



PRISM

Public Risk Innovation,
Solutions, and Management

Messaging to the Media on Large Claims Settlements/Verdicts

In an effort to help our members, our stakeholders, potential jurors and the general public understand that claim settlements by public entities and jury verdicts against public entities are paid in some way by the tax payers, PRISM has drafted the language below to help our members communicate with the media at the time a claim is either settled by a member entity or a verdict is entered against a member entity.

We are suggesting the use of the below language to help address the excessive number of large, unreasonable verdicts that have been levied against public entities over the last few years. The general public often doesn't realize that awarding excessive damages to plaintiffs places a significant strain on public entity budgets. While these entities are committed to fairly compensating legitimate claims, increasingly inflated jury awards divert funds away from essential services and staffing—impacting areas such as public safety, infrastructure, and emergency response. It is estimated by the American Tort Reform Foundation that California residents pay \$2,297 every year in order to fund these nuclear verdicts.

It is also important to note that the money paid out in large claims is not being paid solely by insurance companies. Instead, they are paid by the public entity and a joint powers authority (JPA) that they belong to. JPAs typically have some form of reinsurance or excess insurance coverage available to their members for claims that go over certain amounts. Thus, while insurance companies play a role in this process, the member entity is charged an increased amount of contributions to the JPA in future years to pay for these large verdicts and settlements. Thus, the public is ultimately paying for these losses through the need for the entity to divert more money toward paying these claims and continuing to procure coverage through the JPA.

Below is language to help you communicate this to the media. We are suggesting this language, or something similar to it, be used to help start the process of educating the public on the impacts of the large verdicts rendered by them and their peers.

Sample Language:

Today, [City, County or Agency] announced a [type of settlement or verdict, e.g., settlement agreement or jury verdict] in the case of [Plaintiff Name] v. [Defendant Name], with a total value of \$[Amount]. The payment will be made from a combination of the [City's, County's or Agency's] General Fund and a contribution from its risk-sharing pool.

The risk-sharing pool is a Joint Powers Authority (JPA) that provides self-insurance and risk management services for public entities. It is funded by tax payer dollars through annual contributions made by its members.

The [City, County or Agency] vigorously defends claims brought against it, but on occasion will resolve a claim via settlement when it is a cost-effective way to conclude the litigation. In this case, the settlement amount of \$[Amount] was approved by [City, County or Agency] after a thorough evaluation of the potential costs associated with continued litigation, including anticipated legal expenses for the [City, County or Agency].