Attachment B

County of Los Angeles
CHIEF EXECUTIVE OFFICE

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Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

January 31, 2017

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Hilda L. Solis
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Sachi A. Hamai
Chief Executive Officer

CHIEF EXECUTIVE OFFICE RISK MANAGEMENT ANNUAL REPORT, FISCAL YEAR 2015-16

Attached is the *Chief Executive Office Risk Management Annual Report, Fiscal Year 2015-16.* The purpose of the report is to inform the Board of a summarized Cost of Risk in Liability and Workers' Compensation exposures; assist departments to recognize the nature and extent of their exposures and losses; and provide direction on risk management strategies to be taken in the current and subsequent fiscal years.

Details of the number, type, and cost of claims are included in the attached report. The following is a summary of the risk categories along with prevention activities implemented by the County of Los Angeles (County):

Total Cost of Risk

The total of all costs related to Liability and Workers' Compensation increased by $12.2 million to $589.7 million, which represents a 2.1 percent increase over FY 2014-15. The Total Cost of Risk is measured as a percentage of the County's operating budget. The County's Total Cost of Risk decreased from 2.22 to 2.21 percent of the County's operating budget; this represents a 0.4 percent decrease over FY 2014-15.

Vehicle Liability

Vehicle accident claims increased by 99 to 1,015, which represents a 10.8 percent increase over FY 2014-15. The cost of claims and lawsuits increased by $5.6 million to $14.4 million, which represents a 63.4 percent increase over FY 2014-15. The increase of automobile liability claims is due to the filing of significantly more claims than the prior year that were found to be the liability of entities other than the County.

Through the Legal Exposure Reduction Committee, the County has implemented vehicle operations training, and will be implementing an online program in 2016 to aid departments in training on the safe operation of vehicles.

Other General Liability
These claims have decreased by 29 to 2,106, which represents a 1.3 percent decrease over FY 2014-15. However, the cost of claims and lawsuits increased by $1.8 million to $39.0 million, which represents a 4.9 percent increase over FY 2014-15.

Employment Practices Liability (non-Workers' Compensation)
These claims have decreased by 49 to 144, which represents a 25.4 percent decrease over FY 2014-15. The cost of claims and lawsuits decreased by $6.5 million to $14.5 million, which represents a 31.0 percent decrease over FY 2014-15. Only two claims had expenses greater than $500,000 as compared to six such claims in the prior year. These allegations include whistleblower and retaliation.

Updated Employment Practices training is being developed and became available in 2016. CEO Risk Management, County Counsel, and the Department of Human Resources trained County supervisors and managers on proper employment practices in 2010, and subsequent to that training the County experienced reduced claims in this area.

Law Enforcement Liability
These claims have decreased by 138 to 643, which represents a 17.6 percent decrease over FY 2014-15. The cost of claims and lawsuits decreased by $1.2 million to $47.1 million, which represents a 2.5 percent decrease over FY 2014-15. Excessive force claims dating back several years continue to be a cost driver. However, of significant note is the reduction in the number of claims.

CEO Risk Management and County Counsel trained all Sheriff's Department (Sheriff) Command staff on Risk Management strategic initiatives in 2015. Additionally, Sheriff continues to make significant improvements in its corrective action planning and accountability.

Medical Malpractice Liability
These claims have increased by 5 to 231, which represents a 2.2 percent increase over FY 2014-15. The cost of claims and lawsuits increased by $4.1 million to $20.8 million, which represents a 25.0 percent increase over FY 2014-15.

Through the Legal Exposure Reduction Committee, several programs have been or are currently being implemented to aid in the reduction and prevention of this type of liability. In addition, management and staff of the County's medical providers continue to pursue independent risk reduction strategies.

Workers' Compensation
These claims have increased by 625 to 11,175, which represents a 5.9 percent increase over FY 2014-15. The cost of claims and lawsuits decreased by $3.2 million to $356.1 million, which represents a 0.9 percent decrease over FY 2014-15. The cost of claims is attributed to the statutory increase in weekly permanent disability rates.

Workers' Compensation (Continued)
CEO Risk Management and County Counsel have implemented several strategies to contain costs below mandated statutory increases. However, the reduction in injuries is the best strategy to lower overall Workers' Compensation costs. CEO Risk Management works with departments to implement general prevention strategies, as well as specific activities based on the particular risk to the department.

This report represents the combined efforts of the entire CEO Risk Management Branch team. Input and analysis was provided by staff of Loss Control and Prevention, Risk Management Inspector General, Workers' Compensation, Liability Claims Management, and Risk Management Finance.

If you have any questions, please have your staff contact Steven T. Robles, Assistant Chief Executive Officer/County Risk Manager, at (213) 351-5346.

SAH:JJ
STR:sg

Attachment

c: All Department Heads

CHIEF EXECUTIVE OFFICE

15-16

Inside County Risk

Risk Management Annual Report

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Risk Manager's Message

The County of Los Angeles (County) Chief Executive Office (CEO) is pleased to provide its Risk Management Annual Report for Fiscal Year July 1, 2015 through June 30, 2016.

The focus for Fiscal Year 2015-16 was on deploying more advanced risk financing initiatives to better allocate costs to departments, hedge against catastrophic losses, and eliminate existing losses. These steps protect the County resources against catastrophic losses in the event of mass casualty, terrorism, flood, and earthquake. Combined with the Board of Supervisor's (Board) initiatives for fiscal sustainability, the risk financing models of insurance will provide the backdrop for recovery when needed.

CEO Risk Management reorganized this fiscal year to better seek advanced opportunities in protecting the County and recovering from loss. Below are the highlights of the changes:

Recovery – The Liability Claims Unit was combined to include a Recovery Section. This Section combines several disparate recovery efforts into one Unit that will focus solely on recovering losses.

Insurance Program – The County's insurance program was enhanced and services were automated. The County now has better protection and increased service for less cost.

Analytics – In 2016, CEO Risk Management expanded the dashboard analytics capability to create the first generation of Workers' Compensation analytics program. This program is currently deployed to identify provider fraud, over-billing anomalies, and performance enhancements.

The largest cost driver managed by CEO Risk Management is contained in the Workers' Compensation system and continues to be the main focus for this fiscal year. With the utilization of County- and contract-supported analytics, we were able to identify several provider fraud, waste, and abuse schemes that ultimately will lower our overall costs and provide superior benefits to our injured workers. We also further developed additional claim closure initiatives with County Counsel and started building comprehensive risk financing initiatives for unfunded liabilities.

This year's annual report's focus is on trends of claims specific to General Liability and subcategorized areas, including Law Enforcement, Employment, Medical Malpractice, and Vehicle Liability. These five categories represent different exposures and will allow departments the ability to focus prevention efforts according to their risks.

RISK MANAGER'S MESSAGE (CONTINUED)

Overall, the County experienced several challenges related to the cost of risk. Several areas saw increases while law enforcement liabilities decreased. This report details specific data points; however, highlighted below is a summation of the key trends and cost drivers:

- Total cost of risk which is all liability and workers' compensation costs as a percentage of the County's operating budget, remained consistent with last year. Total cost of risk remained flat at 2.21%.
- The County's Employment Practices Liability frequency and severity decreased 25.3% and 31.0%.
- The County's Vehicle Liability continued the upward trend in frequency, increasing by 10.8% while the costs increased by 63.7%.
- Other General Liability frequency and severity decreased 1.3% and increased 4.9% respectively.
- Medical Malpractice Liability frequency flattened after a four-year downward trend in frequency while experiencing a year-over-year increase in severity of 25.0%.
- Law Enforcement Liability frequency continued trending downward by 17.7% and paid claim severity decreased 2.5%.
- Workers' Compensation expenses have flattened over the last two Fiscal Years. The frequency of claims has risen in conjunction with increased employees.

Frequency increase or decrease in each category will impact future costs for the County. Therefore, as prior year's claims increased - we now see the effects with increased costs. Conversely, as we currently see downward trends in claims, we can expect to see lower costs in the future.

Many opportunities to lower our overall costs remain. This report outlines our key objectives for the upcoming fiscal year and the specific cost drivers impacting our overall cost of risk.

KEY OBJECTIVES—FY 2016-17

The CEO Risk Management Branch provides leadership and direction for the County's risk management programs. Key objectives for FY 2016-17 include:

- Finalize the feasibility study and move to complete the Loss Portfolio Transfer for claims dating back more than 30 years. This project lowers the overall cost of risk and stabilizes the volatility experienced with long-term Workers' Compensation claims.

- Improve Countywide injury prevention efforts by aggressively enhancing our digital footprint, including online interactions and training capabilities with executives, managers, and employees.

- Transition to *Workers' Comp 2.0* whereby the County increases performance, lowers costs, and provides better services to our injured workers. This shift from past practices will allow the County to gain more control over claim administration and provide a basis for utilizing our existing analytics program through digital monitoring.

- Further develop the Recovery Unit within CEO Risk Management by increasing efforts that specifically pursue recoveries against responsible third parties and Insurers.

Cost of Risk

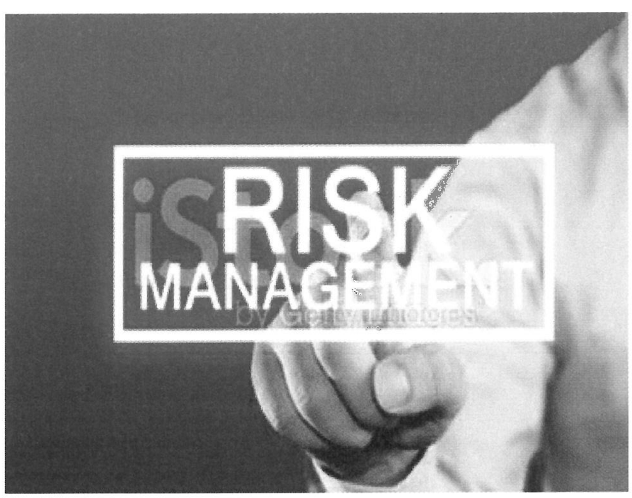
The Cost of Risk is the ratio of the expenditures for the County's various cost of claims paid divided by the County's Operating Budget in a specific fiscal year. The effectiveness of the County's risk management programs, policy decisions, and the effects of State and Federal regulations are reflected in the Cost of Risk since it includes paid workers' compensation claims, general liability claims, and the cost to defend a myriad of tort- and non-tort-related claims. The Cost of Risk also includes the costs associated with loss control and prevention programs, insurance premiums, and operational and administrative expenses.

During FY 2015-16, the County experienced a decrease in the Cost of Risk of 0.4%. The decrease is attributed to cost savings seen in the workers' compensation program.

The County's Objective is to Minimize its Total Cost of Risk

Detailed information is listed in the "Statistics" section of this report regarding the number of claims and expenses for each of the last three fiscal years, by department, for Workers' Compensation, State of California Labor Code 4850 and Salary Continuation, Vehicle Liability, General Liability, Employment Practices Liability, Law Enforcement Liability, and Medical Malpractice.

The table on next page illustrates the totality of all categories of risk as related to the County's Operating Budget.



RISK FINANCING

The County currently finances nearly all losses on a cash basis; therefore, any liability or workers' compensation claim that arises is subject to cash payment by the County regardless of size. Based on the nature and scope of County operations, natural disasters, and external influences, County departments will be susceptible to large claims that significantly impact expenses. The results of FY 2015-16 illustrate this susceptibility; ten claims accounted for 24.7% of all General Liability expenses and ten claims accounted for 42.4% of all Vehicle Liability claims. The County has instituted several risk management techniques to manage the cost of large loss claims outside of litigation management. Minimizing the frequency of claims minimizes the possibility of one of those claims becoming a large loss. The County currently utilizes loss control and prevention best practices specific to departments that are coordinated through the CEO as follows:

- Corrective Action Plans and/or Summary Corrective Action Plans are required for all settlements with an indemnity amount excess of $100,000 and as requested by the Risk Management Inspector General. These plans summarize the nature of the claim and identify the root cause of the problem and corrective action steps to be taken by the department, or the County as a whole, to minimize the potential for similar events to occur.

- Risk Management Plans are developed by each department on an annual basis. These plans provide an overview of each department's risk management program, significant risk issues for that department, and mitigation measures or goals designed to prevent or minimize the given exposure.

- Management Appraisal and Performance Plan (MAPP) goals are established by each Department Head on an annual basis. These goals are tracked and evaluated through the Department Head's performance evaluation.

- The CEO provides reporting and early trend analysis capabilities through departmental specific dashboards. This includes a drill-down capacity to identify the "Top 5 Causes of Concern" for each type of loss.

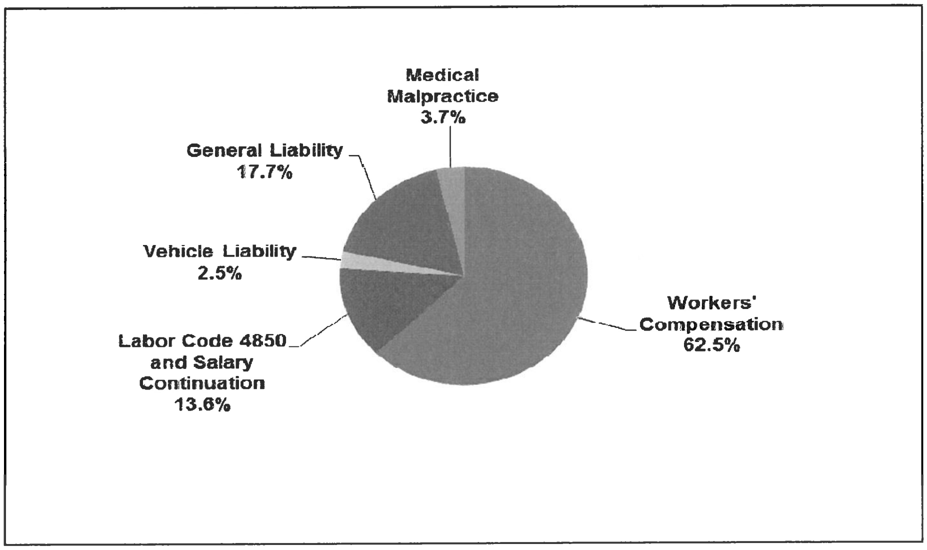
- Contractual risk transferring of large loss potential involves reviewing, recommending, and constructing departmental insurance contract language, including indemnification language and proper endorsement usage that is consistent throughout the County and formulated to provide protection to the various contractors and the County, should an adverse event occur. County Counsel and CEO Risk Management Branch collaborate with departments in this endeavor.

The CEO Risk Management Branch performs a myriad of training and education seminars throughout the year to further enhance department efforts to reduce all claims. The efforts of the CEO Risk Management Branch are reflected in the Accomplishments sections of this report.

OVERALL COSTS

The overall Cost of Risk graph below illustrates that workers' compensation accounts for more than 62% of the Cost of Risk. For FY 2015-16, this represents approximately $356 million.

PERCENTAGE OF TOTAL COST PAID BY CLAIM TYPE – FY 2015-16



CLAIM SEVERITY (TOTAL COST PAID) – ALL CLAIMS[1,2,3] – FY 2013-14 THROUGH FY 2015-16

Claim Type	FY 2013-14	FY 2014-15	FY 2015-16
Workers' Compensation[4]	$342,172,562	$359,347,677	$356,101,756
Labor Code 4850 and Salary Continuation	$72,529,272	$68,383,159	$77,325,390
Vehicle Liability	$10,679,637	$8,834,434	$14,469,796
Law Enforcement Liability	$33,702,361	$48,318,840	$47,104,910
Employment Practices Liability	$14,009,145	$21,081,049	$14,542,446
Other General Liability	$25,557,899	$37,232,878	$39,061,190
Medical Malpractice	$16,479,158	$16,696,689	$20,874,145
TOTAL	**$515,130,034**	**$559,894,726**	**$569,475,400**

1. Data does not include unemployment costs.
2. Data includes pending and non-jurisdictional departments, but does not include associated agencies that are not County departments, i.e., MTA, Foothill Transit, etc. This information includes County Counsel tort claims.
3. Amount Paid is the total of the transactions paid by coverage code in the fiscal year; amount includes indemnity and legal fees and expenses, regardless of occurrence date; does not include Reported But Not Paid (RBNP) or Incurred But Not Reported (IBNR) reserves.
4. Workers' compensation paid does not reflect State of California Labor Code 4850 and Salary Continuation payments, which are shown separately.

WORKERS' COMPENSATION PROGRAM

The County's Self-insured Workers' Compensation Claim Administration Program is the largest local governmental program in the State of California. As a mandated employer-funded social benefit program, it is responsible for administering over 30,000 open workers' compensation claims with over 11,000 new workers' compensation claims reported annually. Statutorily mandated benefits are delivered through partnerships with three Third Party Administrators (TPAs), three medical management and cost containment contractors (MMCCs), and a pharmacy benefit management company (PBM). The Workers' Compensation On-Site County Representatives (OSCRs), within the CEO Risk Management Branch, provide assistance to TPA staff, County departments, and injured workers. In addition, OSCRs authorize high value settlements and payment transactions, perform fiscal reconciliation services, and act as liaisons between departments, defense counsel, and TPAs. County Counsel staff and contracted defense attorneys provide legal support.

Workers' compensation expenses are generally separated into three categories: 1) allocated benefit expenses (ABE); 2) allocated loss adjustment expenses (ALAE); and 3) unallocated loss adjustment expenses (ULAE). ABE includes medical benefits, salary continuation and temporary disability benefits, permanent disability benefits, and death benefits. Such expenses are charged to the workers' compensation claim file. ALAE includes non-benefit payments to contract law firms, investigation firms, and other ancillary service providers.

Such expenses are also charged to the workers' compensation claim file. ULAE includes the cost of TPAs, MMCCs, County Counsel Workers' Compensation Division staff, CEO Risk Management Branch staff, State User Assessments, and other overhead charges required to administer the program. Such expenses are not charged or allocated to the workers' compensation claim file.

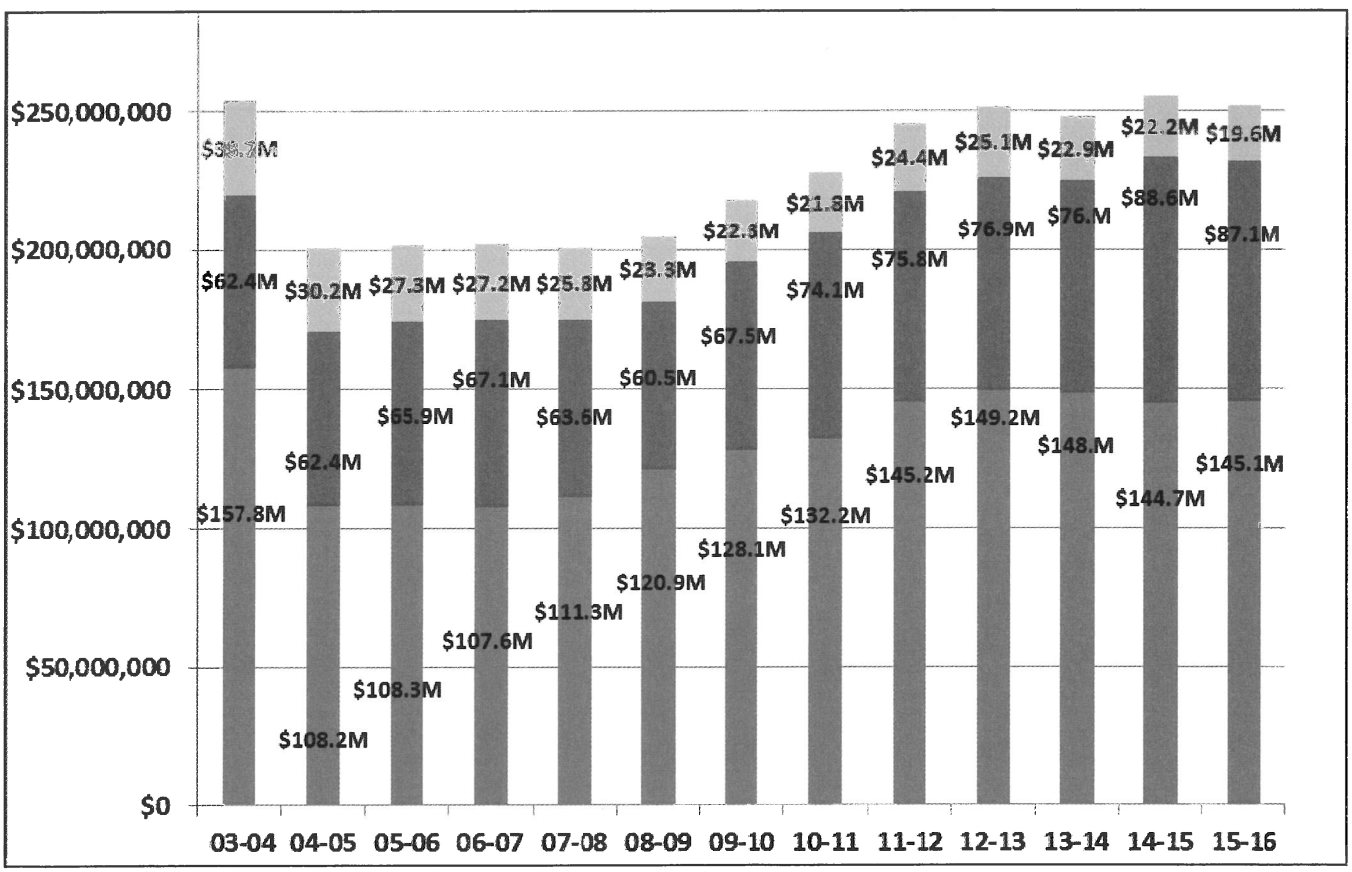
Workers' Compensation Program — Major Allocated Benefit Expenses

In FY 2015-16, total medical expenses remained stable and equaled $145.1 million. This represents a 0.3% increase from the total medical expense of $144.7 million experienced in FY 2014-15. Temporary disability expenses decreased from $22.2 million in FY 2014-15 to $19.6 million in FY 2015-16, a decrease of 11.7%. FY 2015-16 salary continuation expenses (including Labor Code 4850 benefits) increased 13.0% from $68.4 million in FY 2014-15, and totaled $77.3 million. CEO Risk Management Branch believes the Labor Code 4850 expense is driven, in part, by increases in service connected disability retirement filings and demographics.

Permanent disability expenses decreased 1.7%, from $88.6 million in FY 2014-15 to $87.1 million in FY 2015-16.

CEO Risk Management Branch anticipates future increases in permanent disability payments as a greater number of workers' compensation claims are subject to the permanent disability rating established under Senate Bill 863. The trend of increasing permanent disability expense is expected to continue into the future.

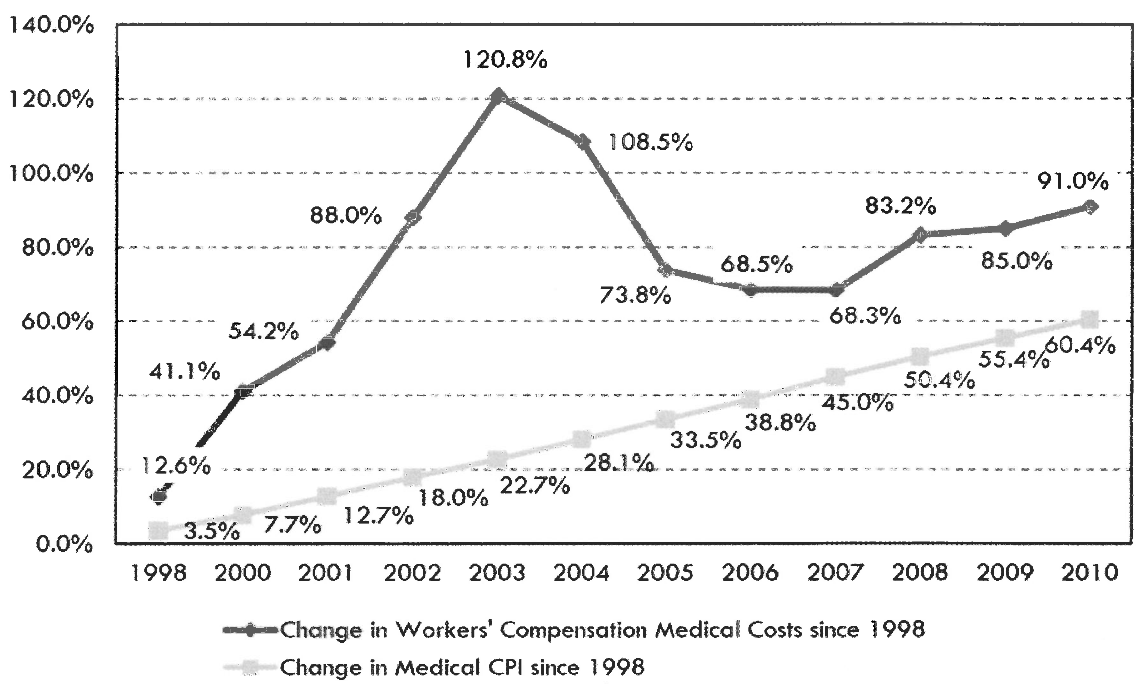
Workers' Compensation Major Benefit Expenses



Traditionally, the County workers' compensation program's allocated and loss adjustment expenses account for approximately 20-22% of overall program expenses. The ALAE and ULAE represent the legal, administrative, and operational costs to deliver balanced workers' compensation benefits. In FY 2015-16, the combined ALAE and ULAE represented 20% of program expenses. This compares favorably against the expense experience of California's workers' compensation insurers and other self-insured employers. The California Commission on Health and Safety and Workers' Compensation (CHSWC) 2015 Annual Report reflected insurer ALAE and ULAE accounted for 38% of overall workers' compensation system-wide expenses in Calendar Year 2014.

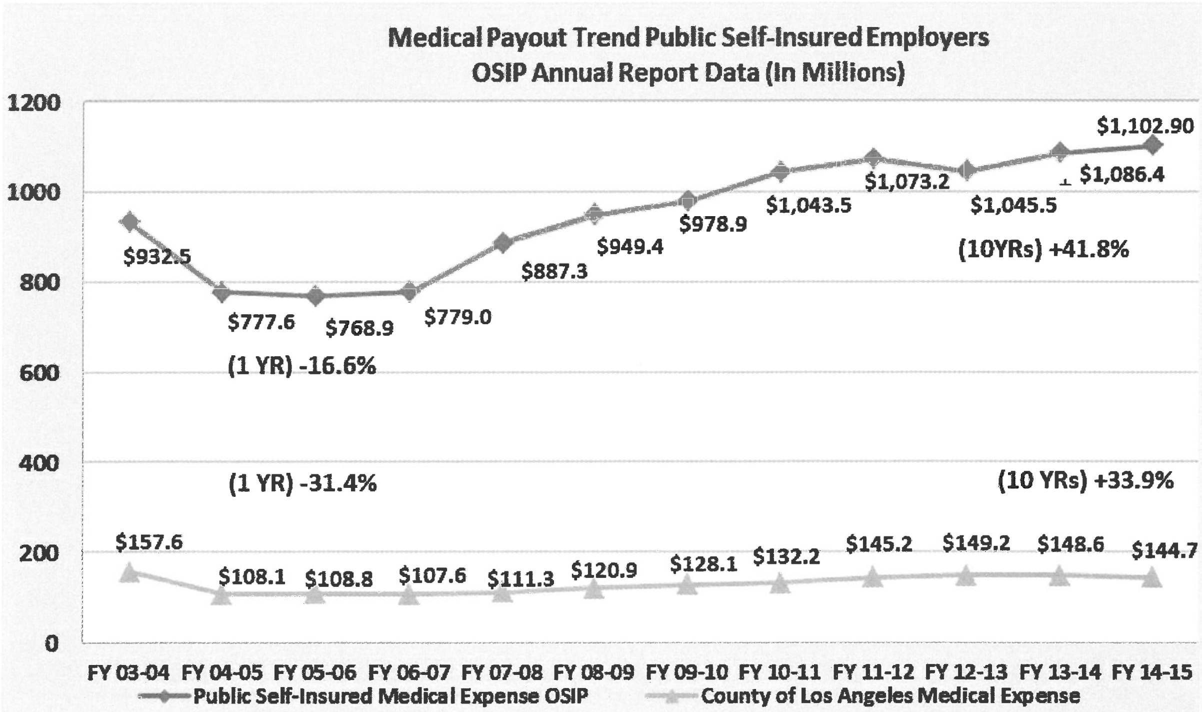
Over the last ten years, County loss adjustment expenses have increased, in part, due to medical management cost containment strategies that include utilization review. CEO Risk Management Branch believes California's implementation of evidence-based medical guidelines, along with other reforms, have stabilized the workers' compensation medical inflationary trends experienced in the late 1990s and early 2000s. The graphs below demonstrate the impact of workers' compensation legislation that became effective in 2004, and its impact on cost stabilization.

WORKERS' COMPENSATION MEDICAL EXPENSES VS. MEDICAL INFLATION SINCE 1998

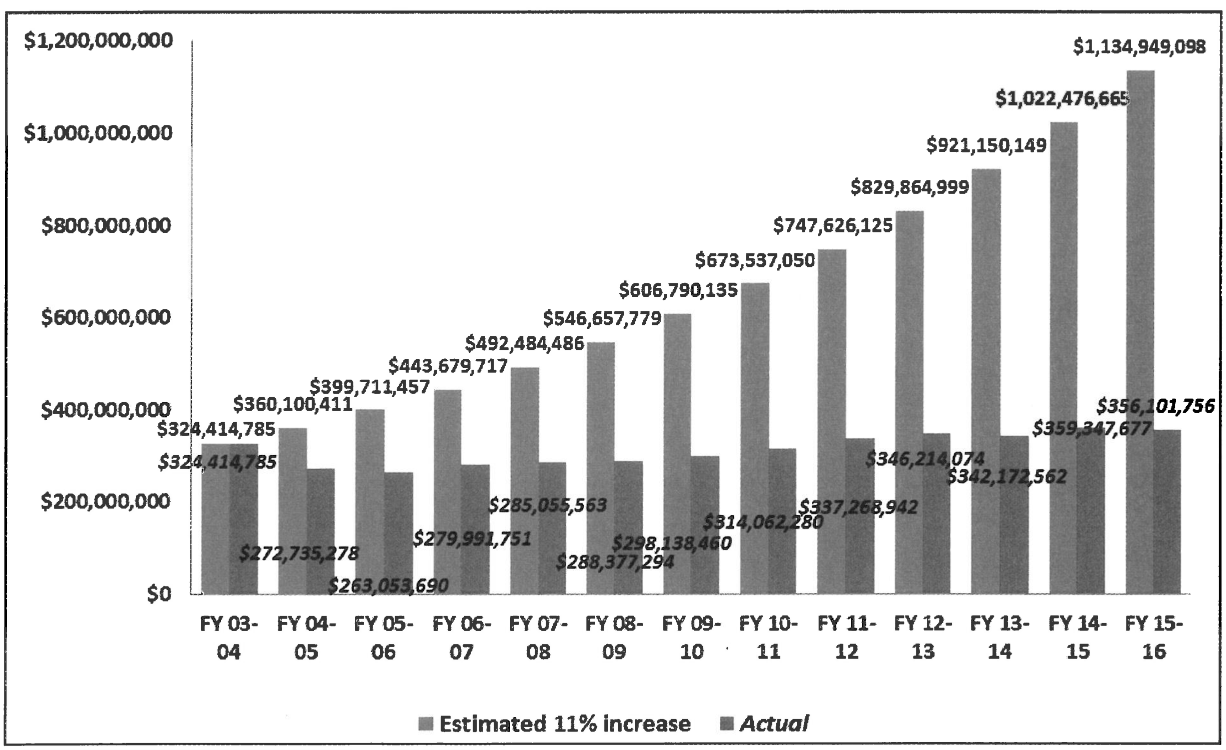


SOURCE: Commission on Health and Safety and Workers' Compensation – Data Source: WCIRB; Bureau of Labor Statistics

WORKERS' COMPENSATION — EXPENSES



WORKERS' COMPENSATION EXPENSES (EXCLUDING SALARY CONTINUATION AND LABOR CODE 4850) COMPARISON - ESTIMATED WITHOUT REFORM AND ACTUAL EXPENSES



Medical expenses are the largest single component of the workers' compensation program cost. During FY 2015-16, the Program received over 425,000 bills accounting for 1,737,000 lines of procedures, services, or supplies from medical service providers. These bills were for medical services to treat injured workers that included inpatient hospital services, nursing care, surgery, physician visits, physical therapy, chiropractic care, durable medical equipment, and drug therapy. Each bill is reviewed to ensure charges are paid at or below the Official Medical Fee Schedule.

The workers' compensation program applies utilization review (UR) processes to assess physician treatment requests. UR is the process used by California workers' compensation insurers and administrators to determine if requested medical care is consistent with the California Medical Treatment Utilization Schedule. CEO and MMCC staffs collaborate with respected physicians to determine reasonable utilization review triggers to ensure medical treatment can be delivered in an unencumbered manner. The evaluation of UR triggers is ongoing and protocols are re-assessed periodically and influenced by physician prescribing patterns.

In FY 2011-12, a PBM was established to improve the evaluation of drug therapies prescribed to County injured workers. Some of the goals, results, and features of the PBM follow:

- Increased generic drug utilization to 96.5% (an increase of 45.1% over the baseline).
- Increased home delivery to 14.8% (an increase of 82.7% over the baseline).
- Increased PBM Network penetration to 93.0% (an increase of 36.0% over the baseline).
- Drug trend analysis, patent expiration, dispense as written costly drug identification, and morphine equivalent dose (MED) management.

In FY 2012-13, pharmacists from the PBM identified significant use of costly compound medications on the workers' compensation program. CEO staff utilized data mining capabilities provided by the PBM to identify questionable compound medication prescription patterns. CEO Risk Management Branch, in collaboration with the Office of County Counsel, TPAs, and MMCCs, established on-going strategies that significantly reduced unwarranted compound medication costs. This represents one example of the value of the PBM.

LIABILITY CLAIMS MANAGEMENT

The Liability Claims Management Section, within the CEO Risk Management Branch, provides consultative support and direction in the administration of various claims and lawsuits filed against the County. This includes first- and third-party property claims, and claims arising out of Vehicle Liability, General Liability, Employment Practices Liability, Law Enforcement, and Medical Malpractice. Overseeing the various claims involves providing administration and direction to two TPAs, Carl Warren & Company and Sedgwick Claims Management Services. Additionally, the Section pursues small claims and recovery opportunities and defense not performed by TPAs or County Counsel.

GENERAL LIABILITY CLAIMS

Carl Warren & Company currently oversees a majority of the general liability claims that encompass the subsets of Vehicle Liability and Employment Practices Liability. The following are Key Performance Indicators (KPIs) for General Liability claims handled by this TPA:

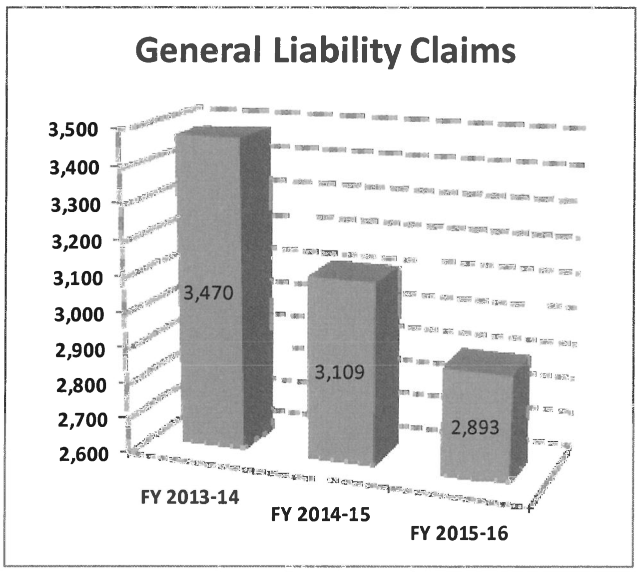
- Claim Closing Ratio (number of files opened/number of files closed) - Tracks the total number of cases opened and closed during a defined period of time. This is used to analyze caseloads and claim closure efficiency, and is an indication of whether the claims operation is conducting timely investigations, evaluations, and other activities to bring claims to a conclusion. It has been shown that the sooner a case is resolved and closed, the less expensive it will be.

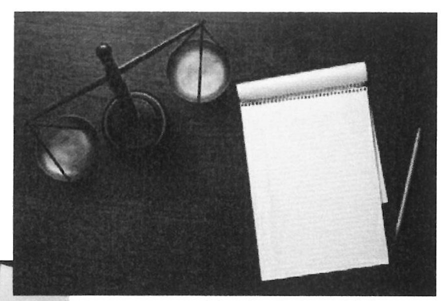
TYPE	FY 2013-14	FY 2014-15	FY 2015-16
Claim Closing Ratio	99%	77%	86%
Allocated Loss Adjustment Expense Ratio	58%	58%	57%
Litigation Reserve Ratio	29%	40%	40%

Liability Claims Management — General Liability Claims

Data Analysis

The TPAs are not solely responsible for the management of the respective programs under their purview since they do not control the entire claims administration process and have limits on their authority. However, the data and audits of the TPAs' performance indicate the TPAs are managing claims timely and within expected cost parameters.





Liability Claims Management — Medical Malpractice Claims

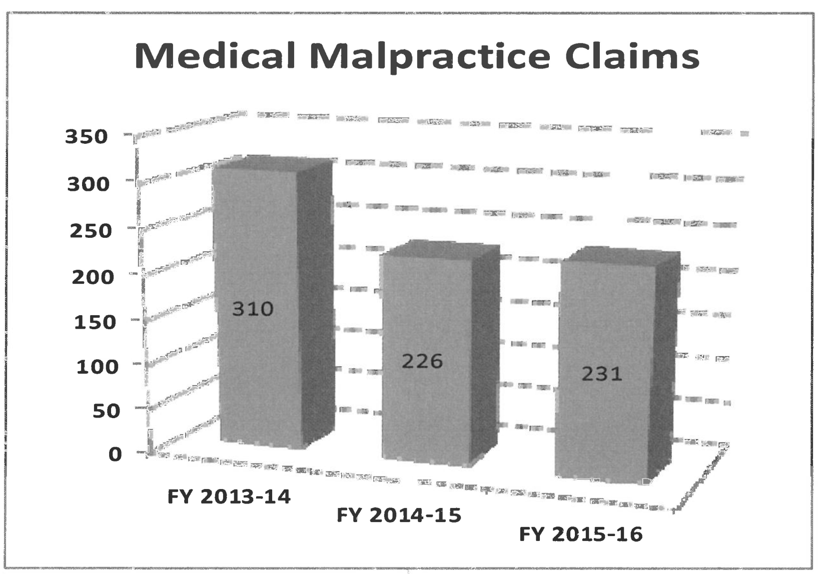
Sedgwick Claims Management Services oversees claims related to professional liability programs that encompass Medical Malpractice and Hospital Professional Liability.

Data Analysis

Sedgwick Claims Management Services manages both non-litigated and litigated claims. These claims tend to behave differently than General Liability claims, as experts are more prevalent in determining the potential exposure to the liability. However, the principles of the KPIs described in General Liability, i.e., claim closing ratio, allocated loss adjustment expense, and litigation reserve ratio are all valid performance measures for medical malpractice claims.

The data and audits for TPA performance show that Sedgwick Claims Management Services is managing the claims timely and within expected cost parameters.

TYPE	FY 2013-14	FY 2014-15	FY 2015-16
Claim Closing Ratio	109%	117%	104%
Allocated Loss Adjustment Expense Ratio	25%	26%	18%
Litigation Reserve Ratio	16%	19%	23%



RECOVERY

The Recovery Unit has been redesigned this fiscal year and will focus its efforts specifically on the actions necessary to pursue those who cause loss to the County. These recoveries reduce the cost of claims against the County and ensure that responsible parties are held accountable. Recoveries are primarily from vehicle accidents but they can also arise from County agreements, insurance, or workplace injuries. The Unit focuses on the following areas:

Small Claims

The Unit represents the County in cases that are filed in the Superior Court Small Claims Division. It also administers lost or stolen property claims filed against the Sheriff's Department and the Department of Health Services, and damage losses occurring on County property. In Fiscal Year 2015-16, the Unit represented the County in 50 Small Claims Court actions and achieved an 80% success rate. The Unit recovered a total of $32,006.00 for lost or damaged property.

Property Damage

The Unit subrogates claims when County property is damaged by a third party and assists departments in administering the County's permittee driver program. In Fiscal Year 2015-16, the Unit was able to recover approximately $258,000 from individuals and their insurance carriers.

Insurance Recovery

The CEO Risk Management Branch currently purchases insurance each year for various lines of coverage and exposure. The County has a very good claims history but, when a loss occurs, this Unit works with the insurance companies to adjust any claims and obtain reimbursement for damages.

In Fiscal Year 2015-16, the County recovered $69,087 in insurance proceeds for a fire that occurred near the Department of Health Services headquarters. The Unit is seeking an additional $102,000 from the land owner and developer for amounts that are not reimbursable from insurance.

Subrogation Recovery

Subrogation is the substitution of the representation of the County to a third party entity to recover money from a responsible third party that damaged County property. As part of the County's contracts with TPAs, they are required to seek recoveries for damaged County vehicles. In Fiscal Year 2015-16, the TPAs recovered $897,919 for the County, from individuals and their insurance companies.

Workers' Compensation

This Unit, with the assistance of the On-Site County Representatives within the Workers' Compensation Field Operations Unit, monitor and provide assistance to TPA staff in the investigation and ultimate recovery of money spent on an injured employee that was caused by a third party. The Unit reviews weekly reports of new injuries and verifies that the TPA has identified a potential responsible third party and has begun the investigation. The Unit will assist in the document gathering by obtaining contracts, leases, certificates of insurance, and property damage estimates to better document the injury and its severity. In Fiscal Year 2015-16, the County's Third Party Administrators, with the assistance of County Counsel and outside counsel, recovered $1,387,947 from responsible parties and their insurance carriers. Recovery from insurance policies purchased between 1969-1977 by the County was $609,902.

Liability Claims Management — Objectives FY 2016-17

Moving forward, Liability Claims Management Section will focus on several initiatives to increase its visibility to County departments and to further enhance abilities, as follows:

- The Section will develop the following procedures and processes to improve recoveries in the County:
  - Departments' claim handling procedures.
  - Fire/Rescue claim recovery procedures.
  - Third Party Administrators referral procedures.
  - Workers' Compensation small claim recovery procedures.
- To be successful in the recovery efforts, the Section will look to increase authority for CEO Risk Management. This increased authority will allow the County to apply claims best practices to the administration and oversight of County claims which will result in better outcomes through increased efficiency, effectiveness, and control over the claim process.
- Using better metrics, policies, and authority, the Section will lead the Third Party Administrators, County Counsel, and departments to improve the liability claim processes and increase the amount of recoveries.
- Establish and conduct training for County departments on the opportunities for recovery, claim documentation, and incident investigations.
- Apply standard adjusting practices to the County's Mileage Permitee Program to reduce waste within the Program.
- Allocated Loss Adjustment Expense Ratio (ALAE/Total Expenses) - A percentage of expenses such as attorney fees, Investigation costs, and other specific costs associated with the claim as a part of the total claim cost, including indemnity payments. ALAE is used to track the costs of defending the claim and are separate from indemnity expenses. Insurance claim operations ALAE ranges from 17% to 25%. This is very good in private industry but due to the nature and severity of the exposures in the County, this percentage is not realistic. When new metrics and analytics are developed, this KPI will be refined to reflect the exposure to the County.
- Litigation Reserve Ratio - metric tracking the percent of legal fees paid as compared to the total reserved value of the case. This KPI is important since there should be a reasonable correlation between the ultimate settled or closed case value and the amount of legal fees paid. It is known what this ratio should be but through better metrics and analytics, this will be determined in the future.