



ABAG PLAN CORPORATION
375 Beale Street, Suite 700
San Francisco, CA 94105

MEMO

Date: October 4, 2016
To: PLAN Risk Management Committee Members
From: Jill Stallman, ABAG PLAN Claims Manager
Re: **ABAG PLAN Performance Highlights – Frequency & Severity Analysis**

Action Required

This report is for information purposes only. No action is required.

Overview

ABAG PLAN's performance in Liability and Property continues at better than it has in the past. However, many of these more recent claims are open and are still developing. We continue to work through losses that presented themselves as a result of the El Nino storms on both liability and property. Although it seems the heavy storm threats are behind us we now face the exposure of the ongoing drought and its impact on trees. With the societal changes of ever increasing interest in mobile devices, distracted drivers and pedestrians, too, pose an increasing threat to our claim portfolio.

Data for the frequency and severity analysis is derived from the PLAN FOCUS Claim Database and includes claims incurred over the past five fiscal years in addition to a portion of our current fiscal year. This data is valued as of September 15, 2016. A copy of *PLAN Management Data Report (MDR) – All Members* valued as of December 31, 2015 is attached as a supplement to this analysis.

The analysis of claims by Cause & Origin (Department) 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 historical period, PLAN claim frequency (claim count) is lead by Police, followed closely by Trees and Streets, then by Sewer/Water, Sidewalks and Maintenance, in that order (+). By contrast, the frequency of the current open book of claims is lead by Streets, then Police, Trees, Sidewalk, Sewer/Water then Storm water, respectively.

(+)

Ranking	Department	# of Claims	% of Total #
1	Police	471	19.5%
2	Trees	417	17.2%
3	Streets	411	17.0%
4	Sewer / Water	354	14.6%
5	Sidewalks	258	10.7%
6	Maintenance	123	5.1%

(% of Total # = 2420 total claims from FY 2011/12 – FY 2016/17 YTD)

Sidewalk Liability

Of note, is that although sidewalk claims make up 10.7% of the collective 5 year historical claim frequency, within the Public Works Department, specifically, sidewalks make up 21% of that Department's exposure. (Public Works' 5 year perspective is as follows: Streets 34%, Sewer & Water 27%, Sidewalks 21%, All Other 18%). This is important because there are Best Practices that were enacted to help Members better control the frequency like sidewalk inspection programs and liability shifting ordinances. There will be more detailed discussion on this under a separate report.

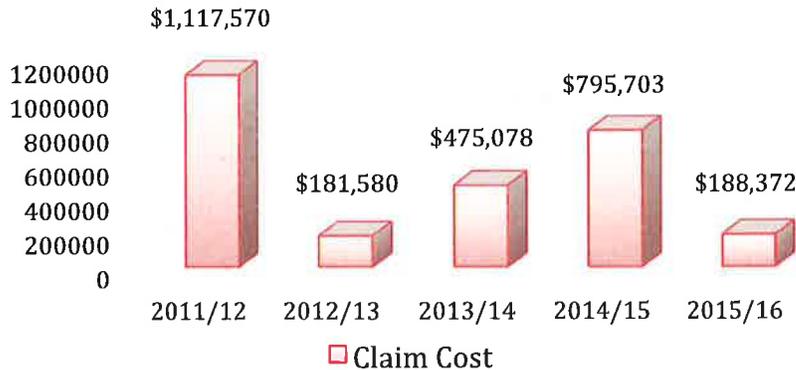
Below is a 5 FY trend on the frequency of sidewalk claims. Since 2012/13 there has been a steady decline in frequency which is a positive outcome and construed a direct success to the adoption of the Best Practices as they relate to sidewalks.

SIDEWALK CLAIM FREQUENCY



Despite the frequency of sidewalk losses declining the severity seems to be a moving target as is depicted in the next visual.

SIDEWALK CLAIM SEVERITY TREND



Under separate cover, staff will report on all PLAN Safety/Loss Control activities (Best Practices) supporting all of our Risk Management strategies to further reduce overall frequency of PLAN claims, including sidewalk losses.

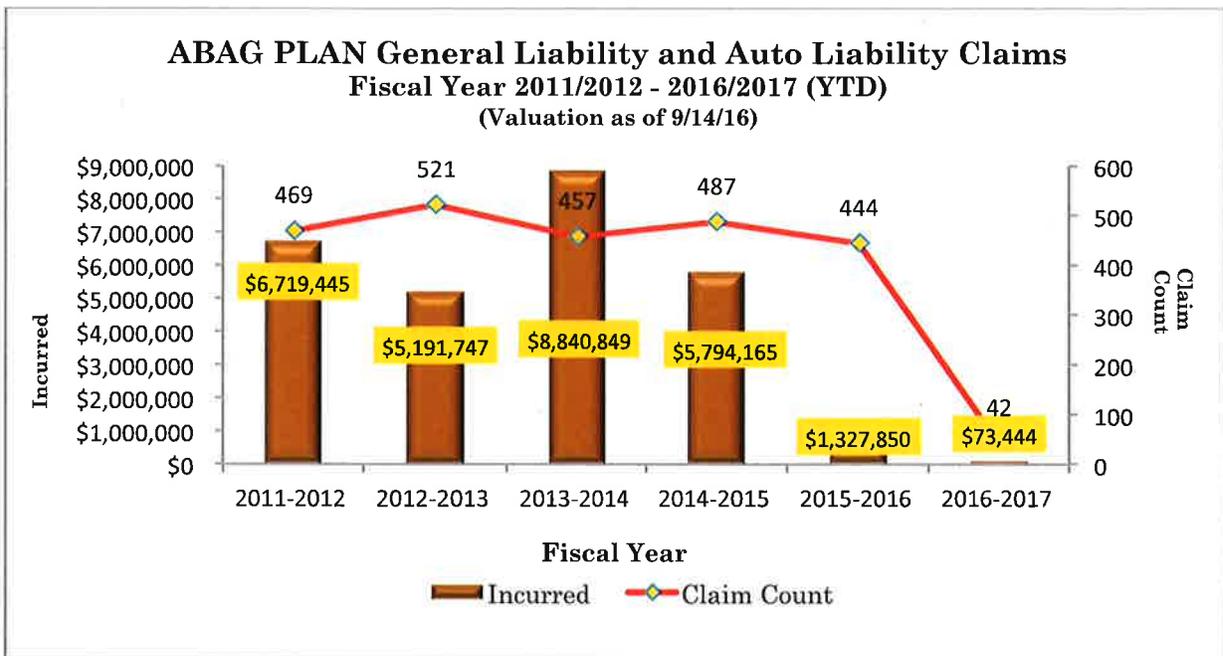
CLAIM FREQUENCY & SEVERITY

General / Auto Liability

Looking at the five year trend depicted in the chart below, PLAN claim frequency (annual number of claims incurred) for General and Auto Liability has gone down from 487 in 2014/15 to 444 in 2015/16. As a percent this is a 9.68% improvement. These figures should be kept in perspective and may rise since statutes of limitations are still open on some exposures so new claims may still come in.

The current FY data (2016/17) shows 42 claims presented with a DOL within this time period. This is promising yet we remain cautious in knowing that Government Code statutory timelines are still open for claims to be presented here, as well. This information is simply an early indicator and will bear greater trend analysis value over time.

Total incurred GL/AL claim values (cost) have also gone down but more notably in proportion to the number of claims. For the 2015/16 FY the Total Incurred value of the 444 claims is \$1,327,850 down from \$5,794,165 for the 487 claims booked in 2014/15. This is a - 229% decline of total incurred. To put this in better perspective that is a per claim average of \$2,991 down from \$11,898 or a decline of -75%. We attribute this to aggressive claim investigation, improved communications with parties not represented by attorneys in efforts to keep a positive rapport, rejecting those that are warranted and quickly resolving those that should be. Also, as we will see from the open claim analysis, Police claims typically drive the severity and these claims have improved recently, contributing to an overall positive impact to the portfolio. With that said, considering we are now a quarter of the way into the 2016/17 FY and have 42 liability claims recorded the outlook is promising in that from a frequency perspective this year will continue to carry the positive downward trend from last year's numbers of 444. We do keep in mind that losses from certain departments are more seasonal than others but remain optimistic from the data, to date.



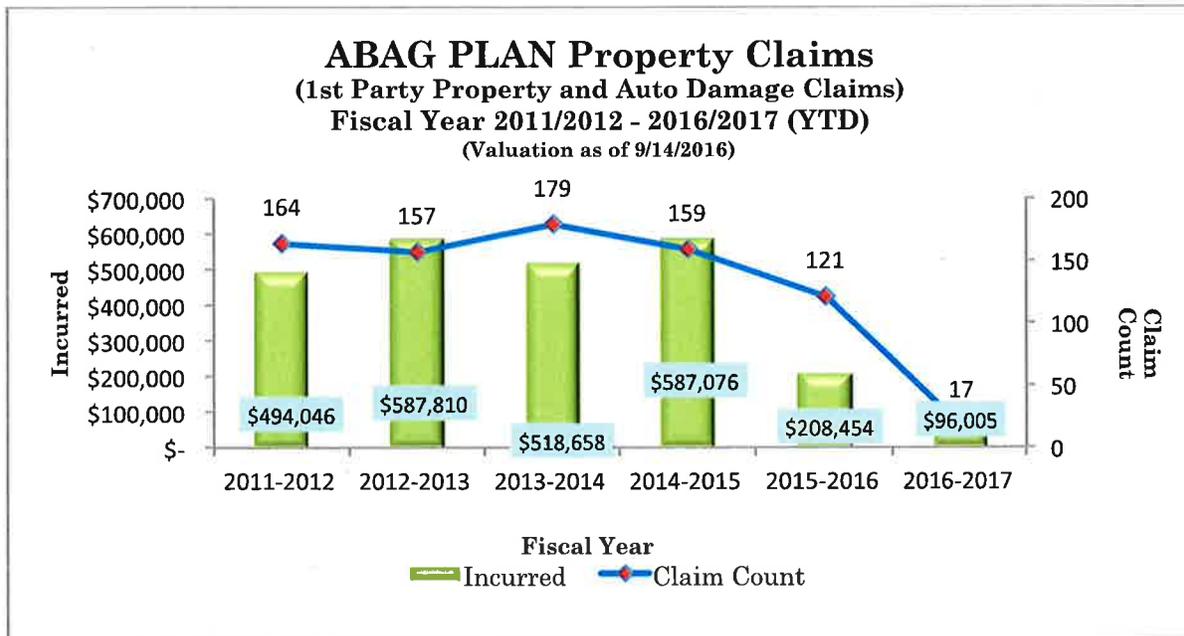
Property

The Property portfolio is also trending positively as illustrated on the chart below. Of note is here are no open claims remaining on 2011/12 or in 2012/13 and there are no changes in claim count or in incurred values for those two period. In 2013/14 there is no change in claim count since our last update in April 2016, but the incurred value has gone up as valuations were finalized. Then from 2014/15 onward there

are still some changes but on a positive note the total incurred for the 2014/15 claims has gone down from \$618,076 to \$597,076 since April 2016. Starting with 2015/16 the activity on both claim count and total incurred values is growing, as expected.

One factor that can impact the total incurred values of the past is the Annual Stop Loss Aggregate feature PLAN enjoys. We engage with McLarens annually for a reconciliation audit that reviews closed, covered Property claims paid over the \$250k annual aggregate to determine which, if any, qualify for reimbursement. After the aggregate is reached, a \$10k maintenance deductible is applied. We are currently in the midst of our losses being reviewed and assessed for potential recoveries and as an example, we are told to expect a \$510 recovery back from the 2011/12 Property FY. More recoveries are expected beyond this but this is to illustrate that depending upon when claims can resolve, subrogation can be finalized and the files are closed, future audits may still address losses that are in older fiscal years as these audits are conducted which could impact the final incurred numbers for past time periods.

Another factor is our subrogation efforts for losses that are over the member's \$5K per occurrence deductible but for which another party is responsible. We work diligently to recover those amounts which, in time, net down the incurred values. With regard to subrogation, the California property damage statute of limitations is 3 years.



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

Now we turn our attention to the **open** claims only. These drive our present results and can impact prior year numbers, as previously noted, depending on the date of loss. Below is ranked PLAN's frequency based on Cause & Origin (Department).

Ranking	Department	# of Claims	% of Total # (*)
1	Streets	81	22.6%
2	Police	67	18.7%
3	Trees	63	17.6%
4	Sidewalks	43	12.0%
5	Sewer / Water	36	10.0%
6	Storm water	13	3.6%

(*358 Total Open GL/AL claims as of 9/15/16)

These 6 leading causes comprise 84.5% of the total open claims which is down from 87% in April 2016 for the top 6 Departments. That was as a percentage of the total book. The comparison is that in April, though there were fewer claims (314) falling in these leading 6 departments. This tells us we are seeing more liability claims distributed throughout the remaining departments. As can be seen, PLAN's open liability claim count has gone up 4% which is not significant. Directly below we see these same group of claims from a Total Incurred (Cost) perspective.

Ranking	Department	Incurred Claim \$	% of Total \$ (**)
1	Streets	\$7,490,642	63.63%
2	Police	\$1,386,531	11.78%
3	Sidewalks	\$1,246,769	10.59%
4	Storm water	\$759,926	6.45%
5	Trees	\$305,861	2.60%
6	Sewer / Water	\$225,992	1.92%

(** \$11,772,975 Total Open GL/AL claims as of 9/15/16)

Using this same data, the average cost of each claim changes the rankings yet again, as illustrated below. This talks to the severity / cost of the open liability claims. We are seeing positive improvement in the cost of our Police claims on an average incurred basis. Although Police claims are #2 in overall incurred values, the average on each claim ranks 4th. On the contrary, Storm water takes the #2 spot on a per claim average compared to the 4th place spot above for overall total incurred values tied to Storm water losses.

Ranking	Department	Avg Open Incurred
1	Streets	\$92,488
2	Storm water	\$58,546
3	Sidewalks	\$26,527
4	Police	\$20,694
5	Sewer / Water	\$6,278
6	Trees	\$4,855

Summary

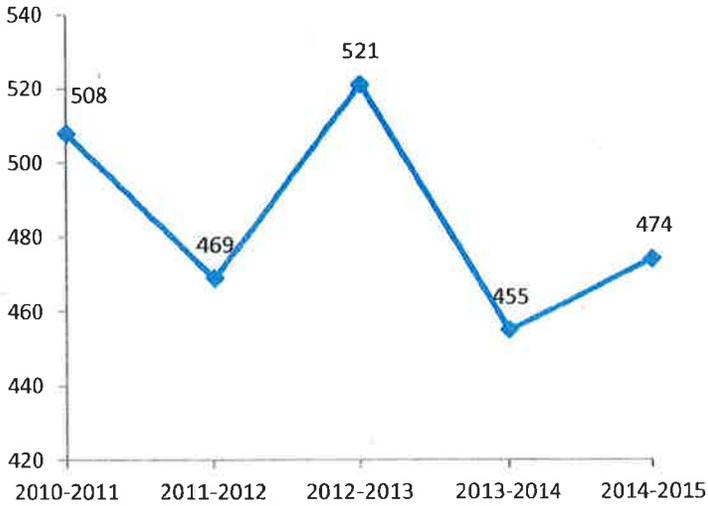
Severe weather damage continued into the 2016 calendar year but has not yet had much notable impact on our 2016/17 fiscal year numbers as those dates of loss fell in the 2015/16 cycle although they are still developing.

From a risk management position, PLAN members have been aggressive in terms of increasing attention to severe weather related risk and exposure like storm drain systems, flood prone areas and sewer systems/infrastructure, as well as on tree/urban forest management and other maintenance areas where proactive measures can help to avoid exposure. Staff will discuss under separate cover the training programs we offer to members which include the collaborative Sewer Smart Summit that will take place on October 20, 2016, as we prepare for storm season. El Nino, drought and other weather related concerns are ongoing so these programs help to keep preparedness and responsiveness at the forefront.

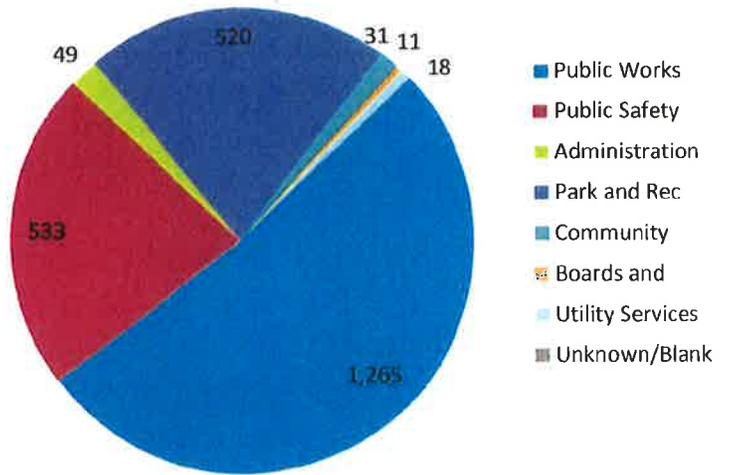
PLAN Loss Frequency and Severity claim indicators have been identified through our review of the PLAN MDR data. There is general consistency in the leading cause and origin (Department). Although the order may change at times it is not significant on a frequency level. Rankings for all PLAN members by Cause & Origin (Department) are available to the Committee / Board members upon request. PLAN staff, with our Loss Control consultants will continue to work closely with member jurisdictions 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 claims reports are also available to members on request.

ABAG PLAN Management Data Report: All Members

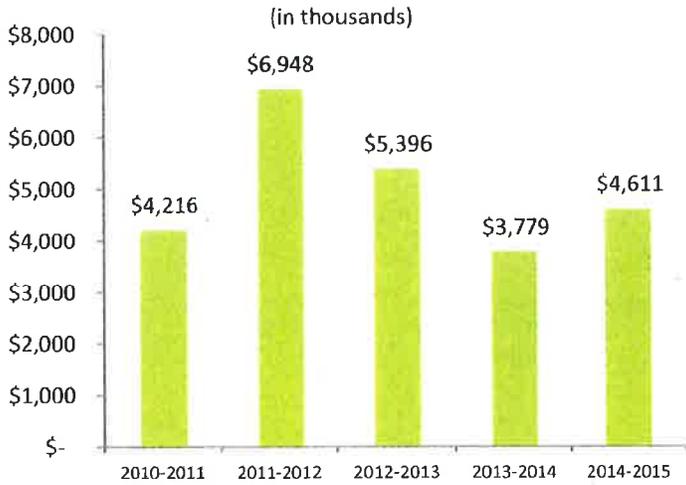
Number of Claims by Fiscal Year - 5 Years



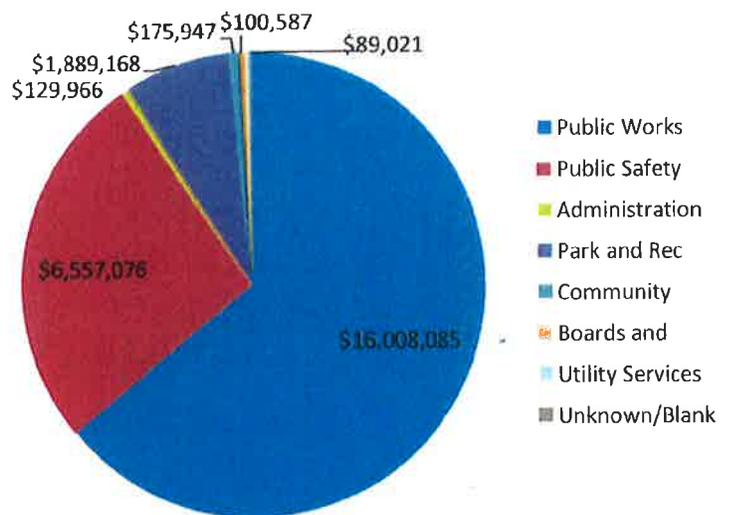
Number of Claims by Department - 5 Years



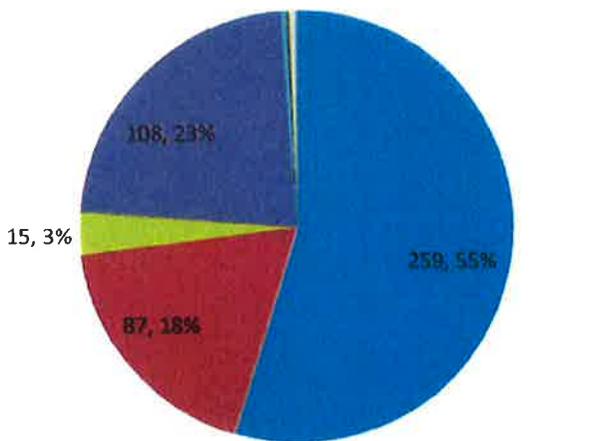
\$ Incurred by Fiscal Year - 5 Years



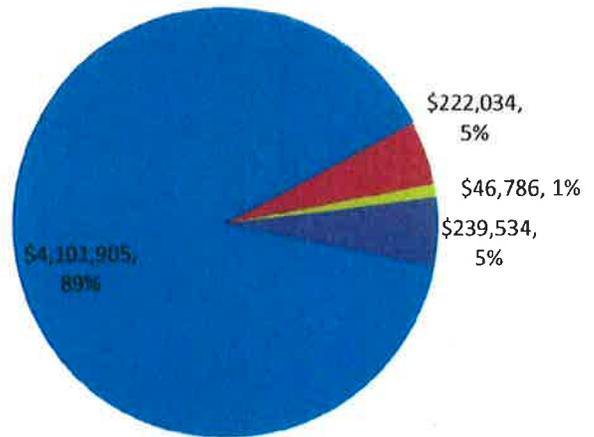
\$ Incurred by Department - 5 Years



Number of Claims by Department - 2014-2015



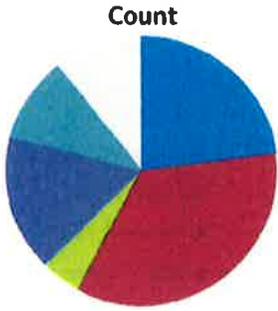
\$ Incurred by Department - 2014-2015



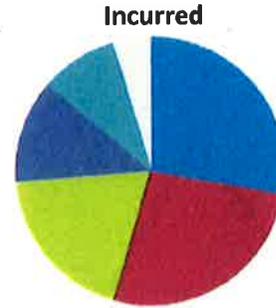
- Public Works
- Public Safety
- Administration
- Park and Rec
- Community
- Boards and
- Utility Services
- Unknown/Blank

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



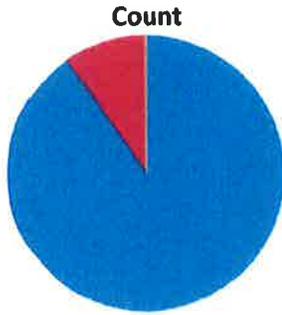
	Count	Incurred
■ Sidewalks	291	\$ 4,446,253
Curbs/sidewalks hazards	235	\$ 3,961,775
Causes <10% of Count and Incurred	56	\$ 484,478

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

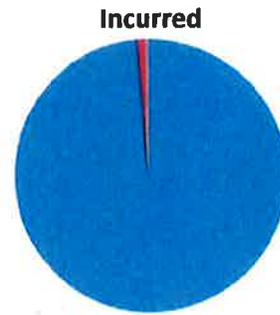
	Count	Incurred
■ Stormwater	61	\$ 3,068,934
Contractual Liability	1	\$ 1,033,533
Drainage: error/failure	12	\$ 742,185
Rain/fog/flooding	21	\$ 472,744
Causes <10% of Count and Incurred	27	\$ 820,472

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	

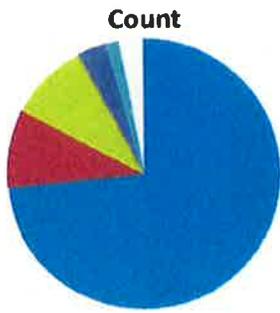


	Count	Incurred
■ Police	481	\$ 6,471,447
Use of force	44	\$ 1,365,782
Causes <10% of Count and Incurred	437	\$ 5,105,665

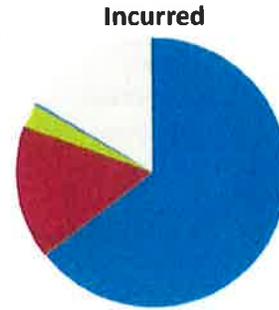
	Count	Incurred
■ Fire	51	\$ 85,629
Unsafe backing	9	\$ 17,162
Causes <10% of Count and Incurred	42	\$ 68,467

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



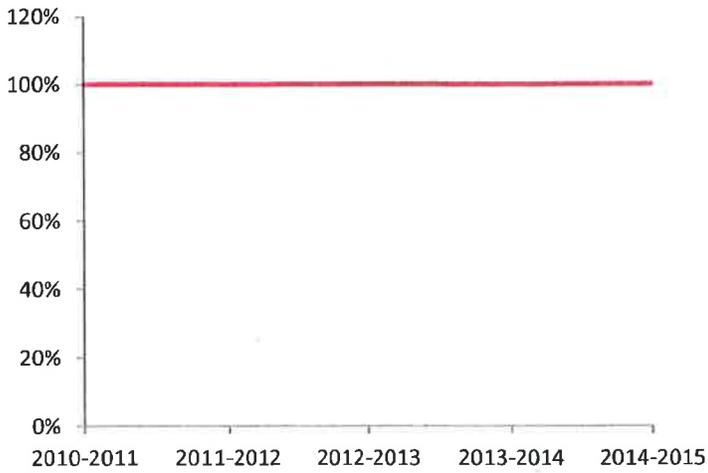
	Count	Incurred
■ Trees	382	\$ 1,219,849
Tree, unsafe condition	352	\$ 1,182,677
Causes <10% of Count and Incurred	30	\$ 37,172

	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

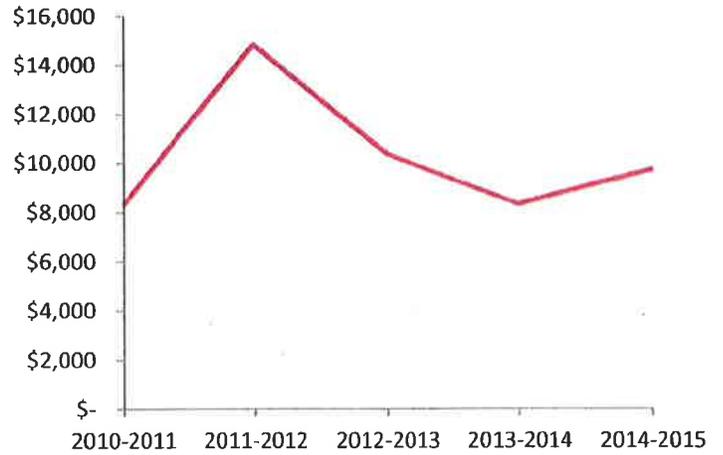
	Count	Incurred
■ Parks	49	\$ 53,138
Struck by moving object	5	\$ 1,356
Bike lanes/paths	4	\$ 15,772
Tree, unsafe condition	3	\$ 20,000
Causes <10% of Count and Incurred	37	\$ 16,010

ABAG PLAN Management Data Report: All Members

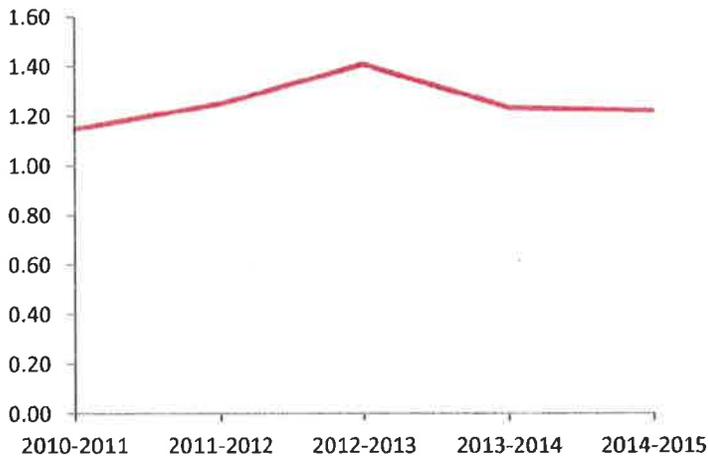
Experience Modifiers



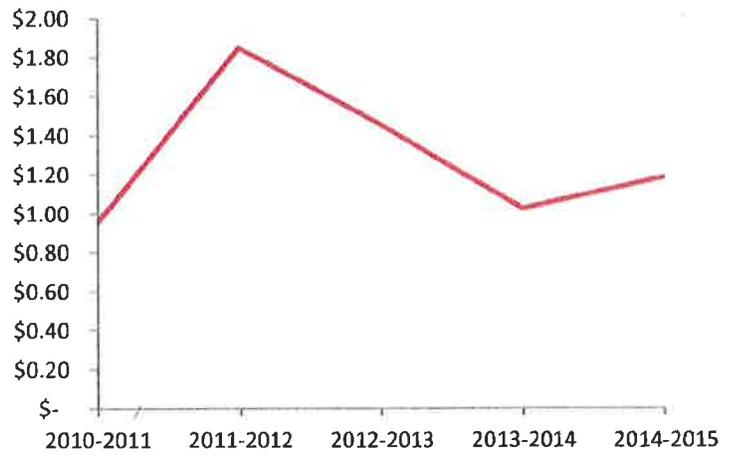
Average Incurred per Claim



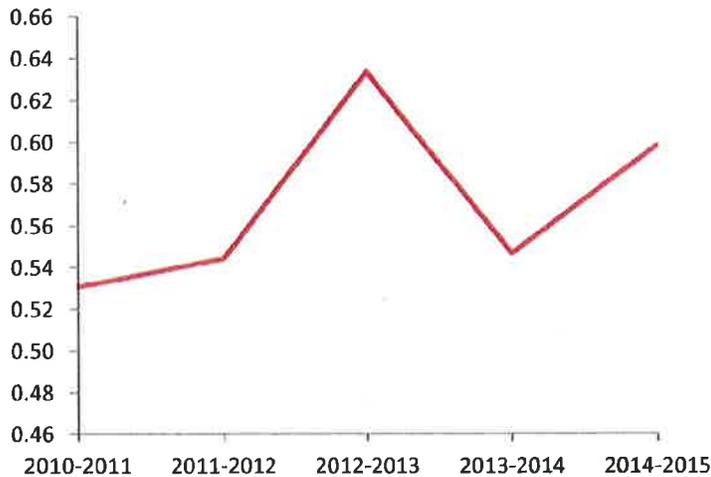
Claims per \$1 million Payroll



Severity Rate (Incurred per \$100 payroll)



Claims per 1,000 Population



Incurred per 1,000 Population

