



FARLEY CONSULTING SERVICES

**2006 Liability Claims
Administration Audit**

for
**Authority for California
Cities Excess Liability**

September 29, 2006



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Authority for California Cities Excess Liability
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Account Manager

2006 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)

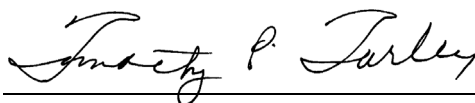
An individual audit of each ACCEL member was conducted either at the member's facility (self-administered) or at the member's third-party administrator (TPA).

A draft summary report was provided in July 2006. Each member was provided a breakout report of its specific audit findings in August 2006. Responses/rebuttals to the draft report are incorporated into this final comprehensive report.

FCS appreciates the opportunity to complete this important project for ACCEL and looks forward to discussing the report at an 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 are generally in 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 are observed at some of the members for this category. Specific findings for this key category are indicated in Section II.C.7 of this report and documented in Exhibit 6 on page 15.

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 the claim becomes litigated. FCS recommends a maximum caseload of 180 claims for claims handling technicians on municipal liability exposures, but due to the cessation of responsibility when the claim is litigated, FCS concludes that caseloads are reasonable. A list of adjustor caseloads appears in Exhibit 1 – Caseload Analysis on page 5.
2. Case reserves are generally accurate for all member entities. Exhibit 2 – Reserve Analysis on page 7 lists each member's reserve accuracy and findings. The audit concludes that the Cities of Burbank, Ontario, Santa Cruz, and Santa Monica are not in compliance with industry standards.
3. Most of the cities exhibit minor deviations from accepted claims handling standards for investigation. The City of Modesto generated the most findings, particularly in the area of photographic evidence documentation.

Exhibit 3 – Investigation Deficiency Analysis on page 10 lists the claims exhibiting a specific investigation deficiency for each ACCEL member.
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 6 lists the files exhibiting ineffective diary activity for each ACCEL member and the percentage of those files as it relates to the whole audit sample size of the 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.

6. All claims handling entities are generally maintaining clearly documented claim files, but a few of the cities exhibit inaccurate fiscal information in the file that did not consistently reconcile with loss run information on current loss runs provided for this project. Specific claims generating this finding are discussed in Exhibit 6 on page 15.
7. The administrators are generally complying with ACCEL excess reporting guidelines and communicating the perceived significant exposure to the ACCEL administrator (Carl Warren). Claims that should have been reported to Carl Warren or that were reported to Carl Warren late are discussed in Exhibit 7 on page 16.

The review of excess claims at Carl Warren confirms that Carl Warren is effectively monitoring ACCEL reportable claims and documenting 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, generally, claims handling is consistent among all claims handling entities. Still, the key areas listed below merit discussion and should be a focus of improvement:

- **Litigation Management (Status Updates).** Exhibit 4 reveals that many member cities are experiencing some inconsistency in the delivery of updated status reports from counsel. The Cities of Modesto, Santa Cruz, and Santa Monica generated the highest number of files exhibiting this deficiency.
- **Excess Reporting to ACCEL (Carl Warren).** The audit did not identify a large number of files failing to comply with excess reporting requirements, 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.

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

II. Audit Results

A. Background

This is FCS's first audit of ACCEL claims. The audit period was May 2, 2006 to June 28, 2006. 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.

Table 1 below lists the ACCEL members audited, the number of files reviewed for each member, and the claims handling entity where the files were reviewed. The total number of claims reviewed is 479.

Table 1 - ACCEL Audit Composition and Facility

ACCEL Member	Number of Files Reviewed	Claims Handling Entity (Audit Site)
Anaheim	35 open; 15 closed	City-self administered
Bakersfield	25 open; 10 closed	Acclamation Insurance Management Services (AIMS)-Bakersfield
Burbank	25 open; 12 closed	City-self administered
Modesto	25 open; 10 closed	City-self administered
Monterey	20 open; 10 closed	City-self administered
Mountain View	20 open; 16 closed	City-self administered
Ontario	20 open; 15 closed	Ward North America (Ward)-Tustin
Palo Alto	30 open; 11 closed	City-self administered
Santa Barbara	25 open; 10 closed	City-self administered
Santa Cruz	20 open; 20 closed	City-self administered
Santa Monica	30 open; 10 closed	City-self administered
Visalia	30 open; 10 closed	City-self administered
ACCEL Excess & Watch List	35 open	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.

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 necessary to discuss claims status with defense counsel/City Attorneys at many of the members.

Exhibit 1 lists the claims handling entity, the ACCEL members' claims administration arrangement, and an assessment of caseloads as reported to FCS during the audit process. Exhibit 1 reveals that all entities have caseloads below the recommended maximum.

The caseloads listed in Column 3 of Exhibit 1 are the individual's total caseload, including assignments from other non-ACCEL clients (this is relevant only for third party administrators).

Exhibit 1 - Caseload Analysis (as of 4/30/06)

Claims Handling Entity	ACCEL Members	Caseloads
AIMS	Bakersfield	Laurie Dunahew - No caseload Anita Heard - 120
Carl Warren & Co. - Glendale	ACCEL excess/watch list claims	Keyan Aghili - 200 (plus 400 subrogation files)
Ward - Tustin	Ontario	Joe Klecansky - 300
Self Administered	Anaheim	Dave Nunley - 143 Bob Santos - 86 Yazmin Lopez - 4
	Burbank	Ann Lozano - 132
	Modesto	David Rawe - 188
	Monterey	Sherrell Freeman - 20
	Mountain View	Sue Turner - 52
	Palo Alto	Casey O'Neill - 81
	Santa Barbara	Eric Reynolds - 90
	Santa Cruz	Barbara Choi - 27
	Santa Monica	Tom Phillips - 14 Jonathan Lackey - 269 Gary Sanchez - 80 Mike Mack - 73
	Visalia	Charlotte Dunn - 61

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.

Generally, all ACCEL claims administration entities are utilizing these criteria when establishing and amending case reserves. Exhibit 2 lists each member, the particular member's claims requiring reserve adjustment (and FCS's analysis as to why adjustment is needed), and each member's percent deviation from complete reserve accuracy. The deviation is the percentage that the member's claims are under- or over-reserved.

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.

Exhibit 2 - Reserve Analysis

ACCEL Member (administrator)	Claim Requiring Reserve Adjustment (Claim Number)	Reserve Adjustment Analysis		Deviation from Accuracy
		Current Reserve	Recommended Reserve (rationale)	
Anaheim (Self Administered)	Mc Kinish, Kate (9173) ¹	\$20,000 (loss)	\$1000 (loss) Another party has accepted the tender of this claim	\$19,000 over reserved (1%)
Bakersfield (AIMS)	Erson, Welchen (61230)	\$500 (loss)	\$25,000 (loss) The claim involves a police shooting resulting in fatality	\$24,500 under reserved (1%)
Burbank (Self-Administered)	Sarabia, Theresa (05164)	\$30,000 (loss)	\$15,000 (loss) This claim is greatly inflated. All treatment is chiropractic	\$10,707 over reserved (1.1%)
	Walters, Phyllis (05121)	\$707 (expense)	\$5000 (expense) The claim is actively litigated	
Modesto (Self-Administered)	White, Andy (04-3053)	\$0 (loss)	\$25,000 (loss) It is unclear why no loss reserve was established	\$94,500 under reserved (8.5%)
	Vindiola, Summer (05-3885)	\$0 (loss)	\$25,000 (loss) The claimant alleges more than \$1.7 million in medical bills	
	Strait, Corey (05-3916)	\$5500 (loss)	\$50,000 (loss) The claimant incurred more than \$1.5 million in meds	
Monterey (Self-Administered)	No reserve findings	n/a	n/a	Accurately reserved
Mountain View (Self-Administered)	Ruccolo, Frank (05-01)	\$50 (loss)	\$20,000 (loss) The claimant alleges \$55,000 in damages, mostly questionable loss of earnings	\$19,950 under reserved (6.3%)
Ontario (Ward-Tustin)	Rogers, Stephen (A00051)	\$150,000 (loss)	\$0 (loss) The claim is settled. The City will only have to contribute half of the expense costs	\$275,000 over reserved (20.8%)
	Mullican, David (A00843)	\$75,000 (loss)	\$0 (loss) A motion for summary judgment has been granted. The City is pursuing costs.	
	Hopkins, Darlene (A00456)	\$50,000 (loss)	\$0 (loss) A motion for summary judgment was recently granted	
Palo Alto (Self-Administered)	Summerhill Homes (03098)	\$150,000 (loss)	\$75,000 (loss) Liability is highly questionable. The total amount claimed is only \$140,000	\$60,000 over reserved (2.4%)
	Garland, Charles (04109)	\$15,000 (loss)	\$30,000 (loss) The claimant sustained a severely fractured leg	

ACCEL Member (administrator)	Claim Requiring Reserve Adjustment (Claim Number)	Reserve Adjustment Analysis		Deviation from Accuracy
		Current Reserve	Recommended Reserve (rationale)	
Santa Barbara (Self Administered)	La Casto, Audrey (05-138)	\$5000 (loss)	\$25,000 (loss) The claimant alleges \$140,000 in medical costs	\$69,000 under reserved (5.3%)
	Herman, Erica (04-104)	\$1000 (loss) \$0 (expense)	\$25,000 (loss) \$25,000 (expense) Even though liability is questionable, the severity of the injuries and the likely extensive litigation warrant reserve increases	
Santa Cruz (Self Administered)	Maurer, John (05-007)	\$0 (loss)	\$30,000 (loss) It appears this claim has been settled for approximately \$30,000	\$75,000 under reserved (5.3%)
	Cunningham, James (04-045)	\$5000 (expense)	\$20,000 (expense) It appears significant additional litigation is likely	
	Elizondo, Gabriel (05-067)	\$0 (loss)	\$15,000 (loss) Some loss reserve is neces- sary for this vehicle accident	
	Vega, Kristian (05-091)	\$0 (loss) \$0 (expense)	\$5000 (loss) \$10,000 (expense) This excess force claim requires reserves	
Santa Monica (Self Administered)	Dehbibi, Stella (04-8623)	\$15,000 (loss)	\$30,000 (loss) The claimant alleges more than \$20,000 in damages	\$97,634 under reserved (2.3%)
	Hill, Mildred (00-0671)	\$17,366 (ex- pense)	\$0 (expense) This claim is settled. The City is pursuing costs	
	Sobata, Keith (05-0024)	\$150,000 (loss)	\$250,000 (loss) The claim involves a fatality. Liability is probable	
Visalia (Self-Administered)	No reserve findings	n/a	n/a	Accurately reserved
ACCEL excess/watch list (Carl Warren)	No reserve findings	n/a	n/a	Accurately reserved

Anaheim

1. The City chooses to maintain the \$20,000 reserve indicating that the case may have a value in excess of \$1 million. The relation of the injury's severity to this incident is dubious. The hole where the claimant allegedly fell is only 4 inches across and appears trivial. The City had no prior notice of the defect. These two factors alone are statutory defenses to the City. Most importantly, a lessee has agreed to accept tender of liability for this. Any acceptance of tender is not a partial acceptance of tender, and any attempt to obtain funds from the City when, based on a contractual risk transfer, the lessee agrees to accept liability, warrants the City's pursuit of the lessee for any subjective exposure applied by a judge or other trier of fact.

Still, FCS acknowledges the City's decision to maintain its current reserve. However, FCS's recommendation remains.

- Obtaining photographs of accident scenes, when applicable.
- 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. The audit identified no system-wide investigation deficiency.

Exhibit 3 lists the number of claims exhibiting a specific investigation deficiency for each ACCEL member.

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 number of files exhibiting late litigation status reports or no status reports at all from defense counsel.

FCS points out that this area of evaluation is consistently deficient for other municipal entities it has audited. Still, FCS encourages ACCEL and the members to address this.

Industry standards require some status update from counsel at least every 60 days on actively litigated claims.

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 number of files exhibiting ineffective diary activity for each ACCEL member and the percentage of those files as it relates to the whole audit sample size of the member.

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.

Exhibit 3 - Investigation Deficiency Analysis

ACCEL Member	Number of Files Exhibiting Deficiency (blank categories mean no deficiencies)						
	Failure to Index	Failure to Obtain Statement	Failure to Obtain Police Report	Failure to Obtain Photos	Failure to Obtain Release	Failure to Invoke Risk Transfer	Failure to Obtain Estimates
Anaheim ¹				2	1		
Bakersfield				1			
Burbank	1						1
Modesto	1			4			
Monterey ²				1			
Mountain View							
Ontario							
Palo Alto							
Santa Barbara							
Santa Cruz				1			
Santa Monica ³	1			1			
Visalia	1			1			1
Excess/watch list							

- On file number 9739, the City contends that Carl Warren had already taken photos so no duplicate photos for their file were necessary. This is contrary to industry standards. The City’s file must document some photographic evidence. The finding here does not suggest that new photos should have been taken, but failure to document the photos that did exist is an error. The City agreed with this finding during the exit discussion.

On file number 9432, the City responds by claiming their policy is to not preserve evidence of a dangerous condition. This is completely contrary to industry standards, and the failure to obtain/document photographic evidence while trying to develop a defense clearly puts the City in a disadvantageous negotiating position. It is only through this photographic evidence that the City can prove, for example, trivial defect or a location that may not be City property.

On file number 9847, the City did not reject the claim because it wished to avoid provoking the claimant into litigation. The result was a settlement of \$1,000 despite a \$25,000 demand. The \$25,000 demand was grossly excessive and the City must have understood this, because it established a reserve of only \$5,000 (FCS agrees with that reserve). The issue here is one of consistency. Failure to reject such claims will, inevitably result in the inability of the City to invoke statute of limitation defenses (*Govt. Code 945*) relieving it of exposure on particular claims.

- The City was unable to respond to this finding because it could not identify the claim number referenced in the breakout report. To maintain confidentiality, FCS will not divulge the claimant’s name, but provides the following data: This is a trip and fall on a City sidewalk that occurred on 1/10/02. The photos of the rise in the sidewalk are unclear as to measurement.
- The City indicated that photographs are taken and documented to the “electronic claim file.” FCS was provided no access to electronic file data and was unaware that it existed at the time of the audit. FCS also is compelled to advise the City that no claims handling entity it is aware of considers documentation of photographic evidence in electronic files only an acceptable claims investigation policy. FCS questioned six public entity claims administration firms. Some of them utilize electronic data capturing as an augmentation to the physical file, but in all instances, important photographs must be also displayed in the physical file. If the City elects to utilize only an electronic filing system, then its current philosophy is acceptable, but as long as the primary claims handling document is the physical file, photographic evidence must appear in it.

Exhibit 4 - Litigation Status Report Analysis

ACCEL Member	Number of Files Lacking Status Reports or Exhibiting Late Status Reports from Defense Counsel
Anaheim ¹	3 (13.6% of litigated files reviewed)
Bakersfield	0
Burbank	0
Modesto	5 (29.4% of the litigated files reviewed)
Monterey	0
Mountain View	1 (14.3% of the litigated files reviewed)
Ontario	0
Palo Alto	2 (20% of the litigated files reviewed)
Santa Barbara	0
Santa Cruz	2 (22.2% of the litigated files reviewed)
Santa Monica ²	5 (17.2% of the litigated files reviewed)
Visalia	0
Watch list/excess	0

1. On file 8915, The City contends there was a status update on 1/25/06. No such status was seen by FCS and no confirming documentation was provided to support the City's contention. On file number 9466 the City contends there was a "verbal" update from counsel. It is not clear what "verbal" means in this context. If the update was sent electronically, then the status update is acceptable, but no such email was seen by FCS.
2. The City responded by indicating that Risk Management has limited authority over the timeliness of statuses from the City Attorney's office. FCS acknowledges this and suggests that Risk Management utilize this report to motivate the City Attorney's office. Some of the claims generating these findings lack status reports for nearly 2 years.

Exhibit 5 - Diary Performance Analysis

ACCEL Member	Files Exhibiting Diary Deficiency (Percent of Sample)
Anaheim ¹	2 (4% of the audit sample)
Bakersfield	1 (2.9% of the audit sample)
Burbank	3 (8.1% of the audit sample)
Modesto	0
Monterey	0
Mountain View ²	3 (8.3% of the audit sample)
Ontario	0
Palo Alto ³	2 (4.9% of the audit sample)
Santa Barbara	0
Santa Cruz	1 (2.5% of the audit sample)
Santa Monica ⁴	1 (2.5% of the audit sample)
Visalia	0
Watch list/excess	0

- For file number 9466, the City contends that “litigation status is not overdue.” The City also contends that counsel “provided an update 3 times in the 8 month gap alluded to in the report.” Those statuses did not appear in the data provided to FCS. Accordingly, the finding in the report is valid. It is not clear why the City only discusses the litigation status issue when this category analyses diary performance. FCS’s finding here is that the file exhibits no attempt by the City to follow up with counsel for status over an 8-month period.

For file number 9432 it is apparent the City has misunderstood the finding that no activity is documented since 11/04. The City explains that it did not want to adversely impact the claim by rejecting it. That activity is irrelevant for this category. The finding here is that the City should have documented some plan of action (e.g., closing file if no suit filed within statutory period).
- The City has indicated that all 3 claims were inadvertently left open on the information system. All 3 are now closed.
- In both instances, the City indicated that these files were transferred to outside counsel just prior to the audit.
- For file number 03-7089, the City indicates that the electronic file houses evidence of diary activity. Again, FCS was not advised of the City’s electronic file policy. This file has been eliminated from exhibit 5. This is also the case for file number 05-0419.

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 documents in instances when a claim settlement is effected.

This area of claims handling also exhibits general compliance with industry standard.

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.

Generally, all claims handling entities are maintaining clearly documented claim files.

Minor documentation deficiencies exist in specific files. The most common error is the failure to maintain material in chronological order.

Recommendation

FCS recommends that all members and/or their administrator indicate the date that the member received notice of the claim when issuing initial excess notification to Carl Warren. None of the members appear to be providing this information. The information will help Carl Warren identify any deficiency in the timely reporting of particular members and will also allow Carl Warren to invoke potential defenses based on late reporting of the claim to the member by the claimant.

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, since these would logically have the greatest potential for excess exposure.

The audits confirm that some ACCEL members are not consistently complying with ACCEL excess reporting guidelines and communicating the perceived significant exposure to ACCEL and the Watch List administrator (Carl Warren).

The review of Watch List and other excess files at Carl Warren confirms that Carl Warren is effectively monitoring these claims. Exhibit 6 indicates claims that were not reported to Carl Warren timely even though it appears claim characteristics qualify for excess reporting. These claims were presented to the particular member or their 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 an open loss listing for all member entities as well as a specific list of open claims with incurred costs of \$25,000 or more. Many of the cities utilize Carl Warren to document loss data and generate periodic loss run documents.

Loss information generated generally reconciles with financial information documented in the claim files, but there were exceptions. Exhibit 7 lists and discusses RMIS deficiencies by member.

Exhibit 6 - ACCEL Excess Reporting Analysis

Member	Claimant (Claim Number)	Discussion
Anaheim	All excess claims reported timely.	
Bakersfield ¹	Erson, Welchen (61230)	This is a fatal police shooting. It does not appear to have been reported to Carl Warren.
	Coherty, Darryl (61280)	This motor vehicle accident resulted in a fatality. The City indicated it does not report until it receives a formal claim notice. FCS disagrees with this policy. The purpose of excess reporting is to notify the excess carrier as soon as possible.
Burbank	Deri, Assaf (05176)	The City received notice of this claim in June 2005 but did not report the claim to Carl Warren until March 2006.
Modesto	Adams, Patricia (04-3273)	Initial notice to Carl Warren is timely (1/6/06), but no follow up information has since been provided.
Monterey	Rosa, Evelyn (05007)	This excess force/wrongful death claim does not appear to have been reported to Carl Warren. The City has had this claim for nearly 2 years.
Mountain View	All excess claims reported timely.	
Ontario	All excess claims reported timely.	
Palo Alto	All excess claims reported timely.	
Santa Barbara	All excess claims reported timely.	
Santa Cruz	All excess claims reported timely.	
Santa Monica	Schneider, Richard (05-0419)	This incident caused extensive head injuries to the claimant. Despite questionable liability, the claim should be reported to Carl Warren.
Visalia	All excess claims reported timely.	

1. The City did not report these claims because one was not a formal claim and the other is deemed to present doubtful liability. FCS recommends the City report these claims anyway due to their severity. FCS suspects ACCEL requires this reporting on all fatalities.

Exhibit 7 - ACCEL Loss Data Reconciliation Analysis

Member	Claimant (Claim Number)	Discussion
Anaheim		No RMIS deficiencies identified
Bakersfield	Molnar, Georgetta (61222)	File documentation indicates a property damage payment of \$8,076 that is not reflected on the loss run provided to FCS.
	Ayala, Olga (412194)	This claim was rejected and closed in May 2006, yet the loss run lists a loss payment of \$20,848. Clearly, this is an error.
Burbank	Granillo, Isabel (06062)	This claim does not appear on the loss run provided to FCS.
Modesto	No RMIS deficiencies identified.	
Monterey	Lawler, Maxine (64294)	This file was closed long before this audit yet it still appears on the "open" loss run.
	Young, Anthony (70321)	This claim does not appear on the loss run provided to FCS.
Mountain View ¹	Yoshikawa, Kenneth (05-46)	The loss run records no payments, but file documentation confirms that the claim was settled for \$142.50 two months before this audit.
	Tabor, Mary (05-19)	File documentation indicates this claim was settled for \$171 and a release was obtained in August 2005, yet the loss run provided records no payments.
Ontario	No RMIS deficiencies identified.	
Palo Alto	No RMIS deficiencies identified.	
Santa Barbara	Longo, Renee (04-130)	The loss run lists no expense reserve or payments despite extensive litigation. FCS acknowledges that the defense of this claim is handled by the City Attorney, but some reserve is necessary for a claim this extensively litigated.
	Taylor, Nan (06-001)	This claim does not appear on the loss run provided to FCS.
	Moye, Diane (06-004)	The date of loss on the loss run is incorrect.
Santa Cruz	No RMIS deficiencies identified.	
Santa Monica	No RMIS deficiencies identified.	
Visalia	No RMIS deficiencies identified.	
Watch List	Galvan, Susan (1426404)	This is a City of Modesto claim. Carl Warren's loss run lists Santa Barbara.

1. The City subsequently provided a corrected loss run reflecting these payments.