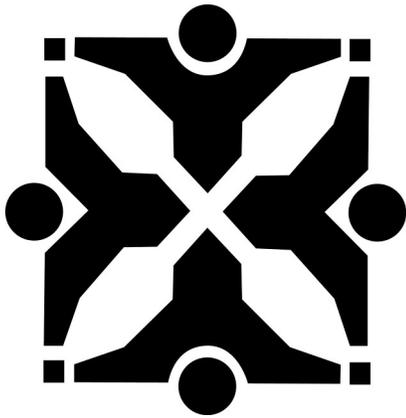


City of Columbia, Missouri
Risk Management
Annual Report



Fiscal Year 2014

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LETTER FROM THE RISK MANAGER

It is hard to believe a year has gone by since the first Risk Management annual report, but here we are twelve months later. Fiscal year 2014 saw a lot of activity and changes throughout the City, and Risk Management was no exception.

On the exciting side, the Risk Management division has developed a Google site, has developed and participated in multiple training opportunities, provided department/division specific loss reports, and expanded insurance coverages to protect the City's assets.

As you review the information in this report, you will notice some increases in claim costs during the past fiscal year. While prevention remains a priority, we acknowledge the following:

- Five workers' compensation claims this year have a value of over \$60,000, including the fatality of Fire Lt. Bruce Britt. These five claims constitute 58.4% of the total workers' compensation costs for the year.
- Two property claims this year cost the City in excess of \$130,000.
- Liability claims, which include vehicle liability, resulted in nine claims valued at over \$10,000.
- Eleven new lawsuits filed against the City and coordinated through Risk Management.

During the upcoming year, we look forward to supporting staff, elected officials, and citizens in accomplishing Columbia's mission of making this town the best place to live, work, learn and play. Please let us know how we can best be of service and help in this effort.



Sarah Perry, ARM-P
Risk Manager

KEY ACCOMPLISHMENTS & GOALS

KEY ACCOMPLISHMENTS

- ◆ Production of the second annual Risk Management Report.
- ◆ Creation and implementation of a Risk Management Google site.
- ◆ Implementation of a Standardized Equipment Training Program for new and existing employees.
- ◆ Establishment of a Facility Inspection Program with involvement from employees in applicable areas.
- ◆ Development of Risk Management training for supervisors in coordination with the STARS training program. Four sessions were completed in fiscal year 2014.
- ◆ Expansion of the City's property insurance and the addition of cyber liability coverage.

GOALS FOR FISCAL YEAR 2015

- ◆ Establish claims reduction goals for departments and divisions
- ◆ Institute an annual driver license review program
- ◆ Expand the resources, functions, and awareness of the Risk Management Google site.
- ◆ Implement prevention training for Network Security & Privacy (Cyber Liability)
- ◆ Continue to improve familiarity with the City's emergency evacuation plan.

INSURANCE COVERAGE

The City of Columbia has elected to “self-insure” a portion of potential losses. This self-insurance retention is similar to the deductible individuals elect to take on personal vehicle and home insurance policies. Like those deductibles, the City retains a portion of the claim costs to save money on premiums, experience flexible cash flow, and to promote the City's attention to safety and loss prevention.

The self-insurance retention is funded through contributions from every department/division. The amount needed for future claims is identified through an annual actuarial study. From this study, the City calculates the amount departments/divisions will contribute so there is adequate funding.

The funding amount for City departments is based upon three components:

- 50% of the cost is based on a department or division's five year claims cost history
- 30% of the cost is based on a department or division's workers' compensations exposures as determined by industry rates
- 20% of the cost is based on a department or division's vehicle exposures, which is determined by the number and type of vehicles

The five year claims cost history is used to help smooth out the cost of large claims. The workers' compensation exposure recognizes certain jobs have more exposure to claims (such as firefighters, law enforcement, linemen) than others (such as employees who work in an office). The vehicle exposure recognizes that certain vehicles have more exposure to claims (such as fire trucks, buses, police cars) than other vehicles.

Department or Division	Five year claim history	Employee rates by NCCI code	Motorized on-road vehicles	TOTAL
	50%	30%	20%	100%

INSURANCE COVERAGE

In addition to the City's self-insurance retention, the City purchases excess insurance and coverage for special risks and exposures. What follows is a list of the City's insurance coverages, carriers, and retention/deductibles for the upcoming fiscal year, 2015.

Property/Inland Marine/Boiler and Machinery Coverages

Insurance for City owned buildings, vehicles, and equipment:

- Insurance Provider – FM Global Insurance Company
- Retention/Deductible (per claim) - \$100,000/\$100,000/\$250,000

Excess Workers' Compensation

Insurance for employees with work related injuries or illnesses:

- Insurance Provider – Safety National Casualty Corporation
- Retention/Deductible (per claim) - \$750,000 - Police, Fire, Electrical & Power Plant workers/ \$500,000 all other employees

Package Liability Program

Claims by outside parties against the City. Includes coverage for General Liability, Public Officials Liability, Police Liability, Professional Liability, Employment Practices Liability, Sexual Abuse Liability, Employee Benefits Liability, and Automobile Liability.

- Insurance Program Provider – States Risk Retention Group
- Retention/Deductible (per claim) - \$500,000

Health Department Professional Liability

- Insurance Provider – Evanston Insurance Company (Markel)
- Retention/Deductible (per claim) - \$5,000

Crime Coverages

- Insurance Provider – Federal Insurance Company (Chubb)
- Retention/Deductible (per claim) - \$50,000

INSURANCE COVERAGE

Airport Liability

- Insurance Provider – Global Aerospace, Inc.
- Retention/Deductible (per claim) - \$10,000

Railroad Liability

- Insurance Provider – Liberty Surplus Insurance Corporation
- Retention - \$25,000

Railroad Rolling Stock

- Insurance Provider – Hanover Insurance Company
- Retention/Deductible (per claim) - \$1,000

Risk Management added insurance coverage as of fiscal year 2015; Network Security & Privacy (Cyber Liability). Cyber Liability provides coverage and assistance to the City and its customers in the event of a network breach where sensitive customer information is exposed. National Union Fire Insurance Company is the provider for this coverage, and the City's retention for this coverage is \$25,000.

In fiscal year 2015, the City's property coverage was expanded to include previously uninsured infrastructure such as street and traffic lights; fencing; bus shelters; and bridges & boardwalks. This expanded coverage protects the City's infrastructure in the event of a large catastrophe, where damage is typically extensive and widespread.

RISK MANAGEMENT SERVICES

INSURANCE PROCUREMENT

While the City of Columbia does self-insure most of its losses, excess coverage is purchased to cover potential losses that exceed the City's self-insurance retention levels. Coverages include workers' compensation, property, and liability (auto, general, law enforcement, public officials), as well as special coverages including crime, airport, railroad, and health professional insurance.

Coverage placement with insurance providers is coordinated by Risk Management, with assistance from a contracted insurance broker. The City's broker for fiscal year 2014 was Marsh Incorporated.

CLAIMS MANAGEMENT

All claims are coordinated by Risk Management. However, because of legal requirements associated with claims as well as the process time involved, the City contracts with a claims administrator to handle some property, workers' compensation, and liability claims. Corporate Claims Management, Incorporated (CCMI) is the City's claims administrator. Depending on the value, complexity, or process time, a claim may be handled internally, by Risk Management staff, or externally, by CCMI. In addition to claims handling, CCMI also assists the City with loss reporting and legislative updates.

SAFETY & LOSS PREVENTION

This is a broad resource, which covers training; development of safety policies and procedures; department-specific safety issues; attendance at safety committee meetings; and accident review, just to name a few. The safety section of this report contains descriptions of recently implemented safety policies and available safety resources.

CONTRACT REVIEW

Risk Management works with Purchasing, Legal, and other City departments to develop and review contract language in order to protect the City's assets.

RISK MANAGEMENT SERVICES

EXECUTIVE SAFETY COMMITTEE

Risk Management chairs the Executive Safety Committee, which is comprised of delegates from most City departments, and is tasked with the coordination of safety activities. The Executive Safety Committee uses accident and injury information to develop appropriate safety programs, with the mission of controlling injuries and accidents involving City of Columbia employees, property, citizens, and visitors.

CERTIFICATES OF INSURANCE

Risk Management coordinates issuing proof of the City's insurance coverage to outside companies and entities.

EMERGENCY EVACUATION & PLANNING

Risk Management coordinates emergency evacuation planning; building and floor monitors; and emergency drills to promote better response in emergency situations.

RESTITUTION ASSISTANCE

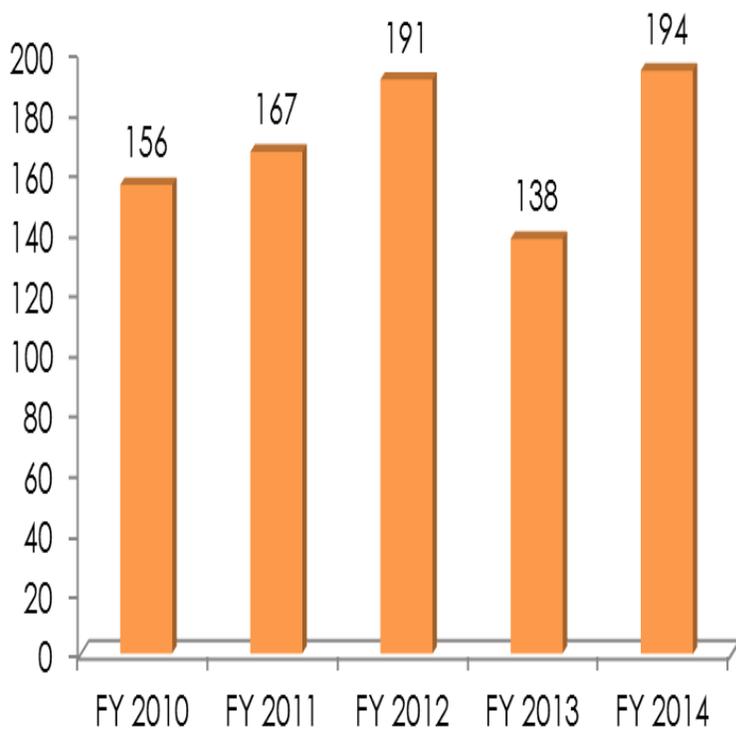
Risk Management assists City departments with recovering money owed to them for the repair or replacement of damaged City infrastructure. Risk Management recovered \$49,578 and \$97,158 in fiscal years 2013 and 2014, respectively.

RISK MANAGEMENT GOOGLE SITE

Risk Management maintains a Google site, which is used to share safety and claim information with the Executive Safety Committee, department or division safety committees, City administration, and employees.

WORKERS' COMPENSATION

NUMBER OF WORKERS' COMPENSATION CLAIMS

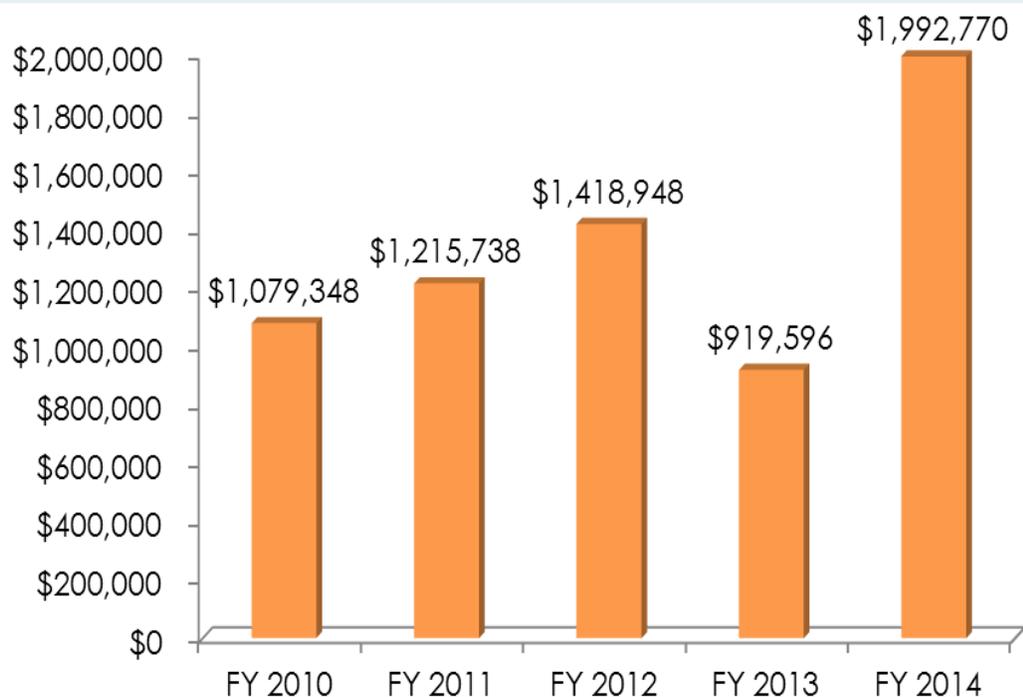


Columbia is self-insured for the first \$500,000 of loss for most employees and the first \$750,000 for others in high-risk occupations. Excess insurance is purchased for claims which may exceed these self-insurance retention levels.

Average Cost per Workers' Compensation Claim	
FY 2010	\$6,919
FY 2011	\$7,280
FY 2012	\$7,429
FY 2013	\$6,664
FY 2014	\$10,272

COST OF WORKERS' COMPENSATION CLAIMS

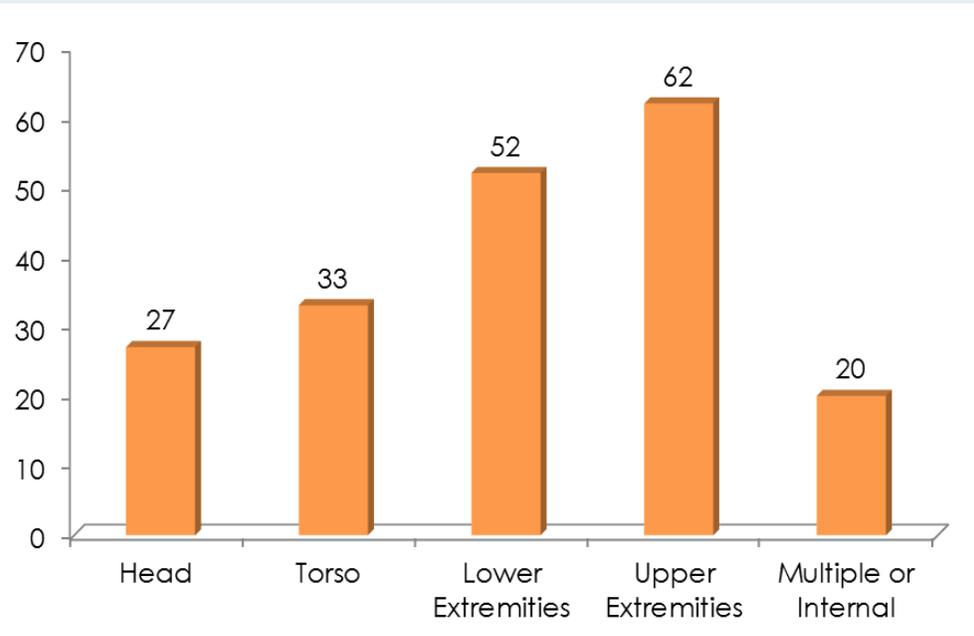
Columbia witnessed an increase in both the number and cost of workers' compensation claims during fiscal year 2014. A year-to-year comparison is difficult because fiscal year 2013 stood out as a low year for workers' compensation. However, when comparing to the 5-year average, fiscal year 2014 was up 14.7% for the number of claims and 50.4% for the cost of those claims.



*One claim reached the City's \$750,000 retention level.

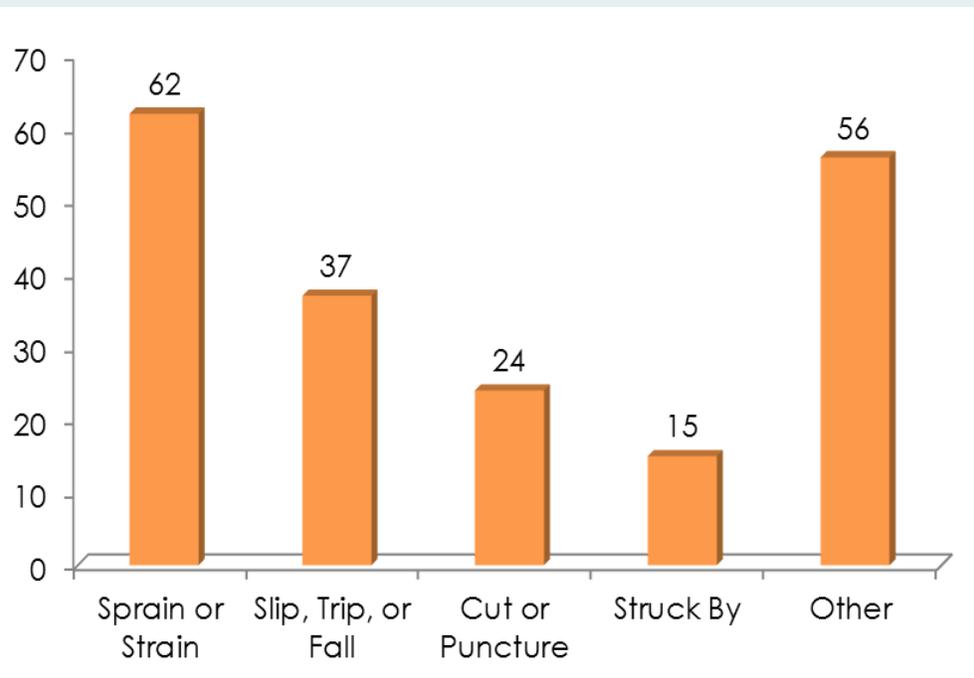
WORKERS' COMPENSATION

WORKERS' COMPENSATION CLAIMS BY BODY GROUP



Average Claim Cost by Body Group	
Head	\$1,819
Torso	\$4,188
Lower Extremities	\$6,393
Upper Extremities	\$11,391
Multiple or Internal	\$38,337*

WORKERS' COMPENSATION CLAIMS BY CAUSE



Average Claim Cost by Cause	
Sprain or Strain	\$4,946
Slip, Trip, or Fall	\$15,142
Cut or Puncture	\$2,088
Struck By	\$52,025*
Other Causes	\$5,275

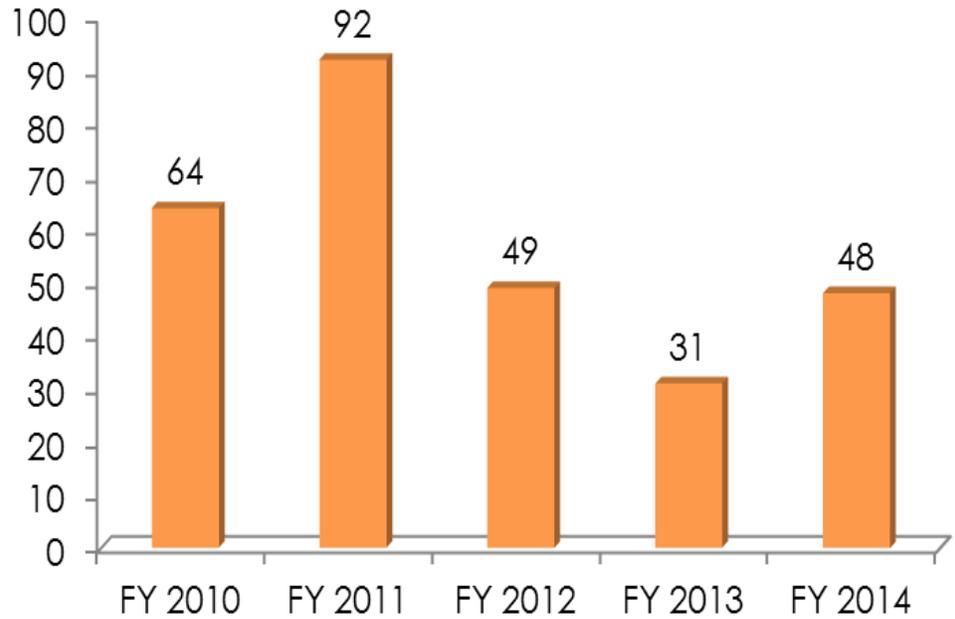
*One claim in this category reached the City's \$750,000 retention level.

PROPERTY CLAIMS

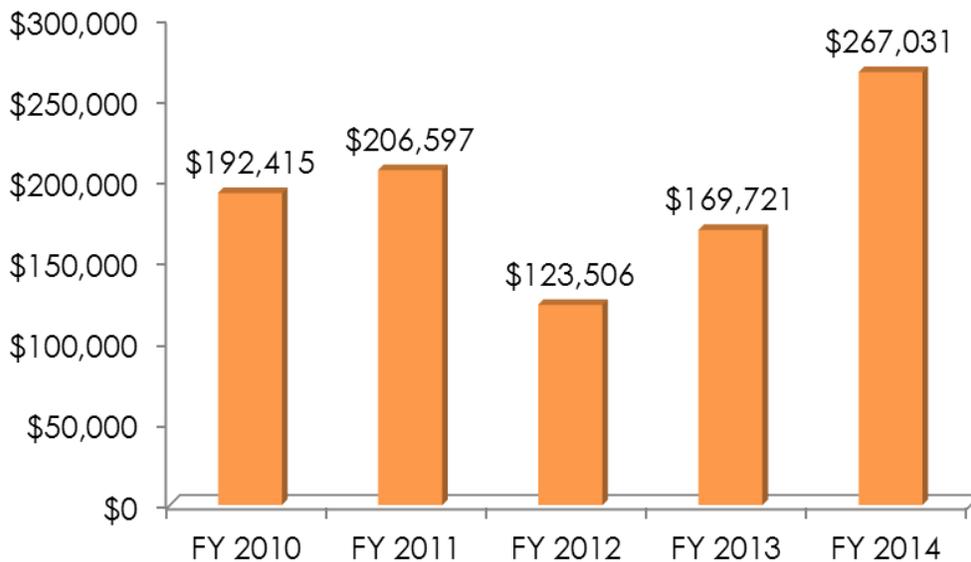
The City of Columbia is self-insured against the loss of property for the first \$100,000 per occurrence. An excess blanket property policy is purchased annually, and insures City-owned property up to \$550 million. The City's property policy also covers licensed vehicles and mobile equipment up to \$10 million.

The number of property claims was higher in fiscal year 2014 than in fiscal year 2013 by 17 claims, but is 18.7% lower than the 5-year average of 57 claims.

NUMBER OF PROPERTY CLAIMS



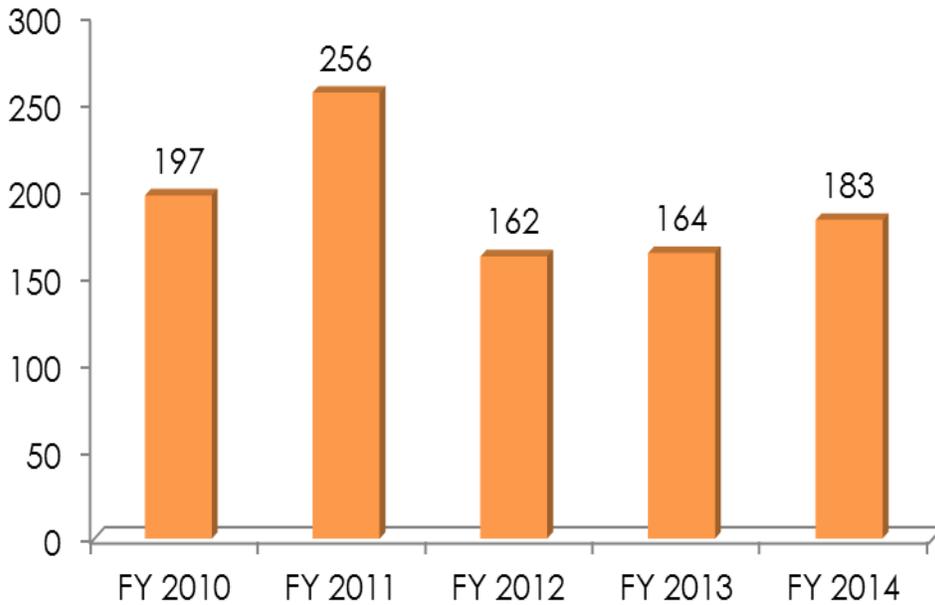
COST OF PROPERTY CLAIMS



The cost of fiscal year 2014 property claims was greater than fiscal year 2013 claims by \$97,310, and is 39.2% greater than the 5-year average of \$191,854. One property claim in fiscal year 2014 reached the City's retention level and accounted for \$100,000 of the property claims cost.

LIABILITY CLAIMS

NUMBER OF LIABILITY CLAIMS



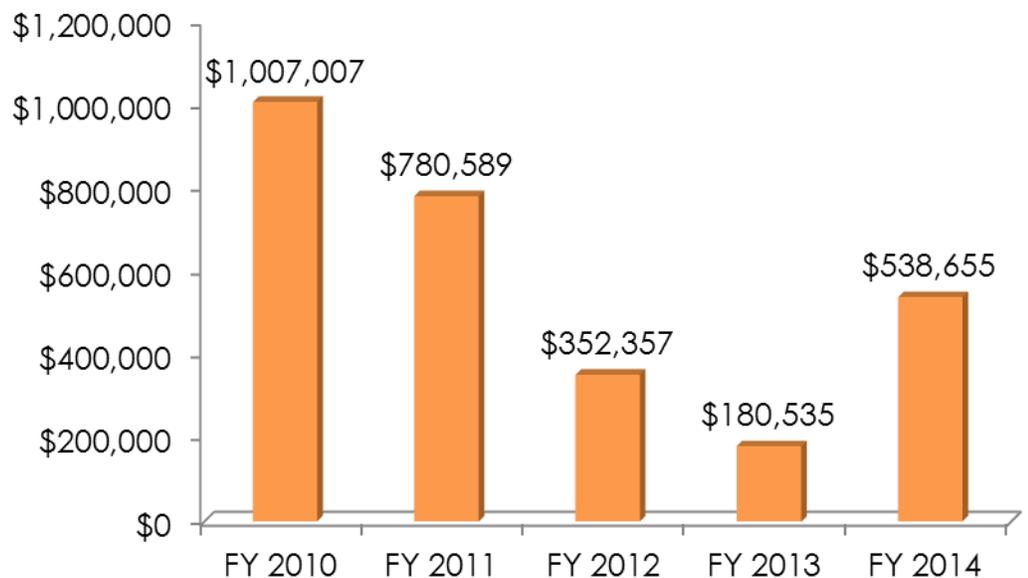
The City of Columbia is self-insured against liability claims up to the first \$500,000 per occurrence. Excess insurance provides up to \$3 million per occurrence, with an annual policy limit of \$10 million.

A variety of different losses can be covered under liability claims. A liability claim, for instance, could be anything from negligence in infrastructure repair to claims of civil rights violations.

The 183 liability claims in fiscal year 2014 were an increase of 19 claims over fiscal year 2013, but are 4.9% below the 5-year average of 192 claims. Of the liability claims in fiscal year 2014, 64.5% (118 claims) were for auto liability and 35.5% (65 claims) were for general liability.

COST OF LIABILITY CLAIMS

Liability claims were significantly more costly in fiscal year 2014 than in the two previous fiscal years, though their cost was still below the 5-year average. Of the \$538,655 in liability claims cost in fiscal year 2014, 79.3% (\$427,121) was comprised of auto liability claims and 20.7% (\$111,534) was comprised of general liability claims.



SAFETY PROGRAM

SAFETY PROGRAM OVERVIEW

- ◆ Coordinate and conduct quarterly safety programs.
- ◆ Develop City-wide safety policies and programs based on regulatory standards or industry best practices.
- ◆ Lead and coordinate City-wide safety and loss prevention efforts.
- ◆ Write and publish safety articles, lesson plans, and manuals.
- ◆ Perform industrial hygiene monitoring, analysis, and training.
- ◆ Investigate injuries and accidents for the purpose of safety procedure and program improvement.
- ◆ Administer City facility and asset loss control, and property insurance recommendations.

CITY-WIDE SAFETY POLICIES

- ◆ The Hot Work Policy is intended to prevent fires from starting as a result of any hot work that gives off sparks and is performed in areas not designated as hot work areas. This policy follows [OSHA regulation 1910.252](#), which outlines general procedures for conducting hot work safely.
- ◆ The Respiratory Protection Program guides the proper use, care, and training required to ensure the correct use of respiratory protection equipment. This program adheres to standards outlined in [OSHA regulation 1910.134](#).
- ◆ The Supervisor's Investigation Report Policy mandates an investigation following any employee injury that requires professional medical treatment. The goal of the investigation is to prevent the same type of injury from happening again in the future. OSHA does not provide a specific standard requiring accident investigations in the workplace; however, OSHA does highly recommend such a program.

SAFETY PROGRAM

CITY-WIDE SAFETY POLICIES

- ◆ The Motor Vehicle Seat Belt Policy requires all City employees to wear seat belts when in City vehicles. This policy exceeds the state requirements by including equipment such as forklifts and backhoes in addition to motor vehicles. The *Missouri Revised Statutes*, [Chapter 307, Section 307.178](#) requires seat belt use in motor vehicles.
- ◆ The Hazard Communication Policy outlines requirements for the safe use and management of hazardous chemicals in the workplace, and complies with OSHA [1910.1200 standard](#).
- ◆ The High Visibility Apparel Policy requires employees who are working around traffic or heavy equipment to wear class 2 or class 3 reflective apparel. The Federal Highway Administration (FHWA) has revised the Code of Federal Regulations to incorporate the provisions of the [2009 Manual on Uniform Traffic Control Devices \(MUTCD\)](#), which is applicable to all public roadways.

SAFETY RESOURCES

- ◆ Ergonomic Risk Reduction - Ergonomics examines a worker's relationship to work, work tools, and the work environment. Ergonomic risk reduction and training services are offered to all City departments. Workstation ergonomic intervention follows the guidance provided by the [Department of Health and Human Services, National Institute for Occupational Safety and Health](#)
- ◆ Respiratory Protection Fit Testing and Training - Respiratory protection is fit tested to ensure respirators will keep out airborne contaminants combined with training for proper use and care.
- ◆ Safety Articles - Articles on a variety of topics are written regularly with the purpose of providing timely and pertinent safety information to City employees. Articles are published on the [mycolumbiamo.com](#) employee website.
- ◆ Noise Level Monitoring - City areas with excessive noise are surveyed using a noise dosimeter following the guidance from [OSHA's 1910.95 standard](#), and from the data gathered, it is determined if a hearing conservation program is necessary.

SAFETY PROGRAM

SAFETY RESOURCES

- ◆ Indoor Air Quality - Indoor air pollution is caused from a variety of causes which can discomfort and illness in workers. An investigation is performed and recommendations for improvement are offered.
- ◆ Air Sampling - City facilities are monitored for specific air pollutants to ensure contaminants do not pose a health hazard for employees. When determining hazardous levels of airborne contaminants, Risk Management refers to [OSHA's 1910.1000 Table Z1](#) limits for air contaminants.
- ◆ Driving Simulator - Columbia Police Department purchased a Doron Driver Training Simulator. Risk Management is developing City-wide driver training based on this system with the assistance of City University.
- ◆ City-wide Safety Manual - Risk Management periodically updates and publishes the City-wide safety manual.
- ◆ Standardized Equipment Training - Risk Management, in partnership with City University has developed and administers a basic employee training program, which covers basic hazards involved with operating common pieces of equipment. This program ensures all employees who use certain pieces of equipment receive a consistent, base level of training specific to that equipment.
- ◆ Facility Inspection and Training - This program involves regularly scheduled safety inspections at City facilities and provides training for employees for proper safety inspection techniques, how to identify problems in facilities, and the proper procedures to follow in order to correct any deficiencies.

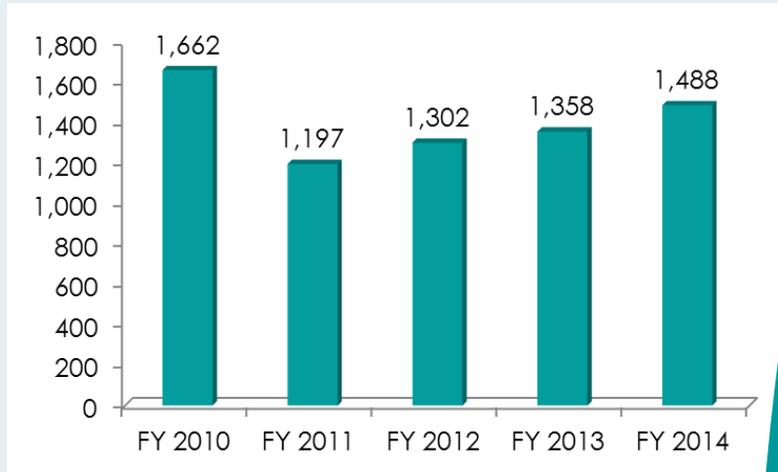
SAFETY PROGRAMS IN DEVELOPMENT

- ◆ Seatbelt Awareness Campaign - Risk Management and the Executive Safety Committee are developing a campaign to encourage seat belt use among City employees. In addition to encouraging safety conversations about seat belt use, new "Buckle Up" street signs will be posted near parking areas at City facilities and high-visibility seatbelt covers have been purchased for all City vehicles.

SAFETY PROGRAM

SAFETY TRAINING PROGRAMS

Risk Management and the Executive Safety Committee work together each year to develop quarterly safety training programs for City employees. This fiscal year, 1,488 City employees attended those safety programs!



EMPLOYEES WHO HAVE RECEIVED SAFETY TRAINING

FISCAL YEAR 2014 TRAINING TOPICS

1st Quarter – Ergonomics

The training discussed workplace ergonomic risk factors and injury prevention techniques; including what ergonomics is, some ergonomic risk factors, how to reduce the injury risk, and how to improve overall health and wellness.

2nd Quarter – Severe Weather Response

Attendees learned how to stay informed of severe weather conditions in their area and how to protect themselves during a severe weather emergency.

3th Quarter – Distracted Driving

Training discussed ways to help employees better understand the safety threat posed by becoming distracted on the roadway. The presentation defined distracted driving, explained why it is so dangerous, and explained how to combat the problem.

4th Quarter – Personal Safety and Crime Prevention

Training provided strategies on how to prevent crime; whether at home, in public, or at work. The presentation provided a quick introduction of crime theory, and how, through situational crime prevention, we can become harder targets for criminals.

KEY TERMS

Actual Cash Value - Cost of replacing damaged or destroyed property with comparable new property, minus depreciation and obsolescence. For example, a 10-year-old sofa will not be replaced at current full value because of a decade of depreciation.

Additional Insured - A person or organization that enjoys the benefits of being insured under an insurance policy, in addition to whoever originally purchased the insurance policy.

Aggregate Limit - Usually refers to liability insurance and indicates the amount of coverage that the insured has under the contract for a specific period of time, usually the contract period, no matter how many separate accidents might occur.

Automobile Liability Insurance - Coverage if an insured is legally liable for bodily injury or property damage caused by an automobile.

Broker - Insurance salesperson that searches the marketplace in the interest of clients, not insurance companies.

Case Management - A system of coordinating medical services to treat a patient, improve care and reduce cost. A case manager coordinates health care delivery for patients.

Casualty Insurance - That type of insurance that is primarily concerned with losses caused by injuries to persons and legal liability imposed upon the insured for injury or damage to property of others.

Confidence Level - The statistical certainty that an actuary's funding forecasts will be sufficient.

Deductible - Amount of loss that the insured pays before the insurance kicks in.

Employers Liability Insurance - Coverage against common law liability of an employer for accidents to employees, as distinguished from liability imposed by a workers' compensation law.

KEY TERMS

Errors & Employment Practices Liability - Insurance coverage for claims other than bodily injury and direct property damage arising out of actual or alleged “wrongful acts” such as errors, omissions, misstatements, malpractice, civil rights violations, discrimination, sexual harassment, and wrongful employment practices involving employee hiring, promotion, or termination.

Exclusions - Items or conditions that are not covered by the general insurance contract.

Excess Insurance - A policy covering an insured against claims greater than a deductible or self-insured retention amount.

General Liability Insurance - Insurance designed to protect business owners and operators from a wide variety of liability exposures. Exposures could include liability arising from accidents resulting from the insured's premises or operations, products sold by the insured, operations completed by the insured, and contractual liability.

Incurred But Not Reported (IBNR) - Insured losses that have occurred but have not been reported to a primary insurance company.

Indemnity Payments (as used in this report) - Workers' compensation claim payments made to employees for loss of wages or loss of use of a body part resulting from a job related injury. The term Indemnity Payments is used to include temporary disability, permanent disability, industrial disability, commutations, and special case claims payments made to employees under Missouri law and to distinguish them from payment of medical bills.

Liability Insurance - Insurance coverage that offers protection against claims alleging that negligence or inappropriate action resulted in bodily injury or property damage to another party.

NCCI - A U.S. insurance rating and data collection bureau specializing in workers' compensation. NCCI also produces a number of manuals that govern the details of how Workers' Compensation insurance premiums are calculated.



KEY TERMS

Negligence - Failure to act within the legally required degree of care for others, resulting in harm to them.

Premium - The price of insurance protection an insurer or governmental internal service fund charges to insure a particular risk.

Replacement Cost - The cost of replacing property without a reduction for depreciation. By this method of determining value, damages for a claim would be the amount needed to replace the property using new materials.

Reserves - Monetary amounts recorded as expenses which are estimates of future claims payments arising from events occurring during the current and prior fiscal years.

Risk Management - The process of identifying, analyzing, selecting and implementing the most cost effective techniques to eliminate, reduce, transfer, or finance exposures to loss.

Self-Insurance - Risk management approach in which an entity sets aside a sum as a protection against probable losses, instead of transferring the risk by purchasing an insurance policy.

Self-Insured Retention - The amount of claim payments specified in an insurance policy that the insured agrees to pay directly, in addition to claim investigation and defense costs, before the insurer (excess insurance) will begin to be responsible for claims handling and claim payment expenses.

Subrogation - The right of an insurer (including self-insured entity) to pursue a third party that caused a loss to the insured. This is done as a means of recovering the amount of damage or paid for the loss.

Tort - A wrongful act, injury, or damage arising from violation of civil law.

Workers' Compensation - The statutory system prescribed by state law for employers to provide medical care and loss of income benefits to employees sustaining a job related injury or death due to an accident or occupational disease.