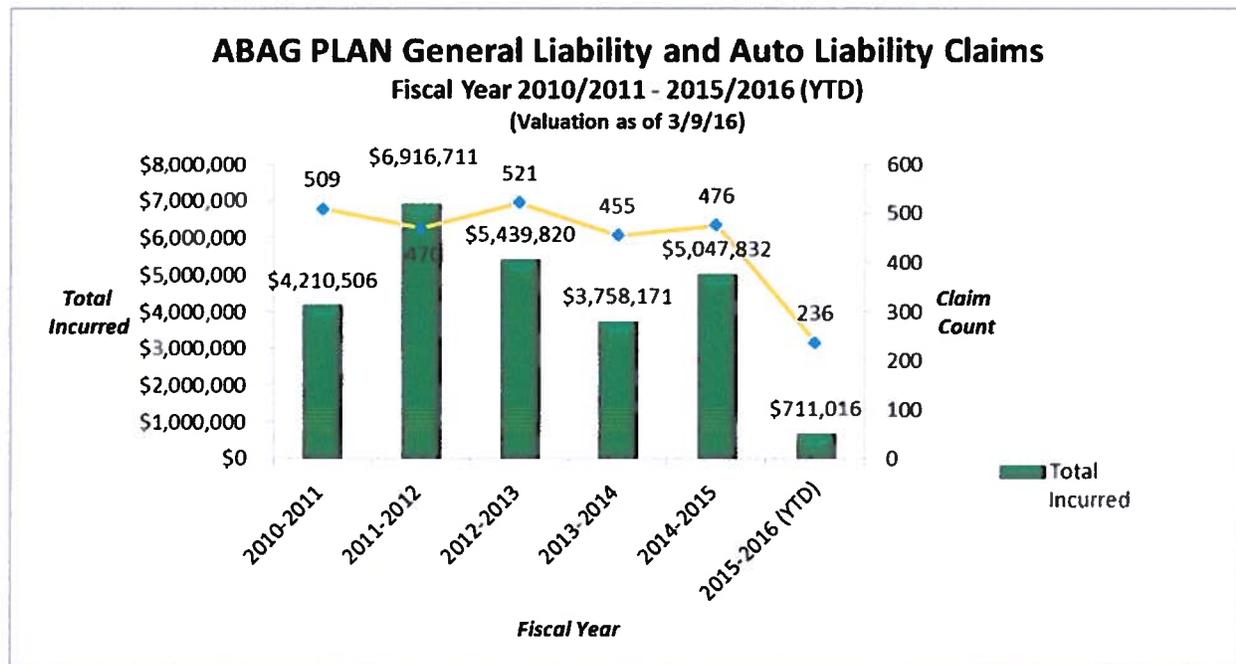
PLAN claim frequency (annual number of claims incurred) for General Liability and Automobile Liability increased 4.6% from the prior FY2013/14. The total number of GL/AL claims reported was 476 vs 455 in the prior FY. These figures have been adjusted from prior reports to account for late emerging claims falling within the government code statutes for timeliness. Most of these claims relate to storm losses.

ABAG PLAN Performance Highlights - Frequency and Severity Analysis (cont.)

The current FY data (2015/16) reflects a noticeable decline in GL/AL claim frequency following an upturn in the FY2014/15 results. While we are optimistic our frequency has improved, the current fiscal year data is still immature and we will wait for the final results after close of the fiscal year.

Total incurred GL/AL claim values (cost) increased \$1,289,661 (34%) FY2014/15. The bulk of the claim costs were associated with the Francisco Neighborhood flood in South San Francisco (Dec 2014). Total incurred was \$5 million versus \$3.76 million in prior FY. The average annual incurred GL/AL claim value increased to \$10,605 (up 28%) from the preceding fiscal year. The increase is primarily a function of the storm (severe weather) claims.

The following chart illustrates PLAN General and Automobile Liability claim frequency and severity for the past five fiscal years.



PLAN claim frequency (number of claims) for Property decreased 13% in FY2014/15. The total number of Property claims was 155 versus 179 the prior FY. Overall, property claims frequency is cyclical; however, claim frequency appears to be trending downward over the last two fiscal years. This year's results (FY2015/16), while immature, support a continuing downward trend in property claim frequency.

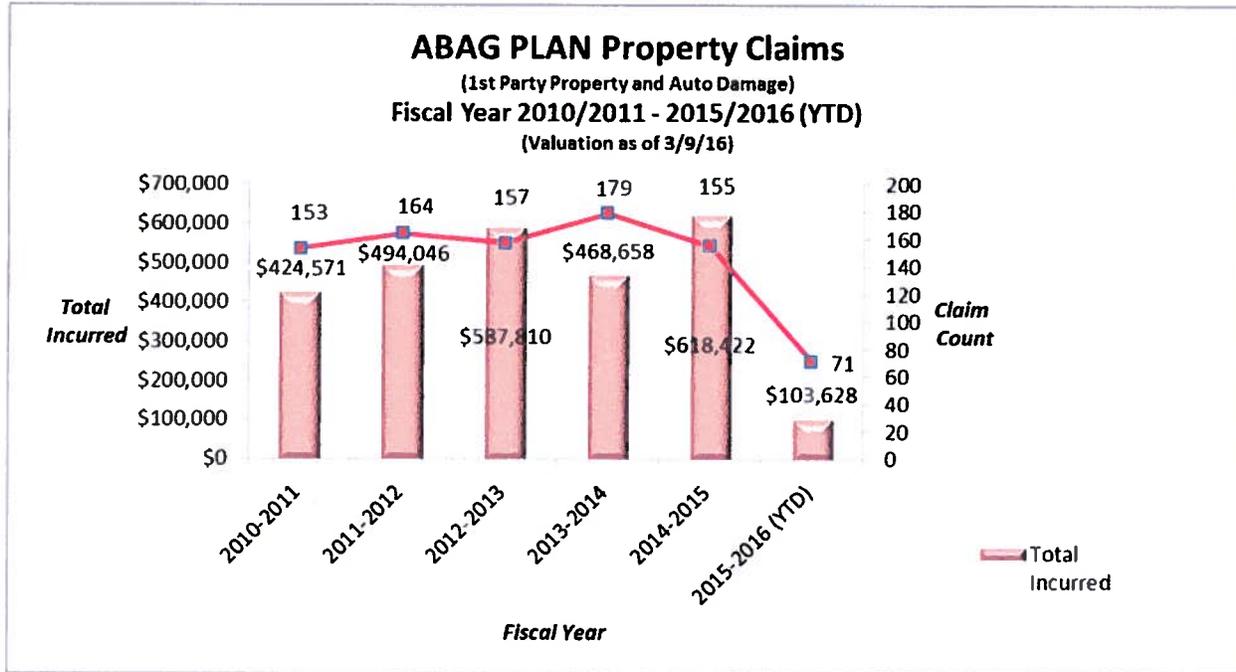
Total incurred Property claim values (net cost) increased 52% from FY 2014/15 despite the decrease in claim frequency. Total incurred values were \$618,422 versus \$468,658 in the prior FY. Average annual incurred property claims were \$3,991 (up 52%) compared to prior FY (\$2,618).

PLAN claims severity for property is on an upward trajectory. Three large property claims breached our XS insurance layer (claim greater than \$100,000) during the 2014/15 fiscal period. PLAN has already experienced one large catastrophic event the current fiscal year (Pacifica storm damage). This claim event could result in multiple breaches of the XS insurance layer due to what is being determined as multiple storm occurrences, each resulting in significant damage to covered infrastructure. PLAN is working very closely with our XS claims adjusters to maximize recoveries for our member agency.

ABAG PLAN Performance Highlights - Frequency and Severity Analysis (cont.)

The property frequency and severity trends are being closely monitored. We will continue to aggressively pursue all subro/salvage/miscellaneous recovery opportunities to reduce claim costs. PLAN is also well positioned to seek additional recovery from XS carriers from our program Stop Loss Aggregate feature.

The following chart illustrates PLAN Property claim frequency and severity for the past five fiscal years.



Claim Analysis by Origin (Department) – All Open Liability (GL/AL)

This portion of the frequency and severity analysis looks at current “open” GL/AL claims only. These claims drive our current results and can also impact prior year results based on timing of the date of occurrence. PLAN General Liability/Auto claim frequency for open claims is currently distributed in the following departments/areas. Rankings are based on the number of open claims in each department or area as a percentage of all open PLAN GL/AL claims. The top six categories are shown below.

| Ranking | Department | # of Claims | % of Total # (*) |
|---------|-------------|-------------|------------------|
| 1 | Street | 70 | 22% |
| 2 | Police | 56 | 18% |
| 3 | Sidewalk | 47 | 15% |
| 4 | Tree | 46 | 15% |
| 5 | Storm/Water | 34 | 11% |
| 6 | Sewer | 19 | 6% |

***314 Total Open GL/AL claims as of 3/14/2016.**

87% of PLAN open GL/AL claims fall into the above categories. Street claims (Roadway/street repair, pedestrian injuries and grates/covers) are currently leading PLAN GL/AL claim frequency, replacing Police claims as the leader. Police claims now rank second, followed by Sidewalk, Tree, Storm/Water and Sewer claims respectively. PLAN open claims activity is down 18% from the October 2015 report.

ABAG PLAN Performance Highlights - Frequency and Severity Analysis (cont.)

From a claim cost standpoint, our analysis reveals the following. The rankings are by the cost of claims (net incurred) in each department/area as a percentage of the cost of all open PLAN GL/AL claims. Only the top six categories are shown.

| Ranking | Department | Incurred Claim \$ | % of Total \$ |
|---------|-------------|-------------------|---------------|
| 1 | Street | 2,195,062 | 26% |
| 2 | Police | 1,913,177 | 23% |
| 3 | Sidewalk | 1,894,673 | 22% |
| 4 | Storm/Water | 1,259,833 | 15% |
| 5 | Park/Rec | 286,876 | 3% |
| 6 | Tree | 285,592 | 3% |

**** Total All Open GL/AL claims as of 3/14/2016 = \$8,424,682.**

92% of PLAN incurred values on open GL/AL claims fall into the above categories. Parks & Recreation claims continue to be ranked within the top six for claim cost/severity. On the bright side, PLAN severity (open claims) is down \$3.8 million (31%) from the last report dated October 2015.

The following chart ranks the department/areas by average “open” incurred claim value. Please note, the average incurred value for “open” GL/AL claims varies from the “average annual incurred” value provided earlier in the report. The “average annual incurred” value only takes into consideration claims with an occurrence date falling within the fiscal year noted and factors both open and closed claims. The “average open claim” value focuses on “open” claims only. It accounts for all open claims in our loss portfolio regardless of the year the loss occurred happened. This aspect of the analysis helps us depict the general direction our claims portfolio is headed in terms of claim severity for each area. This assists PLAN staff in focusing on specific best practices or loss control techniques in each area to reduce claim frequency which also helps to manage claim severity. Preventing a claim from happening can make the issue of its severity moot.

| Ranking | Department | Avg Open Incurred |
|---------|-------------|-------------------|
| 1 | Sidewalk | \$40,312 |
| 2 | Storm/Water | \$37,053 |
| 3 | Police | \$34,164 |
| 4 | Streets | \$31,358 |
| 5 | Parks & Rec | \$28,689 |
| 6 | Sewer | \$6,517 |

Further review of the above chart reveals a repositioning of the category rankings when compared to last year’s report. Parks & Recs has dropped to 5th in the rankings while Storm/Water claims have risen to 2nd. The average open incurred values this period are significantly below the last reported figures which ranged from \$107,586 to \$134,774 at that time. Claim reserve levels are being continually monitored and appear reasonable.

From a claim cause perspective, PLAN is experiencing more significant bodily injury damage claims from sidewalk trip and falls. Sidewalk hazard abatement programs and revisiting municipal ordinance changes or modifications (liability transfer for bodily injury) remain in the forefront as defensive strategies. We are also being challenged with complex claims related to street, automobile and pedestrian accidents caused by roadway design/street repair.

ABAG PLAN Performance Highlights - Frequency and Severity Analysis (cont.)

Summary

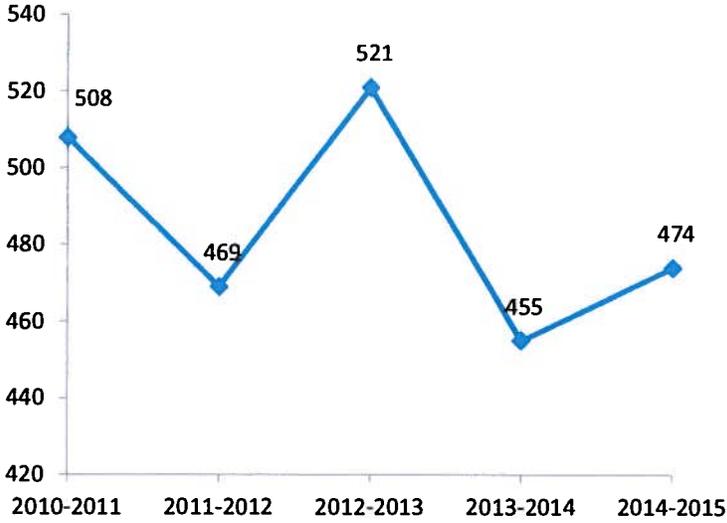
Severe weather (storms, wind and drought) will continue to impact PLAN claim frequency and severity. The noted increase in claim frequency and severity for the PLAN program has been directly impacted by the SSF storm/flood event in (December 2014).

From a risk management perspective, PLAN members have been aggressive in terms of increasing focus on severe weather related risk and exposures (storm water systems, flood prone areas, sewer systems, trees/urban forest management, subsidence, etc.). To assist members in the planning efforts, PLAN staff developed a Severe Weather and Disaster Planning Resource guide for members to address proactive planning and resilience strategies. PLAN loss control consultants have worked with several members developing customized materials (brochures) on storm preparation (El Nino customized brochures) for their community constituents. Both of these efforts appear to be effective in managing risk during the current storm season.

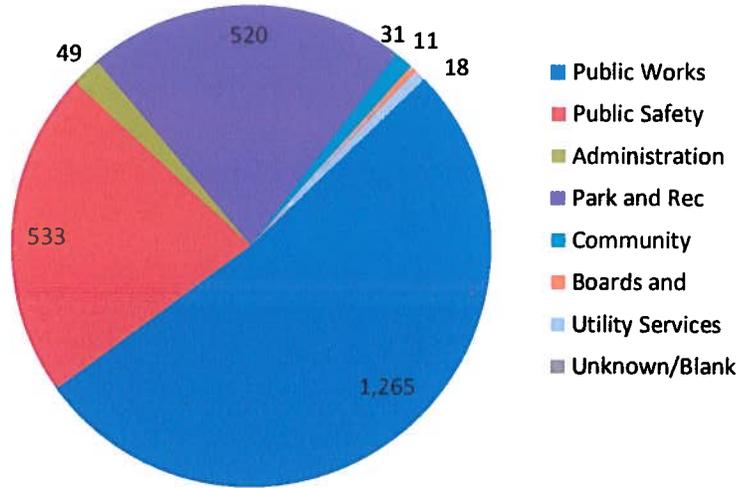
PLAN Loss Frequency and Severity claim indicators have been identified through our review of the PLAN MDR data. There is general consistency in trends by cause and origin. Rankings for all PLAN members by department/origin are available to committee/board members upon request. PLAN staff and our loss control consultants will continue to work closely with member agencies in developing specific plans to address loss frequency areas, as well as, identify member risk management priority areas. PLAN encourages each member to utilize the MDR report as a planning tool. AdHoc analytic claim reports are also available to members upon request.

ABAG PLAN Management Data Report: All Members

Number of Claims by Fiscal Year - 5 Years

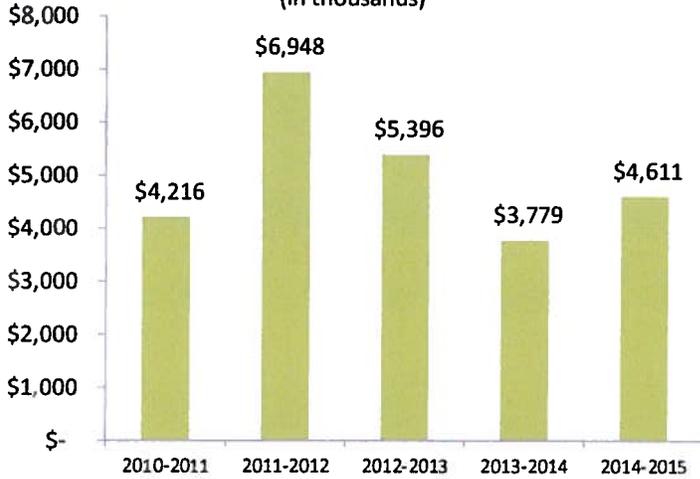


Number of Claims by Department - 5 Years

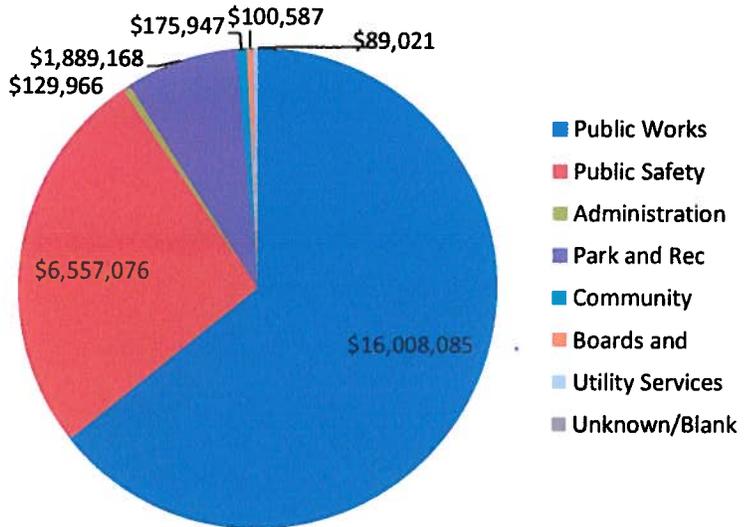


\$ Incurred by Fiscal Year - 5 Years

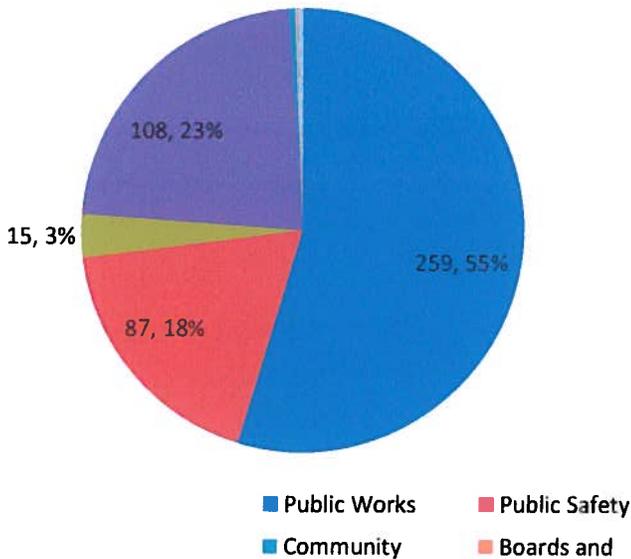
(in thousands)



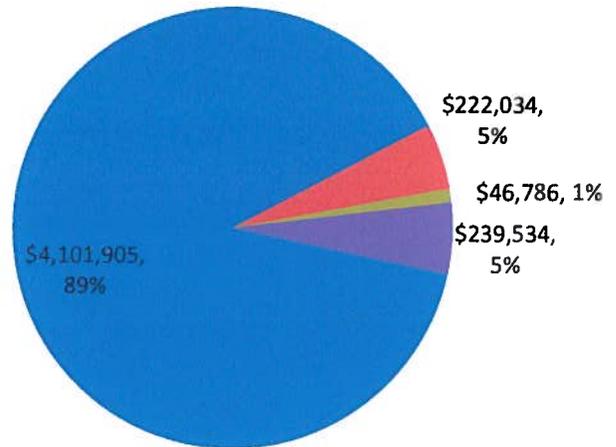
\$ Incurred by Department - 5 Years



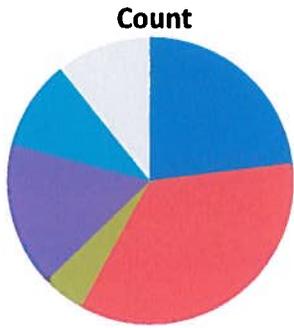
Number of Claims by Department - 2014-2015



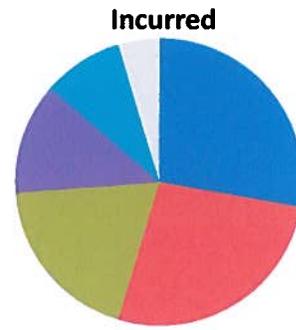
\$ Incurred by Department - 2014-2015



ABAG PLAN Management Data Report: All Members



| Public Works | | |
|-----------------------|-------------|---------------------|
| Sub-department | Count | Incurred |
| Total | 1265 | \$16,008,085 |
| ■ Sidewalks | 291 | \$4,446,253 |
| ■ Streets | 442 | \$4,296,910 |
| ■ Stormwater | 61 | \$3,068,934 |
| ■ Sewer | 206 | \$1,994,077 |
| ■ Water | 128 | \$1,445,975 |
| ■ Others not in top 5 | 137 | \$755,936 |



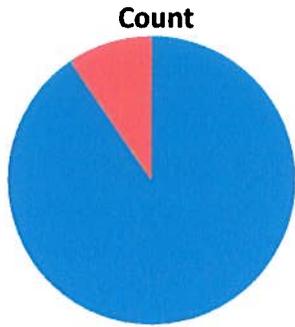
| | Count | Incurred |
|-----------------------------------|-------|--------------|
| ■ Sidewalks | 291 | \$ 4,446,253 |
| Curbs/sidewalks hazards | 235 | \$ 3,961,775 |
| Causes <10% of Count and Incurred | 56 | \$ 484,478 |

| | Count | Incurred |
|-----------------------------------|-------|--------------|
| ■ Streets | 442 | \$ 4,296,910 |
| Roadway/street repair | 109 | \$ 650,454 |
| Causes <10% of Count and Incurred | 333 | \$ 3,646,456 |

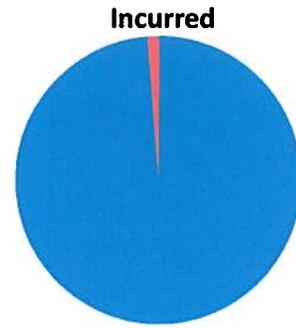
| | Count | Incurred |
|-----------------------------------|-------|--------------|
| ■ Stormwater | 61 | \$ 3,068,934 |
| Contractual Liability | 1 | \$ 1,033,533 |
| Drainage: error/failure | 12 | \$ 742,185 |
| Rain/fog/flooding | 21 | \$ 472,744 |
| Causes <10% of Count and Incurred | 27 | \$ 820,472 |

ABAG PLAN Management Data Report: All Members

Public Safety



| Sub-department | Count | Incurred |
|---------------------|------------|--------------------|
| Total | 532 | \$6,557,076 |
| Police | 481 | \$6,471,447 |
| Fire | 51 | \$85,629 |
| Others not in top 5 | 1 | |

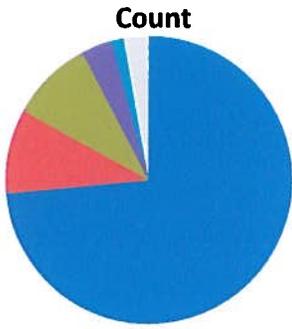


| | Count | Incurred |
|-----------------------------------|-------|--------------|
| Police | 481 | \$ 6,471,447 |
| Use of force | 44 | \$ 1,365,782 |
| Causes <10% of Count and Incurred | 437 | \$ 5,105,665 |

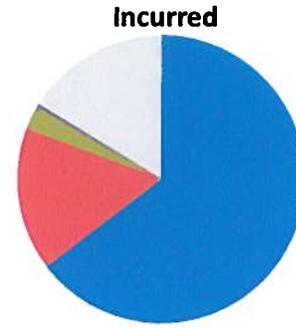
| | Count | Incurred |
|-----------------------------------|-------|-----------|
| Fire | 51 | \$ 85,629 |
| Unsafe backing | 9 | \$ 17,162 |
| Causes <10% of Count and Incurred | 42 | \$ 68,467 |

ABAG PLAN Management Data Report: All Members

Park and Rec



| Sub-department | Count | Incurred |
|---------------------|------------|--------------------|
| Total | 520 | \$1,889,168 |
| Trees | 382 | \$1,219,849 |
| Recreation | 49 | \$302,656 |
| Parks | 49 | \$53,138 |
| Park and Rec NOC | 18 | \$5,434 |
| Aquatics | 7 | \$248 |
| Others not in top 5 | 15 | \$307,844 |



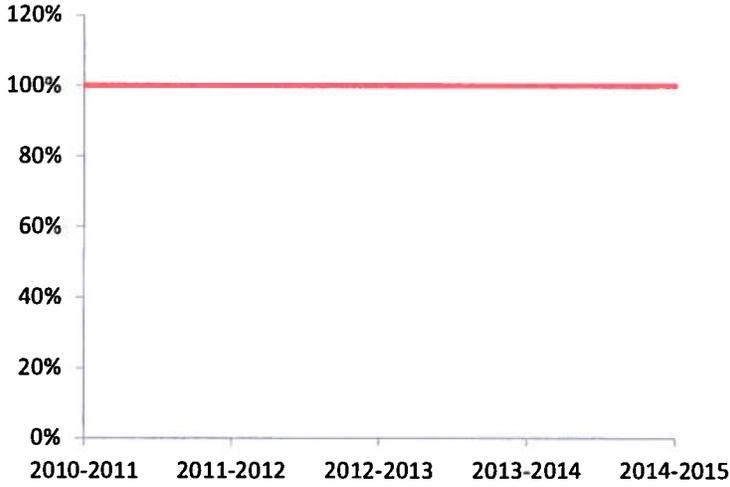
| | Count | Incurred |
|-----------------------------------|------------|---------------------|
| Trees | 382 | \$ 1,219,849 |
| Tree, unsafe condition | 352 | \$ 1,182,677 |
| Causes <10% of Count and Incurred | 30 | \$ 37,172 |

| | Count | Incurred |
|-----------------------------------|-----------|-------------------|
| Recreation | 49 | \$ 302,656 |
| Athletic program injury | 10 | \$ 11,406 |
| Bodily Injury (BI) | 4 | \$ 230,000 |
| Causes <10% of Count and Incurred | 35 | \$ 61,249 |

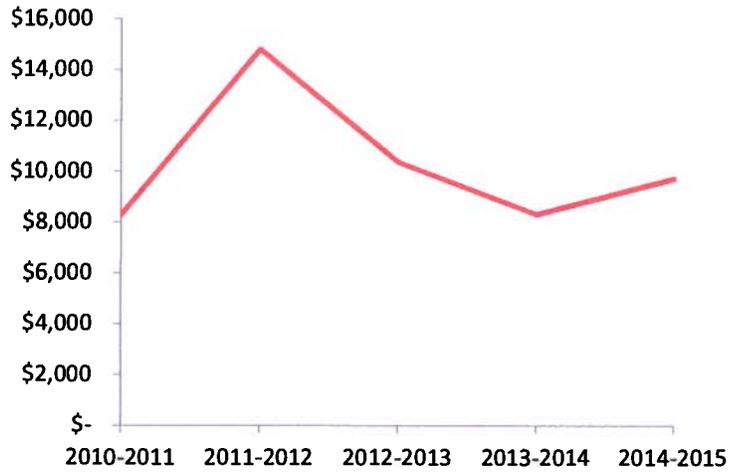
| | Count | Incurred |
|-----------------------------------|-----------|------------------|
| Parks | 49 | \$ 53,138 |
| Struck by moving object | 5 | \$ 1,356 |
| Bike lanes/paths | 4 | \$ 15,772 |
| Tree, unsafe condition | 3 | \$ 20,000 |
| Causes <10% of Count and Incurred | 37 | \$ 16,010 |

ABAG PLAN Management Data Report: All Members

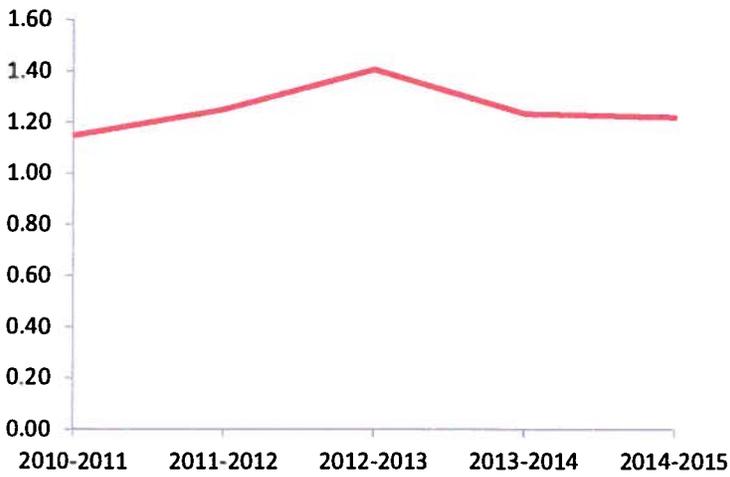
Experience Modifiers



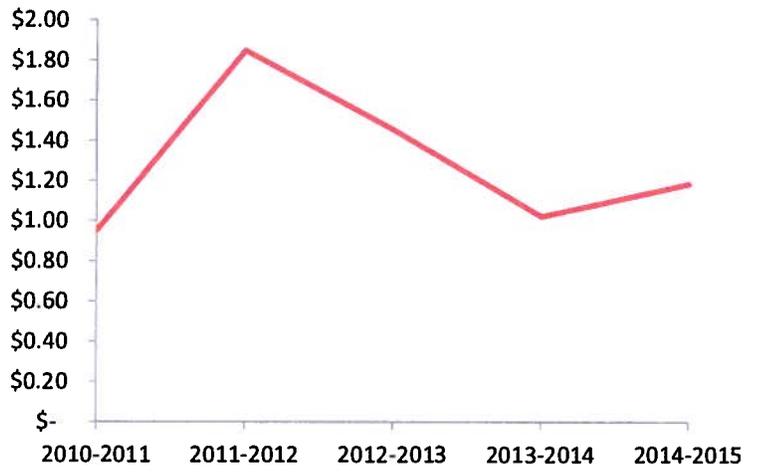
Average Incurred per Claim



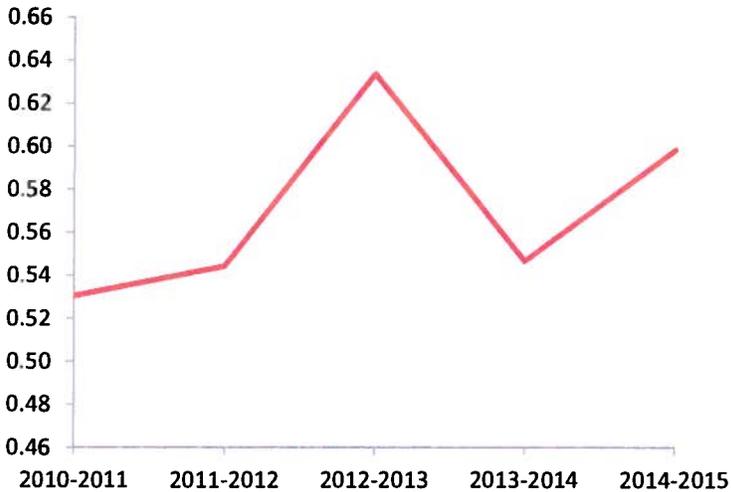
Claims per \$1 million Payroll



Severity Rate (Incurred per \$100 payroll)



Claims per 1,000 Population



Incurred per 1,000 Population

