



PO Box 1749  
Halifax, Nova Scotia  
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## Item No. 4

**Halifax Regional Council**  
**October 30, 2007**

**TO:** Mayor Kelly and Members of Halifax Regional Council

A handwritten signature in dark ink, appearing to read "M E Donovan", written over a light blue horizontal line.

**SUBMITTED BY:**

\_\_\_\_\_  
M E Donovan, Director, Legal Services & Risk Mgt.

**DATE:** September 26, 2007

**SUBJECT:** Claims information

### INFORMATION REPORT

**ORIGIN** : Request by Halifax Regional Council for information on the amount of money paid out annually related to Metro Transit claims.

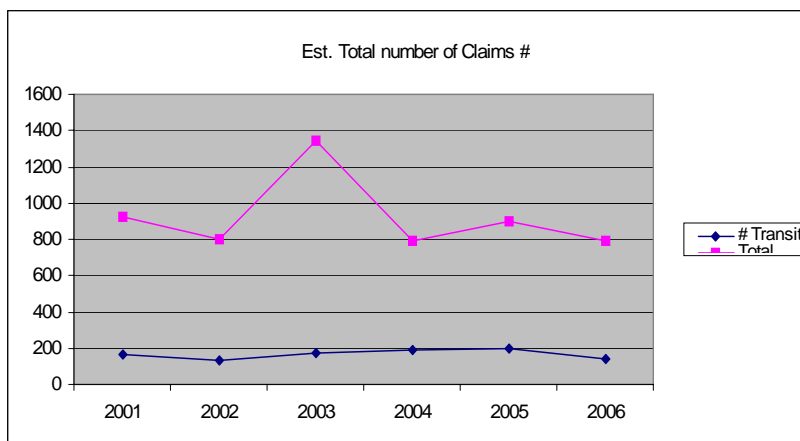
## **BACKGROUND**

This report is in answer to a question raised by council for more information on claims against the HRM and specifically Metro Transit claims. There was an additional request to compare our experience with other transit operations so we requested information from the Canadian Urban Transit Association and were advised that they are setting up a task force shortly to complete a study for 2007 data. HRM will participate and will report this information when collected. Participating in a national survey has a benefit as they will provide the standard for data collection so that comparisons can be made.

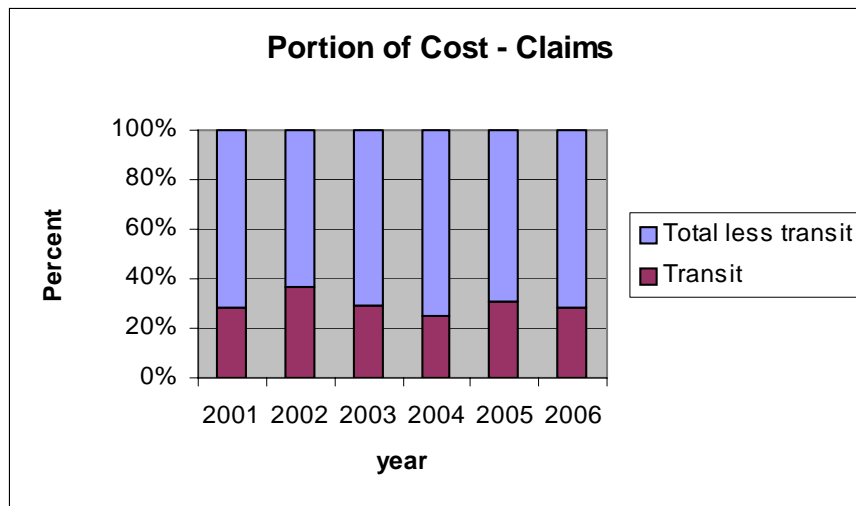
Shortly after amalgamation Council approved an insurance program for the newly amalgamated region. This new program replaced the policies in place in the City of Halifax, County of Halifax, City of Dartmouth, Town of Bedford and the Metropolitan Authority. The main change introduced by this program was the introduction of a \$100,000 deductible. Prior to this point deductibles ranged between \$10,000 and \$25,000 which meant that most claims were settled by the insurer. There were strong economic reasons for this change but it means more claims have to be approved by HRM council.

## **DISCUSSION**

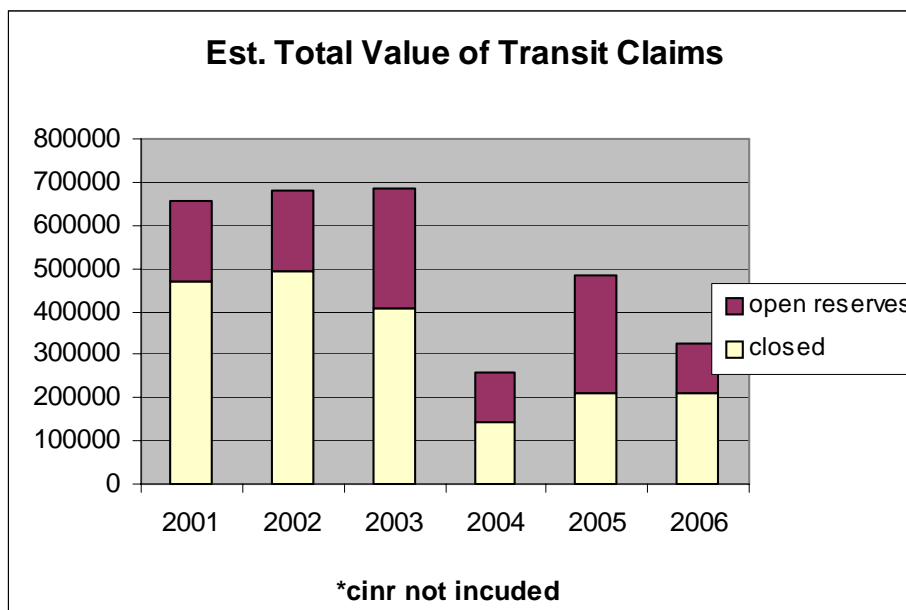
The total number of claims received each year has remained between 800 and 900 claims per year. Metro Transit related claims account for approximately twenty percent of the total claims.



Due to the type of accidents, these claims account for a higher percentage of total cost. In 2005 for example, Metro Transit claims accounted for thirty percent of the total claim cost and in 2006 it is estimated to be in the twenty-eight percent range.

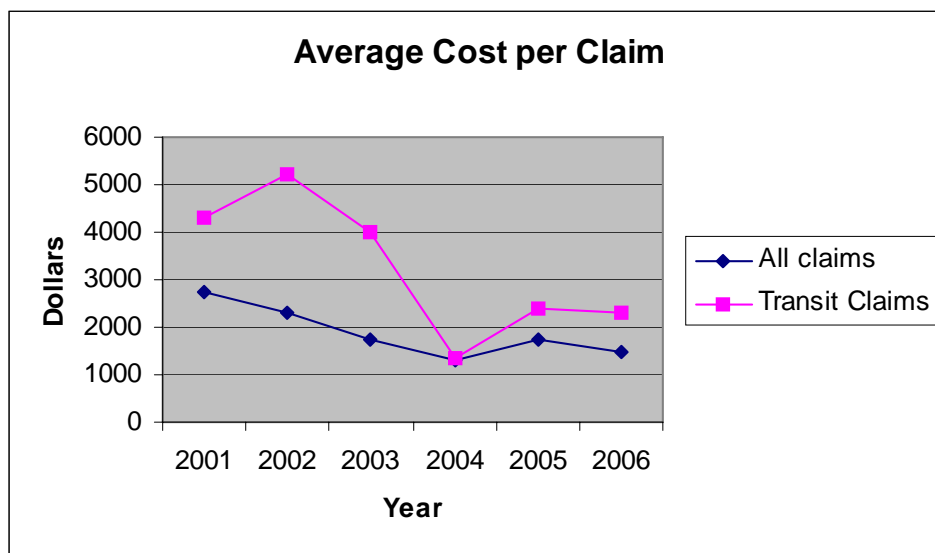


The total claim value has been declining however. The reasons for this primarily relate to the change in legislation limiting the amount which a person can claim for minor personal injury, changes in our strategy toward defending these actions and reducing expenses. As you can see from the graph below, the value of actions, both actual and reserved have dropped considerably since 2003. As the number of claims has not dropped, the conclusion is that the reduction in cost has been in the personal injury portion of the claim and expenses. The portion of total cost reserved for outstanding claims is still a substantial portion of the graph. Normally our reserves have been conservative with settlement below the amount reserved.



This change in cost has also been reflected in the average cost per claim. Although Regional Council approves the major claims settlements, the average cost per transit claim was \$2,287. in

2006. This was down considerably from a high of \$5,206 in 2002 in spite of the effect of inflation on expenses. This average includes vehicle repair cost, vehicle rentals etc. Part of the reduction in cost for 2006 claims reflect the internalization of claims adjusting.



During the last couple of years the focus has also been on reducing the cost of each claim and, as the graph above shows, there has been some success in this regard. Although there has been an increase in the number of kilometres of the fleet (12,500,000 KM in 2006), due to fleet expansion, the number of Metro Transit accidents has not increased correspondingly.

Furthermore, to encourage safe driving Metro Transit has a Safe Driver award system and each accident is reviewed. Legal Services and Risk Management have provided assistance in training of operators on what to do in an accident as well as supervisors and have met with the previous Manager to discuss additional refresher training for operators. Passenger safety is very important to Metro Transit and we will continue to support them in this regard.

The information contained herein is a combination of actual costs expended and the amount reserved for outstanding claims. Complex claims may be outstanding for up to five years and in some cases longer. To estimate the cost of these claims we have included a reserve amount. A reserve is the amount we estimate on the filing of the claim of the future cost of the claim including expenses. The information herein includes these estimates for comparison purposes. Another consideration is that claims are not always reported in the year they incur. For example, in 2006, not all claims received were a result of an incident occurring in 2006. One hundred and two (102) claims were from prior years. While most were from 2005, some referred to prior dates. This means that the number of claims reported for each year will increase slightly as time passes as these claims are brought forward. This will have the most impact on the most recent years numbers.

## **BUDGET IMPLICATIONS**

All expenses included in this report are budgeted in fiscal services portion of the budget.

## **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

## **ALTERNATIVES**

None

## **ATTACHMENTS**

None

If the report is released to the public, a copy can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Peter Ross, Manager, Risk and Insurance Services