



NC Transit Risk Management: We're from the Pools and We're Here to Help You

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Definition of Public Entity Pooling

“...a cooperative group of governmental entities joining together to finance an exposure, liability, or risk.”

*Governmental Accounting Standards Board
#10*

Why are Pools Formed?

- Commercial products unavailable, too expensive, unreliable/unstable
- Coverage is narrow, constricted, doesn't meet the needs of Members
- Members want control over the processes-Nobody knows Counties the way Counties know Counties

The Impact of Pooling

1. Number of public entities in pooling

It is believed to be in excess of **74,000** or roughly **85%** of all public entities.

2. Annual member pool contributions

P&C **\$4 billion to \$6 billion**

Benefits **\$6 billion to \$8 billion**

OBJECTIVES for this PRESENTATION

1. To provide transit officials with statistics that show where many losses in North Carolina transit providers occur;
2. To review best practices and performance measures that can prevent and/or minimize these losses; and
3. Explore joint effort possibilities.

Public Transit Issues

TRAINING

- Drivers – Proper vehicle use
- Drivers – Correct and acceptable use of lifts
- Drivers – Correct and ongoing use of safety equipment

Public Transit Issues

Vehicles

- Consistent inspection process before and after use
- Proper and consistent maintenance

WHAT WE'RE SEEING

Vehicular accidents in workers' compensation are creating a lot of costs

In liability costs are coming from

- Improper lift operation
- Improper use of safety restraints/similar devices

RISK MANAGEMENT

Management of Risks-An Important Transit Function

- ***-Risk of Fire***
- ***-Risk of Crime and Disorder***
- ***-Risk of Automobile Accidents***
- ***-Risk of Hazardous Materials Incidents***
- ***-Risk of Employment***

Risk refers to how events vary from our expectations:

We expect our drivers to be free from harm, but they get in auto accidents.

We expect supervisors to treat employees according to the personnel policies, but they harass them.

We expect the weather to be sunny, but it rains.

We expect our vehicles to be safe, but they catch on fire.

Understanding Risk

- Risk is the obstacle that stands between us and a predictable future.
- Risk Management means taking steps to improve the chances that our plans, hopes, and actions lead to the intended results.

Why Is RISK A Big Deal?

- 5% to 20% of a typical small business budget is consumed by the cost of risk.
- When a loss occurs, \$10 to \$25 in indirect losses occur for every \$1 in direct losses.
- North Carolina transit providers deal with many high risk issues: Vehicular, Personnel, Citizens

TORT COSTS IN THE US

In last 50 years tort costs in US have risen 100X. US population has not risen 2X.

Tort costs are like a hidden **\$1000 tax on American citizens**

United States has become a very litigious society – like a chance at winning the lottery

Risk Management refers to all efforts undertaken to:

- **Identify and Assess risks**
- Develop and implement measures to control those risks
- Adopt measures to finance risks and the losses produced by risks

These efforts are all in the service of the overall goals of the Transit system.

FREQUENCY and SEVERITY

- Frequency- how often a loss occurs. The higher the frequency, the more predictable the losses become ,e.g., frequency rates in Workers' Compensation losses are measured per 200,000 hours worked.

FREQUENCY and SEVERITY

- Severity refers to the cost or economic impact of a loss, e.g., **the greater the impact, the more severe the loss.** The threat of a high severity and low frequency loss is the primary reason to purchase insurance. High severity, high frequency can be predicted and could therefore be budgeted.

BEST PRACTICES

- Tools and activities used in **Benchmarking** which is the process of identifying, learning, adapting , and measuring outstanding practices and processes from any organization to improve performance. Best practice comes out of Benchmarking.

BEST PRACTICES

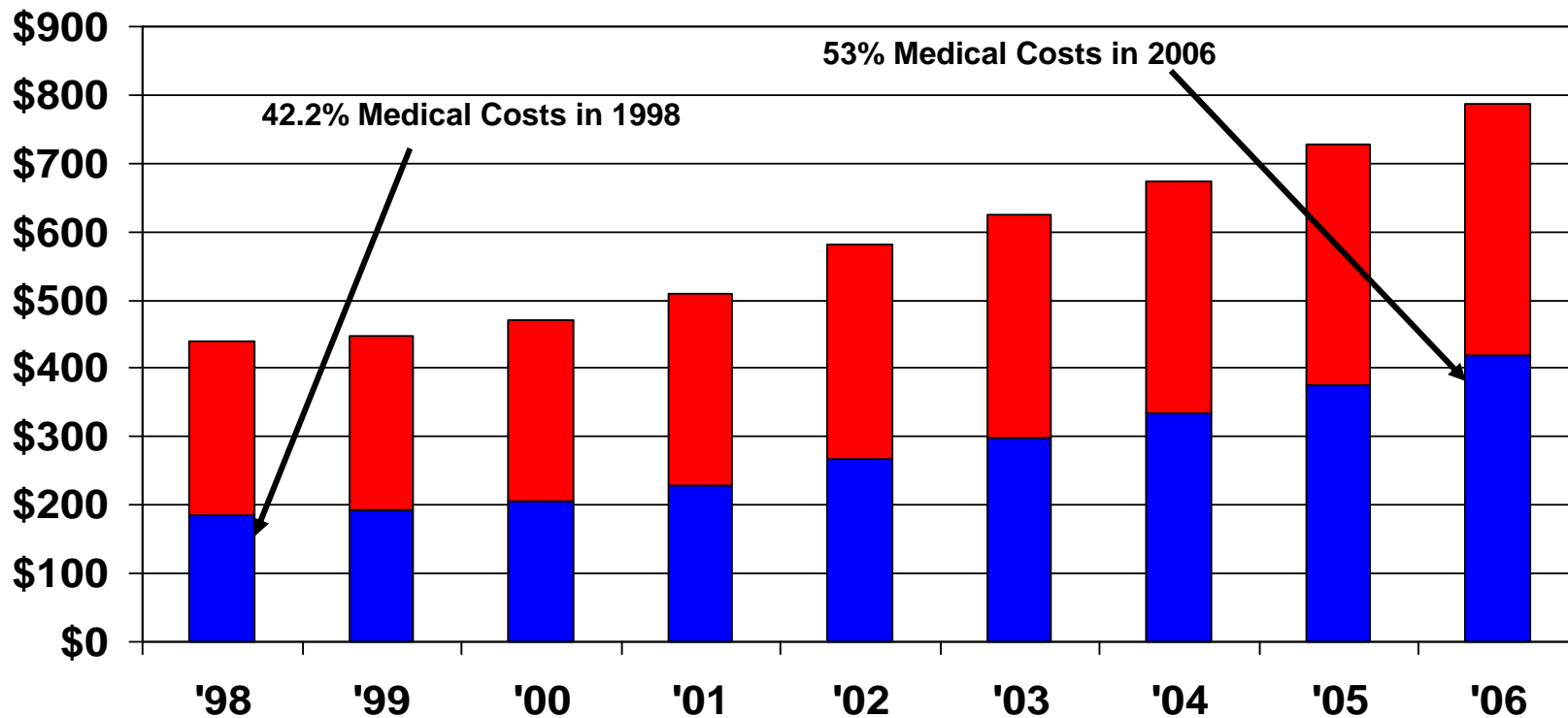
- A Benchmark is a standard or point of reference used in measuring and/or judging quality or value.
- The Best Practices coming from benchmarking may be used as goals for improvement, either qualitative or quantitative.

WORKERS' COMPENSATION

- Average Loss in Workers' Compensation
\$16,500
- Average Number of Claims per Transit System in Workers' Compensation
2 per year

Workers Compensation Annual Per Employee Costs 1998-2006*

■ Percent Medical Cost ■ Total Cost per Covered Employee



*Data from the National Academy Of Social Insurance; 2005 and 2006 projected with a 12% trend rate in national healthcare costs.

BEST PRACTICES IN WORKERS' COMPENSATION

Hiring Practices

1. *Basic Practice*-New Employee safety orientation
2. *Best Practice*-
 - Post-offer pre-employment physical
 - Job description lists essential functions and physical requirements

BEST PRACTICES IN WORKERS' COMPENSATION (cont'd)

3. Return to Work-

- Workers' Comp/FMLA/disability integrated
- Supervisors are trained on RTW every two years

RETURN TO WORK

- On the job rehab is critical
- RTW reinforces the habit of going to work
- RTW is about the employee returning and...controlling costs
- RTW helps reduce the direct cost of unscheduled absences

RTW PROGRAM

Likelihood of a person returning to work decreases each week:

- 90% chance at four weeks
- 2% chance at 52 weeks

A return to work program on average saves:

- 35% on medical costs
- 30% in lost time days

Employers potentially save \$3-10 for every \$1 invested in RTW

ADVANTAGES OF RTW

For the injured worker:

- Shifts focus from pain to recovery
- Allows recovery to take priority over production
- Regains confidence
- Improves morale
- Provides real work for continued pay

For the employer:

- Provides significant savings
- No productivity strain in current department
- Retain a trained employee
- Maximizes profitability

AN EXAMPLE

- Paul makes \$666 per week
- Injured, MD says no full duty
- TTD per NC work comp

Option 1: Stay at home-draw \$444 per week	Option 2: Pay Paul \$666 for RTW
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THE DIFFERENCE

- The difference is \$222 per week, or \$44.50 per day

Two Considerations:




1. Can you get \$44.50 worth of work out of Paul?
2. Can you get a replacement for Paul for \$44.50 per day?

BEST PRACTICES IN WORKERS' COMPENSATION (cont'd)

- Claims Management-

1. **Basic**-Review claim and forward to Fund

2. **Best Practices**-

-  Responsible person meets every employee with lost time injury
-  Supervisors trained
-  Send get well card to employees

BEST PRACTICES IN WORKERS' COMPENSATION (cont'd)

- Performance Evaluation-includes safety and Workers' Compensation
- Accident Investigation-Committee including management
- Loss Analysis-
 1. Distribute data to managers
 2. Allocate loss costs to departments/divisions

PROPERTY AND LIABILITY

Coverages

- Direct damage to property
- Automobile Liability, physical damage
- Crime
- General Liability
- Public Officials' Liability

CLAIMS DATA

- Average claim is \$4,800
- Average transit submits 11 claims per year
- 94% of all claims are vehicular
 - 24% Auto BI
 - 28% Auto PD
 - 21% Collision

BEST PRACTICES IN REAL PROPERTY EXPOSURES

- Appraisals every three years
- COPE (construction, occupancy, protection, exposure) on all locations
- Purchase blanket insurance
- Safety inspection program

BEST PRACTICES IN AUTOMOBILE LIABILITY

1. Driver qualification-
 - MVR check prior to hiring
 - Semiannual MVR checks after hire
2. Driver training-
 - DDC training
 - Specialized training as necessary
3. Written usage policy re passengers,
personal use, out of state

BEST PRACTICES FOR CRIME EXPOSURES

BASIC- Annually review cash handling, segregate duties

BEST PRACTICES-

- Employee background checks
- Cash handling audits
- Use EFT's

BEST PRACTICES FOR GENERAL LIABILITY

Claims Management Training

How to handle notice of claim

Familiarity with Tort Claims Act

Investigating claims

Contact within 24 hours on serious claims

Settlement authority

BEST PRACTICES FOR GENERAL LIABILITY

Facility Management

- Inspections with records
- Place for citizens to complain
- Appoint ADA coordinator
- Budget for unexpected safety needs
- Snow/ice removal plan

BEST PRACTICES FOR PUBLIC OFFICIALS' LIABILITY

Training/Education

Include volunteer and citizen boards

Maintain training records

Involve human resources, legal, and risk management

Build grievance process into complaint procedures

IMPACTS OF LOSSES

Increased insurance costs

Less funding for the core mission of the agency

Potential cutbacks

Pressure to retain vehicles even longer

No expansion

Morale suffers

WHAT CAN WE OFFER?

Cooperative effort to provide **long range Risk Management and Risk Transfer solutions**

If a majority of NCPTA members are willing to participate with the NCACC Pools we can offer:

Long-term stability in the cost of insuring
your transit program

Availability of coverage

Dedicated loss control staff

Return to work program

Wellness program in group benefits

Very competitively priced hurricane
coverage for coastal agencies

THANK YOU

QUESTIONS?