



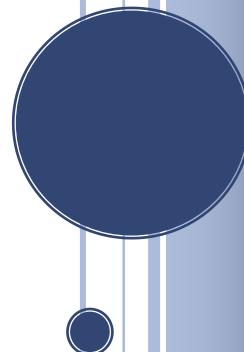
**Liability Claims
Administration Audit -
2010**

for

**Authority for
California Cities
Excess Liability**

June 25, 2010

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June 25, 2010

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Attn: Mr. Mike Simmons
Account Manager

2010 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)

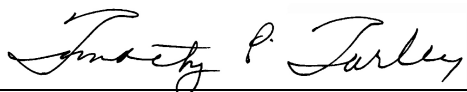
An individual audit of each ACCEL member was conducted either at the member's facility (self-administered) or at the member's third-party administrator (TPA).

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.7 of this report and documented in Exhibit 6 on page 16.

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 continues to deteriorate. Exhibit 4 on page 12 provides each member's findings and compares performance observed this year with last year's (2009) audit findings.

Where possible, this report provides a comparison of performance in key claims administration categories with observations presented in the 2009 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 the claim becomes litigated. FCS recommends a maximum caseload of 180 claims for claims handling technicians on municipal liability exposures. Caseloads for Anaheim, Ontario (Nova Pro Risk), Modesto, and Santa Monica are excessive. A list of adjustor caseloads appears in Exhibit 1 – Caseload Analysis on page 6.

The York office handling City of Bakersfield claims and the cities of Mountain View and Palo Alto have had some minor staff changes since the 2009 audit:

- Bakersfield (York) – Craig Schweikhard is no longer with York. Claims are handled exclusively by Laura Harmon in the Bakersfield office. Robert Powers (Oxnard office) is the York Claims Manager responsible for the account.
 - Mountain View – Ms. Nicole Clemens was recently hired by the City to assist Lynn Dobson with claims handling responsibilities.
 - Palo Alto – Ms. Tracy Thurston has been employed by the City for approximately seven months (at the time of this audit in early April). She has prior claims handling experience. Her current responsibilities include property damage claims and minor bodily injury claims.
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 2009 audit report. The Cities of Burbank and Mountain View had multiple findings.

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, although the number of Burbank findings has increased noticeably.

Exhibit 3 – Investigation Deficiency Analysis on page 11 lists the claims exhibiting a specific investigation deficiency for each ACCEL member and provides a comparison of findings presented in 2009.

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 2009 findings, except diary activity on City of Bakersfield claims.
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. Santa Barbara and Santa Monica have developed a “paperless” system. All Santa Barbara file material is stored in its information system. The Santa Monica paperless process is nearly complete. The process of establishing this paperless system is efficient for both cities. FCS was given access to all relevant claims handling material at both cities.
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 16.

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 continue to experience inconsistency in the delivery of updated status reports from counsel. FCS concludes that compliance in this key area has deteriorated since last year's audit. The Cities of Anaheim, Bakersfield, and Burbank generated the highest number of files exhibiting this deficiency. The primary issue is the failure of counsel to consistently copy the member's claims handler and/or Carl Warren on legal correspondence on litigated claims.

The audits revealed other notable litigation management activity at the following city:

- **Visalia** – Ms. Dunn receives quarterly summary status updates from defense counsel and meets with the attorney's paralegal monthly to discuss each case. FCS concludes that Ms. Dunn is receiving timely status updates on all litigated claims, but recommends that the files more thoroughly document the results of these updates.
- **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. Exhibit 6 (page 16) lists the files deemed deficient. Palo Alto and Modesto 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 29, 2010 (Anaheim) to April 20, 2010 (Bakersfield-York in Oxnard). Review of excess files at Carl Warren was conducted on April 30, 2010.

The primary objectives for this audit are:

- To assure all ACCEL members that claims are effectively adjusted according to industry standards.
- To identify inconsistencies in fiscal and technical procedures that could impact the efficiency of the ACCEL program, particularly the timely and accurate reporting of high exposure claims that may penetrate into ACCEL's layer of coverage.
- To assess similarities and differences in reserving practices among the members.
- To ensure that all ACCEL claims handling requirements are complied with.
- To reconcile loss data maintained by Alliant Insurance Services (Alliant) utilized for ACCEL's retrospective rating calculation with loss data maintained by each member. The results of this reconciliation were provided to Alliant on May 4, 2010.

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 - 2010

ACCEL Member	Number of Files Reviewed	Claims Handling Entity (Audit Site)
Anaheim	34 open; 10 closed	City-self administered
Bakersfield	28 open; 5 closed	York Insurance Services (York)-Oxnard
Burbank	24 open; 5 closed	City-self administered
Modesto	23 open; 5 closed	City-self administered
Monterey	25 open; 5 closed	City-self administered
Mountain View	17 open; 5 closed	City-self administered
Ontario	25 open; 5 closed	Nova Pro Risk (Nova Pro)-Tustin
Palo Alto	24 open; 5 closed	City-self administered
Santa Barbara	18 open; 6 closed	City-self administered
Santa Cruz	13 open; 7 closed	City-self administered
Santa Monica	27 open; 10 closed	City-self administered
Visalia	17 open; 5 closed	City-self administered
ACCEL Excess & 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 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 Anaheim, Ontario (Nova Pro Risk), Modesto, and Santa Monica are excessive. A list of adjustor caseloads appears in Exhibit 1 – Caseload Analysis on page 6.

The York office handling City of Bakersfield claims and the cities of Mountain View and Palo Alto have had some minor staff changes since the 2009 audit:

- Bakersfield (York) – Craig Schweikhard is no longer with York. Claims are handled exclusively by Laura Harmon. Robert Powers (Oxnard office) is the York Claims Manager responsible for the account.
- Mountain View – Ms. Nicole Clemens was recently hired by the City to assist Lynn Dobson with claims handling responsibilities.
- Palo Alto – Ms. Tracy Thurston has been employed by the City for approximately seven months (at the time of this audit in early April). She has prior claims handling experience. Her current responsibilities include property damage claims and minor bodily injury claims.

The caseloads listed for Nova Pro Risk (Ontario), York (Bakersfield), and Carl Warren (Watch List and other excess) in Column 3 of 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 – 143
Carl Warren & Co. – Glendale	ACCEL excess/watch list claims	Keyan Aghili – 200 (plus 400 subrogation files)
Nova Pro Risk – Tustin	Ontario	Joe Klecansky – 225 (105 are for City of Ontario)
Self-Administered	Anaheim	Dave Nunley – 182. <i>Bob Santos left City employment in December 2009. A new employee began assisting Mr. Nunley approximately 1 week after the Anaheim audit.</i>
	Burbank	Ann Lozano – 136
	Modesto	Bev Jensen – 256
	Monterey	Rhonda Combs – 28
	Mountain View	Lynn Dobson, Assistant City Attorney – 105. <i>Ms. Nicole Clemens, a recent addition to City staff, will likely be assigned some minor claims to relieve Ms. Dobson.</i>
	Palo Alto	Stacy Lavelle with George Hills' assistance – approximately 75; Tracy Thurston-approximately 50 property damage/minor bodily injury claims.
	Santa Barbara	John Forner – 69
	Santa Cruz	Kris Kamandulis – 25
	Santa Monica	Jonathan Lackey – 215 (only 77 are active; the remainder are rejected claims awaiting statute expiration) Gary Sanchez – 41 Mike Mack – 15, includes subrogation files
Visalia	Charlotte Dunn; Christin Duheaney – 36	

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 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.

Exhibit 2 - Reserve Analysis

ACCEL Member (Administrator)	Claim Requiring Reserve Adjust- ment in 2009 (Claim Number)	Reserve Adjustment Analysis		Deviation from Accuracy (net reserve change required)	Claims Requiring Reserve Adjustment in 2009
		Current Reserve	Recommended Reserve (Rationale)		
Anaheim (self-administered)	10653	\$0 (legal expense)	\$50,000 (legal expense) Defense counsel has indicated the need to retain multiple experts for this excess force claim that resulted in a fatality. A legal reserve is necessary. Trial is scheduled for January 2011.	\$50,000 under reserved	2
Bakersfield (York)	60728	\$0 (legal expense)	\$10,000 (legal expense). This claim is still actively litigated.	\$10,000 under reserved	0
Burbank (self-administered)	0517	\$0 (legal expense)	\$20,000 (legal expense) This fatal police shooting is actively litigated. Settlement was being pursued at the time of the audit, but future legal costs are likely.	\$12,298 over reserved	1
	07149	\$1,298 (legal expense)	\$10,000 (legal expense) The last legal status refers to the need to submit legal briefs in July 2009.		
	08115	\$40,000 (loss)	\$5,000 (loss) File notes indicate that a contractor has accepted the City's tender of responsibility.		
	10074	\$5,000 (legal expense)	\$0 (legal expense). The claim was rejected and no legal action is indicated. A legal reserve is not necessary until/if the claimant files suit against the City.		
Modesto (self-administered)	08-5743	\$0 (loss)	\$5,000 (loss) This claim for wrongful termination requires some precautionary reserve.	\$5,000 under reserved	2
Monterey (self-administered)	No adjustments necessary	n/a	n/a	n/a	1
Mountain View (self-administered)	08016	\$0 loss	\$30,000 (loss) \$10,000 (legal expense). The claimant tripped and fell on a sidewalk and claims to have incurred more than \$20,000 in medical costs. Liability against the City is doubtful, but the claim is litigated and precautionary reserves are necessary.	\$65,000 under reserved.	0

ACCEL Member (Administrator)	Claim Requiring Reserve Adjust- ment in 2009 (Claim Number)	Reserve Adjustment Analysis		Deviation from Accuracy (net reserve change required)	Claims Requiring Reserve Adjustment in 2009
		Current Reserve	Recommended Reserve (Rationale)		
	09-037	\$0 (legal expense)	\$10,000 (legal expense) A pedestrian was struck and injured in a crosswalk. The claimant alleges that the City created a dangerous condition with the design of the crosswalk). The claim is litigated.		
	09-0019	\$0 (legal expense)	\$5,000 (legal expense) The claim is litigated and file notes confirm the use of outside counsel.		
	09-0060	\$0 (loss)	\$10,000 (loss) The claimant tripped and fell. She is represented and litigation is active. Liability is questionable, but the claimant is 82 years old, and may generate some sympathy.		
Ontario (Nova Pro Risk- Tustin)	A01539	\$2,887 (legal expense)	\$20,000 (legal expense). Litigation is active. Discovery is ongoing.	\$17,113 under reserved	0
Palo Alto (self-administered)	No adjustments necessary	n/a	n/a	n/a	2
Santa Barbara (self-administered)	No adjustments necessary	n/a	n/a	n/a	1
Santa Cruz (self-administered)	No adjustments necessary	n/a	n/a	n/a	2
Santa Monica (self-administered)	08-5866	\$0 (legal expense)	\$20,000 (legal expense). The claim was close to settlement at the time of this review. Approximately \$138,000 had already been incurred for legal costs and additional costs are likely.	\$20,000 under reserved	1
Visalia (self-administered)	No adjustments necessary	n/a	n/a	n/a	1
ACCEL excess/watch list (Carl Warren)	No adjustments needed	n/a	n/a	n/a	No adjustments necessary

- 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. The most prominent deficiency is the failure to document photographic evidence. Routinely, this results when handling of the claim is referred to defense counsel without maintaining copies of photographs in the original claim file.

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 2009 audit. Blank categories indicate there were no findings in either 2009 or 2010.

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 2009 audit.

This year's audit finds general deterioration in compliance of this key area of claims administration.

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.

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

Exhibit 3 - Investigation Deficiency Analysis

ACCEL Member	Number of Files Exhibiting Deficiency (blank categories mean no deficiencies in either 2009 or 2010) Numbers in parentheses are 2009 findings						
	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	1 (0)						
Bakersfield				2 (3)			
Burbank	2 (0)			3 (2)			
Modesto	2 (0)		1 (0)	4 (1)			
Monterey							
Mountain View				1 (0)			
Ontario				3 (2)			
Palo Alto	(1)			2 (1)			
Santa Barbara							
Santa Cruz				(1)			
Santa Monica				1 (0)			
Visalia				(1)			
Excess/watch list							

Anaheim

- Index – 10744

Bakersfield

- Photos –06050883 (no photos of scene)
- Photos – 09085081 (no photos of scene of motor vehicle accident displayed in file)

Burbank

- Index-09082
- Index-09023
- Photos – 08115 (no photos of scene)
- Photos – 09082 (no photos of scene)
- Photos – 09023 (no photos of claimant vehicle)

Modesto

- Index-07 – 5143
- Index-09 – 6307
- Police Report – 09-6250
- Photos – 07-5143 (no photos of trip and fall scene)
- Photos – 10-6756 (no photos of trip and fall scene)
- Photos – 09-6250 (no photos of scene of motor vehicle accident)
- Photos – 08-5560 (no photos of accident scene)

Monterey

- No investigation deficiencies

Mountain View

- Photos – 080145 (no photos of accident scene)

Ontario

- Photos – A01539 (no photos of accident scene)
- Photos – A01449 (no photos of accident scene)
- Photos – A01644 (no photos of measurement of rise in sidewalk allegedly causing trip and fall)

Palo Alto

- Photos – C09058 (no photos of scene of trip and fall prior to repairs being performed.)
- Photos – C08109 (no photos of accident scene)

Santa Barbara

- No investigation deficiencies

Santa Cruz

- No investigation deficiencies

Santa Monica

- Photos – 08-4663 (no photos of scene)

Visalia

- No investigation deficiencies

Exhibit 4 - Litigation Status Report Analysis

ACCEL Member	Number of Files Lacking Status Reports or Exhibiting Late Status Reports from Defense Counsel		2009
	2010		
Anaheim	4	11.8% of the litigated files reviewed	1
Bakersfield	6	35.3% of the litigated files reviewed	2
Burbank	8	53.3% of the litigated files reviewed	4
Modesto	3	18.8% of the litigated files reviewed	2
Monterey	No deficiencies identified		0
Mountain View	1	8.3% of the litigated files reviewed	0
Ontario	2	10% of the litigated files reviewed	0
Palo Alto	No deficiencies identified		0
Santa Barbara	No deficiencies identified		0
Santa Cruz	1	16.7% of the litigated files reviewed	2
Santa Monica	2	11.8% of the litigated files reviewed	0
Visalia	No deficiencies identified		0
Watch list/excess	No deficiencies identified		0

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. The number in parentheses represents the number of deficiencies identified in the 2009 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 documents in instances when a claim settlement is effected.

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

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

Exhibit 5 - Diary Performance Analysis

ACCEL Member	Files Exhibiting Diary Deficiency	
	2010	2009
Anaheim	1	1
Bakersfield	4	2
Burbank	2	4
Modesto	0	2
Monterey	1	0
Mountain View	0	0
Ontario	0	0
Palo Alto	1	0
Santa Barbara	1	0
Santa Cruz	0	0
Santa Monica	0	1
Visalia	0	0
Watch list/excess	0	0

Anaheim

- 10090

Bakersfield

- 09087231
- 090867232
- 09085081
- 09084790

Burbank

- 05176
- 09157

Modesto

- No deficiencies identified

Monterey

- 09010

Mountain View

- No deficiencies identified

Ontario

- No deficiencies identified

Palo Alto

- 09058

Santa Barbara

- 08-100

Santa Cruz

- No deficiencies identified

Santa Monica

- No deficiencies identified

Visalia

- 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 \$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). Modesto (3) and Palo Alto (2) 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 indicates 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 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 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 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 6 - ACCEL Excess Reporting Analysis

Member	Claim Number	Discussion
Anaheim		All excess reportable claims reported timely.
Bakersfield		All excess reportable claims reported timely
Burbank	09161	A motorcyclist hit a pothole and was killed. His survivors present a claim alleging the City created a dangerous condition. The claim had not been reported at the time of this review. It must be reported immediately.
Modesto	09-6329	This claim alleging slander was reported late to Carl Warren
	08-5743	This wrongful termination claim was reported to Carl Warren late.
	07-4643	This excess force claim (use of Taser) was reported to Carl Warren late.
Monterey		All excess reportable claims reported timely.
Mountain View		All excess reportable claims reported timely
Ontario		All excess reportable claims reported timely.
Palo Alto	L08019	A cyclist sustained moderate but permanent brain damage. The City should consider reporting this to Carl Warren.
	L08037	The City indicated it did report this claim to Carl Warren, but the file reflects no initial report and no copying of important correspondence to Carl Warren for over a year after receipt of the claim.
Santa Barbara		All excess claims reported timely.
Santa Cruz	02G043	This claim alleging civil rights violations should be considered for excess reporting to Carl Warren.
Santa Monica	08-5683	This claim for property damage caused by a sewer back up has generated significant case reserves. There is no indication the claim was reported to Carl Warren. It should be considered for reporting.
Visalia	07-073	A motorcyclist hit a rope barricade and sustained serious head injuries. A jury awarded between \$350,000 and \$400,000. The case is on appeal. The City should consider reporting this to Carl Warren.

Exhibit 7 - ACCEL Loss Data Reconciliation Analysis

Member	Claim Number	Discussion
Anaheim	10353	The loss run provided displays a \$50,000 loss reserve, but file documentation indicates the reserve is only \$1,000. This claim was also listed in this exhibit in the 2009 report.
	10242	A note in the file dated May 2009 indicates that 2 related claims were settled for \$32,500 and \$87,500, respectively. The loss run provided fails to record either of these payments.
Bakersfield	No RMIS deficiencies identified	
Burbank	10058	This claim, received by the City in October 2009, does not appear on the loss run provided. It will not impact the ACCEL layer of coverage.
Modesto	No RMIS deficiencies identified.	
Monterey	No RMIS deficiencies identified	
Mountain View	Two claims on the "open" loss run of claims over \$25,000 have actually been closed for several months.	
	Two open claims are not listed on the loss run. They are both employment related and unlikely to impact the ACCEL coverage layer.	
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.	