

To the Mayor and Members of the City Council**August 20, 2024**

Page 1 of 2

**SUBJECT: SUBROGATION AND COLLECTIONS PROCESS FOR THE CITY OF FORT WORTH**

The purpose of this Informal Report is to share information about the City of Fort Worth's (City) process to collect against responsible individuals or entities that have damaged City street signs, light poles, fire hydrants and other similar type of property in the City's right-of-way.

Overview

The City's Human Resources Department Risk Management Division (Risk) has a dedicated subrogation and recovery program. The program handles the recovery of costs incurred by the City for damage to City property caused by insured and uninsured individuals or entities. Damage to City property can occur throughout the City on a daily basis and may include automobiles, street signs, fire hydrants, traffic signals, and light poles that are located on City premises or within the City's right-of way. The recovery of funds owed for damage to City property involves a process of analysis by Risk that starts with monitoring for this type of damage and a follow-up investigation to prove this damage as well as identifying the responsible party.

Process

As an introduction, there are two types of recovery processes: subrogation and collections. Traditionally, subrogation refers to the practice of recovery in which one pays a claim on someone else's behalf. In the City, this occurs when Risk makes a payment to a department for damaged property, and then Risk pursues the responsible individual to recover the cost. With respect to collections, Risk has not paid the department but rather Risk is made aware of damage to City property, wherein the department has opted to bear its own costs. However, once on notice, Risk will pursue the individual or their insurance carrier to recover costs.

In order to demand payment for damage, the accountable individual or entity must first be identified and contact information obtained. An objective finding that shows the parties' accountability, such as documentation in the form of a police report, eyewitness testimony, surveillance, or other means, is required and utilized as evidence of the wrongdoing and a basis to collect.

Risk reviews reports for subrogation/collection opportunities through the following method:

- Risk receives notice of damage to City property from two sources:
 - Risk receives an incident report from the impacted department as notice of damage to City property via the online incident reporting system. The report includes the location of loss, description of the incident, type of property that was damaged, and the name and contact information for the responsible individual or entity.
 - Risk reviews Police Department Accident Reports which are provided weekly via a third-party source called "Report Beam". This is a more efficient method of identifying recovery opportunities as it provides the aforementioned information derived from the investigation of a law enforcement officer at the site of the incident or event.

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Page 2 of 2

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- Risk analyzes the information to assess if there is an opportunity to initiate a claim for subrogation or collections. Risk reviews incident reports in conjunction with police accident reports in order to identify: (1) unfavorable loss description; (2) City property; and (3) the individual or entity that is responsible for this damage.
- Thereafter, Risk contacts the impacted department to discuss the incident with the most knowledgeable person and obtain the necessary invoices associated with City damage repairs.
- If the responsible party is insured, the individual or their insurance carrier will be contacted through a letter of introduction with notice of intent to pursue recovery that includes documentation in support of the demand and derived from the investigation. If the responsible party is uninsured, Risk will follow the same methods, in addition to providing options to repay the debt whether in full or as part of an agreed payment plan.
- Risk continues to contact the responsible individual or entity by sending follow-up notices every 30 days demanding payment until recovery is successful.
- If recovery attempts are unsuccessful, the matter is referred to the City's collections vendor, Subrogation Division, Inc. (SDI).
- A successful recovery is demonstrated by receipt of funds from the responsible individual or entity.

Conclusion

The subrogation and collection mechanisms outlined in this IR have been in place since 2013 as part of the City's overall Risk Management Program. The subrogation process requires a careful review of various reports to identify recovery opportunities. Accordingly, the internal reporting of a loss event by City departments is a vital part of this process.

Since FY2018, Transportation and Public Works (TPW) reported over 500 occurrences of damage to City property. Following notification of a claim that met all of the collections criteria, the subrogation team aggressively tracked and recovered \$542,039.54 for damaged property, including property within the City's right-of-way.

Risk continues to collaborate with the impacted departments, notably TPW, to review and investigate each subrogation claim. It is a collaborative process that requires the cooperation of key departmental contacts and interdisciplinary platforms across multiple domains to enable the Risk investigation and documentation process necessary to ensure the success of recovery.

Dianna Giordano, Director of Human Resources and Civil Service, is available if you have any questions.

David Cooke
City Manager