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City of Columbia, Missouri

# Risk Management Annual Report



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# **Risk Management Annual Report**



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## LETTER FROM THE RISK MANAGER

Hello Reader:

Fiscal year 2021 has been both anything but normal and like experiencing a sense of déjà vu. While many of us assumed early in 2021 that the pandemic would be short-lived, as the year wore on, there was a sense of dealing with the same challenges over and over. During all of this, City employees were called upon to continue providing services while dealing with periods of quarantine-related low staffing, retirements, and employee recruitment challenges. The City of Columbia was not alone with these stressors. Throughout the community and across the country, businesses and governmental entities dealt with similar struggles.

Risk Management saw challenges and accomplishments during this fiscal year. On the plus side, we saw a decrease in the number and costs of workers' compensation, liability, and property claims. We

also adapted so safety training was provided while complying with social distancing and staffing restraints. The City's insurance renewal presented cost challenges with an 11% increase in premiums and a 50% increase in our retention (kind of like a deductible). Details can be found on the following pages.

None of these efforts would have been possible without the Risk Management staff, George Hampton and Abbie Addams, as well as the efforts of the Executive Safety Committee members and the many supervisors on whom we rely. While FY21 has been a challenge, it has also made me more appreciative of everyone we work with and the citizens we have a chance to assist.

*Sarah Perry*  
Risk Manager

## HIGHLIGHTS AND PLANNED ACTIVITIES

### > **Highlights/Significant Changes**

- Achieved a reduction in claim costs during the fiscal year and established viable safety communication and training during COVID-19 restrictions.
- Offered training to City employees in the areas of Mental Health, Stress & Pandemic; Understanding Severe Weather Preparation; Driver Safety and General Housekeeping Protections. Employees attended/participated in these and other safety training sessions routinely provided throughout the year.
- Regularly scheduled meetings to coordinate efforts/challenges involving Legal, Human Resources, IT and the City Manager's Office.
- Created and implemented lesson plans for the City's Defensive Driving Simulator.

### > **Planned Activities**

- Initiate printing of updated Employee Safety Manuals for distribution to City employees.
- Establish a program for tiered increases in deductibles charged for preventable vehicle accidents.
- Retrain a contractor to assist in updated values for City properties.
- Develop and establish an Evacuation and Trench Safety program for City employees to address potential exposure.
- Begin consideration of an Enterprise/Enhanced Risk Management program.

## INSURANCE COVERAGE

Annually, the City receives an actuarial report which provides claims forecast information used to prepare a long range funding forecast for the fund and calculate the amount that needs to be recovered from the departments for the next year to ensure the fund is properly funded.

The cost of this program is recovered through fees to departments based upon three components:

- 50% of the cost is based on the department's five year claims cost history
- 30% of the cost is based on the department's work comp exposure as determined by industry rates—based on payroll expenses
- 20% of the cost is based on the department's vehicle exposure which is determined by the number and types of vehicles

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

In addition to the self-insurance retention, the City purchases excess insurance and coverage for special risks and exposures. Below is a list of the City's insurance coverages, carriers, and retention/deductibles for fiscal year 2021.

## **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 / \$1,000,000

## **Excess Workers' Compensation Coverage**

Insurance for employees with work-related injuries or illnesses:

- Insurance Provider - Midwest Employers Casualty Company
- Retention/Deductible (per claim) -
  - > Police/Fire/Electrical Line Workers \$750,000
  - > All other employees \$500,000

## **Package Liability Program**

Insurance against 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 Provider - States Risk Retention Group
- Retention/Deductible (per claim) - \$750,000

## **Health Department Professional Liability**

- Insurance Provider - Allied World Surplus Lines Insurance
- Retention/Deductible (per claim) - \$5,000

## **Crime Coverages**

- Insurance Provider - Nat'l Union Fire Insurance of Pittsburgh (AIG)
- Retention/Deductible (per claim) - \$50,000



### **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

### **Network Security & Privacy (Cyber Liability)**

- Insurance Provider - Nat'l Union Fire Insurance of Pittsburgh (AIG)
- Retention/Deductible (per claim) - \$25,000

## **HOW DOES THE CITY PURCHASE INSURANCE?**

The City of Columbia uses the services of an insurance broker to identify the best insurance coverages at the most affordable cost. The broker is selected using a bid process conducted through the City Purchasing division. This bid process takes place at least every five years to select a broker familiar with the needs of a public entity with our exposures.

The broker goes to the insurance market annually and obtains bids from carriers for the City's insurance coverage. All the bids and information are provided to the City for analysis and selection by Risk Management.

## 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 coverage 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 2021 was Marsh Incorporated.

### Claims Management

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

### Safety & Loss Prevention

This is a broad category which covers training, development of safety policies and procedures, department-specific safety issues, attendance at safety committee meetings, and accident review, among other things. 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.

**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 minimizing 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 and review of certificates from vendors.

**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 with recovering monies owed to them for the repair or replacement of damaged City infrastructure for the departments of City Utilities, Public Works, and Police.

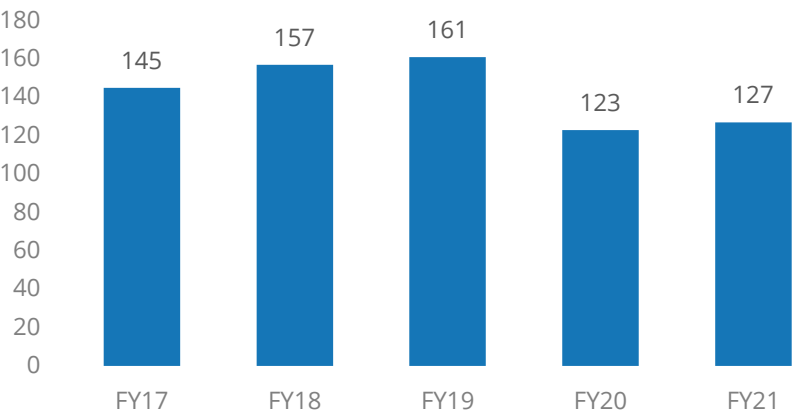
**Risk Management Google Site**

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 City employees.

# WORKERS' COMPENSATION CLAIMS

The City of Columbia is self-insured for the first \$500,000 of loss for most employees and the first \$750,000 for employees in high-risk occupations. Excess insurance is purchased to cover those claims that exceed these retention levels.

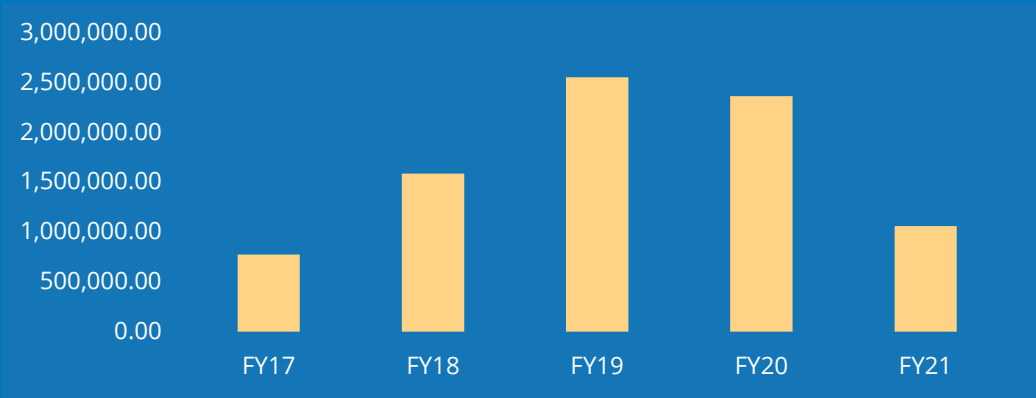
Number of Workers' Compensation Claims



Average Cost per Workers' Compensation Claim

FY17	FY18	FY19	FY20	FY21
\$5,343.78	\$10,104.50	\$15,865.91	\$20,045.02	\$8,335.30

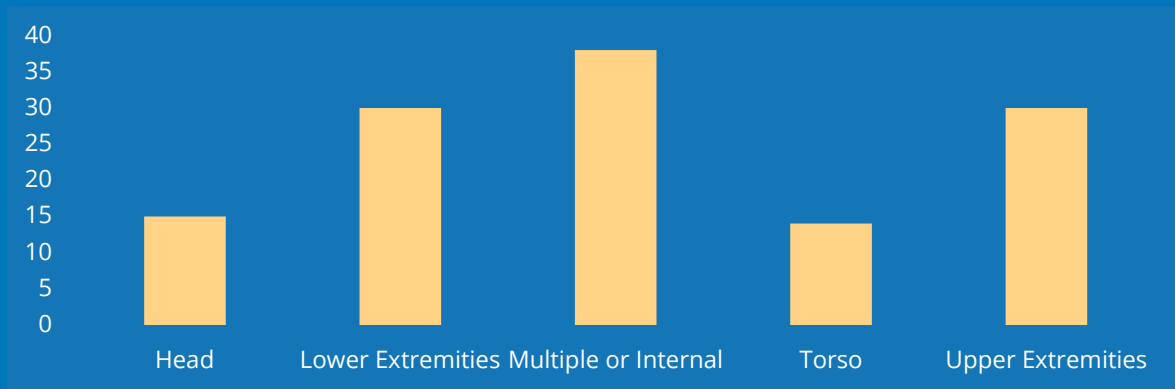
Total Cost of Workers' Compensation Claims



### Average Claim Cost by Body Group

Head	Lower Extremities	Multiple or Internal	Torso	Upper Extremities
\$7,478	\$9,127	\$1,215	\$3,197	\$19,051

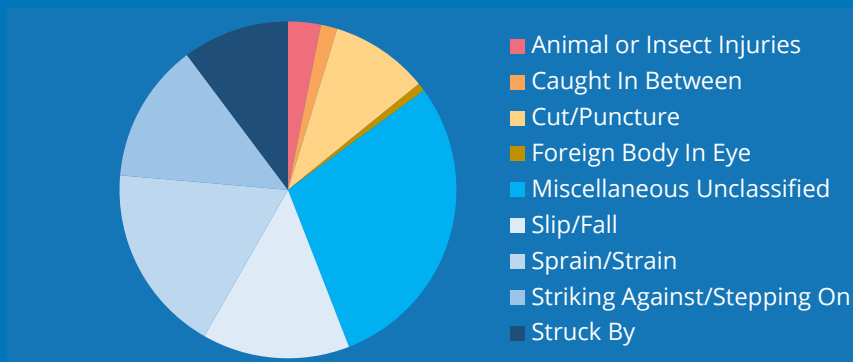
### Workers' Compensation Claims by Body Group



### Average Claim Cost by Cause

Animal or Insect Injuries <sup>a</sup>	Caught In Between	Miscellaneous Unclassified	Cut/Puncture	Slip/Fall
\$3,241	\$4,999	\$3,658	\$12,069	\$10,085

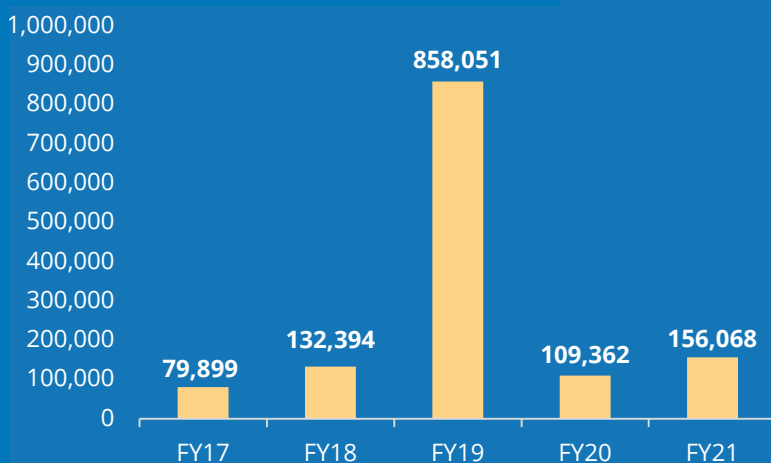
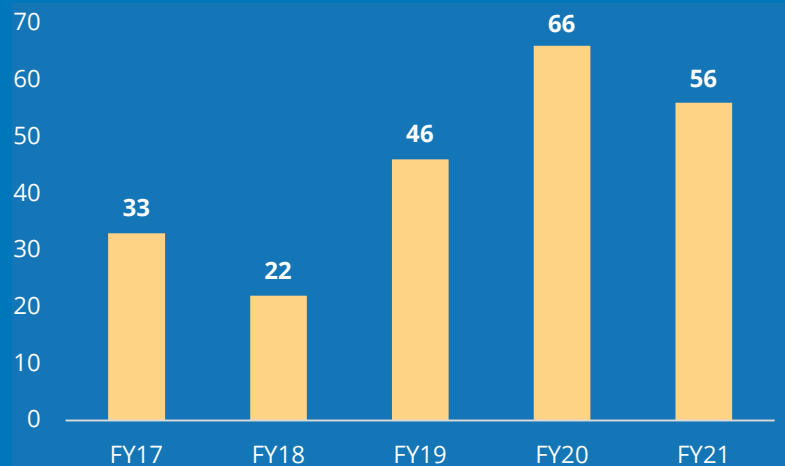
### Number of Claims by Cause



## PROPERTY CLAIMS

The City of Columbia is self-insured against the loss of property for the first \$100,000 (with a few exceptions) 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 property up to \$10 million.

The number of property claims in fiscal year 2021 declined from the previous fiscal year, coming in 15% lower. This year's number is higher than the average of the previous four years, which is approximately 41 claims per year.



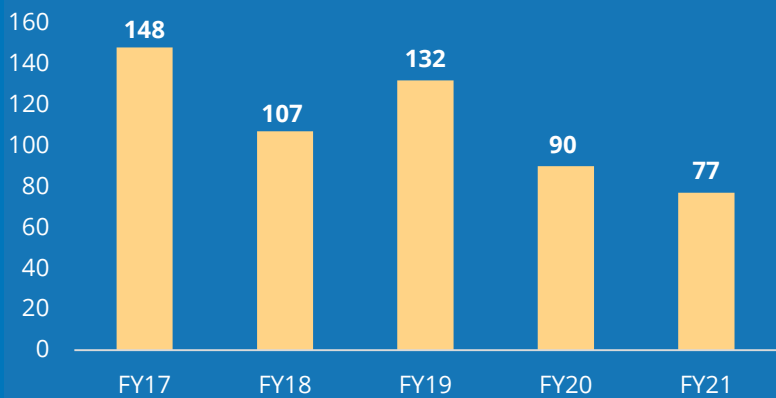
Although the number of claims dropped in fiscal year 2021, the cost of those claims was higher than the previous fiscal year, by approximately 30%.

Three incidents accounted for just over half the total.

## LIABILITY CLAIMS

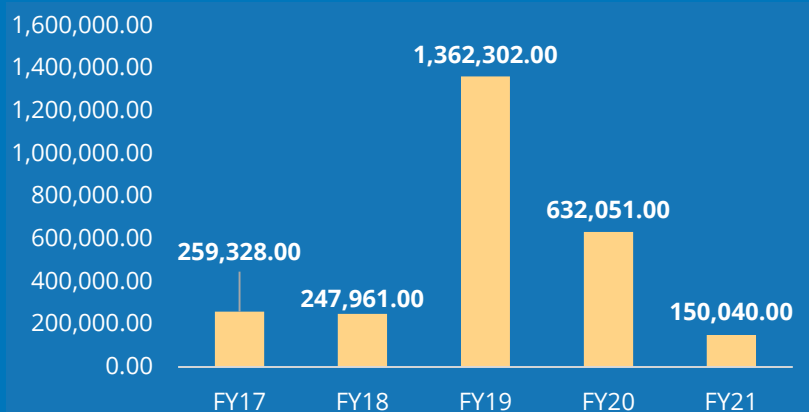
The City of Columbia is self-insured against liability claims up to the first \$750,000 per occurrence. Excess insurance provides coverage up to \$3 million per occurrence with an annual policy limit of \$10 million.

A variety of losses are covered under liability claims — damage to private property or an allegation of civil rights violations would each fall into this category. In fiscal year 2021, both the number and cost of liability claims decreased.



The number of claims fell by 14% compared to fiscal year 2020 and was 35% below the average over the previous four fiscal years.

The cost of liability claims also fell for fiscal year 2021. Costs were down nearly 76% compared to fiscal year 2020. The year's total costs were below the four year average as well, representing approximately 24% of the average.



## SAFETY PROGRAMS

### Safety Program Overview

- Coordinate and conduct quarterly safety training programs
- Develop Citywide safety policies and programs based on regulatory standards or industry best practices
- Lead and coordinate Citywide 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

### Citywide 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 endure the correct use of respiratory protection equipment. This program adheres to standards outlined in OSHA regulation 1910.134.



## Citywide Safety Policies

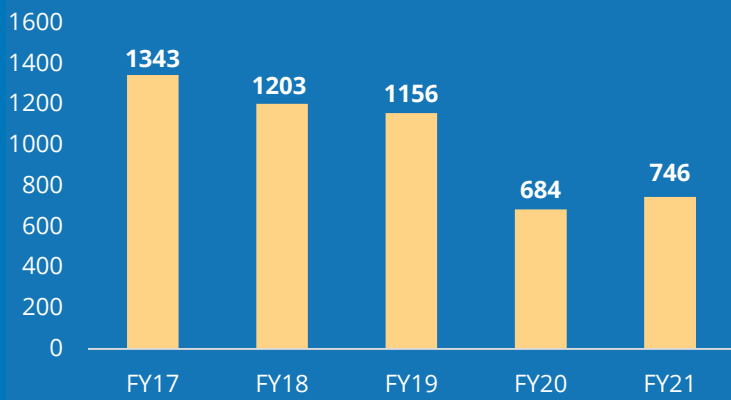
- The Supervisor's Investigation Report Policy mandates an investigation following any employee injury that requires professional medical treatment. The goal of the investigation is to prevent the same type of injury happening again in the future. OSHA does not provide a specific standard requiring accident investigation in the workplace, however, OSHA does highly recommend such a program.
- The Motor Vehicle Seat Belt Policy requires all City employees to wear seat belts when in City vehicles. This policy exceeds the state requirement by including equipment such as forklifts and backhoes in addition to motor vehicles. The Missouri Revised Statutes, Chapter 307 Section 3017.178 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 Resources

- 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.
- Indoor Air Quality — Indoor air pollution stems from a variety of sources and can lead to 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.
- Citywide Safety Manual — Risk Management periodically updates and publishes the Citywide 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 procedure to follow to correct any deficiencies.



### Safety Training Programs

Risk Management and the Executive Safety Committee work together each year to develop quarterly safety training programs for City employees. During fiscal year 2021, 746 employees attended safety training programs.

### Fiscal Year 2021 Safety Highlights

#### Quarterly Training Topics

- 1st Quarter — Covid 19 Safety & Wellness
- 2nd Quarter — Severe Weather & Evacuation Safety
- 3rd Quarter — Driver Safety - Lessons Learned
- 4th Quarter — Good Housekeeping

### Flagger Safety Training

Flagger Safety Training was provided to 24 employees in fiscal year 2021. This training teaches flaggers to provide safe passage of traffic through work zones and is required by MODOT for individuals directing traffic in temporary traffic zones. All employees who completed the course received a certification card upon completion.

### Facility Inspections

Inspections were completed on 12 facilities this year. Inspections focused on safety concerns such as tool guards, proper use and maintenance of equipment, and hazardous chemical spill prevention and containment.

## KEY TERMS

**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.

**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 coordinated 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 accident to employees, as distinguished from liability imposed by a workers' compensation law.

**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 and 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.

**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 event 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 paid for the loss.

**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.



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