

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



**ITEM: 2.4  
(ID # 26143)**

**MEETING DATE:**  
Tuesday, October 29, 2024

**FROM :** HUMAN RESOURCES

**SUBJECT:** HUMAN RESOURCES: Fiscal Year 2023-2024 Risk Management Annual Report, All Districts. [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file the Risk Management Annual Report for Fiscal Year 2023-24.

**ACTION: Consent**

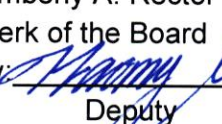
  
Tami Douglas-Schatz, Director of Human Resources 9/25/2024

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**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Spiegel, seconded by Supervisor Gutierrez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Gutierrez  
Nays: None  
Absent: None  
Date: October 29, 2024  
xc: H.R.

Kimberly A. Rector  
Clerk of the Board  
By:   
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA**

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$0	\$0	\$0	\$0
<b>NET COUNTY COST</b>	\$0	\$0	\$0	\$0
<b>SOURCE OF FUNDS:</b>			<b>Budget Adjustment: No</b>	
			<b>For Fiscal Year: 23/24</b>	

**C.E.O. RECOMMENDATION:** Approve

**BACKGROUND:**

**Summary**

The Annual Risk Management Report for Fiscal Year 2023/2024 is hereby submitted for the Board of Supervisors consideration. The data used for this annual report was generated from the claims management system in May 2024.

The intent of this report is to provide the Board of Supervisors and County Executive Office an overview of the County's loss data as it related to general liability, auto liability, medical malpractice liability, and workers' compensation claims for fiscal year 2023/2024.

**Impact on Residents and Businesses**

This report has no direct impact on to residents or businesses.

**Attachments**

Attachment A: Annual Risk Management Report Fiscal Year 2023-2024

# ANNUAL RISK MANAGEMENT REPORT

FISCAL YEAR 2023/2024

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# EXECUTIVE SUMMARY

## Strategic Highlights

Risk Management's strategic initiative is to develop an integrated risk management vision to safeguard the financial, physical, and human assets of the County. Additionally, the Risk Management Steering Committee focuses on mitigation efforts to reduce occurrences and incidents by working with departments to change existing policies or practices.

## Financial Highlights

The insurance market remains difficult and expensive for all public entities. The new normal of increased numbers of very large general liability claims continues to drive the cost of insurance higher. There are several factors that continue to fuel the increase claims costs, but they are resulting in a larger "frequency of severity" or more and large claims. Despite the number of lawsuits being reduced, the costs associated with these reductions remains high.

***An October 2023 Swiss Re Institute Report notes: US liability costs have risen by an annual average of 16% in the last five years.***

## Looking Ahead

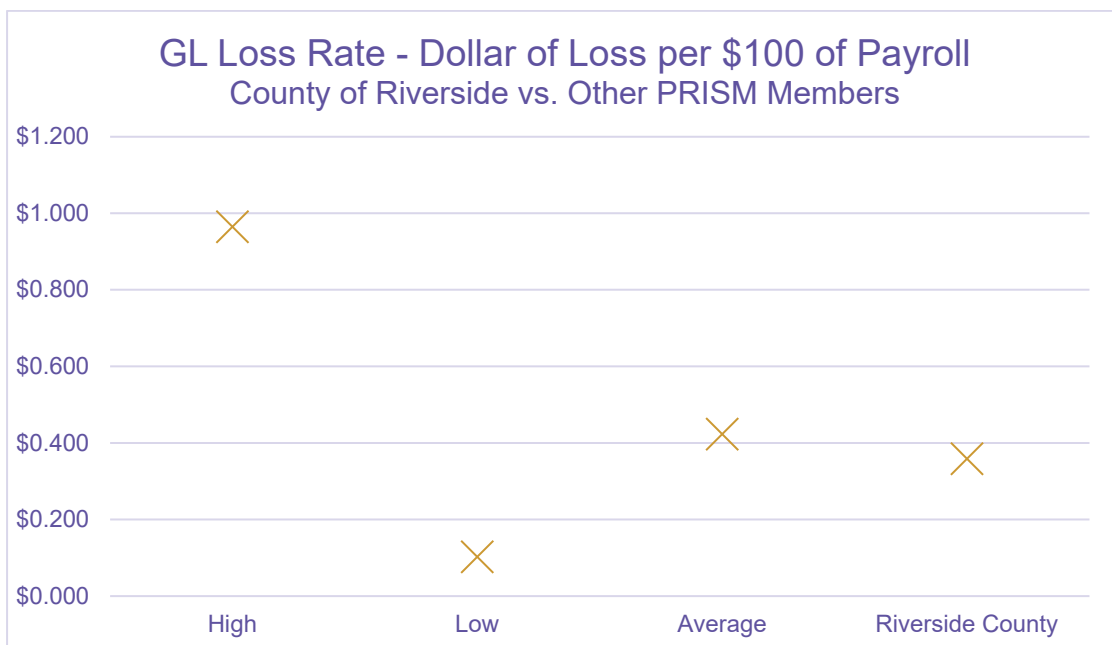
Risk Management continues to work proactively with to reduce insurance costs. Additionally, Risk Management will be working to develop an integrated risk management data and analytics tool to better predict future costs and identify loss trends. Risk Management will also be closely working with departments to reduce litigation, resolve problematic matters earlier, or aggressively litigate meritless cases.

**Tami Douglas-Schatz**  
Human Resources Director

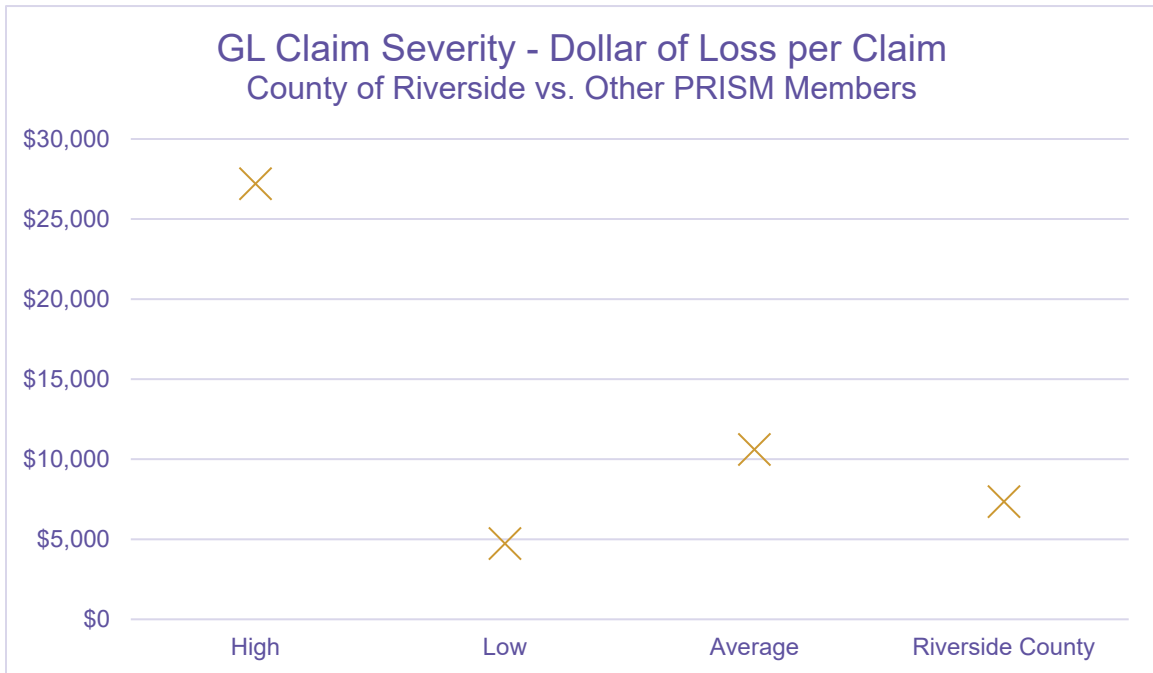
# RIVERSIDE COUNTY BENCHMARKS

The County of Riverside's general liability (GL) loss experience can be put into perspective by comparing loss data with 50 other California counties participating in PRISM's general liability programs. Statistics using projections for the fiscal year 2022/23 actuarial reports were used to compare the County of Riverside's loss rate, claim severity, and claim frequency with other California counties.

The County of Riverside's loss rate is below average when comparing dollars of loss per \$100 of payroll to other California counties. It is important to note that we provided the same benchmark in the 2020/2021 Annual Report using 2019/2020 actuarial data. Our loss rate has decreased over the last three years and moved from average to a little below average.

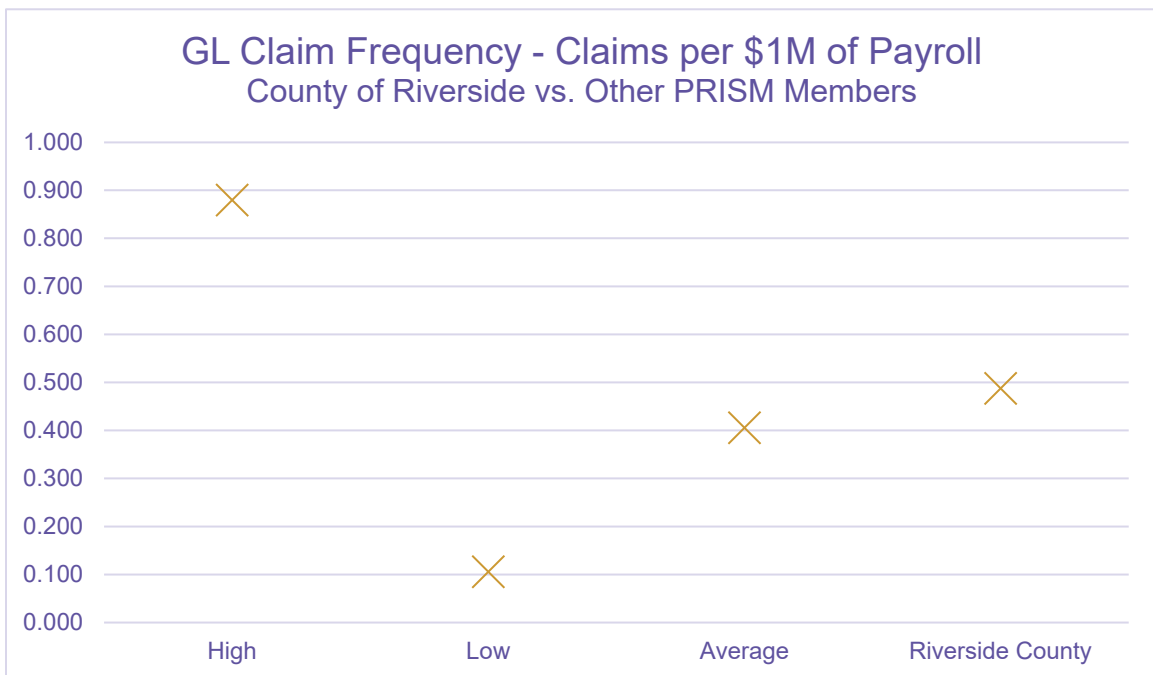


The County of Riverside's claim severity rate was slightly below average when compared to other PRISM members reflected in the graph below:



The severity rate has not changed much in the last three years when compared to the 2019/2020 actuarial data.

The County of Riverside had a higher-than-average number of claims per \$1M of payroll, but the rate has decreased 0.1 in the last three years when compared to 2019/2020 actuarial data:

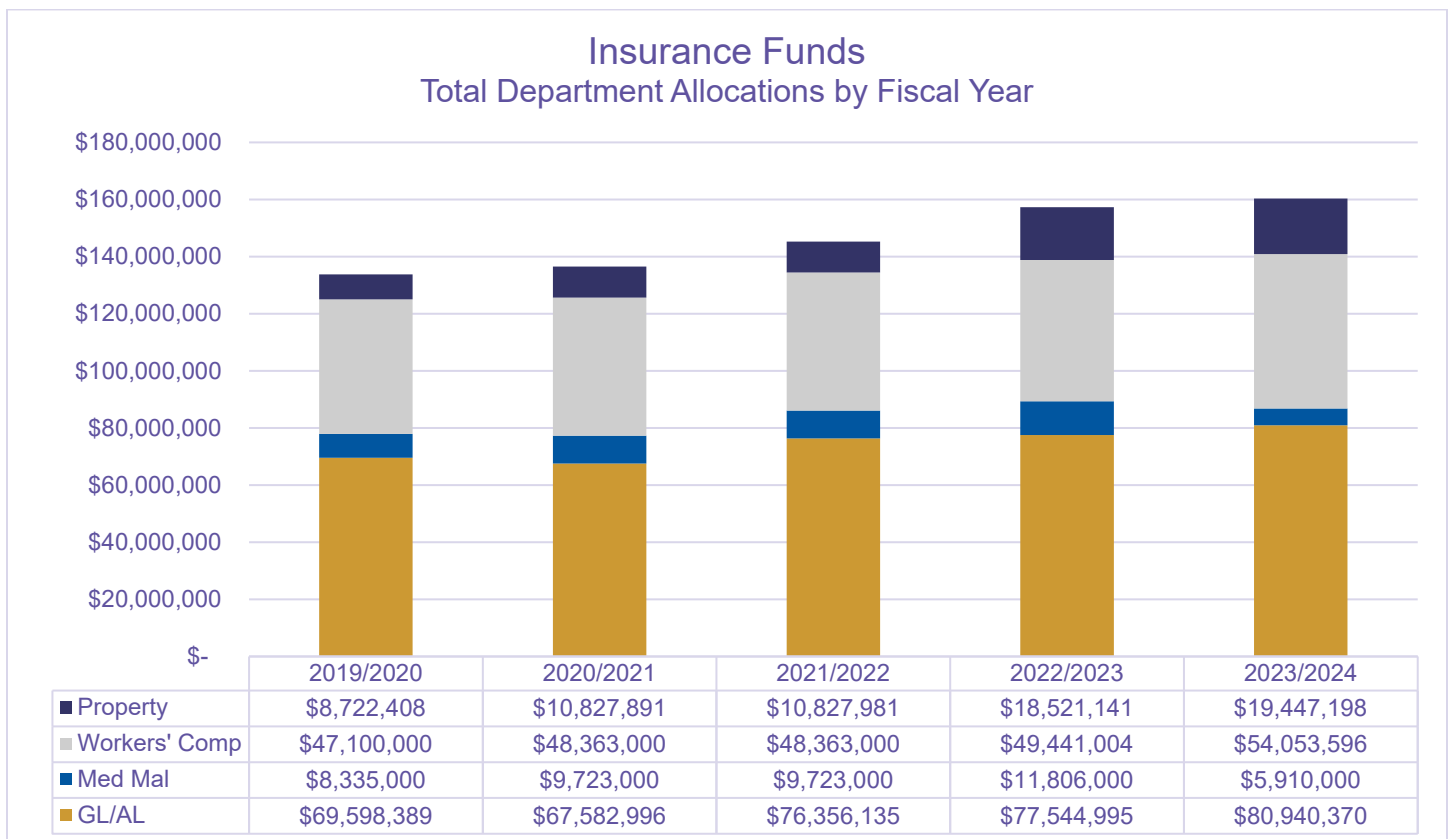






# RISK FINANCING

The insurance funds that support the general liability/ auto liability, medical malpractice liability, property insurance, and Workers' Compensation program are overseen by the Human Resources Department. Funding for these programs is allocated by County Departments based on their claim's history and department risk exposure data. Annually, an actuarial study is performed to determine the amount of funding that each Department is required to divert to each fund. The insurance funds are used to pay for insurance premiums, legal costs, legal fees, judgements against the County, settlement costs, and administrative costs. The below graph illustrates the total annual funding that has been needed to support each of the programs for the past five years.



## Insurance Cost

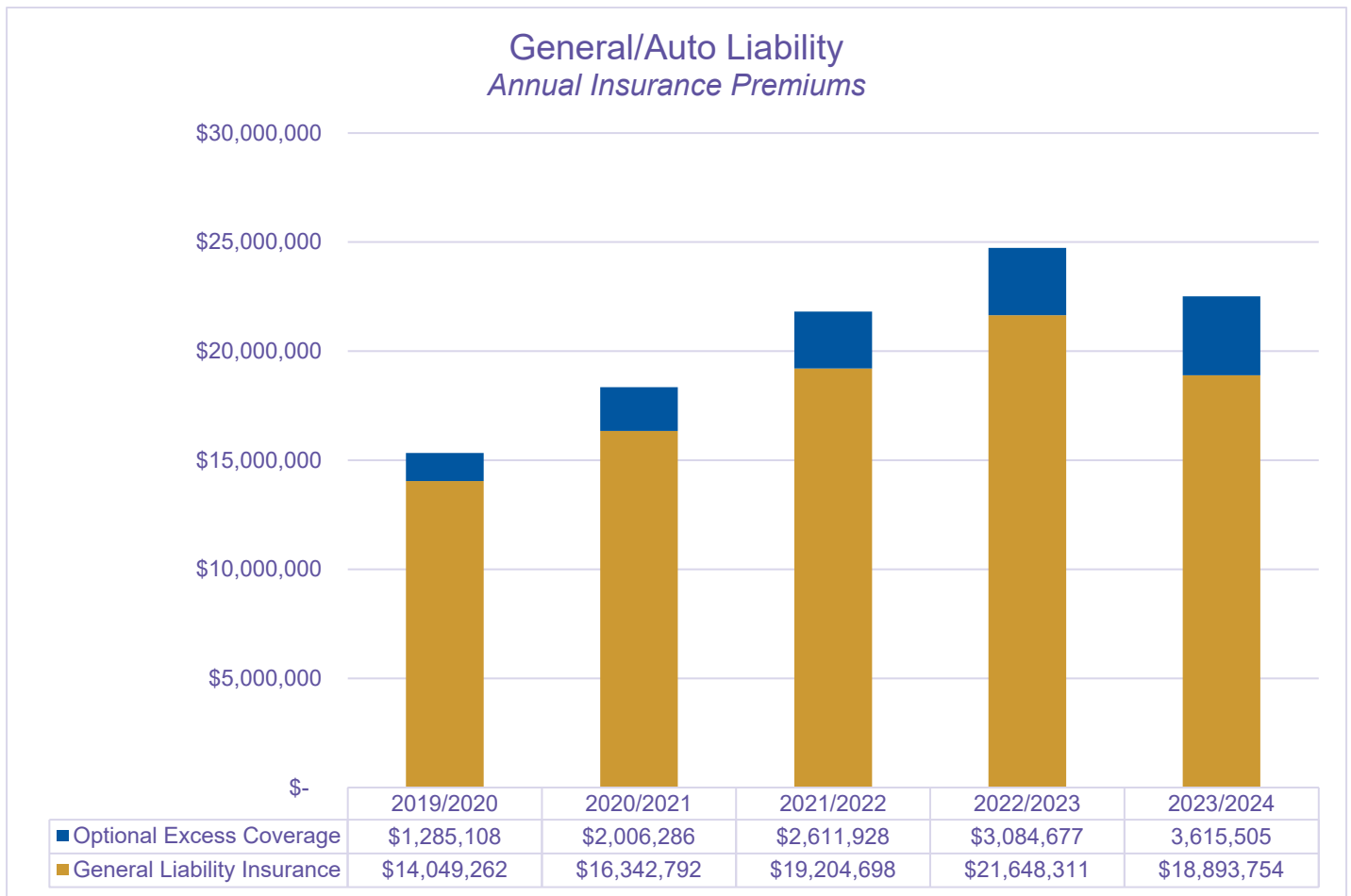
The County of Riverside is a member of PRISM which is a joint powers agency (JPA) that provides cost effective insurance solutions and risk management services by pooling public entities throughout California. PRISM's membership includes 95% of California counties, 70% of California cities, as well as educational organizations, special districts, housing authorities, fire districts, and 27 other JPAs. The County of Riverside has been a participating member of PRISM (formally known as CSAC-EIA) since 1984. The number of PRISM members creates stability for public entity members and offers economies of scale that allows them to leverage the insurance market for competitive pricing and provides stability as the insurance market fluctuates. The County of Riverside purchases multiple insurance coverages through PRISM to protect the County from catastrophic events. A "hard-market" has created less competition and increased costs for public entities. With less insurers in the market, insurance rates continue to rise.

### General Liability/Auto Liability Insurance Premiums

Excess liability insurance includes coverage for the following risks: bodily injury, property damage, public officials’ errors and omissions, employment practices liability and personal injury. All coverage is on an occurrence basis. The County is self-insured for the first \$5 million of each claim with a \$2 million retention aggregate. The excess insurance provides coverage up to \$25M.

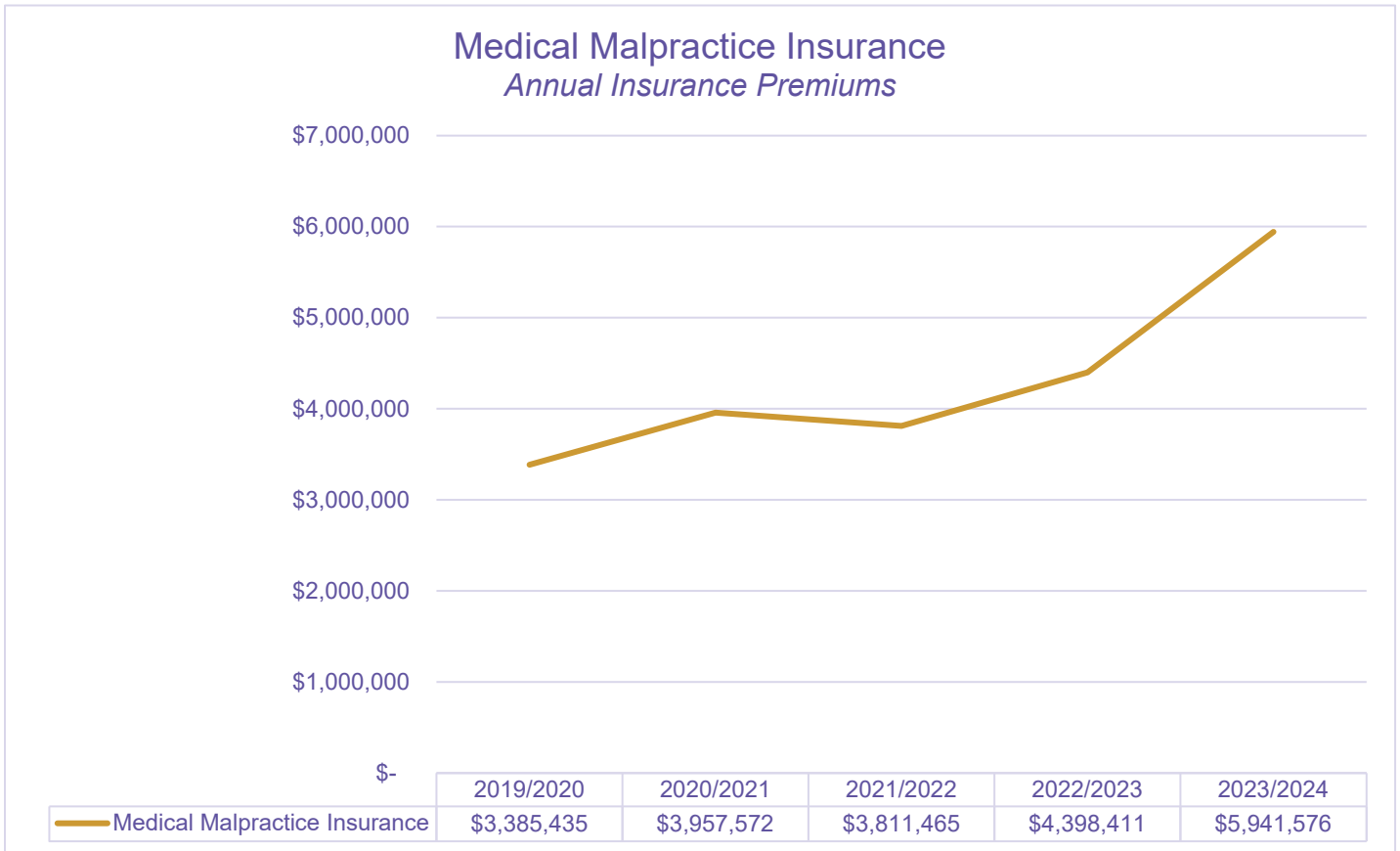
Due to an increase in general liability costs that the County of Riverside was experiencing along with other public entities in the State of California, the County began purchasing “optional excess coverage” in 2019 that provides an additional \$25M of coverage or a total aggregate of \$50M.

The County was able to reduce its overall premium cost for general liability coverage in 2023/2024 by adjusting its coverage.



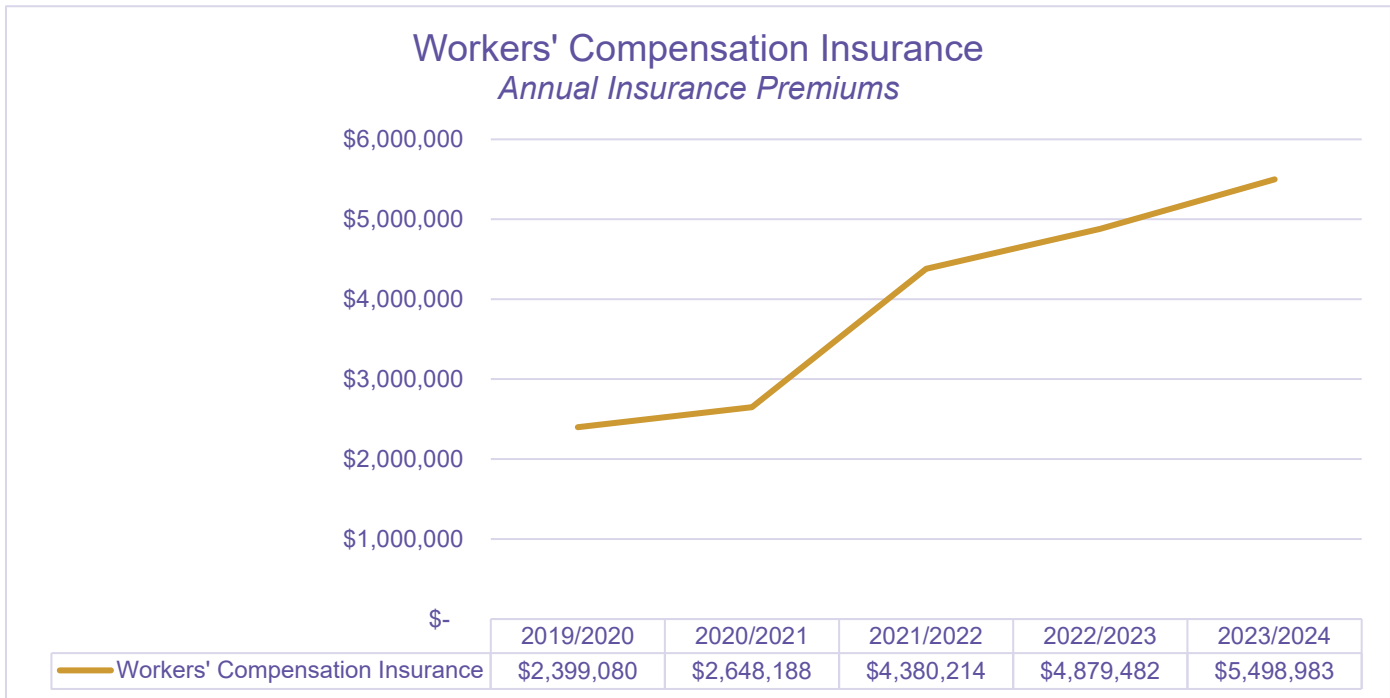
*Medical Malpractice Insurance Cost*

The County purchases its excess medical malpractice insurance to protect those departments that provide healthcare services. Medical malpractice insurance provides coverage for all alleged negligence arising from healthcare services including clinics, hospitals, behavioral health, public health, jails, and coroner operations. The County is self-insured for the first \$1.1M of medical malpractice claims with excess insurance coverage up to \$25M.



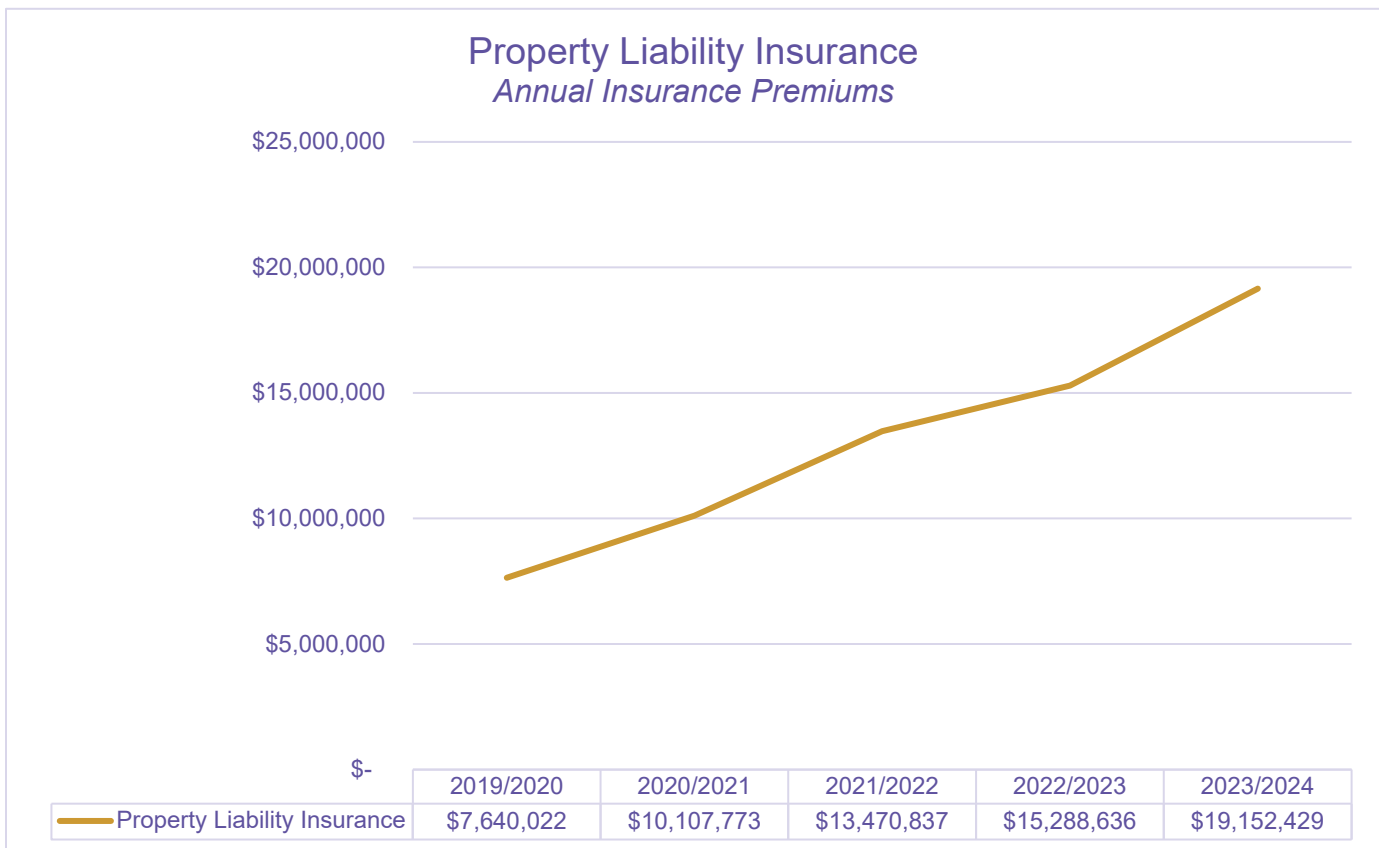
*Excess Workers' Compensation Insurance Costs*

The County of Riverside's Workers' Compensation Program is self-insured for the first \$2 million for each occurrence with excess insurance arrangements through PRISM. The Excess Workers' Compensation (EWC) Program provides bodily injury coverage for employees who are injured on the job where the claim expenditures exceed \$2 million. Coverage includes reimbursement for payments above the self-insured retention limit that the County is required to make under Workers' Compensation law. This includes compensation for loss of earnings at statutory rates, medical benefits, and some allocated expenses.



*Property Insurance Costs*

The County of Riverside participates in the PRISM property insurance program which provides insurance coverage for all types of risks. The property insurance coverage is subject to a \$50,000 per occurrence deductible. Flood coverage is subject to a deductible up to \$100,000 and earthquake coverage has a deductible equal to 5% of the total value of the involved structures and is subject to a \$100,000 minimum. Premiums for property coverage have increased substantially due to the natural disasters that the insurance markets have suffered in the last several years. In California, 8 out of 10 of the costliest wildfires have occurred in recent years. In 2017, wildfires in California had an estimated damage and economic cost of \$85B and in 2019 the estimated damage and economic cost was \$400B. Due to the significant losses that have occurred, insurance markets have restricted the number of policies that they will write in California or have declined to renew property insurance policies. These developments have negatively impact property insurance premiums.



*Miscellaneous Insurance Coverages*

The County participates in multiple miscellaneous insurance program to cover specific and/or unique situations. These insurance programs are funded directly by the Department that the risk resides in or are incorporated into the General /Auto Liability Insurance Fund rate. These miscellaneous programs include:

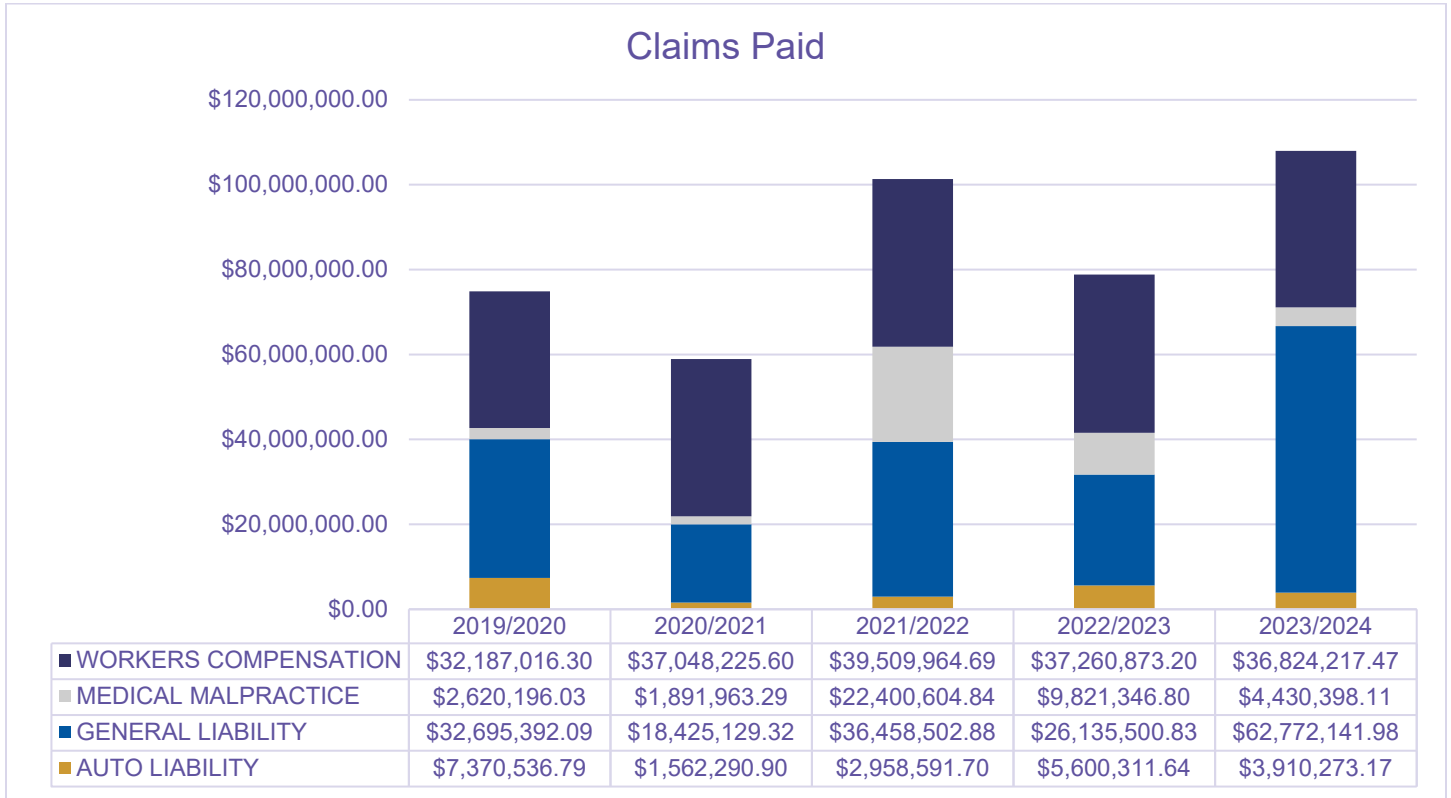
- Aircraft Insurance is a policy that offers property and liability coverage for aircraft. It covers losses resulting from aviation risks that are associated with the maintenance and use of aircraft, property damage, loss of cargo, or bodily injury.

### *Miscellaneous Insurance Coverages continued*

- Airport Insurance coverage is geared specifically to the operation of airports and the risks involved in aviation. Airport insurance includes the following:
  - Fuel and Fuel Farm/Truck Coverage
  - Pollution Coverage
  - Hangar Keepers Coverage
  - Completed Operations Coverage
  - Aviation Special Events (Air Shows)
- Travel Accident Insurance is a specialized type of travel insurance to cover employees. It acts as life insurance and insures against accidental death and dismemberment in the case of a travel accident involving employees.
- Pollution Insurance provides coverage for bodily injury, property damage, and cleanup costs caused by pollution at owned or leased sites or arising from certain operations.
- Cyber Liability provides insurance coverage for information security & privacy liability, privacy notification costs, regulatory defense & penalties, website media content liability, cyber extortion, and first party data protection.
- Master Crime Program provides coverage for illegal acts committed by employees while on the job such as public employee dishonesty, forgery or alteration, and computer fraud.
- Watercraft Insurance provides coverage for County owned watercraft.
- Excess Volunteer Insurance provides insurance coverage for County Departments who utilize volunteers to assist in their operation. Therefore, Human Resources Risk Management implemented the Volunteer Insurance Program to protect the County from potential liability exposure from volunteers who are injured, or who may injure others, while conducting County business. The Volunteer Insurance Program provides the following coverages:
  - Excess Accident Medical Coverage
  - Excess Volunteer Liability Coverage
  - Excess Automobile Liability Coverage

## Claim Cost

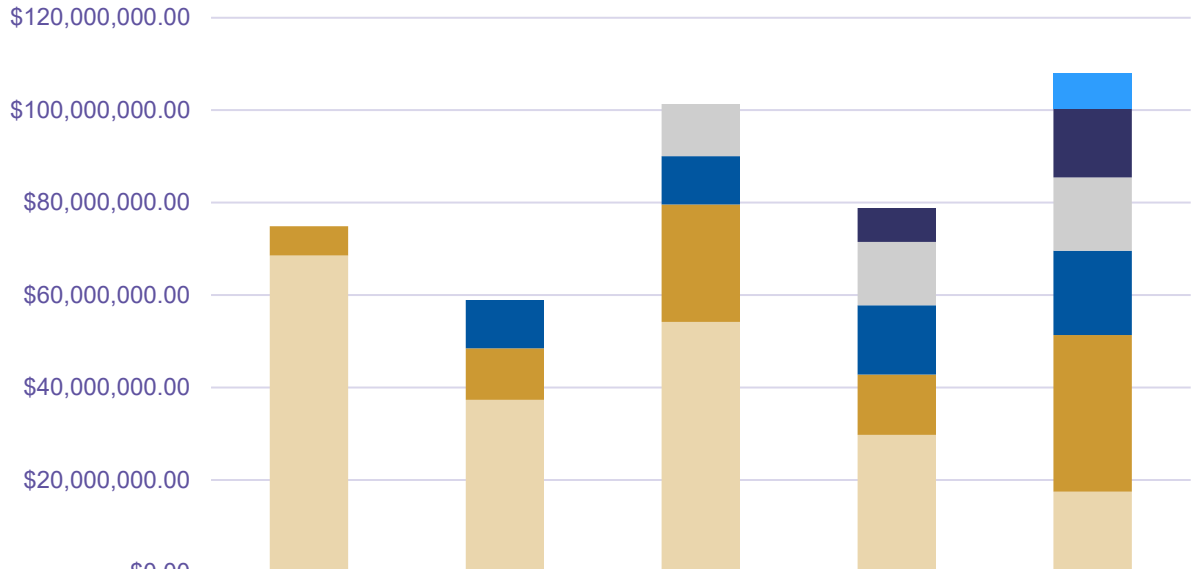
The County pays all claims before the self-insured retention (SIR); therefore, any liability or Workers' Compensation claim that arises is subject to payment by the County using the insurance funds managed by the Human Resources Department. After a claim reaches the SIR, the County submits to our excess insurance for reimbursement. The following graphs illustrate claims paid over the last 5 years by coverage:



The amount paid is the total paid for claims by coverage in the fiscal year; the amount includes indemnity, medical, legal fees, and expenses regardless of the claim occurrence date and does not include Reported but not Paid (RBNP) or Incurred but not Reported (IBNR) reserves. The graph does not consider funds received from our excess insurance for claims that met the SIR.

Since the life of a claim does not fall nearly into a fiscal or calendar year, it is difficult to analyze year over year claims cost. For example, the increase in general liability cost for 2023/2024 included incidents that occurred in numerous prior years including 1997.

### Claims Paid *Claims Paid by Claim Year*



	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
■ 2023/2024					\$7,575,318.61
■ 2022/2023				\$7,331,013.43	\$14,938,414.59
■ 2021/2022			\$11,285,226.40	\$13,712,762.90	\$15,827,840.35
■ 2020/2021		\$10,463,888.68	\$10,469,441.30	\$14,951,750.44	\$18,231,127.48
■ 2019/2020	\$6,324,233.08	\$11,124,797.46	\$25,379,334.89	\$13,049,137.77	\$33,887,895.63
■ Claim Year Before FY 2019/2020	\$68,548,908.13	\$37,338,922.97	\$54,193,661.52	\$29,773,367.93	\$17,476,434.07

The graph illustrates how the claims we are paying for in the current year are claims that occurred in prior years. The graph includes payments for Workers' Compensation, General/Auto Liability, and Medical Malpractice claims.

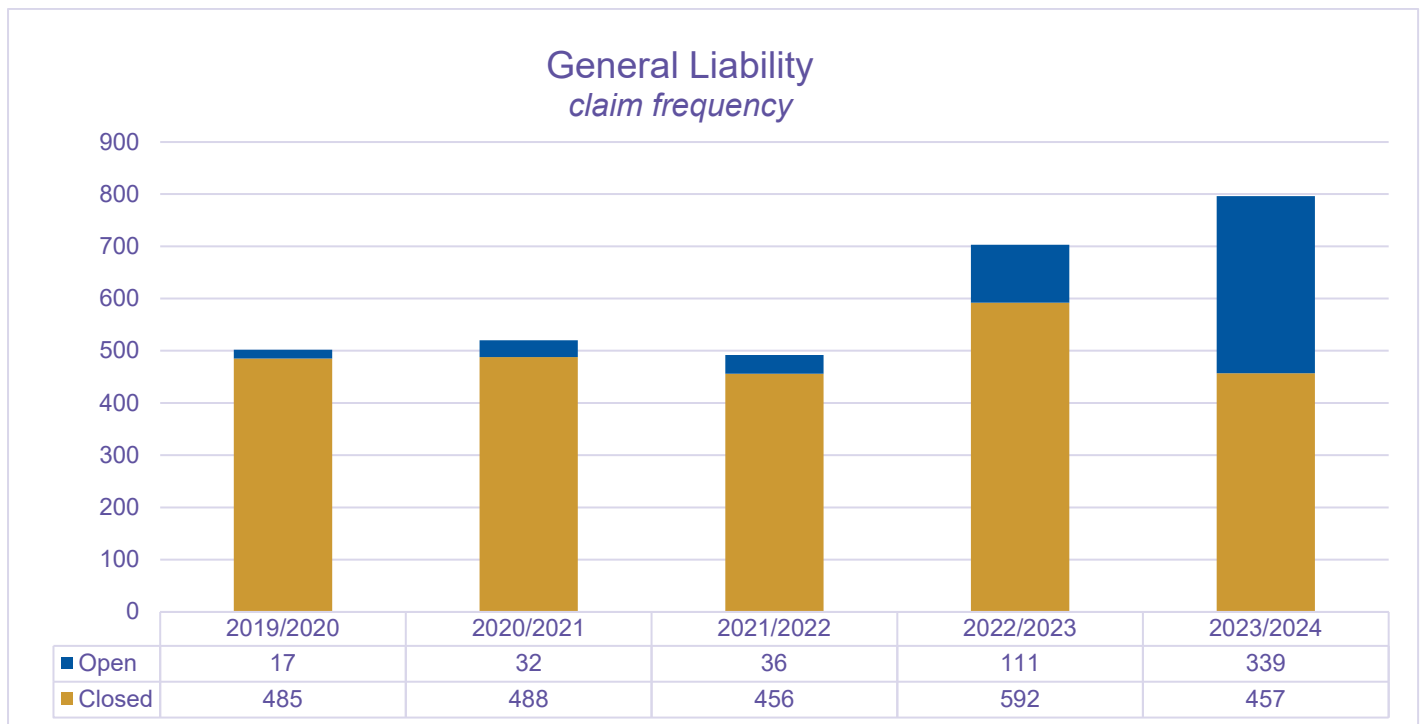


# PROGRAM SUMMARY

The graphs are counting the number of distinct claims reported in the fiscal year. The number of claimants assigned to each claim is not considered. The reason for the distinction is to understand distinct occurrences in County departments. One occurrence in a department could result in a single claim with unlimited claimants depending on the type of occurrence. For example, a single car accident with multiple injuries to multiple victims will result in a single claim with multiple plaintiffs. Further, when claims are examined by our actuary or excess insurance, they are counting distinct claims for frequency summaries. In addition to claim frequency, the report will highlight claim severity which is how much a claim may cost. Frequency of claims does not always directly impact claim severity.

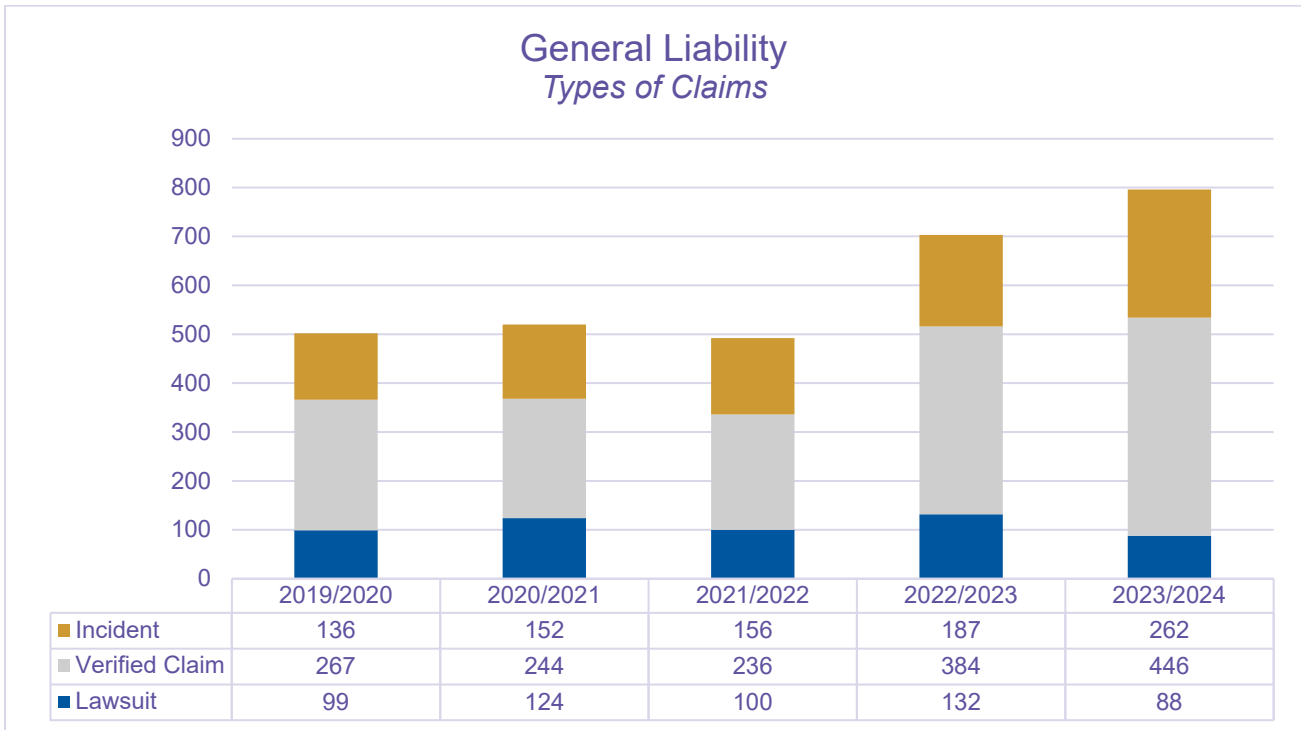
## General Liability Claims

General Liability received 796 claims this fiscal year, which is an increase of 93 claims when compared to FY 2022/2023 and 57% of claims received in FY 2023/2024 have been resolved. In most cases, claims against a government agency in California must be filed within six months of the date of incident however there are exceptions. Therefore, there is a possibility that the County may receive additional claims for FY 2023/2024. The data used for this report was generated in May 2024 and may fluctuate.



There is a significant increase in claims between FY 2021/2022 and FY 2022/2023, so we categorized the claims into three distinct categories to better understand the increase:

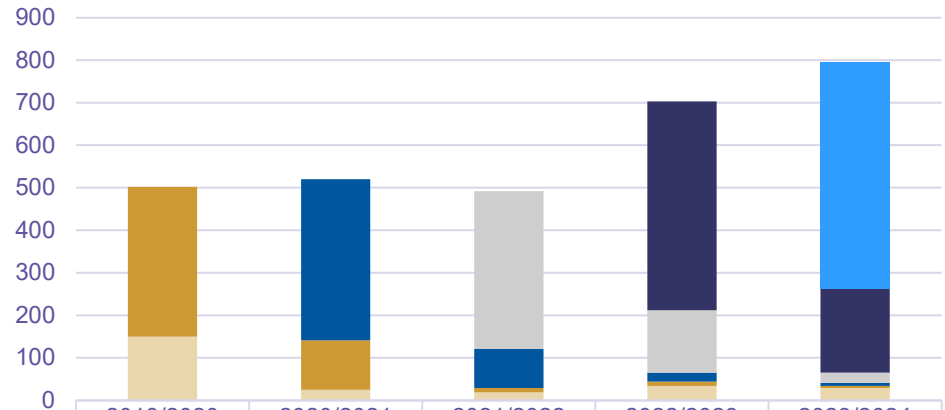
- **Incident:** Reported to Risk Management by the department, but no lawsuit or verified claim has been filed with the County.
- **Verified Claim:** Reported to the Clerk of the Board.
- **Lawsuit:** Served on County departments or Risk Management against county departments.



The increase from FY 2021/2022 and FY 2022/2023 included a few factors but can be narrowed down to a few significant increases. An 86% increase in foster care related cases attributed to California’s Child Victims Act (AB 218). AB 218 allowed claims/lawsuits to be filed against the County by increasing the statute of limitations. 79% of the foster care related cases were claims/lawsuits for events that took place before FY 2019/2020 but reported in FY 2022/2023 because the statute of limitations increased. There was also an increase in claims for services that were paused during the COVID-19 pandemic.

For the current fiscal year analysis, we focused our attention on verified claims and lawsuits. Lawsuits have decreased by approximately 33% and verified claims have increased 16% between FY 2022/2023 and FY 2023/2024. Overall verified claims and lawsuits have increased 3% in FY 2023/2024 when compared to FY 2022/2023. Of the 796 claims reported in FY 2023/2024 only 533 occurred in FY 2023/2024.

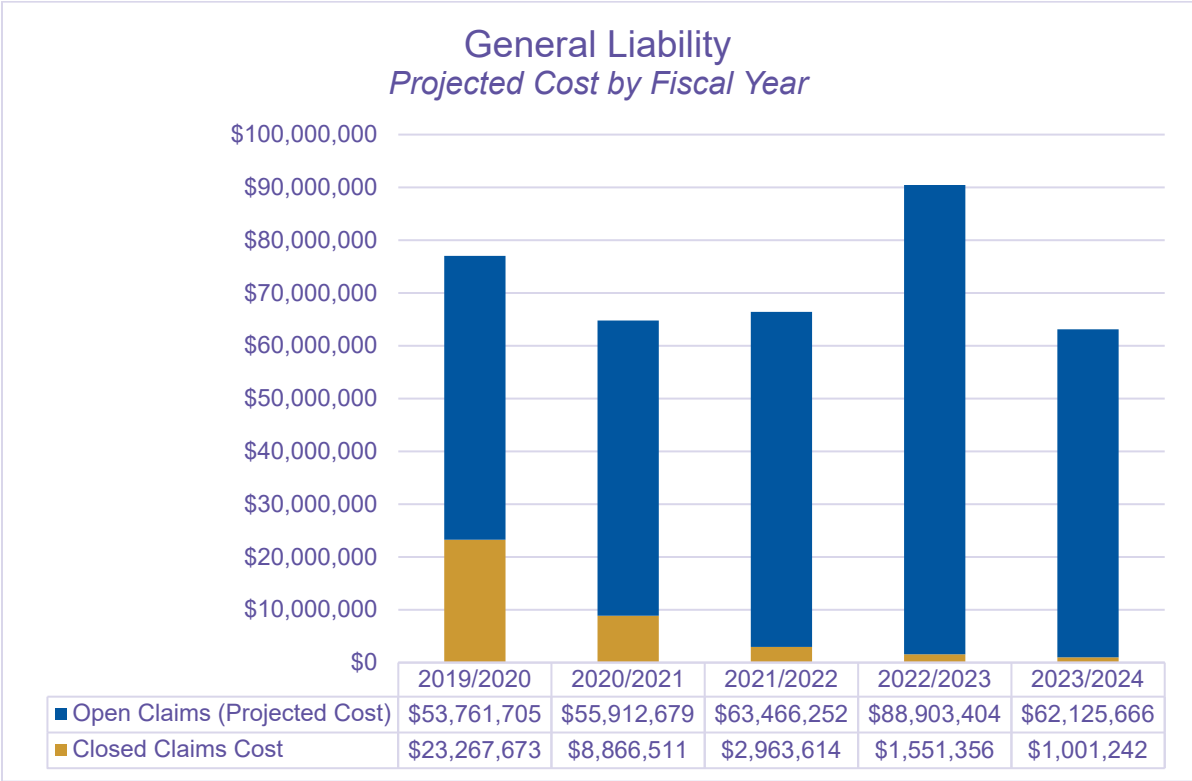
### Claim Frequency *Claim Frequency by Claim Year*



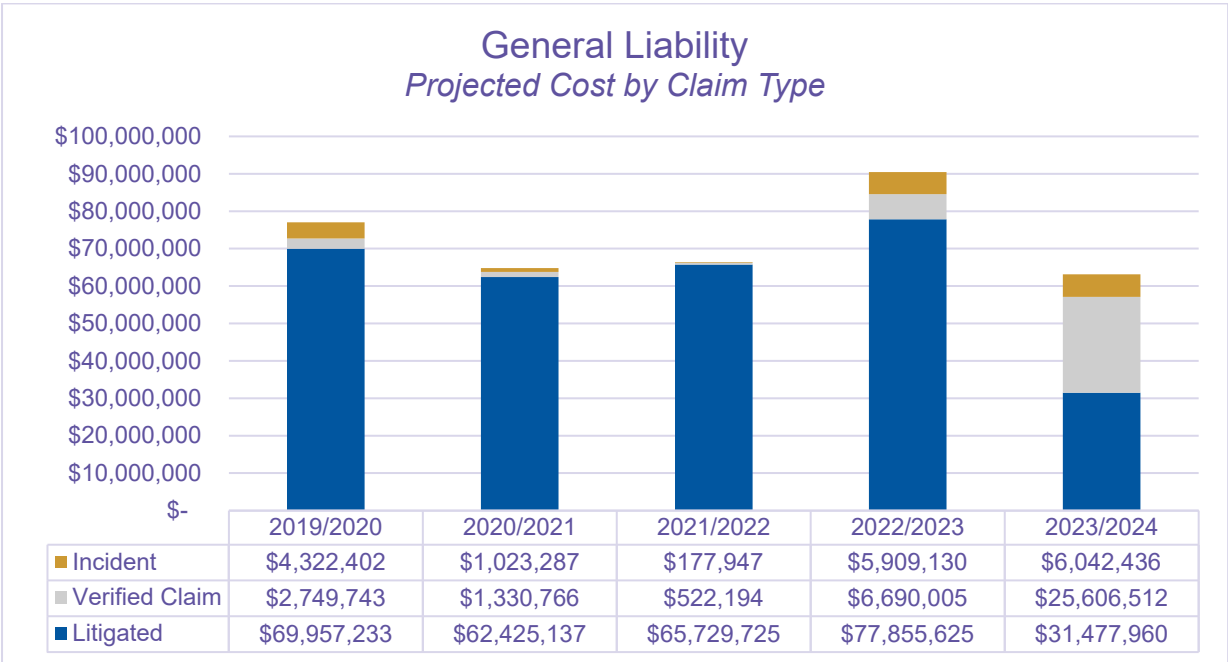
	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
■ 2023/2024	0	0	0	0	533
■ 2022/2023	0	0	0	491	198
■ 2021/2022	0	0	371	147	24
■ 2020/2021	0	379	92	21	7
■ 2019/2020	352	116	10	10	5
■ Claim Year Before FY 2019/2020	150	25	19	34	29

The graph illustrates that 689 claims occurred in FY 2022/2023 reported to the County between FY 2022/2023 and FY 2023/2024. There is a decrease of 156 claims for FY 2023/2024 when compared to claims that occurred in FY 2022/2023.

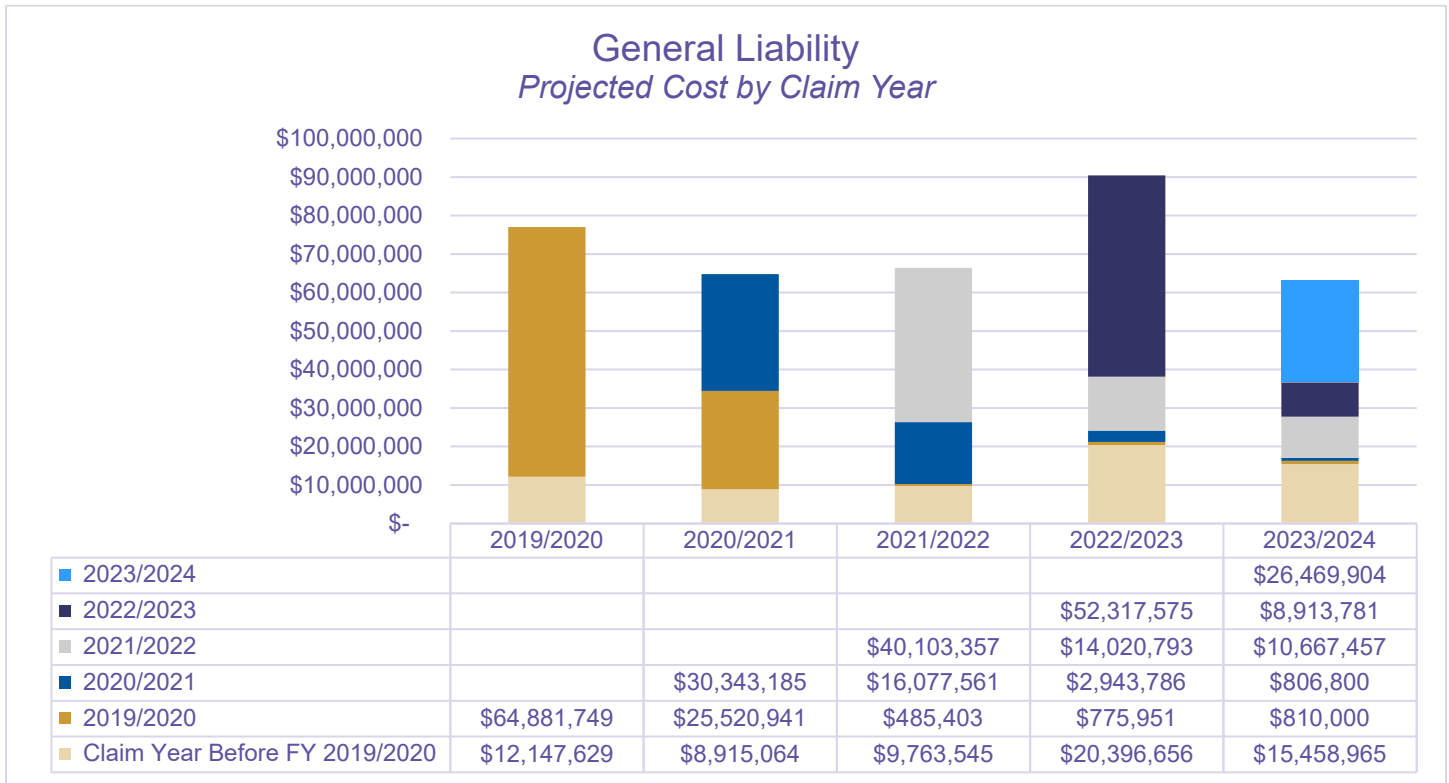
The projected cost of general liability (GL) claims received for FY 2023/2024 is estimated to be \$63.1M which is significantly less than the \$90.5M that is projected for FY 2022/2023. The projected GL costs identified below include settlement and judgement costs, legal fees, and expenses. The data used for this report was generated in May 2024 and will fluctuate as claims mature.



Closed claim cost is the cost actually paid for claims reported during the year; however, 5% of the closed claim cost in FY 2023/2024 is for claims that occurred in FY 2021/2022 and FY 2022/2023. Cost associated to open claims is projected and not yet settled, so the amount may fluctuate as the cases develop. Most of the claim cost is allocated to litigated claims.



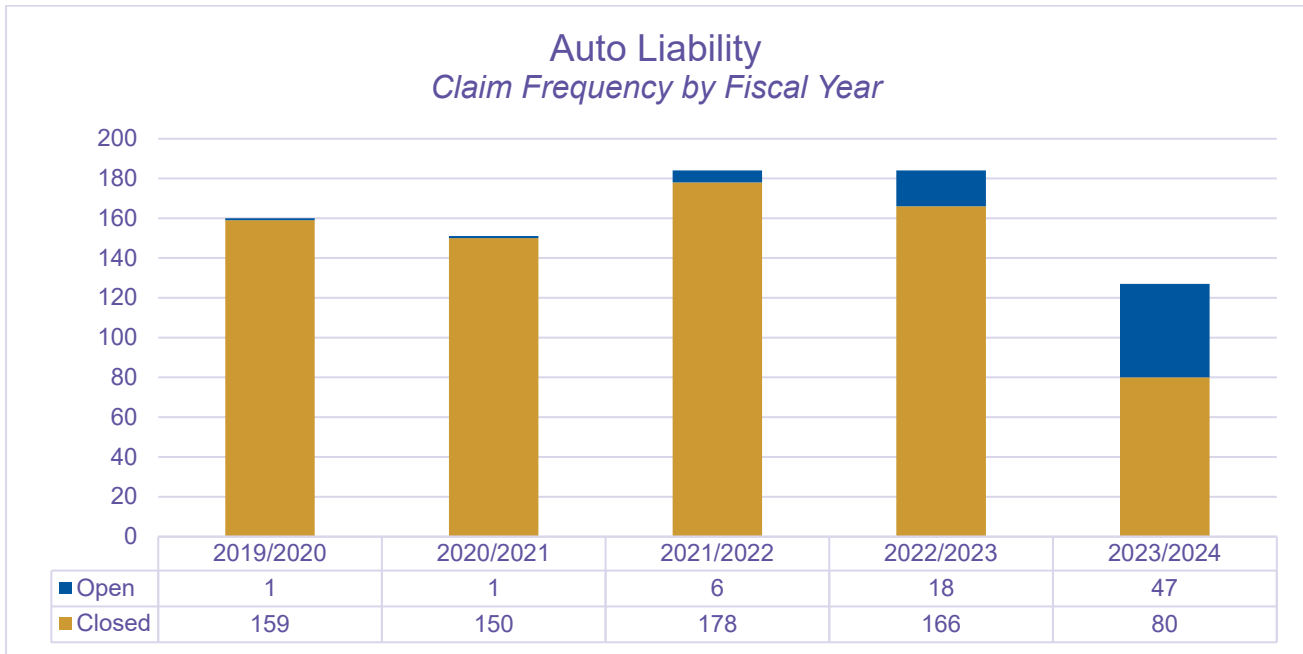
In FY 2023/2024 the projected claim cost for claims that occurred in FY 2023/2024 is \$26.5M and 57% of the projected cost is associated to 9 claims. The 9 claims have a projected cost of approximately \$15M. All the claims are still open and may settle for less than the projected amount.



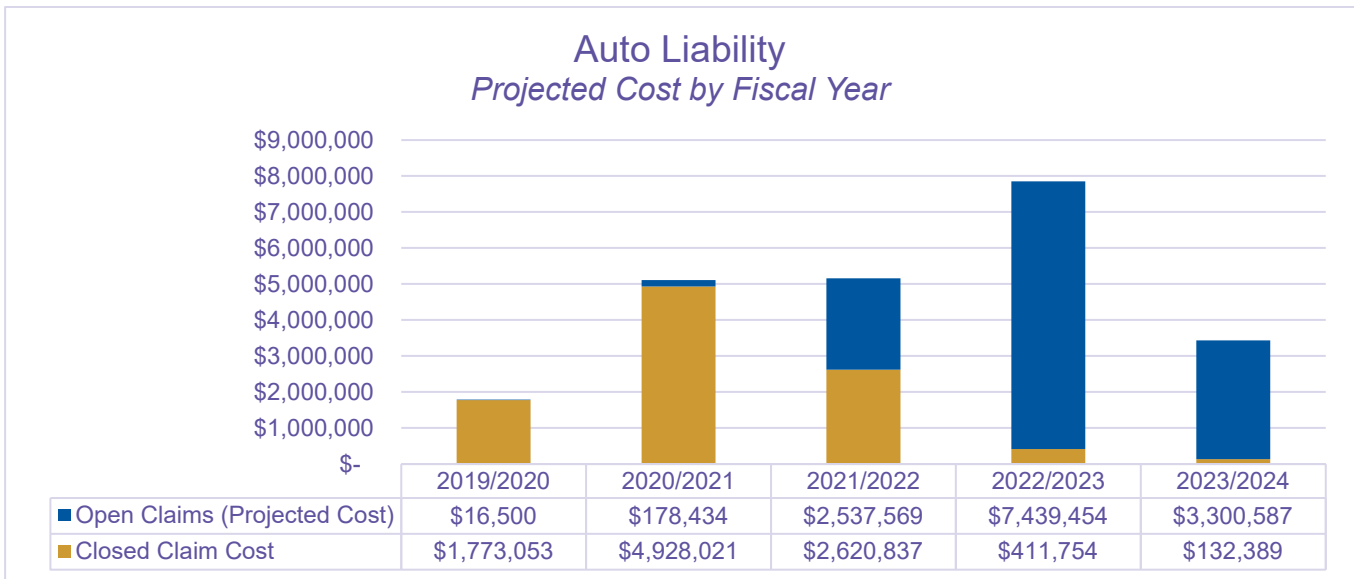
Over the last 5 fiscal years, the most severe claims include child protection, harassment/discrimination, dangerous conditions, constitutional rights violations, and officer involved shootings which account for 53% of our potential claim cost.

### Auto Liability Claims

The number of auto liability claims that the County received in FY 2023/2024 was the lowest we have seen when compared to previous years. Additionally, the projected cost is also expected to be significantly less when compared to previous years. In most cases, claims against a government agency in California must be filed within six months of the date of incident however there are exceptions. Therefore, there is a possibility that the County may receive additional claims for FY 2023/2024. The data used for this report was generated in May 2024 and may fluctuate.

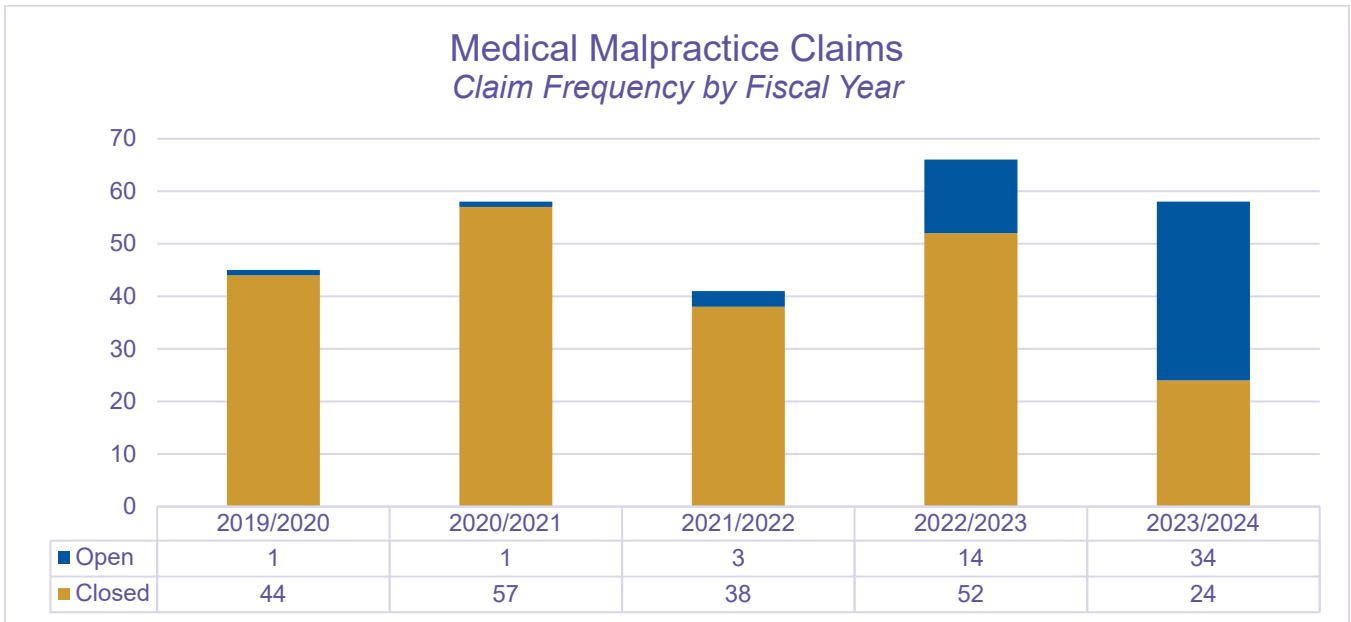


The projected cost for auto liability (AL) claims received for FY 2023/2024 is estimated to be significantly less than FY 2022/2023. The increase in FY 2022/2023 is associated to 18 claims that are still open and could settle for less than the potential claim cost and 71% of the potential cost can be attributed to 6 claims. The AL cost below includes settlement and judgement cost, legal fees, and expense cost. The data used for this report was generated in May 2024 and will fluctuate as claims mature.

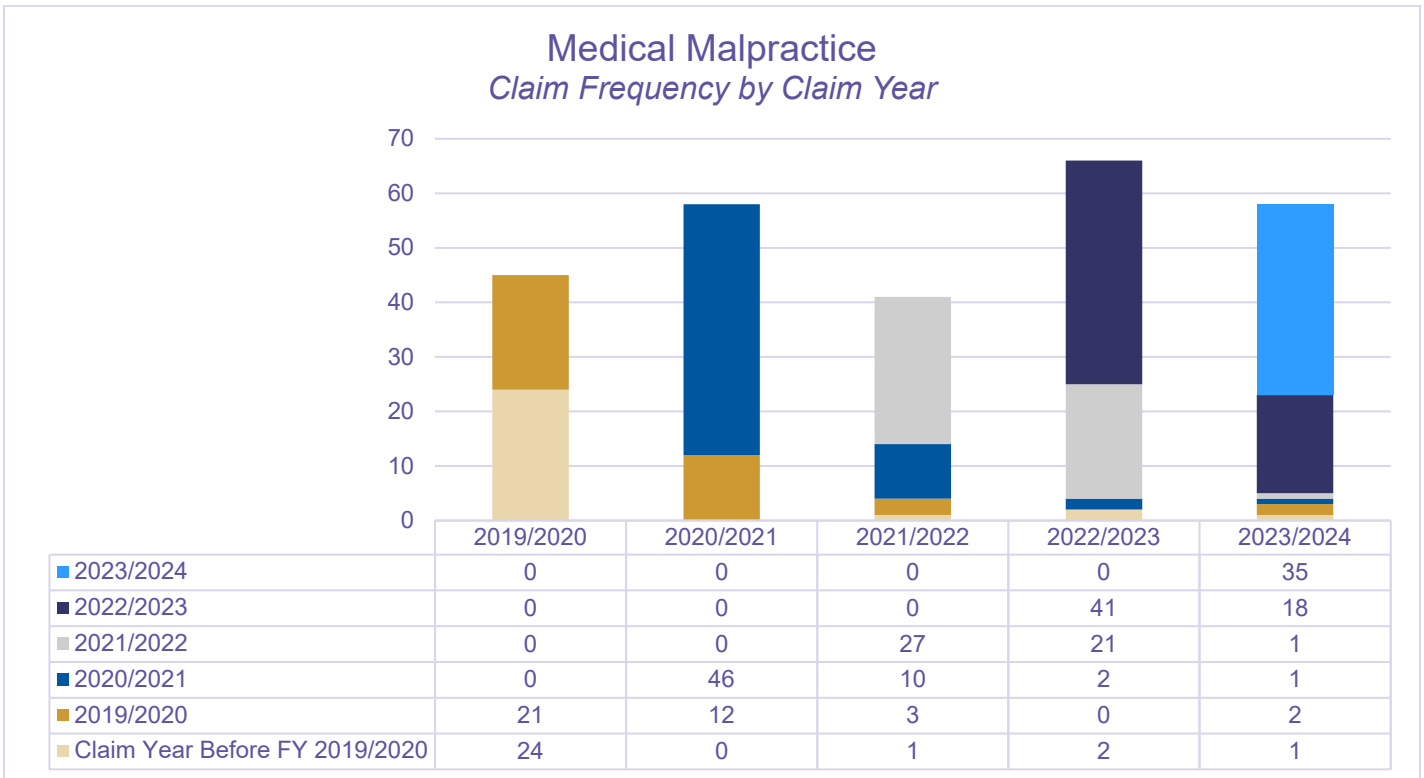


## Medical Malpractice Claims

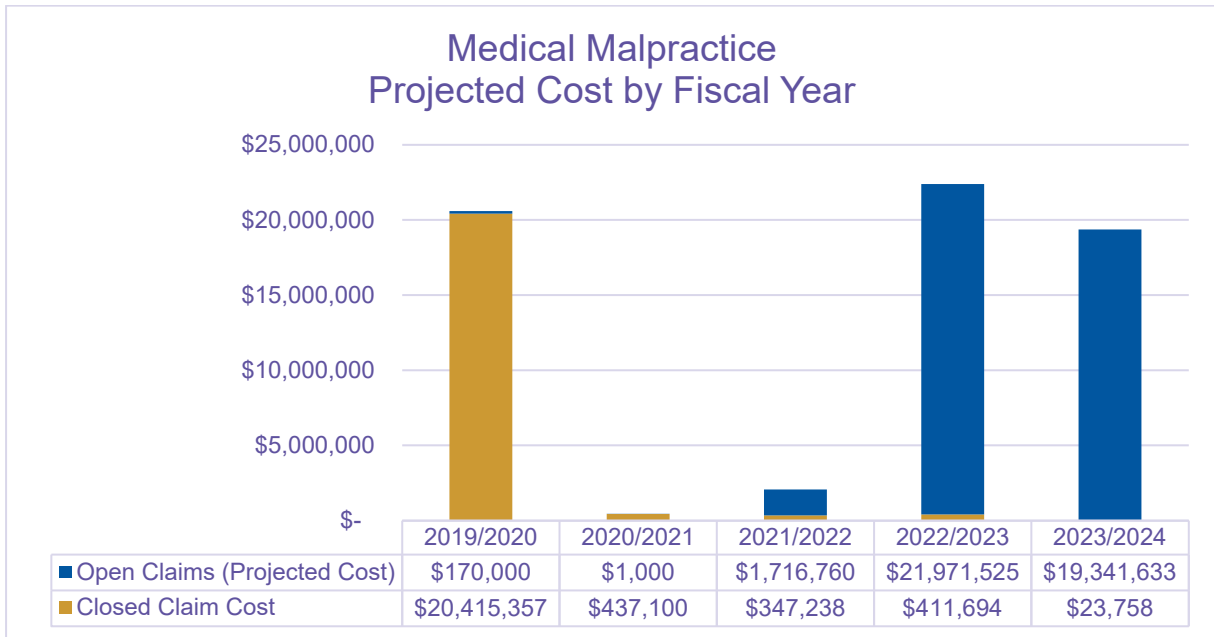
In FY 2023/2024 the number of medical malpractice liability claims were roughly 12% lower than FY 2022/2023, but more consistent with the frequency we have seen in prior years. In most cases, claims against a government agency in California must be filed within 6 months of the date of loss, and for some cases, one year of the incident. Therefore, there is a possibility that the County may receive additional claims for FY 2023/2024. The data used for this report was generated in May 2024 and may fluctuate.



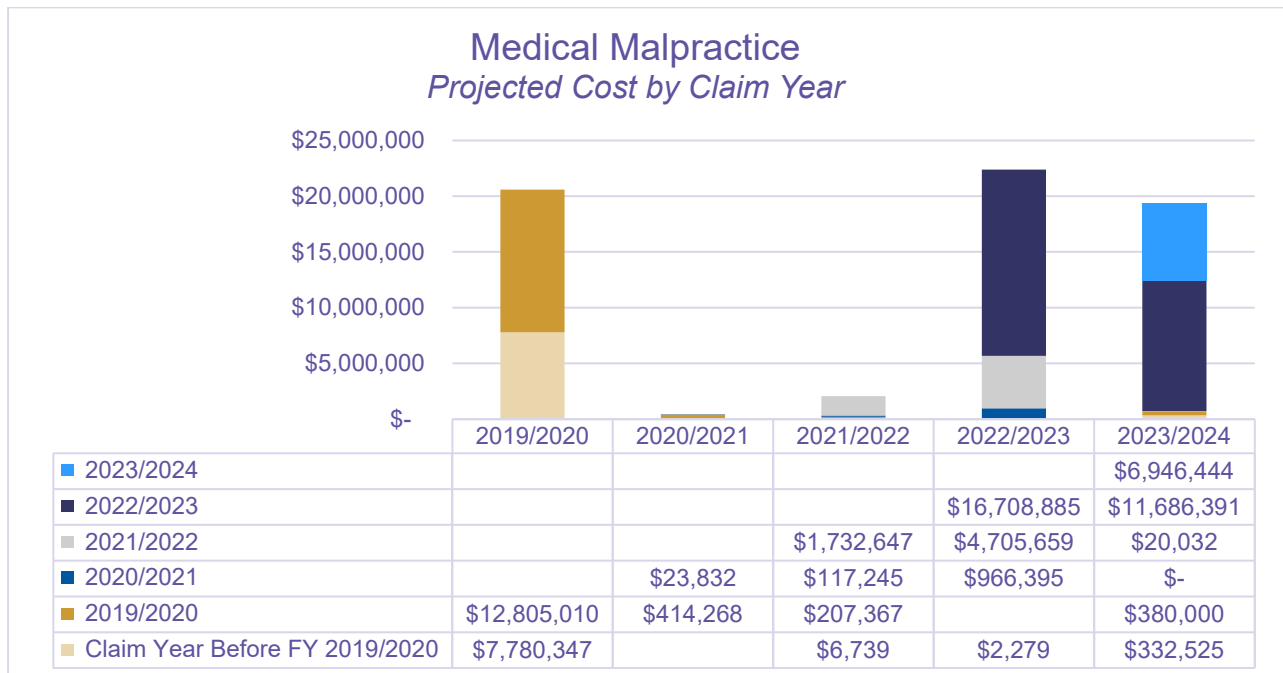
The following graph illustrates how claims that occurred one year can be reported in the following year. In FY 2023/2024 23 claims were reported that occurred in prior years.



The projected medical malpractice claim cost for FY 2023/2024 is \$19.4 million compared to projected claim cost of \$22.4 million for FY 2022/2023. While the last two years are significantly higher than FY 2021/2022 the cost is projected and could settle for less than the projected cost. The data used for this report was generated in May 2024 and will fluctuate as claims mature.



Of the \$19.4 million projected for claims reported in FY 2023/2024 only \$6.9 million are because of claims that occurred in FY 2023/2024. 60% of the projected claim cost for FY 2023/2024 can be attributed to claims that occurred in FY 2022/2023. There are 17 claims that occurred in FY 2022/2023 that make up the projected cost of \$28.3 million shared over FY 2022/2023 and FY 2023/2024 and there are 5 cases that contribute to 55% of the total projected cost.

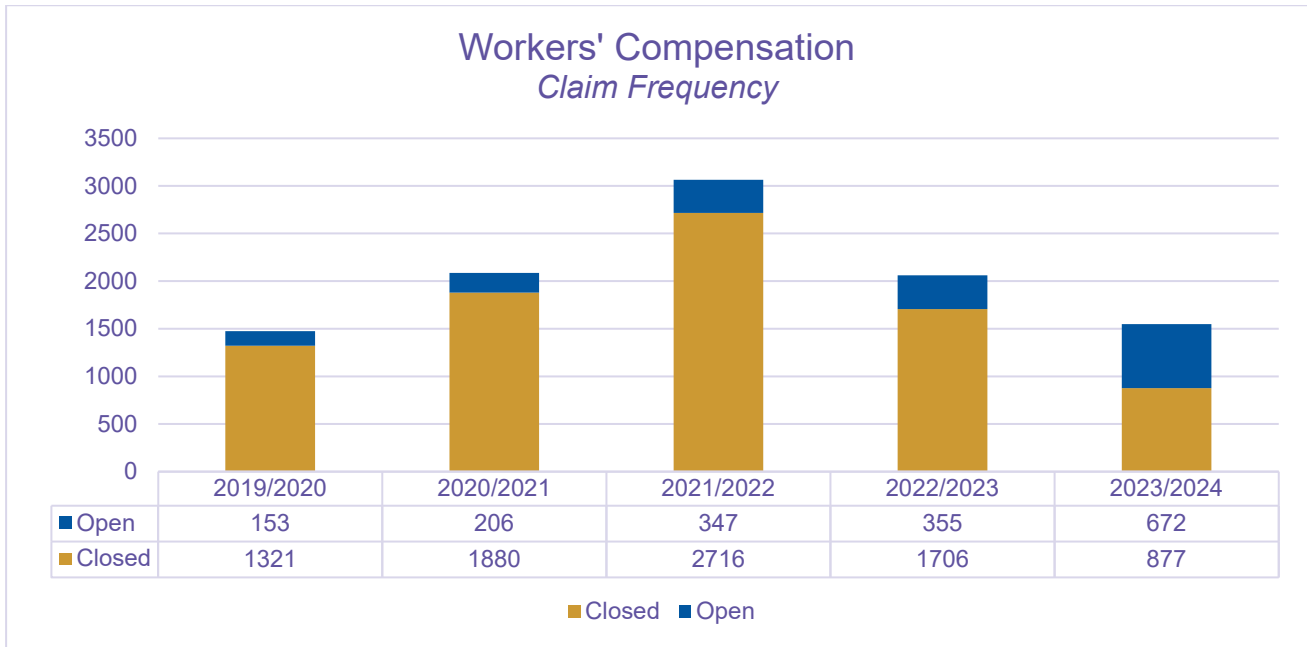


## Workers' Compensation Claims

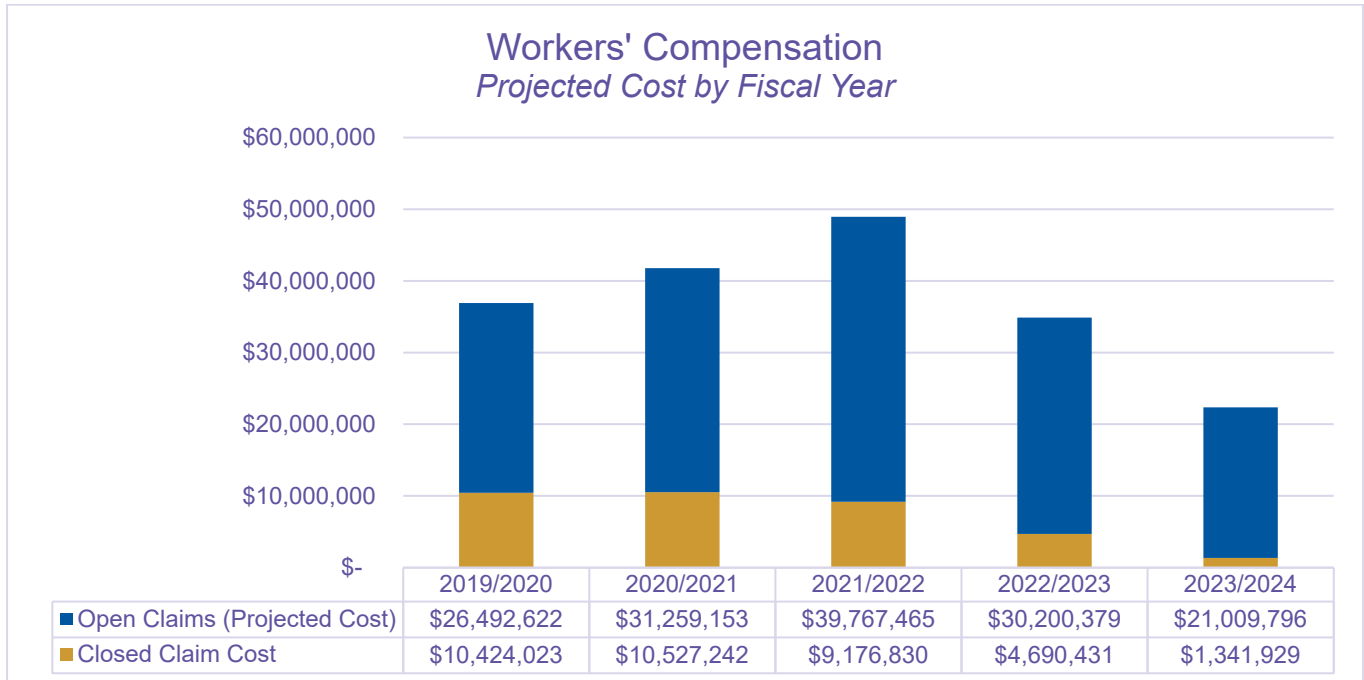
The County of Riverside's Workers' Compensation program has returned to pre-pandemic claim counts. While COVID-19 continues to be the leading cause for Workers' Compensation claims over



the last 5 years, we have seen a drastic decrease in the number of cases reported to Workers' Compensation on behalf of employees.



The projected cost for Workers' Compensation claims has also decreased. Claims reported in FY 2023/2024 are estimated to cost \$22.4 million compared to claims reported in FY 2022/2023 which are estimated to cost \$34.9 million.



# GLOSSARY OF TERMS

**Claim Year** - Year during which the accidents that generate a group of claims occurs, regardless of when the claims are reported, payments are made, or reserves are established.

**Allocated Loss Adjustment Expenses (ALAE)** - Expense incurred in settling claims that can be directly attributed to specific individual claims (e.g., legal fees, investigative fees, court charges, utilization review, bill review, etc.)

**Case Reserve** - The amount left to be paid on an open claim, as estimated by the claim's administrator.

**Claim Frequency** - Number of claims.

**Confidence Level** - An estimated probability that a given level of funding will be adequate to pay actual claims costs. For example, the 85% confidence level refers to an estimate for which there is an 85% chance that the amount will be sufficient to pay loss costs.

**Incurred but not Reported (IBNR) Losses** - This is the ultimate value of losses less any amount that has been paid to date or set up as a case reserve by the claims adjuster. It includes amounts for claims incurred but not yet received by the administrator as well as loss development on already reported claims.

**Loss Adjustment Expense** - The sum of Allocated Loss Adjustment Expense (ALAE) and Unallocated Loss Adjustment Expense (ULAE).

**Paid Losses** - Losses actually paid on all reported claims.

**Self-Insured Retention (SIR)** - The level at which an excess insurance policy is triggered to begin payments on a claim. Financially, this is like an insurance deductible.

**Severity** - Average claim cost.

**Unallocated Loss Adjustment Expenses (ULAE)** - Claim settlement expenses that cannot be directly attributed to individual claims (e.g., claims administration expenses, taxes, etc.)