

JUNE 16, 2015

LOS ANGELES FIRE DEPARTMENT



RALPH M. TERRAZAS
FIRE CHIEF

June 1, 2015

BOARD OF FIRE COMMISSIONERS
FILE NO. 15-059

TO: Board of Fire Commissioners

FROM:  Ralph M. Terrazas, Fire Chief

SUBJECT: COST OF RISK REPORT FOR FISCAL YEAR 2013-2014

FINAL ACTION:	<input type="checkbox"/> Approved	<input type="checkbox"/> Approved w/Corrections	<input type="checkbox"/> Withdrawn
	<input type="checkbox"/> Denied	<input type="checkbox"/> Received & Filed	<input type="checkbox"/> Other

SUMMARY

The Cost of Risk Analysis report for Fiscal Year 2013-2014 (FY 13/14) has been provided to assist the Los Angeles Fire Department (LAFD) in their efforts to reduce costs in Workers' Compensation, City vehicle and general liability claims, and associated costs. To provide a more accurate picture of the LAFD's current cost of risk, data provided herein is based on the incident date rather than the payout date as claims may be paid out years after the accident/incident occurred.

RECOMMENDATIONS

That the Board:
Receive and file the Cost of Risk Report FY 13/14.

DISCUSSION

GENERAL LIABILITY: CLAIM FREQUENCY AND COSTS

The LAFD saw a slight upward trend in Claim/Litigation frequency; however, there was a significant trend downward of 92% in severity cost and 93% in cost per claim. The decrease in costs is a direct result of the LAFD's efforts in establishing policies, procedures, and training that limit litigation, grievances, and provide uniformity.

The FY 13/14 budget provided 3,537 authorized positions. During this period, the LAFD responded to 430,630 incidents, averaging 1,180 per day. As shown in the next table, the general liability costs are significantly lower than other public safety departments, even when accounting for the difference in personnel.

FY 13/14 General Liability		
	Fire	Police
General Claim Frequency	42	388
General Severity Cost	\$45,375	\$13,928,833
General Liability Payouts	\$170,330	\$27,727,434
Staff Count	3,537	13,647
Average Per Member	.011	.028

In further comparison, LAFD General Liability payouts were less than payouts by Public Works (Street Services), Transportation, Recreation and Parks, City Planning, Public Works (Sanitation), and the City Attorney's Office.

VEHICLE LIABILITY: CLAIM FREQUENCY AND COSTS

The LAFD continues a downward trend with a reduction of 13% in vehicle accidents in FY 13/14. During FY 13/14, the LAFD responded to 430,630 emergency incidents involving 902,910 responses, averaging 2,474 daily responses. The daily average does not include non-emergency incident responses, such as routine business driving or activities including fire prevention services, supply and equipment delivery, and community services.

FY 13/14 Vehicle Liability		
	Fire	Police
Vehicle Claim Frequency	70	265
Vehicle Severity Cost	\$368,280	\$13,928,833
Vehicle Liability Payouts	\$985,130	\$8,543,093
Average Cost Per Claim / Litigation	\$5,261	\$35,899
Additional City Department Comparisons		
Public Works	Sanitation	Street Services
Vehicle Claim Frequency	369	87
Vehicle Severity Cost	\$3,842,944	\$698,991
Vehicle Liability Payouts	\$695,831	\$602,840
Average Cost Per Claim / Litigation	\$10,414	\$8,034

WORKERS COMPENSATION

There has been a 12% decrease in the amount of claim injuries for FY 13/14 with costs remaining the same per employee in comparison to the five-year average. An implementation of the Injury Illness Reporting System (IIRS) in 2011 has streamlined the injury reporting, accountability and investigation process.

The IIRS is currently being improved to provide immediate and automatic reporting to the City's IVOS injury reporting system and Acclamation Insurance Management Services (AIMS). The LAFD is currently utilizing data collection systems to identify

trending injuries, injury and illness causes, and related costs as an effective tool in injury prevention, cost reduction, and improve the return to work process.

In March 2015, the LAFD responded to the Los Angeles City Controllers Workers' Compensation Audit. The LAFD's response included 19 recommendations directed at reducing Workers' Compensation costs by preventing work-related injuries and illnesses, utilizing and reviewing data matrixes, and improving the employees' health and fitness. Additionally, the LAFD is collaboratively working with the City Personnel Department, AIMS, and other internal Sections.

FY 13/14 Workers' Compensation		
	Fire	Police
Workers Compensation Frequency	1,048	2,814
Claim Cost per Employee	\$6,790	\$2,933
Workers Compensation Payout	\$28,255,663	\$75,626,583
LAFD: 1 out of 3.4 employees filed a Workers' Compensation claim with an average cost per claim of \$23,256.		
LAPD: 1 out of 4.9 employees filed a Workers' Compensation claim with an average cost per claim of \$14,286.		

CONCLUSION

The FY 13/14 Cost of Risk Report demonstrates that the LAFD is accomplishing the goals outlined in the LAFD Strategic Plan in accordance with the Fire Chief's priorities of service delivery, utilization of technology, accident prevention, and promotion of safety. Because the LAFD has minimal control regarding costs associated with medical procedures and treatment, the LAFD is prioritizing programs and procedures directed at health and wellness education, injury and illness prevention, and enforcement of new and existing LAFD policies to improve safe working conditions and environments in order to most effectively impact costs associated with injuries and accidents.

Board report prepared by Battalion Chief Robert J. Takeshita, Risk Management Section.