

Liability Claims Administration Audit – 2015

for

Authority for California Cities Excess Liability **ACCEL**

June 12, 2015



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June 12, 2015

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ACCEL Liability Claims Administration Audit – 2015

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 and ACCEL Administrator).

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

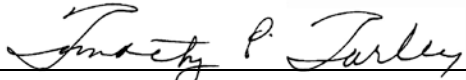
each Board member at the conclusion of their respective audit. Each member or its administrator was encouraged to respond to the findings.

A draft edition of this report was presented at the June 11, 2015 Board of Directors meeting in Monterey.

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 ACCEL of potentially catastrophic claims that will or could penetrate into ACCEL's coverage layer. Member performance continues to improve, but due to its importance, it is still considered an area of concern. 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 continues to improve and is no longer considered an area of concern. Only three members had negative findings. Exhibit 4 on page 11 provides each member's findings and compares performance observed this year with observations from last year's (2014) audit findings.

Palo Alto continues to experience some significant 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 encourages the City to seek service from other vendors if the issue is not corrected within the next 4 months.

Where possible, this report provides a comparison of performance in key claims administration categories with observations presented in the 2014 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, continues to be excessive. This has been a finding in all past audits. Tim Thompson's (ACCEL excess administrator at Carl Warren) is higher than the recommended maximum, but a majority of these claims are "monitor only." A list of adjustor caseloads appears in Exhibit 1 – Caseload Analysis on page 6.
 - **City of Modesto** – The City has undergone a significant staffing change in the past few months. Mary Akin retired effective 3/9/15. Ms. Bev Jensen assumed day-to-day claims handling responsibilities. Ms. Jensen is qualified to administer City claims, but is responsible for many other City tasks.

FCS strongly encourages the City to consider engaging the services of an outside claims administration firm.

- **ACCEL Excess Administration**

Tim Thompson (Carl Warren-Placentia) assumed handling of ACCEL excess claims effective 10/30/14. The audit of ACCEL excess claims identified no deterioration in administration competence.

- **City of Santa Cruz**

The City recently added Mr. Jason McCluskey to its claims handling staff.

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 2014 audit report. Only Santa Barbara required changes to more than one claim (2). Neither recommended reserve change is significant.
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. Investigation thoroughness on City of Anaheim claims has deteriorated somewhat since 2014.

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 2014.

4. ACCEL members are generally adhering to industry standards for diary. Anaheim and Modesto claims exhibit notable deficiencies, but no fiscal impact is identified for either City due to these deficiencies.

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 13 lists the files 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 16 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). Only Modesto claims exhibit multiple (2) deficiencies. Claims exhibiting late or absent excess reporting to Carl Warren or claims exhibiting a lack of correspondence from defense counsel to Carl Warren 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 change in personnel within the past six months.

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 4 on page 6 lists staff assigned to ACCEL member claims. Modesto and ACCEL excess (Carl Warren-Placentia) have undergone significant staffing changes in the past 6 months. While this project can identify no fiscal impact for either entity, the need to engage consistent and qualified personnel is vital. FCS reiterates its recommendation that Modesto consider engaging an independent claims administration vendor for its claims.

Santa Cruz has added an individual to its staff, but the primary claims handling personnel are still active.

- **Excess Reporting to ACCEL (Carl Warren).** The audit did not identify a large number of claims failing to comply with excess reporting requirements. Other than the City of Modesto, member performance continues to improve. 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 files 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 26, 2015 (Santa Barbara) to April 29, 2015 (Palo Alto). Review of excess and watch list claims at Carl Warren-Placentia was conducted on April 30, 2015.

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 5/7/15.

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 – 2015

ACCEL Member	Number of Files Reviewed	Claims Handling Entity (Audit Site)
Anaheim	30 open claims	City self-administered
Bakersfield	21 open claims	York Insurance Services-Oxnard/Bakersfield (audit was completed remotely)
Burbank	25 open claims; 5 closed claims	City self-administered
Modesto	18 open claims; 5 closed claims	City self-administered
Monterey	22 open claims; 3 closed claims	City self-administered
Mountain View	13 open claims; 3 closed claims	City self-administered
Ontario	23 open claims; 5 closed claims	Carl Warren & Co.-Riverside
Palo Alto	14 open claims; 3 closed claims	City self-administered
Santa Barbara	21 open claims	City self-administered
Santa Cruz	13 open claims; 3 closed claims	City self-administered
Santa Monica	30 open claims	City self-administered
Visalia	10 open claims; 4 closed claims	City self-administered
ACCEL Excess and Watch List	26 open, including all 19 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 recommended 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** – Ms. Bev Jensen assumed claims handling activity for the City in March 2015. She is qualified to administer City claims, but is also responsible for other City tasks. FCS recommends the City consider engaging an outside claims administration vendor for its claims
- **Santa Cruz** – Jason McCluskey was recently added to City claims administration staff.
- **ACCEL Excess (Carl Warren-Placentia)** – Mr. Tim Thompson assumed the monitoring and administration of ACCEL excess claims effective 10/30/14. The audit of Carl Warren can identify no deterioration of excess claims administration effectiveness resulting from the staffing change.

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 6.

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

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 (files were reviewed remotely via access to the York Claims Connect system)	Bakersfield	Laura Harmon	174
Carl Warren & Co. – Placentia	ACCEL excess/watch list claims	Tim Thompson	251
Carl Warren & Co. – Riverside	Ontario	Joe Klecansky	200 (48 are for City of Ontario)
Self-Administered	Anaheim	Tracey Matthews	60
		Roger Lambert	121
	Burbank	Arlene Gallardo	161
	Modesto	Bev Jensen	130
	Monterey	Rhonda Combs	31
	Mountain View	Lynn Dobsen Senior Assistant City Attorney Nicole Clemens	52 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	42
	Santa Barbara	Marisa Kahn	90
	Santa Cruz	Patty Haymond Tanya Malko	57; Ms. Malko assists Ms. Haymond with claim intake and filing activity. The City also just added analyst Jason McCluskey. He will assume most of the caseload shortly.
	Santa Monica	Michael Mack	61
		Carol Tang	9
		Deb Hossli	184 – -mostly rejected claims awaiting statute expiration. 95 are lawsuits
	Visalia	Charlotte Dunn	42
		Mary Sharp	Ms. Sharp is responsible for claim intake activity and conducts necessary communication with departments.

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.

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.

Exhibit 2 – Claims Requiring Reserve Adjustment in 2015

ACCEL Member (Administrator)	Claim Number	Reserve Adjustment Analysis		Deviation from Auditor's Recommended Reserve (net reserve change required)	Claims Requiring Reserve Adjustment in 2014
		Current Reserve	Recommended Reserve (Rationale)		
Anaheim (self-administered)	No adjustments necessary, but reserve for claim number 11775 is in wrong column.				0
Bakersfield (York)	CBAI 010741	\$25,000	\$100 No formal claim had been submitted as of the date of this review.	\$24,900 over-reserved	0
Burbank (self-administered)	14004	\$39,000 (loss)	\$0 (loss) This claim was settled for \$1000 in December 2014. The current reserve is the balance of the original \$40,000 reserve which is no longer necessary.	\$39,000 over-reserved	1
Modesto (self-administered)	No adjustments necessary, but information system is not categorizing separate reserves for loss and expense. This is discussed in Section II.C.6, Claim Data Organization and Documentation Clarity (beginning on page 12.				1
Monterey (self-administered)	No adjustments necessary				0
Mountain View (self-administered)	No adjustments necessary				0
Ontario (Carl Warren-Riverside)	No adjustments necessary				0
Palo Alto (self-administered)	No adjustments necessary				1
Santa Barbara (self-administered)	14-081	\$0 (loss)	\$25,000 (loss) The claimant was injured when he fell off a wharf. Liability is possible. The claim is litigated.	\$25,000 under-reserved	3
	13-029	\$25,000 (loss)	\$50,000 (loss) The claimant tripped and fell on a City sidewalk. The last offer made by the City is \$25,000. The claim is litigated with the last demand being \$175,000.	\$25,000 under-reserved	
Santa Cruz (self-administered)	14-0438	\$0 (loss) \$0 (expense)	\$10,000 (loss); \$5,000 (expense) The claimant tripped and fell, sustaining a serious ankle injury. Legal action has commenced. The City has tendered responsibility for this to the property owner; it is a named defendant. The recommended reserves are precautionary.	\$15,000 under-reserved	0
Santa Monica (self-administered)	No adjustments necessary				1
Visalia (self-administered)	13-053	\$25,071	\$40,000 Claim activity notes indicate the City is considering a settlement up to \$30,000. The last demand from the claimant is \$350,000	\$14,929 under-reserved	1
ACCEL excess/watch list (Carl Warren- Placentia)	No adjustments necessary				0

- 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 2014 audit. Blank categories indicate there were no findings in either 2015 or 2014.

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 2014 audit.

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.

Only three members generated findings. This category has shown continued improvement for the past several audit cycles.

Exhibit 3 – Investigation Deficiency Analysis

ACCEL Member	Number of Files Exhibiting Deficiency Numbers in parentheses are 2014 findings (blank categories mean no deficiencies in either 2014 or 2015)						
	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	3 (2)	–	–	3 (2)	–	–	–
Bakersfield	–	–	–	0 (1)	–	–	–
Burbank	–	–	–	–	–	–	–
Modesto	2 (1)	–	–	2 (2)	–	–	–
Monterey	–	–	–	–	–	–	–
Mountain View	–	–	–	–	–	–	–
Ontario	–	–	–	–	–	–	–
Palo Alto	–	–	–	1 (1)	–	–	–
Santa Barbara	–	–	–	–	–	–	–
Santa Cruz	–	–	–	–	–	–	–
Santa Monica	–	–	–	–	–	–	–
Visalia	–	–	–	–	–	–	–
Excess/watch list	–	–	–	–	–	–	–

Anaheim

- Claim numbers 12380, 12362 and 12293 lack photographs of the accident scene/vehicles
- Claim numbers 11979, 12293 and 12454 lack indexing of injured parties

Bakersfield

- No investigation deficiencies

Burbank

- No investigation deficiencies

Modesto

- Claim number 11-0159: The claimant tripped and fell on a railroad structure. The file contains no photographs of the accident scene or an indication that the claimant was indexed to determine injury history.
- Claim number 13-0133: The claimant, a pedestrian, was struck in a crosswalk. The claimant alleges the City has created a dangerous condition that caused the accident. The file contains no photographs of the accident scene and no indexing of the claimant.

Monterey

- No investigation deficiencies

Mountain View

- No investigation deficiencies

Ontario

- No investigation deficiencies

Palo Alto

- Claim number C14-0013. The claimant alleges a dangerous condition caused the motor vehicle accident in which he sustained injury. There are discs in the file that apparently contain photographs, but no photographs are visible of the accident scene that could help support the City's assertion that no dangerous condition exists.

Santa Barbara

- No investigation deficiencies

Santa Cruz

- No investigation deficiencies.

Santa Monica

- No investigation deficiencies

Visalia

- No investigation deficiencies

Exhibit 4 – Litigation Status Report Analysis

ACCEL Member	Files Lacking Status Reports or Exhibiting Late Status Reports from Defense Counsel		2014
	2015		
Anaheim	No deficiencies identified		0
Bakersfield	No deficiencies identified		0
Burbank	2	8% of the litigated claims reviewed	0
Modesto	3	25% of the litigated claims reviewed	5
Monterey	No deficiencies identified		0
Mountain View	No deficiencies identified		0
Ontario	No deficiencies identified with defense counsel reporting, but excessive fees on multiple claims.		0
Palo Alto	1	7.7% of the litigated claims reviewed	1
Santa Barbara	No deficiencies identified		0
Santa Cruz	No deficiencies identified		0
Santa Monica	No deficiencies identified		0
Visalia	No deficiencies identified		1
Watch list/excess	No deficiencies identified		0

4. Diary/File 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 Anaheim and Modesto performance has deteriorated somewhat. 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 2014 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 also exhibits general compliance with industry standard. This has been a conclusion in all past audits.

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.

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

Exhibit 5 – Diary Performance Analysis

ACCEL Member	Claims Exhibiting Diary Deficiency	
	2015	2014
Anaheim	4	1
Bakersfield	0	0
Burbank	1	1
Modesto	2	0
Monterey	0	1
Mountain View	0	1
Ontario	0	1
Palo Alto	0	1
Santa Barbara	1	0
Santa Cruz	1	0
Santa Monica	0	2
Visalia	0	0
Watch list/excess	0	0

Anaheim

- 12362
- 11696
- 12454
- 12461

Bakersfield

- No deficiencies identified

Burbank

- 12003

Modesto

- 10-0280
- 14-0083

Monterey

- No deficiencies identified

Mountain View

- No deficiencies identified

Ontario

- No deficiencies identified

Palo Alto

- No deficiencies identified

Santa Barbara

- 15-031

Santa Cruz

- 14-0335

Santa Monica

- No deficiencies identified

Visalia

- No deficiencies identified

Watch List/excess

- No deficiencies identified

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). Only Modesto had multiple (2) deficient excess reporting findings.

The review of Watch List and other excess files 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.

This year's project notes that ACCEL has instructed Carl Warren to include any claim with a trial date within 6 months to the Watch List. Mr. Thompson is consistently complying with this requirement. FCS concurs with this policy.

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.

Palo Alto continues to experience deficient information system service from its administrator. Multiple claims reviewed are likely closed, but still appear as open with outstanding reserves on the most current loss run. The City has requested updates from the administrator in all instances.

Loss information generated generally reconciles with financial information documented in the claim management system or claim file. Exhibit 7 on page 16 lists the observed deficiencies.

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	14-0116	The claimant, a minor, alleges lack of police intervention resulted in mother's suicide. There is no indication the loss has been reported to the ACCEL administrator.
	15-0060	A pedestrian was struck and killed by a City bus. The City transfers certain elements of this risk to another entity, but the City's involvement in future litigation and settlement is likely. The claim should be reported to the ACCEL administrator.
Monterey	All excess reportable claims reported timely	
Mountain View	All excess reportable claims reported timely	
Ontario	1904063	This claim involves a non-fatal police shooting. The claimant presented this claim via a federal court summons & complaint while incarcerated. The claim has not been reported to the excess administrator. Carl Warren indicated it will consider reporting it.
Palo Alto	All excess reportable claims reported timely	
Santa Barbara	15-021	This claim alleging dangerous condition as the cause of a motor vehicle accident that resulted in an amputation was received by the City on 9/8/14, but was not reported to the excess administrator until 3/25/15.
Santa Cruz	12-0237	The claim was reported to the ACCEL administrator timely, but defense counsel is not consistently copying the administrator on legal correspondence.
Santa Monica	14-0982	This single-car motor vehicle accident resulted in a fatality. The claimant's estate alleges a dangerous condition. It is likely that the City will be found not responsible, as the loss seems to have occurred outside the City limits, but the severity of the claim warrants reporting to the excess administrator
Visalia	All excess reportable claims reported timely	
ACCEL Excess	Pech, Margarit (City of Anaheim)	This claim has been reported to Carl Warren, but it should be placed on the Watch List.

Exhibit 7 – ACCEL Loss Data Reconciliation Analysis

Member	Claim Number	Discussion
Anaheim	11839	This is an example of the City policy of not recording expense/legal payments until the claim is closed. FCS does not concur with this policy. This claim generated the same finding of deficiency last year. The City has indicated it will begin tracking payments as they are made.
Bakersfield	No RMIS/documentation deficiencies identified	
Burbank	14034	This claim was settled for more than \$1 million. Legal costs alone exceeded \$1 million and exhausted the City's retention. ACCEL has issued the settlement payment, but the City's information system documents no payments in the loss column. Even though loss proceeds came from ACCEL, the information system should record the payment.
Modesto	City loss data is not categorizing the separate cost elements of its claims. Only one total incurred amount is listed. The "total incurred" amount is also routinely inaccurate, as it does not tabulate the sum of the amount of reserve outstanding and the amount paid. Rather, it simply reiterates the "amount of outstanding reserve."	
Monterey	No RMIS/documentation deficiencies identified	
Mountain View	No RMIS/documentation deficiencies identified	
Ontario	No RMIS/documentation deficiencies identified	
Palo Alto	No deficiencies with City claim files, but data received from George Hills lacks consistent accuracy.	
Santa Barbara	No RMIS/documentation deficiencies identified.	
Santa Cruz	No RMIS/documentation deficiencies identified	
Santa Monica	13-1019	Several documents in the claim file are out of chronological order
Visalia	No RMIS/documentation deficiencies identified	
Watch List/other excess	No RMIS/documentation deficiencies identified	