



Adopted: December 6, 1985  
Last Amended: July 1, 2019

## **PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM) UNDERWRITING AND CLAIMS ADMINISTRATION STANDARDS**

### **I. GENERAL**

- A. Each Member shall appoint an official or employee of the Member to be responsible for the risk management function and to serve as a liaison between the Member and PRISM for all matters relating to risk management.
- B. Each Member shall maintain a loss prevention program and shall consider and act upon all recommendations of PRISM concerning the reduction of unsafe conditions.

### **II. EXCESS WORKERS' COMPENSATION PROGRAM**

- A. Members of the Excess Workers' Compensation Program, except those members of the Primary Workers' Compensation Program whose responsibilities are outlined in Section IV below, shall be responsible for the investigation, settlement, defense and appeal of any claim made, suit brought or proceeding instituted against the Member.
  - 1. The Member shall use only qualified personnel to administer its workers' compensation claims. At least one person in the claims office (whether in-house or outside administrator) shall be certified by the State of California as a qualified administrator of self-insured workers' compensation plans.
  - 2. Qualified defense counsel experienced in workers' compensation law and practice shall handle litigated claims. Members are encouraged to utilize attorneys who have the designation "Certified Workers' Compensation Specialist, the State Bar of California, Board of Legal Specialization".
  - 3. The Member shall use PRISM's Workers' Compensation Claims Administration Standards (Addendum A) and shall advise its claims administrator that these standards are utilized in PRISM's workers' compensation claims audits.
- B. The Member shall provide PRISM written notice of any potential excess workers' compensation claims in accordance with the requirements of PRISM's Bylaws. Updates on such claims shall be provided pursuant to the reporting provisions of PRISM's Workers'

Compensation Claims Administration Standards (Addendum A) or as requested by PRISM and/or PRISM's excess carrier.

- C. A claims administration audit utilizing PRISM's Workers' Compensation Claims Administration Standards (Addendum A) shall be performed once every two (2) years. In addition, an audit will be performed within twelve (12) months of any of the following events:
1. There is an unusual fluctuation in the Member's claim experience or number of large claims, or
  2. There is a change of workers' compensation claims administration firms, or
  3. The Member is a new member of the Excess Workers' Compensation Program.

The claims audit shall be performed by a firm selected by PRISM unless an exception is approved. Recommendations made in the claims audit shall be addressed by the Member and a written response outlining a program for corrective action shall be provided to PRISM within sixty (60) days of receipt of the audit.

- D. Each Member shall maintain records of claims in each category of coverage (i.e. indemnity, medical, expense) or as defined by PRISM and shall provide such records to PRISM as directed by the Board of Directors, Claims Review Committee, Underwriting Committee, or Executive Committee. Such records shall include both open and closed claims, allocated expenses, and shall not be capped by the Member's self-insured retention.
- E. The Member shall obtain an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) at least once every three (3) years. Based upon the actuarial recommendations, the Member should maintain reserves and make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies.

### **III. GENERAL LIABILITY PROGRAMS**

- A. Members of the General Liability 1 or General Liability 2 Programs, except those members of the Deductible Buy-Down Program whose responsibilities are outlined in Section V below, shall be responsible for the investigation, settlement, defense and appeal of any claim made, suit brought or proceeding instituted against the Member.
1. The Member shall use only qualified personnel to administer its liability claims.

2. Qualified defense counsel experienced in tort liability law shall handle litigated claims. Members are encouraged to utilize defense counsel experienced in the subject at issue in the litigation.
  3. The Member shall use the Liability Claims Administration Standards (Addendum B) and shall advise its claims administrator that these standards are utilized in PRISM's liability claims audits.
- B. The Member shall provide PRISM written notice of any potential excess liability claim in accordance with the requirements of PRISM's Bylaws. Updates on such claims shall be provided pursuant to the reporting provisions of PRISM's Liability Claims Administration Standards (Addendum B) or as requested by PRISM and/or PRISM's excess carrier.
- C. A claims administration audit utilizing PRISM's Liability Claims Administration Standards (Addendum B) shall be performed once every two (2) years. In addition, an audit will be performed within twelve (12) months of any of the following events:
1. There is an unusual fluctuation in the Member's claims experience or number of large claims, or
  2. There is a change of liability claims administration firms, or
  3. The Member is a new member of the General Liability 1 or General Liability 2 Program.

The claims audit shall be performed by a firm selected by PRISM unless an exception is approved. Recommendations made in the claims audit shall be addressed by the Member and a written response outlining a program for corrective action shall be provided to PRISM within sixty (60) days of receipt of the audit.

- D. Each Member shall maintain records of claims in each category of coverage (i.e. bodily injury, property damage, expense) or as defined by PRISM and shall provide such records to PRISM as directed by the Board of Directors or applicable committee. Such records shall include open and closed claims, allocated expenses, and shall not be capped by the Member's self-insured retention.
- E. The Member shall obtain an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) at least once every three (3) years. Based upon the actuarial recommendations, the Member should maintain reserves and make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies.

#### **IV. PRIMARY WORKERS' COMPENSATION PROGRAM**

- A. Members of the Primary Workers' Compensation Program shall provide the third party administrator written notice of any claim in accordance with the requirements of PRISM. Members must also cooperate with the third party administrator in providing all necessary information in order for claims to be administered appropriately.
- B. PRISM shall be responsible for ensuring qualified personnel administer claims in the Primary Workers' Compensation Program and that claims are administered in accordance with PRISM's Workers' Compensation Claims Administration Standards (Addendum A).
- C. PRISM shall be responsible for ensuring a claims administration audit utilizing PRISM's Workers' Compensation Claims Administration Standards (Addendum A) is performed once every two (2) years.
- D. PRISM shall be responsible for obtaining an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) annually.

#### **V. DEDUCTIBLE BUY-DOWN PROGRAM**

- A. Members of the Deductible Buy-Down Program shall provide the third party administrator written notice of any claim or incident in accordance with the requirements of PRISM. Members must also cooperate with the third party administrator in providing all necessary information in order for claims to be administered appropriately.
- B. PRISM shall be responsible for ensuring qualified personnel administer claims in the Deductible Buy-Down Program and that claims are administered in accordance with PRISM's Liability Claims Administration Standards (Addendum B).
- C. PRISM shall be responsible for ensuring a claims administration audit utilizing PRISM's Liability Claims Administration Standards (Addendum B) is performed once every two (2) years.
- D. PRISM shall be responsible for obtaining an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) annually.

#### **VI. PROPERTY PROGRAM**

- A. Members of the Property Program shall maintain appropriate records including a complete list of insured locations and schedule of values pertaining to all real property. Such records shall be provided to PRISM or its brokers as requested by the Executive or Property Committees.

- B. Each Member shall perform a real property replacement valuation for all locations over \$250,000. Valuations shall be equivalent to the Marshall Swift system and shall be performed at least once every five (5) years for all locations over \$1,000,000 and at least once every ten (10) years for all locations with a valuation between \$250,000 and \$1,000,000. New members shall have an appraisal or valuation performed within one year from entry into the Program.

## **VII. MEDICAL MALPRACTICE PROGRAM**

### **A. Program I**

1. Members of Medical Malpractice Program I (hereinafter Program I) shall be responsible for the investigation, settlement, defense and appeal of any claim made, suit brought or proceeding instituted against the Member.
  - a. Members of Program I shall use only qualified personnel to administer its health facility claims.
  - b. Qualified defense counsel experienced in health facility law shall handle litigated claims.
  - c. Members of Program I shall use the "Claims Reporting and Handling Guidelines" in the PRISM Medical Malpractice Program Operating and Guidelines Manual (hereinafter Operating and Guidelines Manual), and shall advise its claims administrator that these claims handling guidelines are utilized in PRISM's medical malpractice claims audits.
2. Members of Program I shall provide PRISM written notice of any potential excess claim or "major incident" in accordance with the requirements of PRISM and of the excess carrier as stated in the Operating and Guidelines Manual. Updates on such claims or major incidents shall be provided as requested by PRISM.
3. A claims administration audit utilizing PRISM's Claims Reporting and Handling Guidelines in the Operating and Guidelines Manual shall be performed once every three (3) years. In addition, an audit will be performed within twelve (12) months of any of the following events:
  - a. There is an unusual fluctuation in the Member's claims experience or number of large claims, or
  - b. There is a change of health facility claims administration firms, or

- c. The Member is a new member of the Medical Malpractice Program, or
  - d. The Medical Malpractice Committee requests an audit. The claims audit shall be performed by a firm(s) selected by PRISM. Recommendations made in the claims audit shall be addressed by the Member and a written response outlining a program for corrective action shall be provided to PRISM within sixty (60) days of receipt of the audit.
- 4. Each Member shall maintain records of claims in each category of coverage (i.e. bodily injury, property damage, expense) or as defined by PRISM and shall provide such records to PRISM as directed by the Board of Directors or applicable committee. Such records shall include open and closed claims, allocated expenses, and shall not be capped by the Member's self-insured retention.
  - 5. Members of Program I shall obtain an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) at least once every three (3) years. Based upon the actuarial recommendations, the Member should maintain reserves and make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies.
  - 6. The Member shall have an effective risk management program in accordance with the "Risk Management Guidelines" as stated in the Operating and Guidelines Manual.

B. Program II

- 1. For Medical Malpractice Program II (hereinafter Program II) Members, PRISM shall be responsible for the investigation, settlement, defense and appeal of any claim made, suit brought or proceeding instituted against the Member. PRISM may contract with a third party administrator for handling of such claims.
- 2. PRISM shall be responsible for ensuring the third party administrator uses qualified personnel to administer Program II claims.
- 3. PRISM shall be responsible for ensuring qualified defense counsel experienced in health facility law shall handle litigated claims.
- 4. PRISM shall be responsible for ensuring a claims administration audit utilizing PRISM's Claims Reporting and Handling Guidelines in the Operating and Guidelines Manual shall be performed once every two (2) years.

The claims audit shall be performed by a firm(s) selected by PRISM. Recommendations made in the claims audit shall be addressed by the third party administrator and a written response outlining a program for corrective action shall be provided to PRISM within sixty (60) days of receipt of the audit.

5. PRISM shall be responsible for obtaining an actuarial study performed by a Fellow of the Casualty Actuarial Society (FCAS) annually.
6. The Member shall have an effective risk management program in accordance with the "Risk Management Guidelines" as stated in the Operating and Guidelines Manual.

#### **VIII. SANCTIONS**

- A. PRISM shall provide the Member written notification of the Member's failure to meet any of the above-mentioned standards or of other concerns, which affect or could affect PRISM.
- B. The Member shall provide a written response outlining a program for corrective action within sixty (60) days of receipt of PRISM's notification.
- C. After approval by the Executive or applicable Program Committee of the Member's corrective program, the Member shall implement the approved program within ninety (90) days. The Member may request an additional sixty (60) days from the Executive or applicable Program Committee. Further requests for extensions shall be referred to the Board of Directors.
- D. Failure to comply with subsections B or C may result in cancellation of the Member from the affected PRISM Program in accordance with the provisions in the Joint Powers Agreement.
- E. Notwithstanding any other provision herein, any Member may be canceled pursuant to the provision of the Joint Powers Agreement.