

Liability Claims Administration Audit – 2016

for

Authority for California Cities Excess Liability ACCEL

May 23, 2016



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May 23, 2016

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ACCEL **Liability Claims Administration Audit – 2016**

This report summarizes the results of an audit of general liability claims for the Authority for California Cities Excess Liability (ACCEL). This report documents FCS's findings of all ACCEL members. This project includes the analysis of the following ACCEL members:

- Anaheim
- Bakersfield*
- Burbank
- Modesto
- Monterey
- Mountain View
- Ontario
- Palo Alto
- Santa Barbara
- Santa Cruz
- Santa Monica
- Visalia
- ACCEL Administrator (Carl Warren & Company in Placentia)

*Bakersfield claims were reviewed remotely via access to its administrator's (York) claims management information system.

An individual audit of each ACCEL member was conducted at the member's facility (self-administered), remotely via access to the claims management information system of the member's third-party administrator (TPA) (Bakersfield) or on-site at the TPA (Ontario-Carl Warren in Riverside and the ACCEL Administrator, Carl Warren in Placentia).

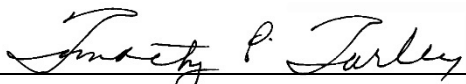
The claims handling entity for each member was provided with audit results at the conclusion of its specific review. FCS also executed the "Claims Audit Exit Meeting Form" and provided it to

each Board member at the conclusion of their respective audit. Each member or its administrator was encouraged to respond to the findings. These exit forms have been forwarded to Mr. Boughey.

FCS appreciates the opportunity to complete this important project for ACCEL.

Respectfully submitted,

FARLEY CONSULTING SERVICES

by 

Timothy P. Farley, CPCU
President

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I. Executive Summary

A. General Observations

The audit of liability claims for ACCEL finds that members and their respective administrators continue to be in general compliance with industry standards for public entity liability claims administration. Key to the success of the administration of ACCEL is the timely and compliant reporting to the ACCEL administrator of potentially catastrophic claims that will or could penetrate into ACCEL's coverage layer. Member performance continues to improve. Specific findings for this key category are indicated in Section II.C.7 of this report and documented in Exhibit 6 on page 15.

Consistently timely litigation status updates from defense counsel to the member or the administrator continue to improve for most members, but there has been some deterioration with City of Burbank performance. Performance in this key area should be considered an area of concern. Exhibit 4 on page 11 provides each member's findings and compares performance observed this year with observations presented in last year's (2015) audit report.

Palo Alto continues to experience some data collection/information system accuracy issues. This was a concern during last year's project as well, and the City has consistently communicated this concern to its administrator during that period. FCS contacted George Hills to assist the City with remedying this problem. The primary concern seems to be the recording and placement of non-loss-related payments into incorrect categories (e.g., payments to expert witnesses into the legal category instead of the expense category). FCS concludes that George Hills understands this issue. Its management has assured the City and FCS that it will devote the necessary resources to correct this.

Where possible, this report provides a comparison of performance in key claims administration categories with observations presented in the 2015 audit report.

Specific findings and observations are:

1. Many of the individuals assigned to the claims administration function also have other risk management related duties. Nearly all of the members delegate primary claims handling duties to defense attorneys/city attorneys once a claim becomes litigated. FCS recommends a maximum caseload of 180 claims for claims handling technicians on municipal liability exposures. The caseload of Joe Klecansky, the Carl Warren adjustor assigned to City of Ontario, has been reduced but is still excessive. A list of adjustor caseloads appears in Exhibit 1 – Caseload Analysis on page 7.
 - **City of Modesto** – Terrance Massey joined the City on February 23, 2016. He will assume general claims handling duties. This will allow Bev Jensen to handle other risk-related tasks for the City.
 - **City of Monterey** – The City's former risk manager, Sherrell Freeman, is temporarily assisting the City following the departure of Rhonda Combs. The City is actively recruiting for a permanent replacement.
 - **City of Ontario (Carl Warren-Riverside)** – Doug Hidalgo has been added to adjust property claims.

- **Santa Monica** – Michael Spinelli, Risk Management Analyst, is now monitoring City Attorney diary.
 - **Visalia** – Diana Lopez has replaced Mary Sharp as Ms. Dunn’s assistant.
 - **ACCEL Excess Administration** – Tim Thompson (Carl Warren-Placentia) assumed handling of ACCEL excess claims effective 10/30/14. He ceased employment with Carl Warren on February 19, 2016. FCS is aware that ACCEL excess and litigation duties will be assumed by Ken Maiolini of Risk Management Services (Cotati, California) on an interim basis beginning July 1, 2016. A formal bid process will be undertaken then with an expected permanent service provider engaged by January 1, 2017.
2. Case reserves are generally accurate for all member entities. FCS concludes that members and their administrators continue to improve performance in this key area. Exhibit 2 on page 8 lists each member’s reserve accuracy findings and provides a comparison to the findings presented in the 2015 audit report. Four members had only one claim requiring adjustment. No member had multiple deficiencies.
 3. Minor deviations from accepted claims handling standards for investigation are evident for only a few of the cities. There is continued improvement in this key area of claims administration. No particular member exhibits deficiencies that could impact ACCEL’s awareness of exposure on the case.

Exhibit 3 – Investigation Deficiency Analysis on page 10 lists the claims exhibiting a specific investigation deficiency for each ACCEL member and provides a comparison of findings presented in 2015.

4. ACCEL members are generally adhering to industry standards for diary. Burbank claims exhibit notable deficiencies.

The analysis of diary includes those instances where the claims handling technician failed to respond to claim closure potential. FCS deems the failure to adhere to diary as a primary catalyst of the failure to close claims timely. Exhibit 5 – Diary Performance Analysis on page 13 lists the claims exhibiting ineffective diary activity for each ACCEL member.
5. The review concludes that all members are considering important valuation criteria when resolving claims. This includes obtaining and documenting executed releases and dismissals (litigated claims) after claim resolution. This has been a key finding in all past audits.
6. All claims handling entities are generally maintaining organized and clearly documented claim files and/or information system data. City of Bakersfield claims were reviewed remotely via access to the claims management information system of York Risk Services Group, its administrator. That system is efficiently capturing and documenting City claims activity.

Exhibit 7 on page 17 discusses each City’s performance in this key area of evaluation.

7. The administrators are consistently complying with ACCEL excess reporting guidelines and communicating the perceived significant exposure to the ACCEL administrator (Carl Warren-Placentia). Claims for the cities of Modesto and Ontario exhibit multiple (two) deficiencies. Claims exhibiting late or absent excess reporting to the ACCEL administrator or claims exhibiting a lack of correspondence from defense counsel to the ACCEL administrator are listed and discussed in Exhibit 6 on page 15.

The review of excess claims at the ACCEL administrator (Carl Warren-Placentia) confirms that Carl Warren continues to effectively monitor ACCEL reportable claims and document its files thoroughly, despite a recent change in personnel.

B. Areas of Concern

With the multiple claims handling arrangements involved in the ACCEL program, FCS believes it is imperative that general claims handling guidelines are consistently followed by all claims handling entities. FCS concludes that claims handling is consistent among all claims handling entities and improvement is evident in all areas, including the timely updating of case status from defense attorneys to the claims handler. Still, the key areas listed below merit discussion and should be a focus of improvement:

- **Staffing** – Exhibit 1 on page 7 lists staff assigned to ACCEL member claims. Several members have undergone staffing changes since last year’s audit. While this project can identify no fiscal impact for either entity, the need to engage consistent and qualified personnel is vital.
- **Litigation Management** – This has been a consistent area of concern, but there has been improvement over the past few audits. The City of Burbank generated a high number of findings in this category, but has confirmed that its current budget authorizes additional staff to assist with this activity. This deficiency is likely temporary. Any remedy to this deficiency will be a primary point of observation for the 2017 audit.
- **Excess Reporting to ACCEL (Carl Warren)**. The audit did not identify a large number of claims failing to comply with excess reporting requirements. Only Modesto and Ontario generated findings of deficiency. Still, due to the importance of this category, it is listed as an area of inconsistency. Only complete compliance by all members should be considered acceptable for this category. Exhibit 6 (page 15) lists the claims deemed deficient.

These and other results of this study are discussed in more detail in the remainder of this report.

II. Audit Results

A. Background

Member audits were conducted from March 28, 2016 (Burbank) to April 28, 2016 (Monterey). Review of excess and watch list claims at Carl Warren-Placentia was conducted on April 29, 2016.

The primary objectives for this audit are:

- To assure all ACCEL members that claims are effectively adjusted according to industry standards.
- To identify inconsistencies in fiscal and technical procedures that could impact the efficiency of the ACCEL program, particularly the timely and accurate reporting of high exposure claims that may penetrate into ACCEL’s layer of coverage.
- To assess similarities and differences in reserving practices among the members.
- To ensure that all ACCEL claims handling requirements are complied with.
- To reconcile loss data maintained by Alliant Insurance Services (Alliant) utilized for ACCEL’s retrospective rating calculation with loss data maintained by each member. The results of this reconciliation were provided to Alliant on May 20, 2016.

The table below lists the ACCEL members audited, the number of claims reviewed for each member, and the claims handling entity where the claims were reviewed.

ACCEL Audit Composition and Facility – 2016

ACCEL Member	Number of Claims Reviewed	Claims Handling Entity (Audit Site)
Anaheim	30 open claims	City self-administered
Bakersfield	20 open claims, including all 9 with incurred costs greater than \$50,000	York Insurance Services-Oxnard/Bakersfield (audit was completed remotely)
Burbank	27 open claims; all in excess of \$50,000 incurred costs	City self-administered
Modesto	15 open claims (all in excess of \$50,000 incurred costs); 5 closed claims	City self-administered
Monterey	16 open claims, including all 4 with incurred costs in excess of \$50,000; 5 closed claims	City self-administered
Mountain View	11 open claims, including all 5 with incurred costs in excess of \$50,000; 4 closed claims	City self-administered
Ontario	24 open claims, including all 18 with incurred costs of \$50,000 or more; 4 closed claims	Carl Warren & Co.-Riverside
Palo Alto	24 open claims, including all 12 with incurred costs in excess of \$50,000; 3 closed claims	City self-administered
Santa Barbara	25 open claims, including all 3 claims with incurred costs in excess of \$50,000	City self-administered
Santa Cruz	12 open claims, including all 3 claims with incurred costs in excess of \$50,000; 5 closed claims	City self-administered
Santa Monica	25 open claims, including all 14 with incurred costs in excess of \$50,000; 5 closed claims	City self-administered

ACCEL Member	Number of Claims Reviewed	Claims Handling Entity (Audit Site)
Visalia	12 open claims, including all 6 with incurred costs in excess of \$50,000; 5 closed claims	City self-administered
ACCEL Excess and Watch List	25 open, including all 23 Watch List claims	Carl Warren-Placentia

All members and/or their claims handling entity either provided a list of open liability claims from which a sample could be selected or made all open claims available while on site. All claims with incurred costs of \$50,000 or more were reviewed for each member.

FCS also reviewed the loss description of **all** open claims regardless of the amount of incurred costs and augmented each member’s audit sample by selecting claims that, by description, could develop into reportable claims. Fatalities and civil rights claims were primary candidates for inclusion in the audit sample. Claims clearly representing no potential exposure to ACCEL (e.g., pothole/tire damage claims or tree limb property damage claims) were not reviewed.

ACCEL directed FCS to evaluate the claims handling performance of each member and the excess administrator to verify compliance with generally accepted industry standards for public entity liability claims handling. Recommendations for improvements are incorporated into the report.

B. Staffing/Caseloads

The recommended maximum caseload for an individual handling liability claims, including litigated cases similar to those incurred by ACCEL members, is 180. This recommended caseload maximum requires the claims handling entity to assign member claims only to technicians with at least five years of experience adjusting public entity claims. However, this recommend maximum also assumes the technician will be actively involved in the claims administration process until case resolution, even if the claim is litigated. That is not the case with most of the ACCEL claims handlers. Adjustors are routinely relieved of all claims handling responsibilities once the claim becomes litigated. Accordingly, it was either necessary to discuss claim status with defense counsel/City Attorneys or discuss the status with the claims handler at many of the members.

- **City of Modesto** – Bev Jensen assumed claims handling activity for the City in March 2015. The City hired Terrance Massey to assume the administration of its claims on February 23, 2016. He is qualified to administer City claims. FCS recommended this addition following last year’s project.
- **City of Ontario (Carl Warren-Riverside)** – Douglas Hidalgo is now adjusting City property damage claims.
- **City of Visalia** – Diana Lopez replaced Mary Sharp as Ms. Dunn’s assistant subsequent to last year’s audit project.
- **ACCEL Excess (Carl Warren-Placentia)** – Tim Thompson assumed the monitoring and administration of ACCEL excess claims effective 10/30/14. With his departure in late February 2016, Sharon Huff assumed ACCEL administration duties. ACCEL will engage the services of Ken Maiolini of Risk Management Services to assume this duty on an interim basis beginning June 1, 2016.

Many of the individuals assigned to the claims administration function also have other risk management related duties.

The caseload for Ontario (Carl Warren – Joe Klecansky) is excessive. A list of adjustor caseloads appears in Exhibit 1 on page 7.

The caseloads listed for Carl Warren (Ontario and Placentia-excess/watch list) and York (Bakersfield) in Exhibit 1 are the individuals' total caseloads, including assignments from other non-ACCEL clients.

C. Claims Handling Components

Specific claims handling activities are analyzed for this section of the report. The objective for this section is to provide ACCEL with general observations of the particular component for the entire program. Individual ACCEL members' findings are detailed in exhibits contained within this section of the report.

1. Reserves

All liability case reserves should be based primarily on:

- Anticipated extent of damages/injuries sustained.
- Degree of liability attributable to the ACCEL member.
- Existence of additional tortfeasors (responsible parties that may share in the application of liability).
- Application of statutory defenses or immunities available to ACCEL and its members.
- History of settlement trends of the involved venue.

All ACCEL claims administration entities are utilizing these criteria when establishing and amending case reserves. Exhibit 2 on page 8 lists each member, the member's claims requiring reserve adjustment, and FCS's analysis as to why adjustment is needed.

The exhibit also lists the number of claims requiring reserve adjustment identified during last year's audit for comparison.

Exhibit 1 – Caseload Analysis

Claims Handling Entity	ACCEL Member	Primary Claims Handler	Caseloads (as of the entity's specific audit date)
York Insurance Services – Bakersfield (claims were reviewed remotely via access to the York Claims Connect system)	Bakersfield	Laura Harmon	170
Carl Warren & Co. – Placentia	ACCEL excess/watch list claims	Sharon Huff	163
Carl Warren & Co. – Riverside	Ontario	Joe Klecansky	183 (85 are for City of Ontario)
Self-Administered	Anaheim	Tracey Matthews	88
		Roger Lambert	130
	Burbank	Arlene Gallardo	150
	Modesto	Terrance Massey	130
	Monterey	Sherrell Freeman (temporary)	31
	Mountain View	Lynn Dobsen, Senior Assistant City Attorney Nicole Clemens	34 open claims split roughly evenly; Ms. Dobsen assumes handling of claims when litigated
		Angela Apitz	Case reserve adequacy review and coordinator with City Attorney office.
	Palo Alto	Janet Billups with Stacey Lavelle supervision; bodily injury claims handled by George Hills-San Jose	75
	Santa Barbara	Marisa Kahn	83
	Santa Cruz	Patty Haymond Tanya Malko	31; Ms. Malko assists Ms. Haymond with claim intake and filing activity; Jason McCluskey also assists.
	Santa Monica	Michael Mack	65
		Carol Tang	12
		Michael Spinelli	98
		Deb Hossli	132 – -mostly rejected claims awaiting statute expiration. 109 are lawsuits
	Visalia	Charlotte Dunn	44
Diana Lopez		Ms. Lopez is responsible for claim intake activity and conducts necessary communication with departments.	

Exhibit 2 – Claims Requiring Reserve Adjustment in 2016

ACCEL Member (Administrator)	Claim Number	Reserve Adjustment Analysis		Deviation from Auditor's Recommended Reserve (net reserve change required)	Claims Requiring Reserve Adjustment in 2015
		Current Reserve	Recommended Reserve (Rationale)		
Anaheim (self-administered)	No adjustments necessary				1
Bakersfield (York)	No adjustments necessary				1
Burbank (self-administered)	No adjustments necessary				1
Modesto (self-administered)	15-0155	\$150,000 (loss)	\$250,000 (loss)	\$100,000 under reserved	0
	The City has made an offer of \$200,000. It was rejected. The claim will likely settle for at least the amount offered.				
Monterey (self-administered)	No adjustments necessary				0
Mountain View (self-administered)	GHC0012734	\$0 (loss)	\$25,000 (loss)	\$25,000 under reserved	0
	Notes refer to a "brain injury" resulting from this slip and fall. The severity of the injury has not been determined.				
Ontario (Carl Warren-Riverside)	No adjustments necessary				0
Palo Alto (self-administered)	90203	\$0 (loss) \$0 (legal)	\$25,000 (loss) \$10,000 (legal)	\$35,000 under reserved	0
	This motor vehicle accident appears to have occurred outside City limits, but the injuries are severe. The recommended reserves are precautionary.				
Santa Barbara (self-administered)	15-066	\$10,000 (loss)	\$75,000 (loss)	\$65,000 under reserved	2
	The claimant alleges excess force that caused a fractured hip. The City has decided to increase the reserve to \$100,000. FCS concurs with this.				
Santa Cruz (self-administered)	No adjustments necessary				1
Santa Monica (self-administered)	No adjustments necessary				0
Visalia (self-administered)	No adjustments necessary				1
ACCEL excess/watch list (Carl Warren-Placentia)	No adjustments necessary				0

2. Investigation

Proper investigation of ACCEL member liability claims includes:

- Making prompt contact with the injured claimant.
- Verifying the extent of the ACCEL member's liability.
- Accounting for injury history to determine any pre-existing condition or concurrent causation.
- Canvassing for possible witnesses to the incident.
- Obtaining recorded or written statements regarding the incident from the claimant and witnesses, when possible.
- Follow-up contact with medical providers to gain a clear understanding of the severity of the injury.
- Obtaining police accident reports when the damage or injury is the result of a traffic accident.
- Obtaining photographs of accident scenes, when applicable. This requires the documentation and description of vital accident scene photographs to the file. Photographs stored on a disc are not sufficient.
- Aggressive pursuit of additional responsible parties to offset the member's contribution to damage/injury awards.
- Obtaining signed releases, including court approved releases when minors are involved, prior to final claim resolution.
- Invoking risk transfer devices available to the members (e.g., hold harmless, indemnification, or additional insured agreements).

ACCEL member claim files exhibit thorough investigation activity. Still, minor investigation deficiencies unique to specific claims are evident.

Exhibit 3 lists the claims exhibiting a specific investigation deficiency for each ACCEL member. Numbers appearing in parentheses are the number of deficiencies identified in the 2015 audit. Blank categories indicate there were no findings in either 2016 or 2015.

3. Litigation Management

The control of litigation activity and its associated expense is vital to the fiscal performance of any public entity.

A primary performance measure for litigation management is the timeliness and clarity of information provided by handling counsel in status reports to the claims handler. Exhibit 4 on page 11 lists the claims exhibiting late litigation status reports or no status reports at all from defense counsel. The number in parentheses is the number of deficiencies identified in the 2015 audit.

Exhibit 3 – Investigation Deficiency Analysis

ACCEL Member	Number of Claims Exhibiting Deficiency (numbers in parentheses are 2015 findings; dashes indicate no deficiencies in 2015 or 2016)						
	Failure to Index	Failure to Obtain Statement	Failure to Obtain Police Report	Failure to Document Photographic Evidence	Failure to Obtain Release	Failure to Invoke Risk Transfer	Failure to Obtain Estimates
Anaheim	0 (3)	–	–	0 (3)	–	–	–
Bakersfield	–	–	–	–	–	–	–
Burbank	–	–	–	–	–	–	1 (0)
Modesto	0 (2)	–	–	1 (2)	–	–	–
Monterey	–	–	–	–	–	–	–
Mountain View	–	–	–	–	–	1 (0)	–
Ontario	–	–	–	–	–	–	–
Palo Alto	–	–	–	0 (1)	–	–	–
Santa Barbara	–	–	–	–	–	–	–
Santa Cruz	–	–	–	–	–	–	–
Santa Monica	–	–	–	–	–	–	–
Visalia	–	–	–	1 (0)	–	–	–
Excess/watch list	–	–	–	–	–	–	–

Anaheim

- No investigation deficiencies

Bakersfield

- No investigation deficiencies

Burbank

- Claim number 16029: A sewer back-up claim is presented. A formal claim was received by the City on 11/12/15. No appraiser had been assigned as of the day of this review.

Modesto

- Claim number 15-0108: The claimant alleges this motor vehicle accident was caused by a “dangerous condition.” The file contains no photographs of the accident scene.

Monterey

- No investigation deficiencies

Mountain View

- Claim number GHC 0012739: The claimant fell from his bicycle and alleges a dangerous condition caused the accident. The City tendered this claim to a street cleaning contractor. The contractor has not replied. A follow-up to the contractor is necessary.

Ontario

- No investigation deficiencies

Palo Alto

- No investigation deficiencies

Santa Barbara

- No investigation deficiencies

Santa Cruz

- No investigation deficiencies.

Santa Monica

- No investigation deficiencies

Visalia

- Claim number 16-005: The claimant tripped and fell. The independent adjusting firm assigned to this claim has not provided photographs of the accident scene.

Exhibit 4 – Litigation Status Report Analysis

ACCEL Member	Claims Lacking Status Reports or Exhibiting Late Status Reports from Defense Counsel		2015
	2016		
Anaheim	No deficiencies identified		0
Bakersfield	No deficiencies identified		0
Burbank	14	52% of the litigated claims reviewed	2
Modesto	1	5% of the litigated claims reviewed	3
Monterey	No deficiencies identified		0
Mountain View	No deficiencies identified		0
Ontario	No deficiencies identified		0
Palo Alto	1	5.6% of the litigated claims reviewed	1
Santa Barbara	1	7.1% of litigated claims reviewed	0
Santa Cruz	No deficiencies identified		0
Santa Monica	No deficiencies identified		0
Visalia	No deficiencies identified		0
Watch list/excess	1	4% of litigated claims reviewed	0

Industry standards require some status update from counsel at least every 90 days on actively litigated claims. These litigation status updates need not be elaborate or inclusive of discovery documentation such as deposition transcripts or interrogatory responses. A simple written status (e.g., email) is sufficient.

City of Burbank claims have deteriorated significantly since last year's audit. More than half the litigated claims reviewed lack timely updated statuses from defense counsel or the assigned City attorney. This was discussed with Ms. Dolan and Ms. Gallardo at the conclusion of the City's audit on March 28, 2016. The City has authorized the addition of staff to assist with this activity. This audit project notes that Ms. Gallardo is assigned multiple other risk management functions, mitigating her ability to devote the necessary attention to the pursuit of legal status updates. The City expressed confidence that the additional staff member will remedy this.

4. Diary/Claim Closure

Industry standards require documented adjusting activity every 45 days on open active cases. The failure to adhere to an aggressive, timely diary routinely results in the failure to respond to settlement/resolution opportunities and the failure to close claims timely.

Certain claims may maintain a longer diary. For example, claims that have been rejected and for which the only remaining activity is the monitoring for potential receipt of legal action may maintain a six-month diary. FCS considered these criteria when evaluating diary performance.

ACCEL members are generally adhering to industry standards for diary, but Burbank performance has deteriorated somewhat. The analysis of diary includes those instances where the claims handling entity failed to respond to claim closure potential. FCS deems the failure to adhere to diary as a primary catalyst of the failure to close claims timely. Exhibit 5 lists the claims exhibiting ineffective diary activity for each ACCEL member for both this year's audit and the 2015 audit.

5. Payments/Settlement

FCS concludes that ACCEL members and their claims handling entities are generally considering the following important criteria when resolving claims:

- The extent of liability attributable to the ACCEL member.
- The existence of additional tortfeasors.
- The existence of risk transfer devices (e.g., indemnification language or contractual hold harmless agreements) that allow the member to tender the responsibility to the responsible party.

The evaluation also seeks to confirm that claims handling entities are securing and documenting release/dismissal correspondence in instances when a claim settlement is reached.

This area of claims handling exhibits general compliance with industry standards. This has been a conclusion in all past audits.

Exhibit 5 – Diary Performance Analysis

ACCEL Member	Claims Exhibiting Diary Deficiency	
	2016	2015
Anaheim	0	4
Bakersfield	0	0
Burbank	5	2
Modesto	1	2
Monterey	1	0
Mountain View	0	0
Ontario	0	0
Palo Alto	0	0
Santa Barbara	0	1
Santa Cruz	1	1
Santa Monica	0	0
Visalia	0	0
Watch list/excess	2	0

Anaheim

- No deficiencies identified

Bakersfield

- No deficiencies identified

Burbank

- 14034
- 15072
- 14095
- 13138
- 15006

Modesto

- 15-0045

Monterey

- 15034

Mountain View

- No deficiencies identified

Ontario

- No deficiencies identified

Palo Alto

- No deficiencies identified

Santa Barbara

- No deficiencies identified

Santa Cruz

- 15-0408

Santa Monica

- No deficiencies identified

Visalia

- No deficiencies identified

Watch List/excess

- 1564192
- 1919294

6. Claim Data Organization and Documentation Clarity

FCS encourages consistent and chronologically accurate documentation of claim activity material. This ensures that the claim will be clearly interpreted upon review by a party other than the handling adjuster. It also ensures that important documents such as settlement demands, release/dismissal documents, and important investigation items are not misplaced.

All claims handling entities are maintaining clearly documented claim data. City of Bakersfield claims were reviewed via on-line access to its administrator's information system. Several other members utilize George Hills Company to maintain data and provide claim loss run reporting capabilities.

Minor documentation deficiencies such as absent or disorganized claim activity data exist in a small percentage of the claims reviewed.

7. Excess Reporting

This is a vital element of this study. The very nature of this project and the composition of ACCEL as an excess pool make the timely and consistent reporting of serious claims to the excess provider a main indicator of efficiency.

When selecting audit samples for each member, FCS focused primarily on higher valued claims (e.g. cases with incurred costs of \$50,000 or more), since these would logically have the greatest potential for excess exposure. All claims reaching this threshold were reviewed for each member.

The audits confirm that most ACCEL members are consistently complying with ACCEL excess reporting guidelines and communicating the perceived significant exposure to ACCEL and the Watch List administrator (Carl Warren-Placentia). Modesto and Ontario had multiple (two) deficient excess reporting findings.

The review of Watch List and other excess claims at Carl Warren-Placentia confirms that Carl Warren is effectively monitoring these claims. Exhibit 6 displays claims that were either not reported to Carl Warren timely – even though it appears that claim characteristics qualify for excess reporting – or lack timely follow-up correspondence from the member or defense counsel. These findings were presented to the particular member or the member and its administrator after that member's audit.

8. Risk Management Information System (RMIS)

The objective here is to confirm that loss data captured by the member entities are accurate, allowing ACCEL to assess the potential excess exposure.

FCS was provided a list of all open claims as well as a specific list of open claims with incurred costs of \$25,000 or more for all members. A separate loss run of all open and closed claims with incurred costs of \$25,000 or more that occurred in ACCEL membership years was also provided and was used to reconcile the Loss Stratification Report used for ACCEL's retrospective rating calculation.

Many of the cities utilize independent claims administration vendors to document loss data and generate periodic loss run documents.

Exhibit 6 – ACCEL Excess Reporting Analysis

Member	Claim Number	Discussion
Anaheim	All excess reportable claims reported timely	
Bakersfield	All excess report able claims reported timely	
Burbank	All excess reportable claims reported timely	
Modesto	15-0252	This is a claim alleging excess force by City police. The claimant sustained severe bodily injury.
	14-0116	This is a wrongful death claim alleging City police abandoned a suicidal individual.
Monterey	All excess reportable claims reported timely	
Mountain View	All excess reportable claims reported timely	
Ontario	1931329	This is a wrongful death claim resulting from a motor vehicle accident. The claimant's survivors allege a dangerous condition existed.
	1931053	This is a wrongful death claim resulting from a police shooting incident.
Palo Alto	All excess reportable claims reported timely	
Santa Barbara	All excess reportable claims reported timely	
Santa Cruz	All excess reportable claims reported timely	
Santa Monica	All excess reportable claims reported timely	
Visalia	16-001	This is a wrongful death claim resulting from a police shooting incident.
ACCEL Excess	No excess recording issues. All watch list claims designated properly.	

Palo Alto continues to experience information system inconsistencies from its administrator. FCS discussed this with the City and George Hills. It seems the primary issue is George Hills' failure to record payment in the correct category. For example, expenses for outside vendors or experts retained to assist with the resolution of the claim are routinely placed in the litigation category. These expenses should be recorded in the expense category.

Loss information generated generally reconciles with financial information documented in the claim management system or claim file. Exhibit 7 lists the observed deficiencies.

Exhibit 7 – ACCEL Loss Data Reconciliation Analysis

Member	Claim Number	Discussion
Anaheim	No RMIS documentation deficiencies identified	
Bakersfield	CBAI 010729A	A daily activity note dated 7/4/15 alludes to a legal status report. That report is not documented to the information system.
Burbank	13087	The claim file houses a claim summary sheet for an unrelated claim.
Modesto	No RMIS/documentation deficiencies identified	
Monterey	No RMIS/documentation deficiencies identified	
Mountain View	No RMIS/documentation deficiencies identified	
Ontario	No RMIS/documentation deficiencies identified	
Palo Alto	12084	There is a \$20,000 expense reserve that should be recorded in the “legal” reserve category. The City is experiencing a consistent problem with the mis-categorization of reserves by its administrator.
Santa Barbara	No RMIS/documentation deficiencies identified	
Santa Cruz	No RMIS/documentation deficiencies identified	
Santa Monica	No RMIS documentation deficiencies identified	
Visalia	No RMIS/documentation deficiencies identified	
Watch List/other excess	No RMIS/documentation deficiencies identified	