



**Liability Claims
Administration Audit –
2011**

for

**Authority for
California Cities
Excess Liability**

May 18, 2011

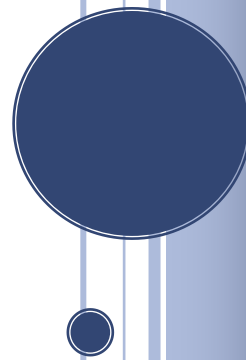
FARLEY CONSULTING SERVICES

P.O. Box 5928 ~ Oceanside, CA 92052

Phone: 760.435.9272 ~ Fax: 760.722.1760

farleyconsulting@cox.net

An Independent Claims Management Consulting Firm





May 18, 2011

Authority for California Cities Excess Liability
c/o Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111

Attn: Mr. Mike Simmons
Account Manager

by email: Conor Boughey <cboughey@alliantinsurance.com>

2011 Liability Claims Administration Audit

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 Glendale)

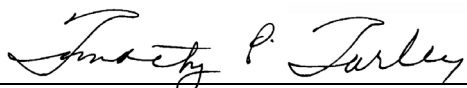
An individual audit of each ACCEL member was conducted either at the member's facility (self-administered) or at the member's third-party administrator (TPA).

The claims handling entity for each member was provided with audit results at the conclusion of its specific review. Each member or its administrator was encouraged to respond to the findings.

FCS appreciates the opportunity to complete this important project for ACCEL and looks forward to discussing the report at the upcoming Board of Directors meeting.

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 ACCEL of potentially catastrophic claims that will or could penetrate into ACCEL's coverage layer. Some deficiencies continue in this area. Specific findings for this key category are indicated in Section II.C.6 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 have generated negative findings in past audits. FCS concludes that performance in this key category has improved for most of the members, but significant deficiencies are still evident for the cities of Bakersfield and Burbank. Exhibit 4 on page 11 provides each member's findings and compares performance observed this year with observations from last year's (2010) audit findings.

Where possible, this report provides a comparison of performance in key claims administration categories with observations presented in the 2010 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. Caseloads for Ontario (Nova Pro Risk) and Modesto are excessive. A list of adjustor caseloads appears in Exhibit 1 – Caseload Analysis on page 6.

The cities of Anaheim, Modesto, Palo Alto, and Santa Cruz have had staff changes since the 2010 audit:

- Anaheim – Jorge Solis has been added as a claims examiner to assist Dave Nunley. Mr. Solis is assigned roughly 65% of the City's open claims volume.
- Modesto – Bev Jensen is no longer handling City claims. Mary Akin has assumed claims handling responsibilities temporarily and is being assisted by George Hills Company. The City is considering recruiting an experienced claims technician to handle City claims. Budgetary constraints are impeding this process.
- Palo Alto – Ms. Tracy Thurston was handling property damage claims and minor bodily injury claims. She has discontinued employment with the City since the

2010 audit. Stacy Lavelle has assumed claims handling responsibilities with significant assistance from the George Hills office in San Jose.

- Santa Cruz – Kris Kamandulis left City employment effective 11/1/10. Claims are now being administered by Ms. Barbara Choi, City Risk Manager. She is assisted by Ms. Kate Silva.
 - John Forner’s (Santa Barbara) work time will be reduced by 25% beginning 7/1/11.
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 and findings and provides a comparison to the findings presented in the 2010 audit report. None of the members had multiple deficiencies, and only a few had one claim requiring reserve adjustment.
 3. Minor deviations from accepted claims handling standards for investigation are evident for most of the cities, but 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. Burbank’s performance in the claims handling area has improved notably.

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 2010.
 4. ACCEL members are generally adhering to industry standards for diary. The analysis of diary includes those instances where the claims handling technician failed to respond to file 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 7 lists the files exhibiting ineffective diary activity for each ACCEL member. Member performance is similar to 2010 findings. Bakersfield (York) and Santa Monica have multiple diary deficiencies.
 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.
 7. The administrators are generally complying with ACCEL excess reporting guidelines and communicating the perceived significant exposure to the ACCEL administrator (Carl Warren), but deficiencies are apparent with some cities. Claims that should have

been reported to Carl Warren or that were reported to Carl Warren late are listed and discussed in Exhibit 6 on page 15.

The review of excess claims at Carl Warren confirms that Carl Warren continues to effectively monitor ACCEL reportable claims and document its files thoroughly.

B. Areas of Inconsistency

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:

- **Litigation Management (Status Updates).** Exhibit 4 reveals that most member cities have improved the efficiency of the delivery of updated status reports from counsel to the assigned claims handler, but the cities of Bakersfield and Burbank are not complying with this standard. The remedy here does not require formal, captioned reports to the claims handler. Rather, simple and concise email correspondence is sufficient.

Recommendation

FCS recommends the creation and distribution of an advisory letter from the ACCEL President to all City Attorneys notifying each member's City Attorney of severe consequences if non-compliant performance continues in this vital area of claims administration. Such consequences could include rejection of the culpable member from the ACCEL pool.

- **Excess Reporting to ACCEL (Carl Warren).** The audit did not identify a large number of files failing to comply with excess reporting requirements. In fact, FCS concludes that member performance has improved since the 2010 audit, but due to the significant 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 files deemed deficient. Bakersfield and Ontario both had multiple findings of non-compliance.

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 30, 2011 (Santa Monica) to May 10, 2011 (Palo Alto). Review of excess files at Carl Warren was conducted on May 6, 2011.

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 will be provided to Alliant by the first week of June, 2011.

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

ACCEL Audit Composition and Facility – 2011

| ACCEL Member | Number of Files Reviewed | Claims Handling Entity (Audit Site) |
|-----------------------------|---|---------------------------------------|
| Anaheim | 35 open; 10 closed | City-self administered |
| Bakersfield | 24 open; 5 closed | York Insurance Services (York)-Oxnard |
| Burbank | 25 open; 3 closed | City-self administered |
| Modesto | 21 open; 5 closed | City-self administered |
| Monterey | 17 open; 5 closed | City-self administered |
| Mountain View | 16 open; 5 closed | City-self administered |
| Ontario | 22 open; 5 closed | Nova Pro Risk (Nova Pro)-Tustin |
| Palo Alto | 20 open; 5 closed | City-self administered |
| Santa Barbara | 21 open; 5 closed | City-self administered |
| Santa Cruz | 15 open; 5 closed | City-self administered |
| Santa Monica | 31 open; 4 closed | City-self administered |
| Visalia | 20 open; 3 closed | City-self administered |
| ACCEL Excess and Watch List | 25 open, including all 7 Watch List files | Carl Warren-Glendale |

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 \$25,000 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 claims tire damage 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.

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 the claim becomes litigated. FCS recommends a maximum caseload of 180 claims for claims handling technicians on municipal liability exposures. Caseloads for Ontario (Nova Pro Risk) and Modesto are excessive. A list of adjustor caseloads appears in Exhibit 1 – Caseload Analysis on page 6.

The caseloads listed for Nova Pro Risk (Ontario), York (Bakersfield), and Carl Warren (Watch List and other excess) in Exhibit 1 are the individual's total caseload, including assignments from other non-ACCEL clients.

Exhibit 1 – Caseload Analysis (as of the entity’s specific audit date)

| Claims Handling Entity | ACCEL Members | Caseloads | |
|--|-----------------------------------|--|--|
| York Insurance Services- Bakersfield (files were reviewed at York office in Oxnard) | Bakersfield | Laura Harmon | 167 |
| Carl Warren & Co. – Glendale | ACCEL excess/watch list claims | Keyan Aghili | 220 (plus approximately 400 subrogation files) |
| Nova Pro Risk – Tustin | Ontario | Joe Klecansky | 240 (105 are for City of Ontario) |
| Self-Administered | Anaheim | Dave Nunley | approximately 70 |
| | | Jorge Solis | approximately 130 |
| | | Yasmin Lopez | fewer than 25 |
| | Burbank | Ann Lozano | 139 |
| | Modesto | Mary Akin | 184 |
| | Monterey | Rhonda Combs | 22 |
| | Mountain View | Lynn Dobson, Assistant City Attorney | 75 |
| | | Nicole Clemens | 21 |
| | Palo Alto | Stacy Lavelle with George Hills’ assistance | 99 |
| | Santa Barbara | John Forner | 84 |
| | Santa Cruz | Barbara Choi | 43 |
| | Santa Monica | Jonathan Lackey | 132 |
| | | Gary Sanchez | 18 |
| | | Mike Mack | 88 includes subrogation files |
| Visalia | Charlotte Dun Mary Sharp | 56 | |

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 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.

This year's audit confirms that there has been significant improvement in this key claims handling function for all members.

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.

Exhibit 2 – Reserve Analysis

| ACCEL Member (Administrator) | Claims Requiring Reserve Adjust- ment in 2011 (Claim Number) | Reserve Adjustment Analysis | | Deviation from Accuracy (net reserve change required) | Claims Requiring Reserve Adjustment in 2010 |
|---|---|-----------------------------|---|--|--|
| | | Current Reserve | Recommended Reserve (Rationale) | | |
| Anaheim (self-administered) | No adjustments necessary | n/a | n/a | n/a | 1 |
| Bakersfield (York) | No adjustments necessary | n/a | n/a | n/a | 1 |
| Burbank (self-administered) | No adjustments necessary | n/a | n/a | n/a | 4 |
| Modesto (self-administered) | No adjustments necessary | n/a | n/a | n/a | 1 |
| Monterey (self-administered) | 09025 | \$30,000 (bodily injury) | \$75,000 (bodily injury) The claimant tripped and fell on a City sidewalk. His attorney recently submitted a settlement demand of \$97,000. The claimant has incurred approximately \$30,000 in medical costs. | \$45,000 under- reserved | 0 |
| Mountain View (self-administered) | MV 100080 | \$250,000 (loss) | \$100,000 (loss) The claimant is alleging that City police used excess force resulting in a fractured arm. The claimant was aggressively resisting arrest and the claim was dismissed. The claimant is appealing this dismissal. | \$150,000 over reserved. | 4 |
| Ontario (Nova Pro Risk- Tustin) | No adjustments necessary | n/a | n/a | n/a | 1 |
| Palo Alto (self-administered) | No adjustments necessary | n/a | n/a | n/a | 0 |
| Santa Barbara (self-administered) | 1498067 | \$50,000 (loss) | \$0 (loss) The claimant alleges excess force by City police. A motion for summary judgment was granted and the City was awarded costs. | \$50,000 over reserved. | 0 |
| Santa Cruz (self-administered) | No adjustments necessary | n/a | n/a | n/a | 0 |
| Santa Monica (self-administered) | No adjustments necessary | n/a | n/a | n/a | 1 |
| Visalia (self-administered) | No adjustments necessary | n/a | n/a | n/a | 0 |
| ACCEL excess/watch list (Carl Warren) | No adjustments necessary | n/a | n/a | n/a | 0 |

- 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 files reviewed generally exhibit thorough investigation activity. Still, minor investigation deficiencies unique to specific claims are evident. Last year's audit identified a deficiency in the area of the documentation of photographic evidence. Performance in this category has improved dramatically since then.

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 2010 audit. Blank categories indicate there were no findings in either 2010 or 2011.

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 lists the files 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 2010 audit.

Industry standards require some status update from counsel at least every 60 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.

This year's audit finds improvement in compliance of this key area of claims administration for most members, but compliance with status update standards is virtually non-existent for Bakersfield and Burbank.

Exhibit 3 – Investigation Deficiency Analysis

| ACCEL Member | Number of Files Exhibiting Deficiency Numbers in parentheses are 2010 findings (blank categories mean no deficiencies in either 2010 or 2011) | | | | | | |
|-------------------|---|-----------------------------|---------------------------------|---|---------------------------|---------------------------------|-----------------------------|
| | 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 (1) | -- | -- | -- | -- | -- | -- |
| Bakersfield | -- | -- | -- | 0 (2) | -- | -- | -- |
| Burbank | 0 (2) | -- | -- | 1 (3) | -- | -- | -- |
| Modesto | 0 (2) | -- | 1 (1) | 0 (4) | -- | -- | -- |
| Monterey | -- | -- | -- | -- | -- | -- | -- |
| Mountain View | -- | -- | -- | 0 (1) | -- | -- | -- |
| Ontario | -- | -- | -- | 0 (3) | -- | -- | -- |
| Palo Alto | -- | -- | -- | 0 (2) | -- | -- | -- |
| Santa Barbara | -- | -- | -- | -- | -- | -- | -- |
| Santa Cruz | 1 (0) | -- | -- | (0) | -- | -- | -- |
| Santa Monica | -- | -- | -- | 0 (1) | -- | -- | -- |
| Visalia | -- | -- | -- | 1 (0) | -- | -- | -- |
| Excess/watch list | -- | -- | -- | -- | -- | -- | -- |

Anaheim

- No investigation deficiencies

Bakersfield

- No investigation deficiencies

Burbank

- Photos – 10130 (no photos of accident scene for claim of dangerous condition)

Modesto

- Police Report –10-6701. Apparently the City attorney has a copy but will not provide to the claims handler

Monterey

- No investigation deficiencies

Mountain View

- No investigation deficiencies

Ontario

- No investigation deficiencies

Palo Alto

- No investigation deficiencies

Santa Barbara

- No investigation deficiencies

Santa Cruz

- Index-2010026

Santa Monica

- No investigation deficiencies

Visalia

- Photos – 10-068 (no photos of stairs claimant allegedly fell down)

Exhibit 4 – Litigation Status Report Analysis

| ACCEL Member | Number of Files Lacking Status Reports or Exhibiting Late Status Reports from Defense Counsel | |
|-------------------|---|---------------------------------------|
| | 2011 | 2010 |
| Anaheim | No deficiencies identified | |
| Bakersfield | 10 | 62.5% of the litigated files reviewed |
| Burbank | 14 | 56% of the litigated files reviewed |
| Modesto | 2 | 11.1% of the litigated files reviewed |
| Monterey | No deficiencies identified | |
| Mountain View | No deficiencies identified | |
| Ontario | No deficiencies identified | |
| Palo Alto | No deficiencies identified | |
| Santa Barbara | No deficiencies identified | |
| Santa Cruz | No deficiencies identified | |
| Santa Monica | 1 | 3.2% of the litigated files reviewed |
| Visalia | 4 | 25% of the litigated files reviewed |
| Watch list/excess | No deficiencies identified | |

City Attorney personnel for these two cities indicate they are complying with status reporting by communicating with Mr. Aghili. This does not fulfill the reporting requirements of the ACCEL program. Claims handlers are responsible for assessing risk and establishing or amending reserves. The accuracy of these case reserves is vital to the identification of high exposure claims. The ability of the claims handler to accurately assess the exposure and establish or amend reserves is impeded by the lack of information from defense counsel.

FCS has identified this as a point of concern in every audit it has conducted for ACCEL (beginning in 2006).

4. Diary/File Closure

Industry standards require documented adjusting activity every 30 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.

ACCEL members are generally adhering to industry standards for diary. The analysis of diary includes those instances where the claims handling entity failed to respond to file 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 files exhibiting ineffective diary activity for each ACCEL member for both this year's audit and the 2010 audit.

Certain files 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.

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 also exhibits general compliance with industry standard. This has been a conclusion in all past audits.

Exhibit 5 – Diary Performance Analysis

| ACCEL Member | Files Exhibiting Diary Deficiency | |
|-------------------|-----------------------------------|------|
| | 2011 | 2010 |
| Anaheim | 0 | 1 |
| Bakersfield | 3 | 4 |
| Burbank | 0 | 2 |
| Modesto | 1 | 0 |
| Monterey | 0 | 1 |
| Mountain View | 1 | 0 |
| Ontario | 1 | 0 |
| Palo Alto | 0 | 1 |
| Santa Barbara | 0 | 1 |
| Santa Cruz | 0 | 0 |
| Santa Monica | 3 | 0 |
| Visalia | 1 | 0 |
| Watch list/excess | 1 | 0 |

Anaheim

- No deficiencies identified

Bakersfield

- 0102511
- 2009084790
- 2009093971

Burbank

- No deficiencies identified

Modesto

- 09-6317

Monterey

- No deficiencies identified

Mountain View

- MV 090060

Ontario

- A 01792

Palo Alto

- No deficiencies identified

Santa Barbara

- No deficiencies identified

Santa Cruz

- No deficiencies identified

Santa Monica

- 09-7606
- 09-7202
- 10-0036

Visalia

- 08-042

Watch List/excess

- 1514299

6. File Organization and Documentation

FCS encourages the consistent and chronologically accurate documentation of claim files. This ensures that the file 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 files.

Minor documentation deficiencies such as unsecured or disorganized file contents exist in a small percentage of the files.

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 \$25,000 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). Only Ontario (Nova Pro) and Bakersfield (York) had multiple deficient reporting findings.

The review of Watch List and other excess files at Carl Warren 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 their administrator after that member's audit.

Exhibit 6 – ACCEL Excess Reporting Analysis

| Member | Claim Number | Discussion |
|---------------|---|--|
| Anaheim | All excess reportable claims reported timely. | |
| Bakersfield | 2010103878 | Carl Warren was not copied on a status report generated by York submitted to Mr. Korn. |
| | 2009094543 | The claim was reported to Carl Warren timely in November 2009, but the file exhibits no subsequent updates. |
| Burbank | All excess reportable claims reported timely | |
| Modesto | 10-7151 | File notes indicate the claim was reported to Carl Warren, but the file contains no copy of the report. |
| Monterey | All excess reportable claims reported timely. | |
| Mountain View | All excess reportable claims reported timely | |
| Ontario | A-01792 | This is a fatality from a police shooting incident. It does not appear that the claim has been reported to Carl Warren yet. |
| | A-01844 | This is a fatality resulting from a motor vehicle accident. The claim has been rejected and the statutory response period has expired. |
| Palo Alto | All excess reportable claims reported timely. | |
| Santa Barbara | All excess claims reported timely. | |
| Santa Cruz | All excess reportable claims reported timely | |
| Santa Monica | 06-0915 | The claimant alleges he was falsely accused of arson. The accusation allegedly was widely reported in the community. A defense verdict was rendered, but a rehearing was granted by the 9 th Circuit Court of Appeals (which interestingly reversed its own denial of the rehearing). |
| Visalia | 10-046 | The claimant's survivors allege a lack of proper investigation into elder abuse that resulted in the claimant's death. The claim seems groundless, but should be considered for reporting to Carl Warren. |

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 will be used to develop the Loss Data Reconciliation Report used for ACCEL's retrospective rating calculation.

Many of the cities utilize Carl Warren or George Hills to document loss data and generate periodic loss run documents.

Loss information generated generally reconciles with financial information documented in the claim files. No significant RMIS deficiencies are identified. Exhibit 7 on page 17 lists some minor deficiencies.

Exhibit 7 – ACCEL Loss Data Reconciliation Analysis

| Member | Claim Number | Discussion |
|---------------|--------------|--|
| Anaheim | | No RMIS deficiencies identified |
| Bakersfield | | No RMIS deficiencies identified |
| Burbank | | No RMIS deficiencies identified |
| Modesto | 09-6398 | The loss run provided lists a claimant that is not indicated on the file jacket. |
| Monterey | | No RMIS deficiencies identified |
| Mountain View | 704-07 | This claim that has been rejected is not listed on the 3/11/11 loss run provided. |
| | MV 090060 | This claim is still listed as open on the loss run provided despite the granting of a motion for summary judgment in September 2010. No appeal is evident. |
| Ontario | | No RMIS deficiencies identified |
| Palo Alto | | No RMIS deficiencies identified. |
| Santa Barbara | | No RMIS deficiencies identified. |
| Santa Cruz | | No RMIS deficiencies identified. |
| Santa Monica | | No RMIS deficiencies identified |
| Visalia | | No RMIS deficiencies identified. |
| Watch List | | No RMIS deficiencies identified. |