



Board of Directors
April 3, 2019

SUBJECT:

Quarterly Risk Management and Legal Fees Through the Second Quarter, Fiscal Year 2018-19

BACKGROUND:

This report provides combined quarterly reporting of risk management, claims, insurance and legal fees. Open claims against the District are reported in a companion closed session item.

Risk Management – Insurance:

As of the end of the second quarter for fiscal year ending June 30, 2019, insurance premiums were under budget by \$45,160, insurance-related services were under budget by \$54,700, and tort liability claims payments were under budget by \$29,024. Attached as Exhibit A is a copy of the schedule reflecting the budget-to-actual by category.

Premiums

In total, insurance premiums are under budget by \$45,160.

- General liability and property insurance premiums are under budget by \$36,571, travel and accident insurance is under budget by \$18, and commercial automobile insurance is under budget by \$5,068. All of those variances are due to more favorable premiums than expected, but exclude brokers' commissions, which are now identified separately.
- Excess liability coverage is under budget by \$110,777, due to more favorable premiums than expected.
- Workers' Compensation Excess Liability Insurance was estimated at the time of budget based upon anticipated rates. Actual premiums were under budget by \$7,073, due to an increase in the self-insured retention from \$750,000 to \$1,000,000.
- Additional Riders for Projects Transferred to Operations is utilized when construction projects are transferred from the Contractor's Course of Construction/Builders Risk policy to the District's General Liability/Property Insurance. The actual year-to-date expense will rise as projects complete and are accepted by the District throughout the fiscal year. To date, there have been no expenditures in this area, no specific budget amount was identified.
- Other (pollution insurance, cyber liability insurance, public official, position, and notary bonds) is utilized when miscellaneous forms of insurance are purchased. To date, these fees and premiums total \$39,897, no specific budget amount was identified.
- Brokers' commissions are now identified separately and total fees for all insurance coverage was \$74,450.

Services

- Third Party Claims Administration service fees are under budget by \$29,700. This will change as monthly services are performed.
- Miscellaneous third party fees related to claims cost were under budget by \$25,000.

Excess Liability / Tort Reserves

Tort Liability Reserve Adjustment item is budgeted based upon a projection of estimated adjustments for tort liability claims paid. The total of actual claims paid year-to-date is \$70,976, or 13.5 percent of the total claimed amount. In prior years, a tort liability reserve account was established, and in years in which the aggregate amount of claims paid was less than budget at fiscal year-end, the balance was transferred to the loss reserve account. This reserve is then available to be used in years in which claims exceed budgeted amounts.

Risk Management – Closed Claims:

As of the end of the second quarter for fiscal year ending June 30, 2019, 25 claims were closed totaling \$70,976, representing 13.5 percent of total amount claimed. Attached as Exhibit B is a copy of the schedule reflecting those claims, a brief description of the nature of the claim, as well as the amounts paid.

Legal Fees:

For budgeted legal matters, actual expenses through the second quarter for the fiscal year ending June 30, 2019, total \$177,070. This is 72 percent below the \$632,500 annual budgeted amount for these items. Non-recurring and extraordinary legal expenses through the end of the second quarter totaled \$138,524. These legal expenses are comprised of workers' compensation and extraordinary litigation matters. A small portion of the legal fees are also attributed to specific capital projects and capitalized with those total project costs. A complete accounting of the legal fees related to open litigation matters has been included in the companion closed session item.

FINANCIAL IMPACT:

As noted above

STRATEGIC PLANNING GOAL/OBJECTIVE:

Ensure financial stability and demonstrate responsible stewardship of public funds.

ENVIRONMENTAL IMPACT:

None

RECOMMENDATION:

Receive and file

SUBMITTED BY:



Paul D. Jones II, P.E., General Manager

3/22/2019

Attachment(s):

Exhibit A - 2nd Qtr FY 2018-19 Premiums

Exhibit B - 2nd Qtr FY 2018-19 Closed Claims

History:

03/27/19 Board Executive Committee DISCUSSED AT COMMITTEE

04/03/19 Board Meeting

Staff Contact: Doug Hefley