

Office of the Chief Financial Officer

Annual Risk Management Report

Submitted on May 22, 2025



TAKE PART
Opportunity Rising



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Executive Summary

The City Charter requires the City to have a Risk Management Council, an advisory body to the Mayor, to identify areas of interest and to consume information organized by the Director of Risk Management. The City Charter specifies the membership of the Risk Management Council.

This Report summarizes areas of interest (as identified by the Risk Management Council), presentations made to the Risk Management Council on those topics, and action items to be taken to reduce the City's risk exposure. The Report also identifies areas of focus that will be addressed in the near future.

Insurance Program – Summary

Coverage	Limit	Deductible	Notes
All Risk Property	\$ 1,000,000,000	\$ 500,000	Includes a \$100 Million sub-limit for flood coverage
Cyber (included in Property)	2,000,000	Various	
Excess Cyber Liability	3,000,000	2,000,000	(xs of Primary Cyber) ¹
Airport Liability	200,000,000	1,000	
Helicopter - Hull & Liability	25,000,000	10,000	
Treasurer Bond	20,000,000	N/A	
Fine Arts	31,000,000	2,500	
Workboat - Hull & Liability	1,000,000	1,000	
Excess Marine Liability	1,000,000	1,000,000	(xs of Primary) ²
Flood (misc. locations)	500,000	50,000	NFIP flood insurance
General Liability	5,000,000	1,000	

1) Excess Cyber sits above Primary cyber. The Primary cyber (\$2M) is included within the structure of the Property policy.

2) Excess Marine sits above the Primary Workboat Hull and Liability policy.

Insurance Premium – Summary

Coverage	Renewal Date	Premium FY24	Premium FY25	Difference	% Change
All Risk Property	2024-07-01	\$ 3,350,630	\$ 2,595,445	(755,185)	-22.54%
Excess Cyber Liability	2024-07-01	190,400	170,146	(20,254)	-10.64%
Airport Liability	2024-07-01	31,045	28,379	(2,666)	-8.59%
Helicopter - Hull & Liability	2024-07-01	48,798	50,740	1,942	3.98%
Treasurer Bond	2024-10-01	50,000	50,000	-	0.00%
Fine Art	2024-08-07	28,548	-	(28,548)	-100.00%
Workboat - Hull & Liability	2024-11-04	35,064	35,064	-	0.00%
Excess Marine Liability	2024-11-04	2,291	2,749	458	19.99%
Flood (misc. locations)	2024-04-24	16,632	16,632	-	0.00%
General Liability	2024-07-01	273,092	299,305	26,213	9.60%
Broker Fee		121,000	119,000	(2,000)	-1.68%
TOTAL		\$ 4,147,500	\$ 3,367,460	(780,040)	-18.81%

Insurance Market Update

Market Pressures...



Great Resignation & Quiet Quitting



Social Inflation/
Nuclear Verdicts
& Legislation



Geo Political



Cyber Attacks



Mass Shootings



Ukraine & Middle
East War/Conflicts

***Insured losses** in the first half of 2024 are expected to reach at least \$58 billion, well above the 21st-century average of \$39 billion. It is nevertheless lower than in the previous three years, which all saw global losses exceeding \$60 billion by the end of June at current price levels. However, outlook for the next six months is marked by heightened expectations of potentially costly hurricane season, as well as continuing convective storm activity in the United States and Europe. By early July, the second named storm of the season, Hurricane Beryl, already resulted in potentially multi-billion-dollar losses.*



Aging
Infrastructure



Climate Change



Inflation &
Increased Loss Cost



Natural Disasters



Supply Chain &
Labor Shortage



Proliferation of
"secondary"
perils (SCS)

Insurance Market Update

Impactful issues for insureds:



Property

01

Property capacity:

- Return to stability from incumbents
- Coastal, Earthquake and wildfire capacity continue to come under greater scrutiny
- Targeted growth from new and incumbent markets alike

02

Insurers returned to profitability in 2023 – driven by increased rates rather than reduced loss activity

- \$108b in Global Insured CAT losses in 2023 United States accounted for **80%** of global insured losses
- This marks the 4th consecutive year global losses have topped **\$100b**

03

Global insured losses from natural catastrophes totaled **\$60 billion** in the first half of 2024, 62% above the 10-year average and equal to last year's first-half losses, (*Swiss Re*)

04

Consistent **increases in attritional property losses** (fires, water damage, tornadoes, hail, wildfires) – are secondary perils 'secondary' anymore?

05

After tempering in 2023, **Inflation** again adds to the issue of **valuation across all property classes**



Liability

06

Liability capacity pull back and withdrawals have been significant over the past two years

07

Social inflation & Litigation Financing driving up liability verdicts and settlements

08

Excess Workers Compensation **remains stable, but retained layer may be experiencing increased claims volume**



Cyber

09

Cyber capacity has improved and creating stabilized terms and conditions

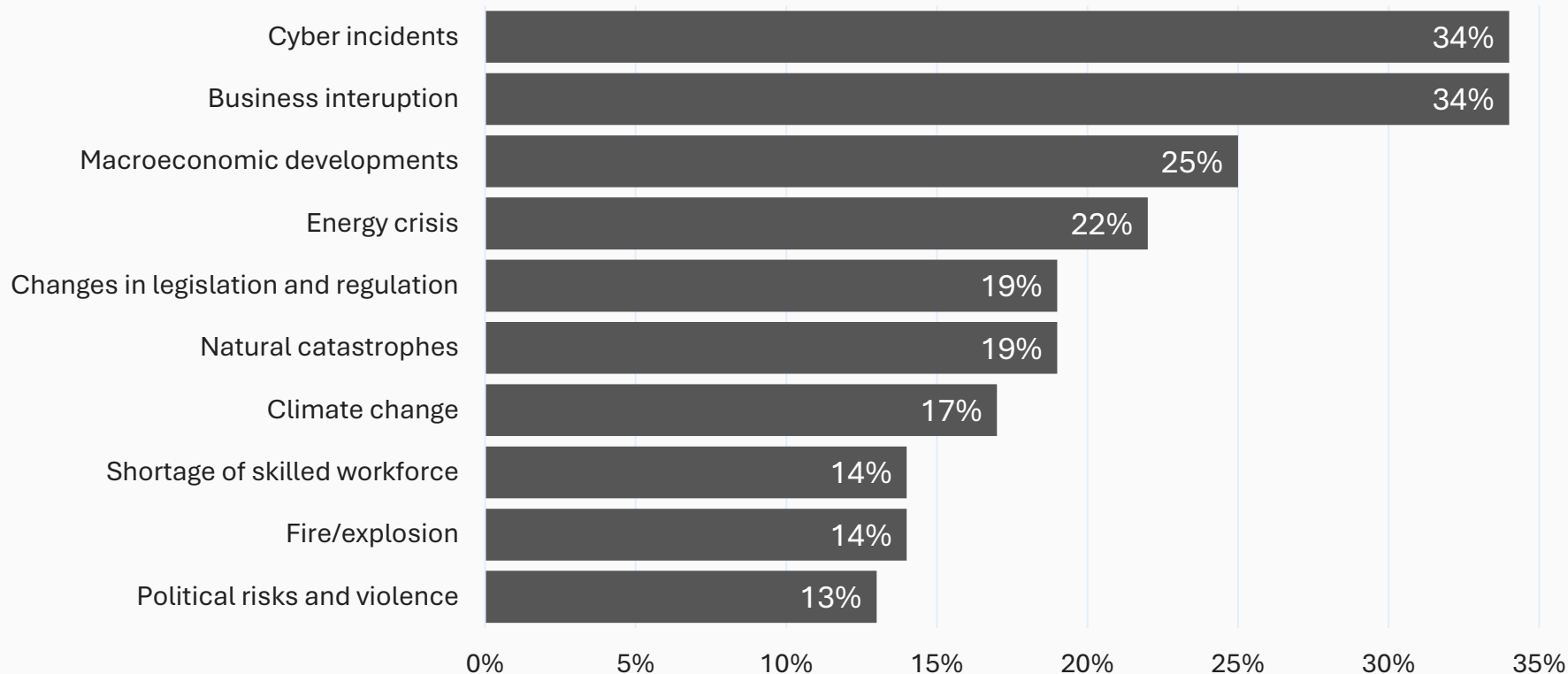
10

Ransomware cyber losses are systemic – **Expecting \$10 Trillion by 2025**



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Risk Managers Top Concerns (2024 Survey Results)



Source: Allianz Global Corporate & Specialty

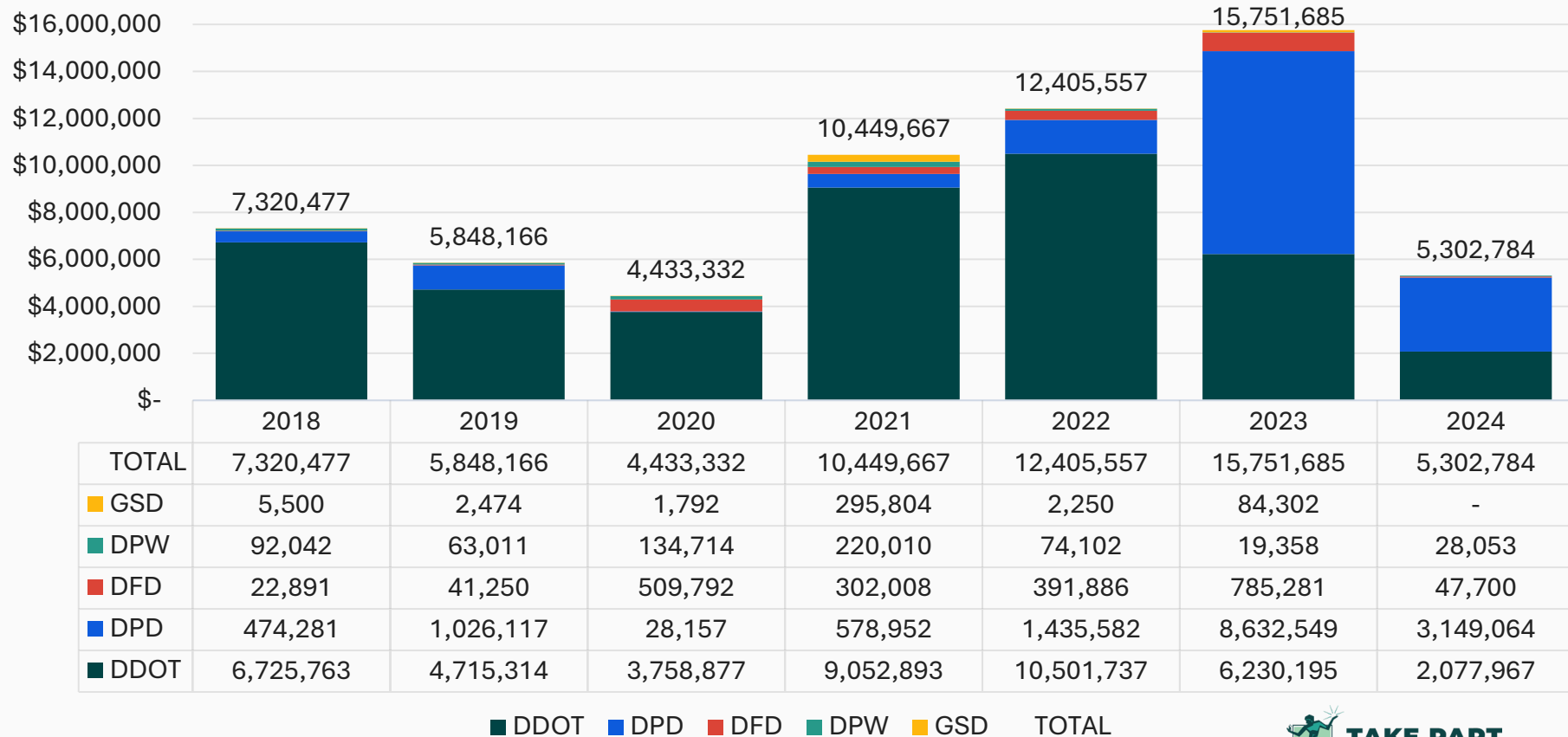
Insurance Program Renewal

- Last year we saw an overall premium decrease of \$ 780,000, an 18% decrease in annual premium costs.
- For the coming renewal (7/1/25) we anticipate a renewal rate premium increase of ~10%.
- Comparable policies, coverage, and limits will be maintained.

Auto Safety Update

- After reviewing the auto loss summary (SEE SLIDE 11) the Risk Management Committee asked for an auto safety update from DDOT and DPD, the two departments that have the most claims.
- In the coming year we will get a comparable auto safety update from DFD.

Auto Loss Update (Litigated Payouts)



DDOT Auto Safety Update

- The DDOT safety team updated the RM committee as to their focused approach to driver hiring, and training, all with an effort towards improving driver auto safety.
- Specific focus has been on reviewing accident causation with an eye towards focusing their safety efforts on reducing preventable losses.
- DDOT also updated the Committee on the prospective timeline for the new bus camera system. This camera system will be a critical safety tool, for the DDOT safety team, in reducing auto related losses, injuries to passengers, drivers and third-party motorists or pedestrians. The results increase the likelihood for significant cost savings to the City.

DPD Auto Safety Update

- DPD provided an overview of the Michigan Commission on Law Enforcement Standards (MCOLES) training program which requires completion of a 32 hour Emergency Vehicle Operations (EVO) course for all academy members.
- The current focus is to look at vehicle accidents to determine if they are “at fault”. At fault, or preventable, incidents require members to complete another EVO remedial driving course focused on safe driving.
- Drivers in preventable accidents are also required to undergo practical driving experience without physical risk to people or other equipment.

Reverse Conviction Cases Update

- Currently, 20 Open cases.
- In addition to the city's exposure these cases allow plaintiffs to recover their attorney fee's.
- The city has engaged in outside counsel for many of these cases.
- The Risk Management Committee will continue to monitor the activity in these cases to determine if any other action is necessary and to ensure that the exposure is adequately funded.

Cyber Security Awareness

Key Cyber Considerations effecting in 2024



Innovation is increasing the cyber attack surface

Automation, AI, and Data Analytics are increasing technology dependence, in addition to potentially expanding vulnerabilities and potential attack vectors



Heavy reliance on third parties & business partners

Pervasive usage of contractors, subcontractors, temporary workers, and third parties can reduce the organization's level of security control, while increasing potential exposures



Evolving cyber-regulatory requirements

Various regulators are enhancing their focus on mandatory cyber requirements, including focus on data protection, breach notification, disclosures, privacy, & controls



Legacy infrastructure

Many organizations are not known for heavy investment in IT, OT, and Security innovation and architecture, and their environments may include significant deprecated systems



Constrained resources/ economic uncertainty

Many organization have lean IT, cyber security, and risk management teams and budgets, which may exasperate cyber exposures



Attractive target for cyber crime

Targeted by Cyber Threat actors due to massive amounts of sensitive data or IP



Cyber Threats

Ransomware

Phishing

Data Breach

Business Disruption

Insider Threats

Nation State Actors

Wire Fraud

3rd Party Compromise

Business email Compromise

Extortion

Cyber Security Awareness

Cyber Market – Cyber Liability Claims Trends



Ransomware losses continue to be a major concern, as it is the #1 cybersecurity threat to all businesses



Select U.S. markets have begun inserting 'widespread event' or 'catastrophic first party loss' exclusions on their renewals



Despite some groups conducting politically- motivated ransomware and data extortion attacks the vast majority of ransomware and data extortion attacks continue to be financially motivated.

Fewer of these attacks involve encryption (locking) of data compared to years past



MetaPixel and Movelt claims have skyrocketed and as such, underwriters are adding exclusions to those without sufficient controls



As the war in Ukraine continues, London underwriters are all deploying proprietary/Lloyd's war exclusion language



Expected increase in state and federal regulations and cyber related enforcement actions

Cyber Security

Training Goals



Prevent or mitigate harm



Create a people-centric culture of security



Help employees navigate cyber threats through user awareness and training



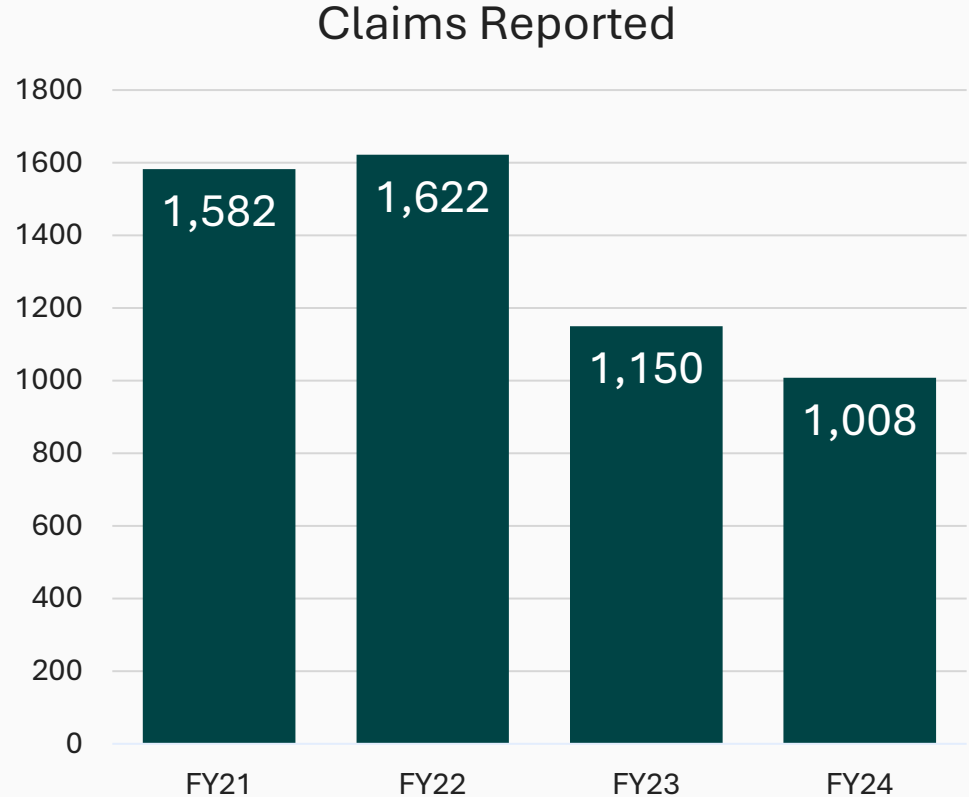
Ensure employee wellbeing by providing knowledge that employees can use in their personal lives

Cyber Security

- The Risk Management Committee has received periodic updates from DoIT as to their internal efforts in cyber security.
- DoIT also provided the Committee with updates as to the employee training for cyber awareness.
- The training is available for all employees with an “@detroit.gov” email address

Workers Comp

- Workers Comp (WC) Update – The Risk Management committee received a WC update from CompOne our third party administrator who handles WC claims for the City.
- See attached complete WC trends report – Exhibit 1



Risk Management Committee Action Items

Auto Safety

- Monitor and support loss control efforts at department level.
- Continue to support the DDOT new bus camera system.
- Monitor and support driver safety, and training needs, for all Employees.

Reverse Conviction cases

- Monitor the resolution of cases and periodically perform a reserve analysis.

Risk Management Committee Action Items

Cyber Safety

- Support the continued training, and cyber awareness, efforts for all employees.
- Work to maintain our cyber insurance coverage.

Workers' Compensation

- Support the safety efforts of our WC staff on the DPD.
- Support Return to Work program.
- Focus TPA efforts to resolve older claims.

Exhibits

- Exhibit 1: RM Committee roster
- Exhibit 2: Work Comp Annual Report

Exhibit 1: Risk Management Council Membership

Department	Delegate
Mayor	Marcus von Kapff, Chief Operating Officer
Corporation Counsel	Conrad Mallett, Deputy Corporation Counsel
Police	Grant Ha, Deputy Chief
Finance (OCFO)	John Naglick, Chief Deputy CFO/ Finance Director
Human Resources	Kimberly Hall-Wagner, Chief of Policy & Planning
Auditor General	Laura Goodspeed, Auditor General
City Council	David Whitaker, Director, LPD
Inspector General	Kamau Marable, Inspector General
Transportation	Corie Holmes, Chief Safety Officer
DoIT	Art Thompson, CIO

Exhibit 2: Work Comp Annual Report



WORKERS COMPENSATION STEWARDSHIP REPORT 2024

7/1/2023 to 6/30/2024

>> OVERVIEW

- CompOne is pleased to present the 2024 stewardship report for City of Detroit Workers Compensation Program. City of Detroit is a valued client for CompOne and we look forward to continued successful partnership. We continue to focus on exceeding your expectations while achieving the most favorable outcomes possible.
- CompOne took over the program in July 2019, handling new and takeover Workers' Compensation losses.
- For purposes of the analysis, incurred loss dollars are defined as total paid dollars plus total outstanding reserves. Does not include any Excess insurance recovery.

>> CORPORATE UPDATES

- CompOne held its annual Michigan Client Seminar September 2024 with updates on Michigan WC Legal, Loss Control and Medical Updates as well as Industry trends in East Lansing.
- CompOne - AbsencePlus Division integrated for all depts (ex Police) on 5-1-2024
- Mark Churella, CEO, 15th year of the Beat the Streets Charity Foundation. Detroit based charity serving the Youth of Detroit. <https://btsdetroit.org/>

>> LOOKING AHEAD

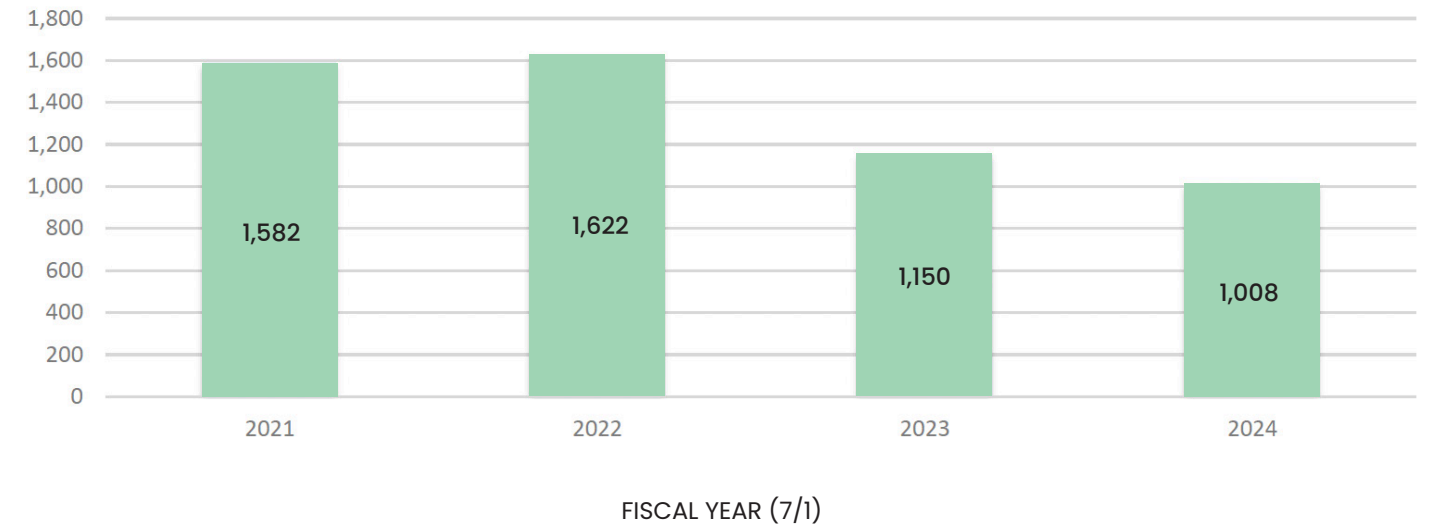
- CompOne attended the WCI National Conference. They were also sponsors of the MSIA conference and the Michigan Occupational Health Conference.
- Prodigy - Legal Repricing.
Advanced Hearing Providers- Medical Hearing Aid Supplies.

>> ANALYSIS

The significant highlights that are detailed in this report include:

- City of Detroit – WC has averaged 1341 claims reported over the last 4 years. Includes COVID cases starting FY 2020.
- Claims Reported is at lowest point since program started with CompOne.
- Highest injury days of the week is spread closely throughout the normal work week (Monday at 14% lowest, Tuesday 17% highest) with the exception of Saturday being the lowest at (10%) for FY 2024.
- Average paid per claim decreased by \$1,680 per claim in FY 2024 compared to FY 2023.
- FY 2021 was heavily impacted by COVID. The number of claims continue to decrease.
- City of Detroit could benefit with Alternative Duty opportunities. 55% of claims reported are lost time. Higher than the Michigan Average of 36%.
- City of Detroit is consistently beating the industry in Average cost of Medical claims, with lowest average paid for medical claims in most recent year.
- Employees with less than 5 year of service drove 60% of all claims.
- Age of employees correlates to Claim Cost. Employer over age 50, more than 6 times greater claim cost versus under 25.
- Employees with greater than 10 years of service had highest average claim cost. \$8,064 per claim. This average is more than twice the cost of workers with less than 5 years seniority.
- COVID claims have not been a factor in FY 2024. Average cost per COVID Claim was been consistent FY 2020 – FY 2023.
- Falls, Slips from same and different levels account for 14.5% of Injuries. This is a decrease of over 6% compared to FY 2023. Injuries to Cervical, Neck represent the Highest Average Cost per Claim.
- City averages 11.3 days from Injury to Claim Report to TPA. City has an inverse relationship of delays in claim report to Average Incurred. (longer lag, lower cost)
- 42% of all reported claims are from Police Dept.
- 71% Reductions on Medical Bill Charges for FY 2023 (includes Denied Charges). Total Savings of \$15,085,982 on \$21.3 M in Charges.

CLAIMS REPORTED



1341

**AVERAGE NUMBER
OF CLAIMS REPORTED
OVER LAST FOUR YEARS.**



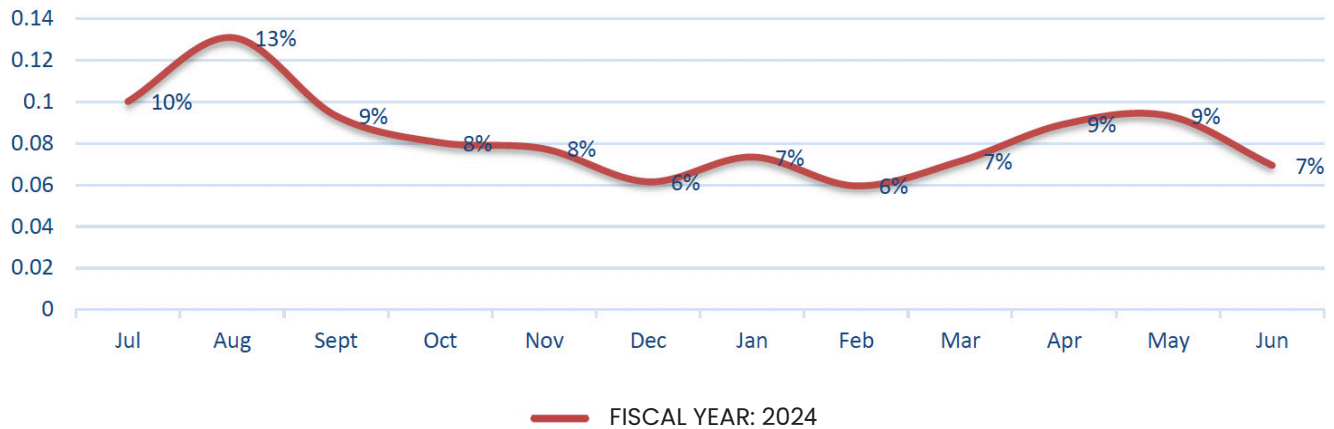
CLAIMS REPORTED IS AT
LOWEST POINT
SINCE WORKING WITH
COMPONE.

**17% HIGHEST INJURY DAY
TUESDAY**

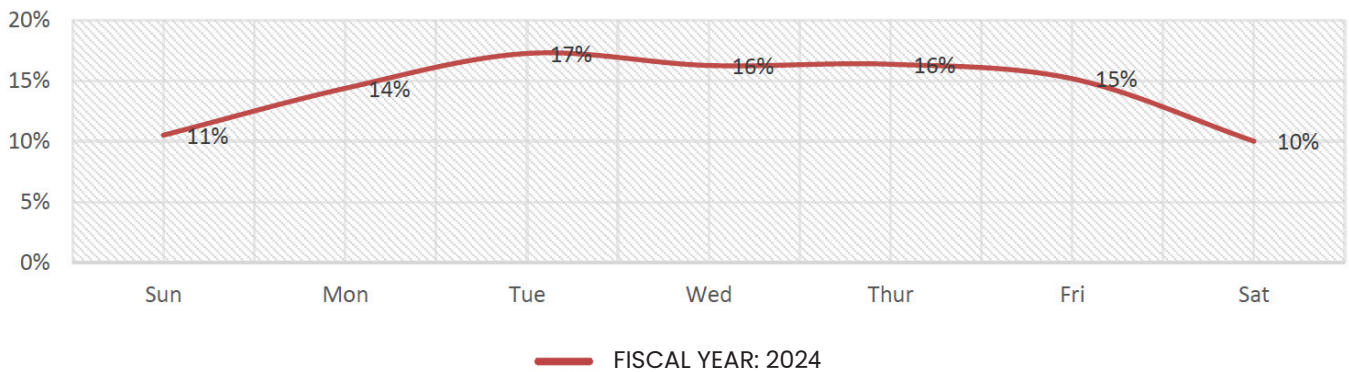


**10% LOWEST INJURY DAY
SATURDAY**

CLAIM COUNTS BY MONTH

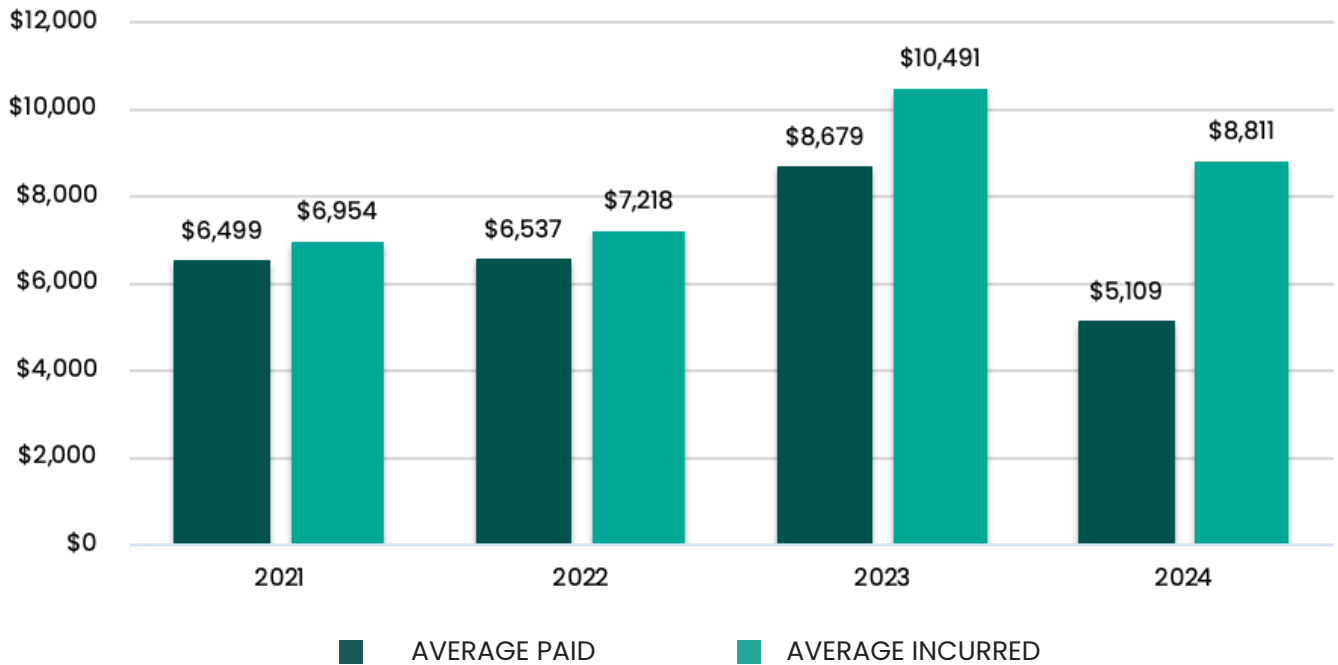


CLAIM COUNTS BY DAY OF THE WEEK



AVERAGE CLAIM COSTS

Average Paid and Incurred for Accident Year
Fiscal Year (7/1)

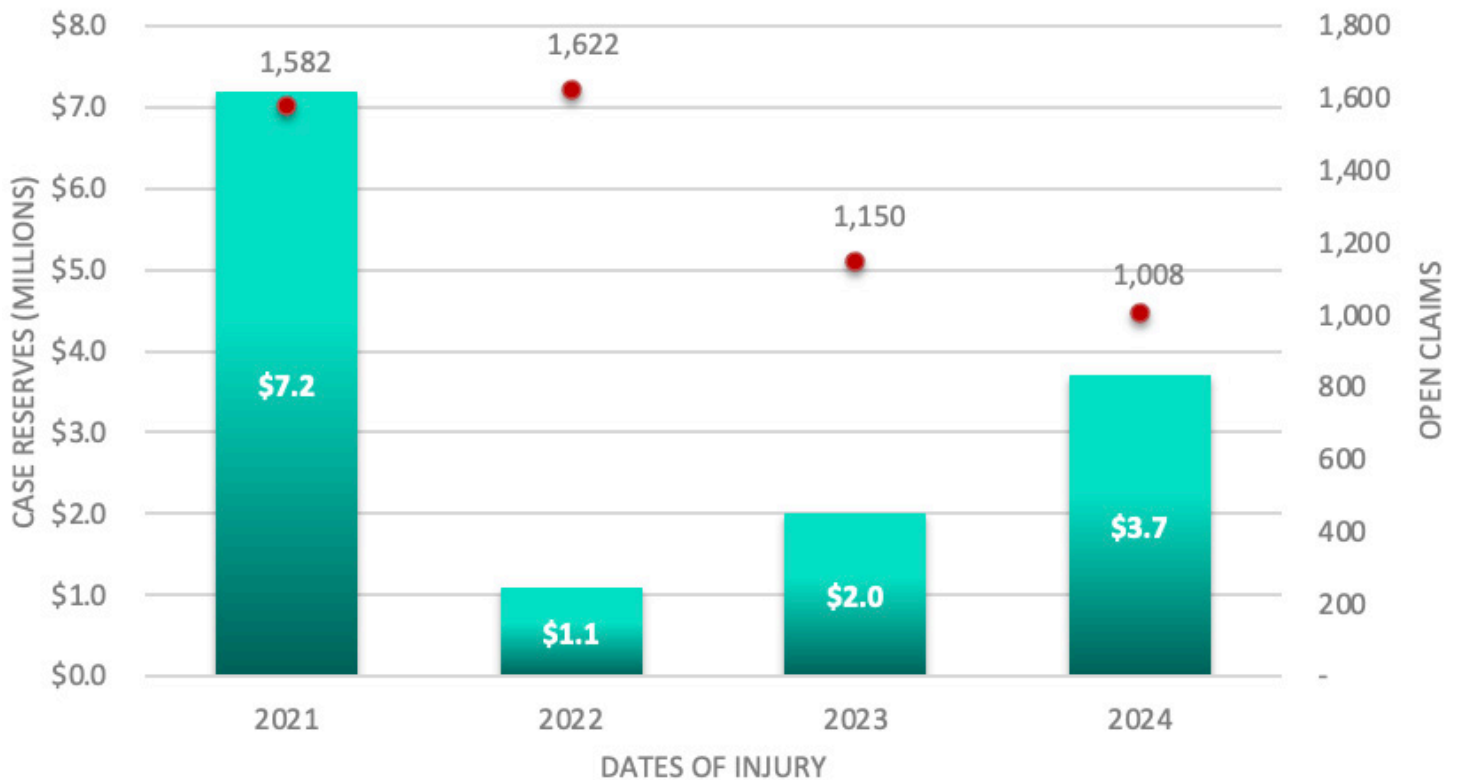


PAID PER CLAIM
AVERAGE
DECREASED
\$1,680
FISCAL YEAR 2024

FY 2021 was heavily impacted by COVID. The number of claims continue to decrease.

TOTAL OUTSTANDING

Open Claims By Date of Injury



Claim Reported **decreased by 12.3%**
in most recent Fiscal Year

BENCHMARK COMPARISON

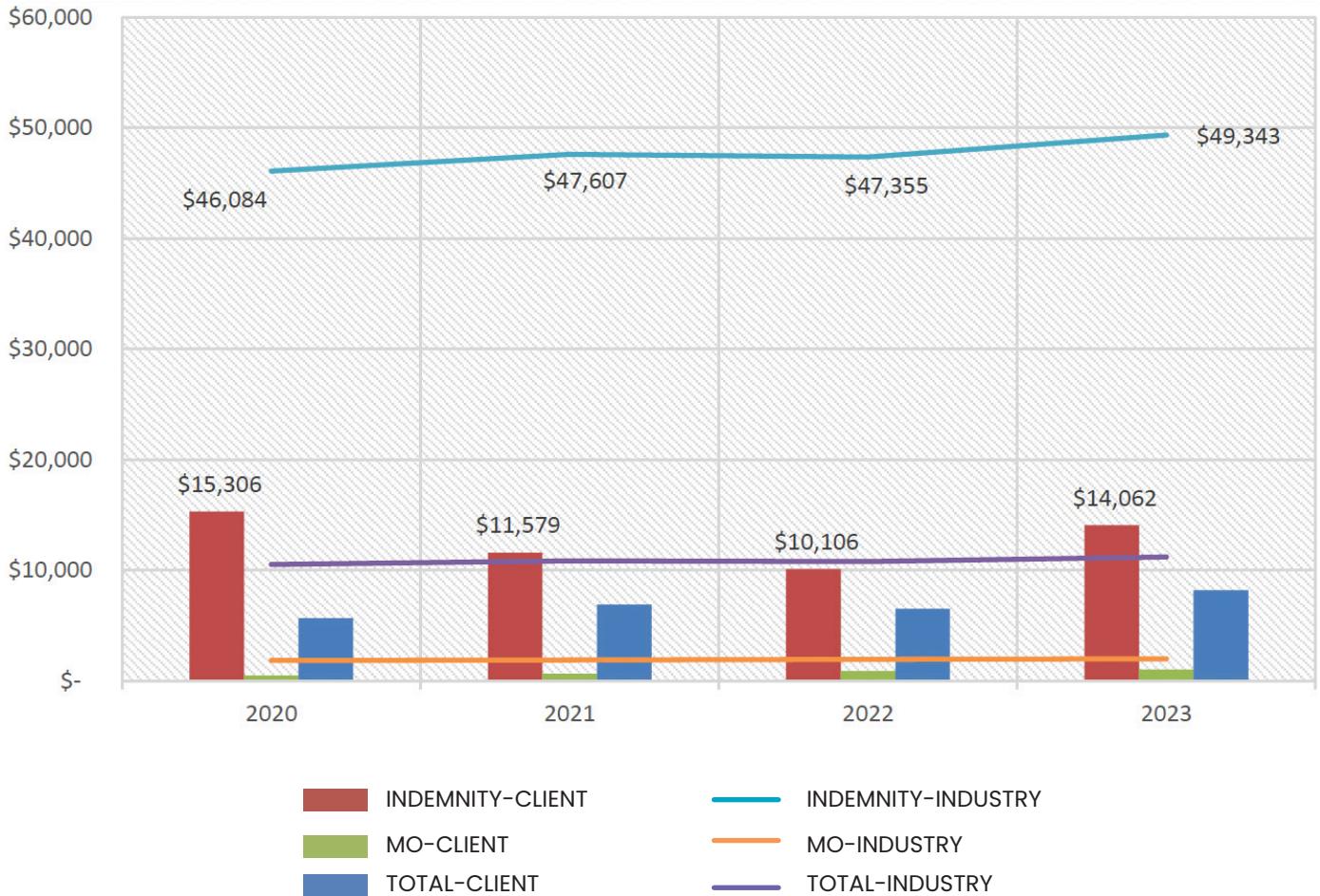
Excluding ALAE

Accident Year	Claims Distribution		Average Paid			Average Incurred		
	Benchmark	Client	Benchmark	Client	Variance	Benchmark	Client	Variance
2022			\$6,729	\$5,861	(\$868)	\$10,830	\$6,884	(\$3,946)
Indemnity Claims	35%	57%	23,418	9,800	(\$13,618)	47,355	11,579	(\$35,777)
Medical Only Claims	65%	43%	1,489	631	(\$858)	1,936	650	(\$1,286)
2023			\$5,978	\$4,166	(\$1,812)	\$10,795	\$6,506	(\$4,289)
Indemnity Claims	32%	61%	24,461	6,420	(\$18,042)	49,343	10,106	(\$39,237)
Medical Only Claims	68%	39%	1,527	658	(\$870)	1,985	901	(\$1,085)
2024			\$7,178	\$5,412	(\$1,766)	\$11,196	\$8,181	(\$3,015)
Indemnity Claims	31%	55%	24,461	9,409	(\$15,053)	49,343	14,062	(\$35,281)
Medical Only Claims	69%	45%	1,527	545	(\$983)	1,985	1,017	(\$968)

- Industry benchmarks are from the 2023 Michigan Workers' Disability Compensation Agency Annual Report. Amounts are for losses only and do not include expenses or legal costs. Losses do not include wage continuation for Police/Fire.
- City of Detroit could benefit with Alternative Duty opportunities. 55% of claims reported are lost time. Higher than the Michigan Average of 36%.
- City of Detroit is consistently beating the industry in Average cost of Medical claims, with lowest average paid for medical claims in most recent year.

AVERAGE INCURRED

City of Detroit - WC vs. Industry



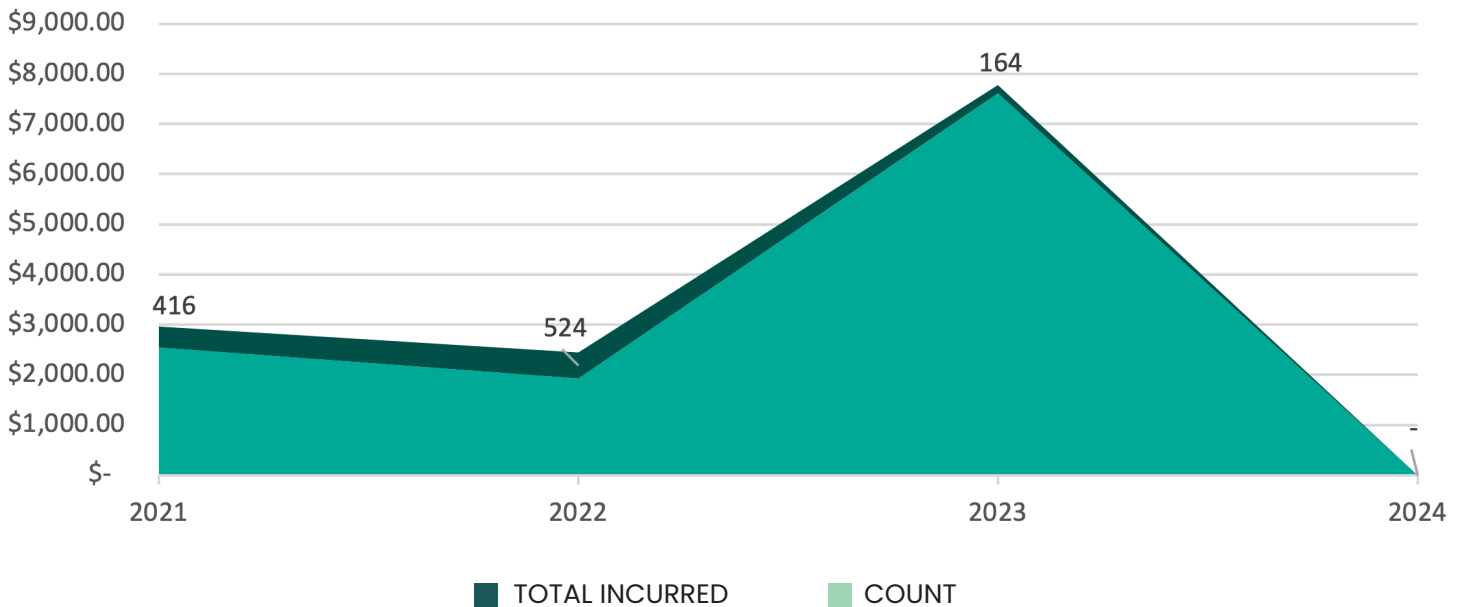


INJURY TRENDS

COVID IMPACT

Claims Received and Incurred by Fiscal Year

COVID COUNTS- LOSSES AND CLAIMS



COVID claims have not been a factor in FY 2024.

Average cost per COVID Claim had been consistent FY 2020-2023.

AVERAGE COST PER COVID CLAIM

By Fiscal Year

Fiscal Year	Total Incurred	Count	Average
2022 \$	1,095,510.37	416 \$	2,633.44
2023 \$	1,060,259.82	524 \$	2,023.40
2024 \$	1,980,124.26	164 \$	12,073.93

Source: City of Detroit, Department of Finance, Workers' Compensation Claims Data



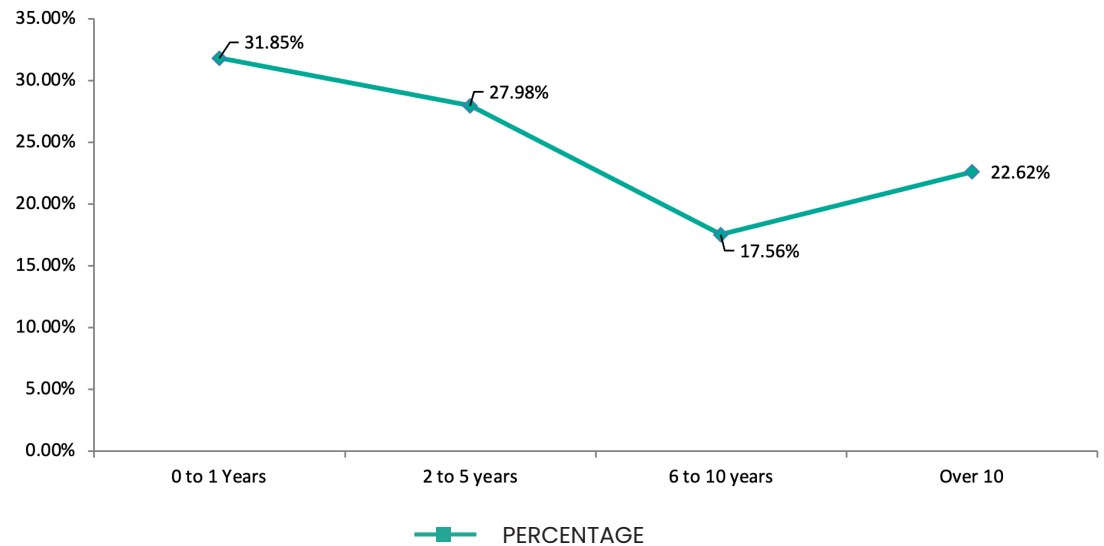
Claim Reported **decreased by 12.3%**
in most recent Fiscal Year.

Employees with less than 5 years of service drove 60% of all claims

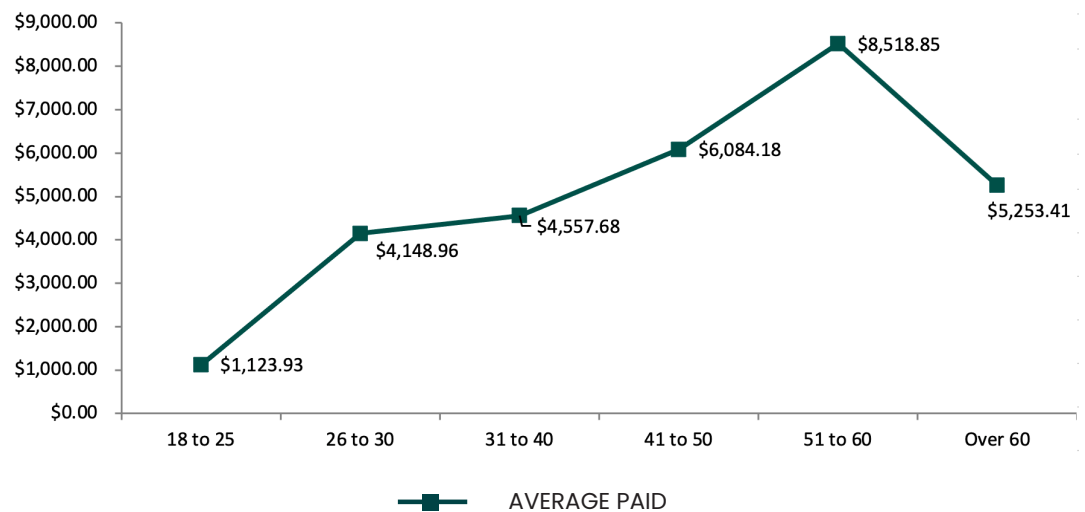
Age of employees correlates to Claim Cost. Employer over age 50, equals six times greater claim cost versus under 25

LENGTH OF SERVICE OCCURRENCE

Fiscal Year 2024



AGE OF EMPLOYEE AVERAGE COST



TOP 10 CAUSES OF INJURY

Fiscal Year 2024

Cause of Loss	Total Incurred	Count	Average Incurred		
COLLISION WITH VEHICLE Totals:	\$ 305,073.66	21	\$ 14,527.32	5.0%	%
PUSHING / PULLING Totals:	\$ 357,278.29	27	\$ 13,232.53	5.9%	%
WALKING/JUMPING Totals:	\$ 359,624.16	23	\$ 15,635.83	5.9%	%
EXPOSURE Totals:	\$ 404,656.92	167	\$ 2,423.10	6.7%	%
FALL, DIFFERENT LEVEL Totals:	\$ 409,539.30	21	\$ 19,501.87	6.7%	%
VEHICLES Totals:	\$ 494,432.49	53	\$ 9,328.91	8.1%	%
OTHER PERSON Totals:	\$ 621,311.50	24	\$ 25,887.98	10.2%	%
LIFTING Totals:	\$ 697,737.10	47	\$ 14,845.47	11.5%	%
FALL,SLIP,TRIP Totals:	\$ 881,274.91	77	\$ 11,445.13	14.5%	%
BODY MOTION Totals:	\$ 1,543,843.27	152	\$ 10,156.86	25.4%	%
	\$ 6,074,771.60				

LARGEST
NUMBER
OF INJURIES



BODY
MOTION

Body Part	Incurred	Count	Average	
ANKLE-LEFT Total	\$ 331,187.55	38	\$ 8,715.46	
SHOULDER-LEFT Total	\$ 399,506.57	33	\$ 12,106.26	
NO PHYSICAL INJURY Total	\$ 406,268.07	125	\$ 3,250.14	
KNEE-LEFT Total	\$ 494,955.48	41	\$ 12,072.08	
HEAD, UNSPECIFIED Total	\$ 553,416.14	107	\$ 5,172.11	
LUNGS, RESPIRATORY SYSTEM Total	\$ 569,776.57	187	\$ 3,046.93	
KNEE-RIGHT Total	\$ 604,686.89	48	\$ 12,597.64	
NECK Total	\$ 828,028.80	19	\$ 43,580.46	
SHOULDER-RIGHT Total	\$ 1,009,891.53	37	\$ 27,294.37	
BACK, COCCYX, LUMBAR, SACRUM, SPINE Total	\$ 1,505,214.26	111	\$ 13,560.49	

14.5%
PERCENT
OF INJURIES

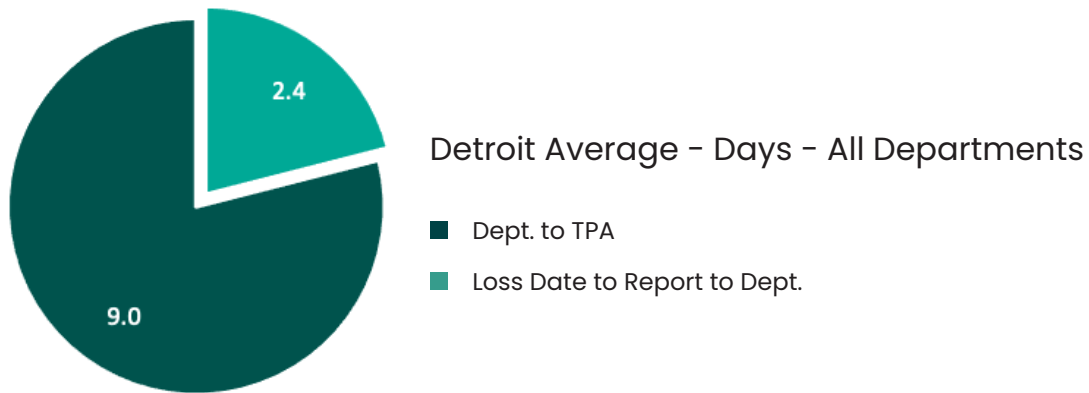


ARE FROM
SLIPS &
FALLS

Injuries to Cervical, Neck represent the Highest Average Cost per Claim.

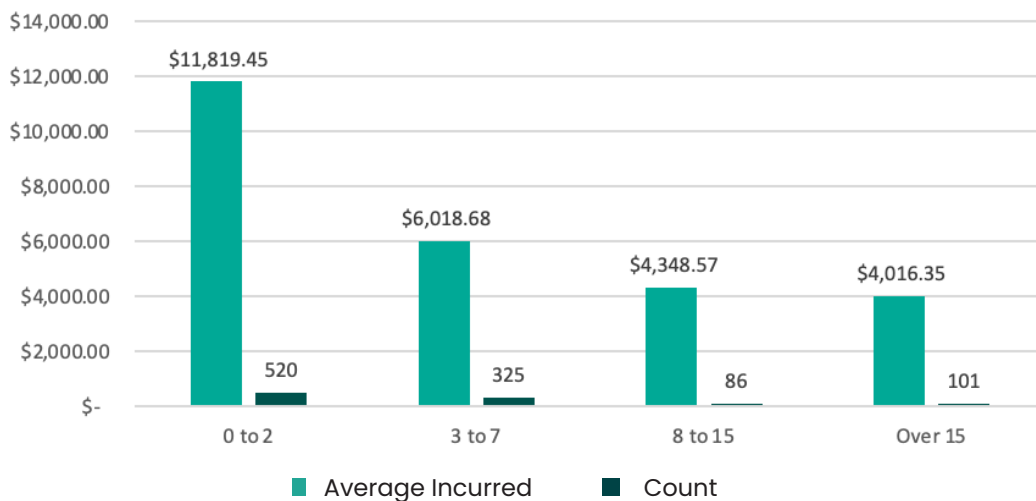
REPORT LAG AND IMPACT

Fiscal Year 2024



AVERAGE INCURRED TO LAG

Days- Lag to Average Incurred



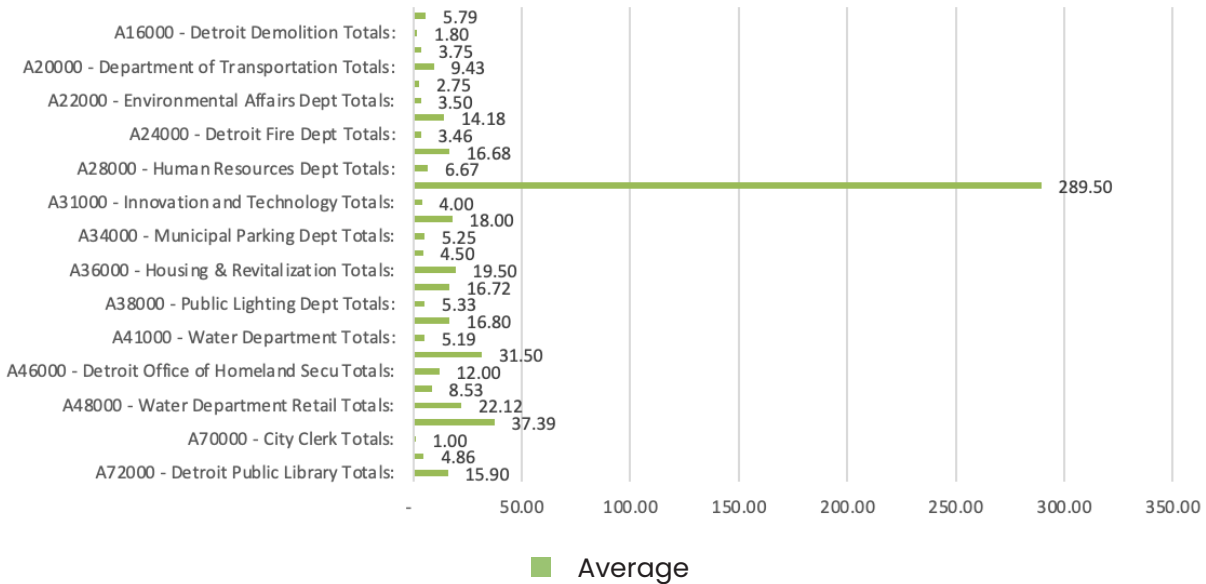
11.3 day
average

Injury > Claim Report > TPA

City has an inverse relationship of delays in claim report to Average Incurred (longer lag, lower cost).

AVERAGE REPORT LAG BY DEPARTMENT

Fiscal Year 2024



Average
Lag Time



Fire Department > 83 hours

Police Department > 16.7 days

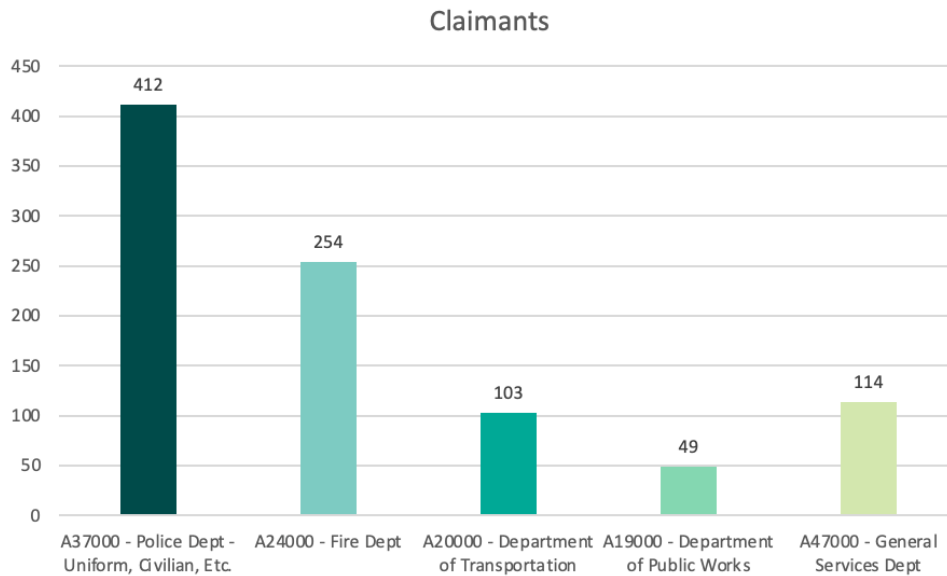
Department of Transportation > 9.4 days

TOP 7 LARGEST DEPARTMENTS

Dept Name	Loss/Rcv Lag	Incurred	Average	Count
A37000 - Detroit Police Dept Totals:	49988	\$ 13,149,032.34	16.7	2990
A24000 - Detroit Fire Dept Totals:	6893	\$ 18,229,376.26	3.5	1991
A20000 - Department of Transportation Totals:	3631	\$ 4,051,297.17	9.4	385
A47000 - General Services Dept Totals:	2474	\$ 2,203,884.14	8.5	290
A19000 - Department of Public Works Totals:	697	\$ 1,484,723.56	3.7	186
A41000 - Water Department Totals:	607	\$ 724,527.63	5.2	117
A25000 - Detroit Health Dept Totals:	984	\$ 185,289.73	16.7	59

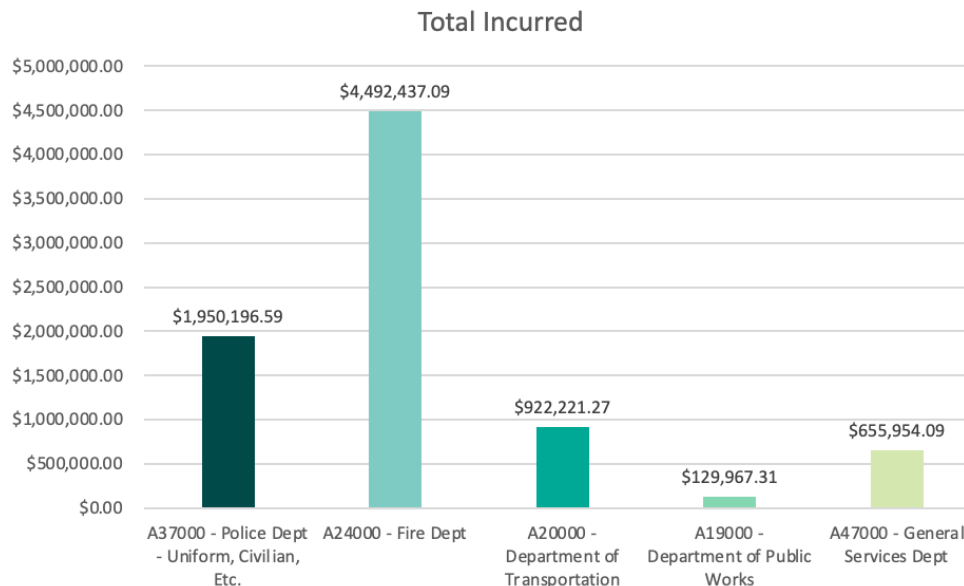
TOP 5 – INJURIES BY DEPARTMENT

Fiscal Year 2024



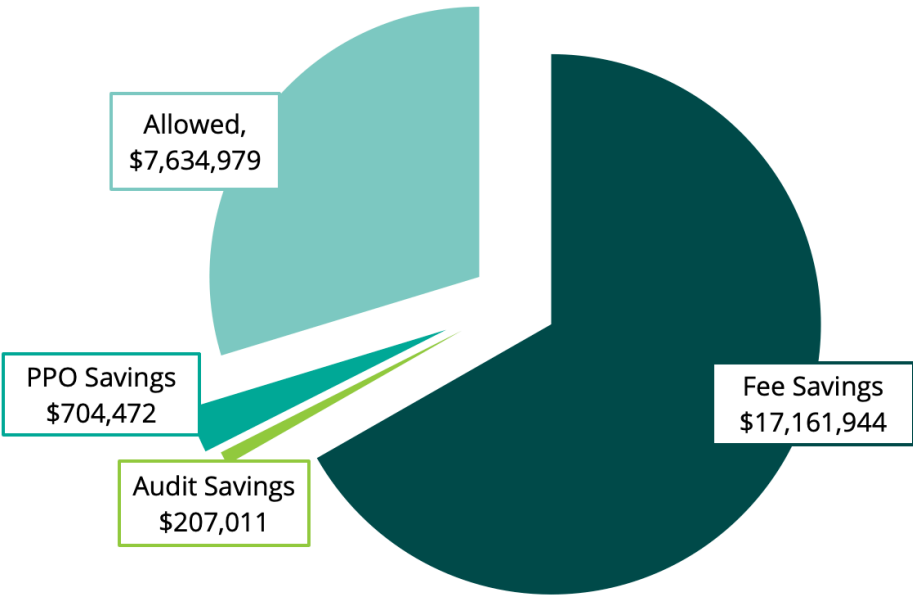
- **26%** of all reported claims are from **Police Department**.
- **Fire Department** had the most paid on claims in FY 2024 **48% of all claim costs**.
- The **Average Cost per claim** is highest for **Municipal Parking \$10,042** per claim.

TOP 5 – TOTAL INCURRED BY DEPARTMENT



MEDICAL BILL REVIEW SAVINGS

Fiscal Year 2024



\$18,073,427
Total Savings
on \$25.7 Million
in Charges.

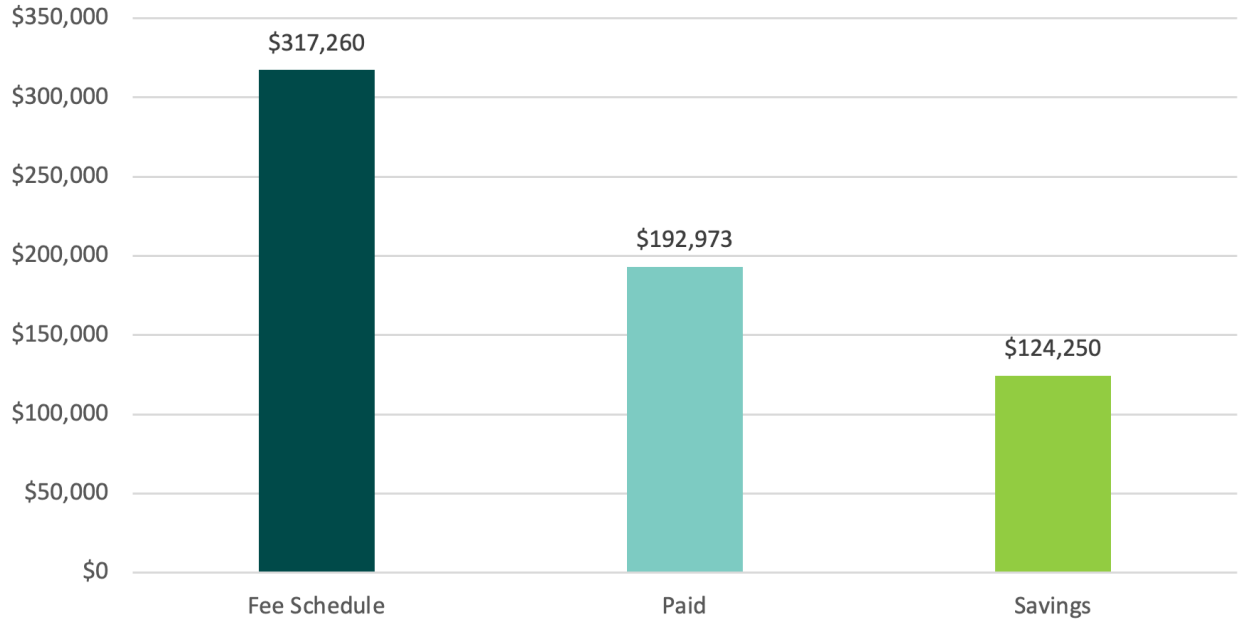
70.3% **REDUCTIONS**
on Medical Bill Charges
for Fiscal Year 2024.

\$317,260 +
RX Savings



95.4% Brand to Generic Conversion
Brand Drugs are often 10X more expensive.

City of Detroit – Workers’ Compensation
PX and DME Summary for Fiscal Year 2024



	Count	Fee Schedule	RX Amount	Savings
Generic	1240	\$121,994	\$49,846	\$72,148
Brand	68	\$55,746	\$53,556	\$2,153
Multisource	8	\$1,874	\$1,239	\$635
DME	193	\$137,645	\$88,331	\$49,314
Total	1509	\$317,260	\$192,973	\$124,250

RECOMMENDATIONS AND/OR ACTION ITEMS



Improve Lag Reporting for Key Departments(DDOT). Provide workflow process review with Department to facilitate early reporting.



Focus on Health and Wellness, as well as Ergonomics for Fire. Loss Prevention services to reduce Severity of Claims.



Settlement Project to reduce long tail claims. (Greater than 2 years)



THANK YOU
CITY OF DETROIT
HUMAN RESOURCES

PREPARED BY:

COMPONE
ADMINISTRATORS

An FDI Group Company

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