

APPENDIX S

Risk Management Program

Revision History			
Revision	Date	Approval	Reason
0	01/29/07		Original
1	04/12/19	H. Janz	<ul style="list-style-type: none"> Insurance limit updates
	10/11/19	T. Nguyen	<ul style="list-style-type: none"> Reviewed – no changes
2	10/08/20	W. Ritchie	<ul style="list-style-type: none"> Language updates due to Risk Mgmt structural changes
3	03/11/21	W. Ritchie	<ul style="list-style-type: none"> Changed OCSD to OC San; added “property” to types of insurance
	09/14/21	J. Preston	<ul style="list-style-type: none"> Reviewed – no changes
4	03/11/22	J. Preston	<ul style="list-style-type: none"> Updated auto insurance limit requirements to reflect exposure; Sections 6.4.1.1.3 and 6.4.1.2.3.
	9/12/22	J. Preston	<ul style="list-style-type: none"> Reviewed – no changes
5	9/13/22	J. Preston	<ul style="list-style-type: none"> Reviewed – changed title Director of Finance
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FINANCIAL MANAGEMENT DIVISION POLICY AND PROCEDURE

Subject: Risk Management Program	Index: Risk Management Number: 201-4-1
Effective Date: January 1, 2020	Prepared by: Financial Management Division
Supersedes: January 1, 2005	Approved By: Director of Finance and Administrative Services

1.0 **PURPOSE:**

It is the expressed intent of the District to establish and operate a comprehensive risk management program in order to protect District assets in as expeditious and cost-effective manner as possible and to reduce to the maximum extent feasible, adverse risk to citizens and employees.

2.0 **ORGANIZATIONS AFFECTED:**

All District departments and employees.

3.0 **REFERENCE:**

Addendum A: Insurance Glossary for OC San.

4.0 **POLICY:**

The risk management program includes general liability, property, workers compensation, employee benefits and safety and is developed to support the following objectives:

4.1 The District balances risk against the premium cost for insurance coverage for property, construction, general liability, workers' compensation, performance bond, and boiler & machinery.

4.2 Coverage limits, deductible levels and claims procedures shall be

recommended by the risk manager and approved by the Board of Directors.

- 4.3 Minimize municipal risk and exposure wherever possible.
- 4.4 Provide the broadest insurance protection reasonably available.
- 4.5 Finance the cost of risk at the lowest possible level through a combination of education, risk retention and risk sharing.
- 4.6 Establish and operate an aggressive internal safety program includes provisions wherein each District employee is aware of potential risk exposures and is accountable through the organization for losses the District might incur.
- 4.7 Wherever possible and practical, continually transfer District liabilities to the other party to the contract and take steps to assure that party is adequately insured.
- 4.8 Establish a "firm, but fair" policy of handling claims brought against the District.

5.0 **DEFINITIONS:**

For the purpose of this policy statement, several terms are defined below:

- 5.1 **Claims Coordinators:** The individuals responsible for processing claims brought against the District. Individuals in the Human Resources Division will be assigned responsibilities for processing workers' compensation claims. Individuals within the Finance Department will be assigned responsibilities for processing all other types of claims against the District.
- 5.2 **Director of Finance:** Individual responsible for managing all property/liability insurance related matters.
- 5.3 **Risk Management Program:** A comprehensive plan, including procedures, insurance coverage, funding mechanisms, safety programs, contractual liability transfer programs, all of which are combined and coordinated to both protect the District against unexpected losses and provide a sound financial base for funding routine exposures.
- 5.4 **Risk Manager:** The individual responsible for managing all workers' compensation and employee benefit insurance-related matters, coordinating accident reporting requirements, establishment and operation of the District's Safety Committee, and ensuring compliance with all state safety and workers' compensation self-insurance laws.

- 5.5 **Risk Retention:** The dollar amount of risk assumed by the District.
- 5.6 **Risk Sharing:** Transfer of risk to other entities either by purchasing coverage or executing appropriate hold harmless agreements.
- 5.7 **Self-Insurance:** Assumption of the cost of losses incurred by the District.
- 5.8 **Self-Insured Retention:** A large deductible paid by the District.

6.0 **PROCEDURE:**

6.1 Risk Management Program Structure – Risk management will systematically and continuously identify loss exposures, including but not limited to property, general liability, workers compensation, employee benefits, and safety. These exposures will be analyzed in terms of frequency and severity probabilities and the application of sound risk financing and risk control procedures will be applied so as to deal effectively with these exposures.

6.2 **Claim and Incident Reporting**

6.2.1 Workers' Compensation Claims – Please refer to Human Resources staff for detailed instructions as to how workers' compensation claims should be reported.

6.2.2 Accident of Property Loss Claims – Within 24 hours or at the start of the next business day after an accident, the appropriate accident report form should be completed and forwarded to the Finance Department. The forms must be completed as carefully and accurately as possible with attention to detail. Information reported will be vital in determining how a claim is adjusted and/or paid and what the District's exposure may or may not be.

6.2.3 Medical and Dental Claims – These claims and coverage limits will be submitted directly to the insurance carrier by the employee in accordance with the plan booklets available in the Human Resources Department.

6.3 **Responsibilities**

6.3.1 Human Resources – As it pertains to employee coverage and workers' compensation, it is the responsibility of the Human Resources Department to (1) ensure the District is properly protected against losses; (2) work with brokers to secure employee benefits coverages needed by the District; (3) audit and monitor broker and claims services; and (4) recommend coverage changes and premium levels to the Board

of Directors. It is also the Human Resources Department's responsibility to develop and administer the employee safety programs, medical and dental plans, coordinate accident and claim reporting requirements, and ensure compliance with state workers' compensation self-insurance laws, and for the establishment and operation of the District's Safety Committee.

- 6.3.2 **Director of Finance** – As it pertains to general liability, property, and boiler and machinery. It is the responsibility of the **Director of Finance** to (1) ensure the District is properly protected against losses; (2) work with brokers to secure any property/casualty insurance coverages needed by the District; (3) audit and monitor broker and claims services; and (4) recommend coverage changes and premium levels to the Board of Directors.
- 6.3.3 General Counsel – It is the responsibility of General Counsel to maintain a continual awareness of claims filed against the District and to provide legal counsel and/or legal defense as might be appropriate.
- 6.3.4 Contracts/Purchasing Manager is responsible for the review of contracts the District may enter into to ensure hold harmless and subrogation clauses are included where appropriate.
- 6.3.5 Other Department Directors – Other department directors are responsible to:
 - 6.3.5.1 Be aware of the structure of the District's insurance program;
 - 6.3.5.2 Actively promote the benefits of an aggressive safety program to minimize losses paid directly by the District from its Insurance Funds;
 - 6.3.5.3 Recommend coverage changes or modifications wherein insurance coverage are not felt to be adequate or special coverage is required;
 - 6.3.5.4 Aggressively pursue the assignment of risk to parties the District is contracting with wherever possible and reasonable;
 - 6.3.5.5 Report claims as soon as possible. Investigate claims as indicated or requested;
 - 6.3.5.6 Maintain a general sense of awareness of the risk exposures the District has and the potential high cost of lawsuits that may be being experienced by public entities

here and everywhere.

- 6.3.6 Employees – All employees are required to be aware of District safety programs, accident and incident reporting procedures, hazard reporting procedures, and to be cognizant of the necessity to minimize the risk of loss involved in all District operations.

6.4 Purchasing Insurance Requirements

- 6.4.1 The District maintains four different levels of purchasing insurance requirements, each requiring the District to be named as additional insured, as follows:

- 6.4.1.1 Level 1 – Required Insurance Coverage for Service Contracts under \$50,000:

- 6.4.1.1.1 Workers' Compensation Coverage – \$1.0 million minimum, including a waiver of subrogation against the District;

- 6.4.1.1.2 General Liability – \$1.0 million minimum per occurrence with a \$2.0 million minimum aggregate, or \$1.0 million aggregate separate for an individual contract;

- 6.4.1.1.3 Auto/Vehicle Liability Insurance – Combined single limit of \$0.5 to \$1.0 million (depending on vehicle use/exposure) or alternatively, \$500,000 per person for bodily injury and \$500,000 per accident for property damage;

- 6.4.1.1.4 Errors & Omission Insurance – as applicable to design work, technical specifications, and any service provided whereby faulty information could result in financial loss to the District. \$1.0 million minimum per occurrence.

- 6.4.1.1.5 Cyber Liability Insurance – as may be applicable to computer technology services or products, use of which may cause financial or reputational loss to the District.

- 6.4.1.2 Level 2 – Required Insurance Coverage for Service Contracts over \$50,000 and all contracts related to Maritime/Watercraft services:

- 6.4.1.2.1 Workers' Compensation Coverage – \$1.0 million minimum, including a waiver of subrogation against the District and, on contracts for maritime/watercraft services, the standard form policy of coverage is to be used as provided for under the U.S. Longshore and Harbor Workers' Compensation Act and the Jones Act;
- 6.4.1.2.2 General Liability – \$1.0 million minimum per occurrence with a \$2.0 million minimum aggregate, or \$1.0 million aggregate separate for an individual contract and, on contracts for maritime/watercraft services, the insurance shall include coverage for each of the following hazards:
 - 6.4.1.2.2.1 Broad form property damage;
 - 6.4.1.2.2.2 Severability of interest or cross-liability;
 - 6.4.1.2.2.3 Personal injury- with the "employee" exclusion deleted.
- 6.4.1.2.3 Auto/Vehicle Liability Insurance – Combined single limit of \$1.0 to \$2.0 million (depending on vehicle use/exposure) or alternatively, \$1.0 million per person for bodily injury and \$1.0 million per accident for property damage.
- 6.4.1.2.4 Errors & Omission Insurance – as applicable to design work, technical specifications, and any service provided whereby faulty information could result in financial loss to the District. \$1.0 million minimum per occurrence.
- 6.4.1.2.5 Hull and Machinery, including collision liability Insurance (on Maritime/Watercraft agreements) – in an amount not less than the market value of the watercraft;
- 6.4.1.2.6 Protection and Indemnity Insurance (on Maritime/Watercraft agreements) – In an amount not less than the market value of the watercraft, or \$300,000, whichever is greater.

6.4.1.2.7 Cyber Liability Insurance – as may be applicable to computer technology services or products, use of which may cause financial or reputational loss to the District.

6.4.1.3 Level 3 – Required Insurance Coverage for Service Contracts covering hazardous materials removal, such as chemicals, and non-hazardous services such as bio-solids and grit and bar screen residual removal:

6.4.1.3.1 Workers' Compensation Coverage – \$1.0 million minimum, including a waiver of subrogation against the District;

6.4.1.3.2 General Liability – Combined single minimum limit of \$2.0 million (\$5.0 million for removal of hazardous chemicals), or \$2.0 million aggregate separate for an individual contract (\$5.0 million for removal of hazardous chemicals) minimum per occurrence for bodily injury, including death, personal injury, property damage, and products liability, and the insurance shall include coverage for each of the following hazards:

6.4.1.3.2.1 Broad form property damage;

6.4.1.3.2.2 Severability of interest or cross-liability;

6.4.1.3.2.3 Personal injury – with the “employee” exclusion deleted;

6.4.1.3.2.4 Premises-Operations for removal of hazardous materials;

6.4.1.3.2.5 Products Liability for removal of hazardous materials.

6.4.1.3.3 Products Liability Insurance (for the removal of hazardous chemicals) – in the minimum amount of \$2.0 million. This coverage can be provided either as part of or separate from the General Liability Insurance policy.

6.4.1.3.4 Auto/Vehicle Liability Insurance – Combined single limit of \$2.0 million (\$5.0 million for the removal of hazardous chemicals) or, alternatively \$2.0 million per person for bodily injury, including death, personal injury and property damage;

6.4.1.3.5 Errors & Omission Insurance – as applicable to design work, technical specifications, and any service provided whereby faulty information could result in financial loss to the District. \$1.0 million minimum per occurrence.

6.4.1.3.6 Cyber Liability Insurance – as may be applicable to computer technology services or products, use of which may cause financial or reputational loss to the District.

6.4.1.4 Level 4 – Required Insurance Coverage for Personal Service Agreements (PSA's) and Construction Contract Agreements. Coverage requirements are ascertained in consultation with **Director of Finance** or authorized individual.

6.4.3 In consultation with the General Counsel, the Contracts/Purchasing Manager may issue a hold harmless agreement in favor of the contractor if the contractor posts professional liability insurance at a level twice that required by the Contracts/Purchasing Manager.

6.4.4 All coverage and insurance certificates, including endorsements to the policy, shall be issued on forms approved by the District. The District shall be listed as "additional insured".