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Amended: March 2, 2007
Amended: March 5, 2010
Amended: March 2, 2012

Exhibit A-1

ADDENDUM B LIABILITY CLAIMS ADMINISTRATION GUIDELINES

The following Guidelines have been adopted by the CSAC Excess insurance Authority (hereinafter the Authority) in accordance with Article 18(b) of the CSAC Excess Insurance Authority Joint Powers Agreement.

I. CLAIMS INVESTIGATION

- A. Complete factual investigation shall be done within forty-five (45) days of the Member's knowledge of claim, including statements from participants and witnesses, appropriate official reports, and photos. (Answer questions who, what, where, when and why).
- B. Develop liability issues, including immunities, comparative negligence, joint tortfeasors and joint and several liability. Transfer of risk is an important aspect of any claims investigation.
- C. Initiate the development of information on damages:
 - 1. Property damage
 - 2. Nature and extent of injuries
 - 3. Medical costs
 - 4. Lost wages
 - 5. Dependency
 - 6. Other damages
- D. Obtain and review contracts that may be in effect relating to specific events, to determine whether there is any sharing or complete transfer of the risk through:
 - 1. Hold-harmless and/or indemnity agreements
 - 2. Additional insured requirements
- E. Obtain defective products and/or other evidence, and hold it if at all possible, or at least locate where it is being held. Obtain product

information for the file. Early preservation of evidence is imperative for a proper defense.

F. Utilize experts appropriately on cases. Consideration shall be given to structured settlements and alternative dispute resolution. The Authority has a resource manual with the names, addresses, etc. on various experts who can be retained to investigate and testify on behalf of the Members.

G. Indexing.

1. All bodily injury claims shall be initially reported to the Index Bureau and re-indexed on an as needed basis thereafter.

The EIA maintains a membership with the Index Bureau that members can access.

H. Arrange appraisals for damaged property. Do not rely on the appraisal obtained by the plaintiffs' own carriers. In some instances they may not utilize the local A.C.V. and the "computerized" appraisal figure can be inflated.

II. EXCESS REPORTING REQUIREMENTS

A. First Report

It is agreed that with respect to claim reporting, the covered party, in addition to the terms set forth in this Memorandum, must report an occurrence, offense, or wrongful act as follows:

As respect to the General Liability I Program members, this includes any occurrence, offense, or wrongful act in which the amount incurred has reached 50 percent or more of their individual self-insured retention or \$500,000, whichever is lower.

As respect to the General Liability II Program members, this includes any occurrence, offense, or wrongful act in which the amount incurred has reached 50 percent of their individual self-insured retention.

The Member shall give the Authority immediate written notice for any claims or suits which the Member becomes aware of that include injury of the following types:

- a. Death
- b. Paralysis, paraplegia, quadriplegia
- c. Loss of eye(s), or limbs

- d. Spinal cord or brain injury
- e. Dismemberment or amputation
- f. Sensory organ or nerve injury or neurological deficit
- g. Serious burns
- h. Severe scarring
- i. Sexual assault or battery including but not limited to rape, molestation or sexual abuse
- j. Substantial disability or disfigurement
- k. Any class action
- l. Any claim or suit in which the Authority is named as a defendant; or
- m. Any injury caused by lead.

Utilize the current First Report Potential Excess Liability Claims form, available through the Authority website, and transmit to the Authority by email to LiabilityClaims@csac-eia.org.

B. Update Reports

The Authority shall be provided copies of periodic reports (at least every 90 days) in order to be kept apprised of the developments of the case. On litigated cases, defense counsel shall also include the Authority on their mailing lists for copies of correspondence, reports, evaluations, interrogatory summaries, deposition summaries and medical summaries. Actual deposition transcripts, interrogatories, their answers to interrogatories and interim billings are not required.

As reserve/update changes occur, complete and transmit the current Reserve and Payment Update form available through the Authority website.

No less than thirty (30) days prior to trial, counsel shall provide a pre-trial report that discusses the following:

1. Case Summary
 - Summary of Facts
 - Critical Liability Issues
 - Expected Liability Expert Testimony
 - Critical Damage Issues
 - Expected Damage Expert Testimony
2. Evaluation
 - Potential Verdict Value
 - Comparative Fault Analysis
 - Probability of Defense Verdict

Throughout trial, a daily trial status update shall be provided to the Authority by defense counsel, the Member, or the Third-Party Administrator. This can be informal, such as an email or voicemail advising of the day's activities, impressions of witnesses, any impacting developments, and an update regarding the next day's schedule.

C. Closure Reports

When a case that has been reported to the Authority is settled, dismissed or closed in any other fashion, provide the Authority with the closing documents and a completed Closure Information form, available through the Authority website.

III. TORT CLAIM REQUIREMENTS/GOVERNMENT CODE

- A. All notices (pertaining to claim insufficiency, returning late claims, claims rejections, etc.) shall be timely done in accordance with the relevant Governmental Code provisions.
- B. Appropriate Dismissal Motions shall be made for failure to meet the applicable Code of Civil Procedure statutes for timely serving, conducting discovery or bringing a complaint to trial.
- C. Proper verification of a claimant's status as to Medicare eligibility shall be completed and documented in every file involving a bodily injury. In those cases where the claimant does meet the eligibility requirements, mandatory reporting to the Center for Medicare and Medicaid Services (CMS) must be completed directly or through a reporting agent in compliance with State Children's Health Insurance Program (SCHIP) Section 111 of the Medicare Medicaid and SCHIP Extension Act of 2007.

IV. DOCUMENTATION

- A. Accurate reserves shall be established based on facts known, within thirty (30) days of receipt of the investigative report. Legal and adjusting expenses shall be included. The following formula is recommended in establishing and updating the reserves for each file:
 - 1. $(\text{Maximum Value} \times \text{Member's \% of Liability}) + \text{Expense Factor} = \text{Reserve}.$

Maximum value is the potential total amount a plaintiff could expect to receive, either through settlement or verdict, as if he/she was completely free of negligence. Maximum value shall include any

potential award of plaintiff's attorney fees, such as, but not limited to, cases involving Federal Civil Rights.

Percentage of liability is determined by various factors that are discovered during an investigation. Reserves shall be adjusted accordingly, as facts are developed, to properly reflect the exposure. These factors include but are not limited to:

- a. The extent of plaintiff's liability
 - b. The number of co-defendants and their percentage of liability
 - c. The ability of the co-defendants to respond financially to any settlement or verdict.
 - d. On cases occurring after June 3, 1986, Proposition 51 allows defendants to limit their liability on non-economic damages to their percentage of fault.
 - e. On cases involving uninsured claimants the recovery is limited to economic damages in accordance with California Code of Civil Procedures sections 3333.3 and 3333.4 (Prop 213).
2. The reserve shall be set at the full exposure after applying the above formula, even if it exceeds the Member's Self-Insured Retention.
- B. The file shall contain reports necessary to document the decisions made, including all demands, offers of settlement and settlement authority.
1. A complete "typed" captioned report shall be placed in each file for:
 - a. Bodily Injury claims reserved above 25% of the S.I.R.
 - b. Property Damage claims reserved above 25% of the S.I.R.
 - c. All claims that meet the Authority's excess reporting requirements regardless of reserves.

Members and/or claims administrators may follow stricter guidelines.

The captioned report shall include the following topical headings and subsequent entries:

1. Date of report
2. Member name
3. S.I.R. level
4. Claimant(s) Information
5. Date of Loss
6. Claim Number (if used)
7. Facts of accident or occurrence
8. Witness/Participant Statement
9. Suggested reserves (see IV. A) Do they reflect exposure?

10. Assessment of liability
 11. Review of damages/injuries, including medical costs, lost wages, dependency, property damage estimates, total loss evaluations, loss of use claims, and other damages
 12. Index Bureau reporting
 13. Addressing of coverage questions
 14. Excess potential
 15. Structured Settlement possibilities
 16. Alternative Dispute Resolution
 17. Subrogation potential
 18. Governmental Code compliance and immunities
 19. Identify future course of action
 20. State next diary date
 21. If litigated, identify counsel on both sides
 22. Offsets or liens that may need to be considered
 23. Medicare eligibility and reporting
- C. Photos, diagrams, estimates, statements, plans, contracts, medical, law enforcement and coroner's reports (where applicable) shall be in the claims file in a timely manner.

V. CASE SETTLEMENT FACTORS

- A. The settlement shall be reasonable in light of damages, injuries, liability, and any obligations to Medicare.
- B. Settlements shall be effected in a timely manner, with consideration given to structures and/or alternative dispute resolution.
- C. Contributions from joint tort feasons shall be considered.
- D. Settlement evaluation and authority shall be documented. On cases exceeding the S.I.R., prior written authority must be obtained from the Authority.
- E. Proper releases and dismissals shall be secured.

VI. LITIGATED FILES

- A. Defense plan shall be in the file, including a projected cost analysis.
- B. Defense attorney's initial evaluation shall be completed and in the file within sixty (60) days of assignment.
- C. The defense attorney shall make proper follow-up requests for investigation.

- D. Defense costs shall be controlled by the Member. Depositions and other defense costs shall be approved by the Member.
- E. There shall be timely recommendations from defense firms regarding settlements and trial preparation.
- F. Litigation outcome and total costs shall be documented.
- G. There shall be timely notification to relevant employees and other parties regarding pending litigation.

VII. SUMMARY

The file shall be completely documented. Audits conducted by the Authority Auditor shall measure whether performance is consistent with these guidelines.