



## **Claims Review Committee 2 Standard Operating Procedures**

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## **Composition**

The Committee is comprised of 7 persons from members who participate in the General Liability 2 (GL2) Program, of which 5 are voting members and 2 are alternates who are eligible to vote at any meeting where a voting member is absent. Voting members serve two-year terms and alternate members serve one-year terms.

Reference: [GL2 Memorandum of Understanding](#)

## **Roles**

### **Committee:**

The Claims Review Committee 2 is responsible for determining all matters affecting the settlement of claims for participating members in excess of the members' respective Self-Insured Retention. The CRC2 also has authority to conduct business on any other matters that have been delegated to it by the GL2 Committee.

Pursuant to the directions of the GL2 Committee, the CRC2 shall:

- review all claims arising out of the GL2 Program against members which involve or may involve liability of PRISM.
- authorize claim settlements in excess of the members' SIRs.
- advise the GL2 Committee regarding claims adjusting and legal defense services necessary to protect the funds of PRISM
- handle other functions as directed by the GL2 Committee

Reference: [GL2 Memorandum of Understanding](#)

### **Chair:**

- Call/authorize meeting to be scheduled
  - Staff will contact Chair to arrange date, time, location (in-person or Zoom)
  - Once authorized, staff will notify the Committee members via e-mail
- Call the meeting to order
- Orchestrate agenda items
- Recognize members to facilitate orderly debate
- Preside over voting
- Enforce rules of the group
- Expedite the business of the group
- Declare meeting adjournment
- Attend PRISM's Annual Strategic Planning Retreat
- Conduct meeting according to Robert's Rules of Order and the Brown Act

### **Vice Chair:**

The Committee Vice Chair's role is to assume the responsibilities of the Chair in their absence.

### **Legal Counsel/Alternate Legal Counsel:**

- Serve in an advisory capacity to the Claims Review Committee 2
- Confirm the Committee's adherence to the Brown Act

Reference: [Brown Act](#)

### **Staff:**

- [Heather Fregeau](#) is the staff liaison for this Committee.
- Assist Chair in facilitating meetings, preparing agendas, taking minutes, and summarizing meetings for those not in attendance
- Advisory to the Committee
- Make recommendations to assist Committee
- Execute Committee's directions

## **Organizational Responsibilities**

### **Addendum B & Defense Counsel Standards:**

Addendum B, the Liability Claims Administration Standards, and Defense Counsel Standards have been developed by staff under the direction and approval of the GL2 Committee as claims handling best practices for members of the GL2 Program. It is required that members of these programs advise their Third-Party Administrator (TPA) and defense counsel that these standards are utilized in PRISM's claims audits. It is the responsibility of all self-administered entities to ensure their staff is fully trained to ensure compliance with the standards. The claims administration standards and defense counsel standards are utilized as the basis for quality audits to measure how well an individual TPA, self-administered entity, and defense counsel is performing. Liability claims audits are measured against acceptable PRISM Standards. Updated standards are circulated for review and comment to all program members before submitting them to the GL2 Committee for approval.

Reference: [Addendum B](#)

Reference: [Defense Counsel Standards](#)

Reference: [GL2 Policy Statement Regarding Frequency of Member Audits adopted October 17, 2013](#)

### **Delegation of Authority:**

#### **Liability Settlement and Reimbursement Procedures**

Staff has settlement and reimbursement authority up to \$250,000 above the member's SIR, inclusive of defense costs incurred.

Reference: [GL2 Delegation of Authority Policy Statement adopted December 19, 2007](#)

After an initial grant of authority by the Claims Review Committee 2 up to the reinsurance attachment point, staff has authority to negotiate directly with the reinsurer for settlement authority above that level.

The GL2 Committee also approved reimbursement procedures pertaining to defense fees.

Reference: [Policy Statement Regarding Defense Attorneys' Fees Reimbursement adopted July 1, 2020](#)

### **Audits:**

The purpose of a claims audit is to protect the interests of the pool by ensuring that each member receives superior claims administration services and following PRISM standards. The Claims Administration Standards (Addendums B) and Liability Defense Counsel Standards are used as an auditing tool to measure how well an individual TPA or self-administered entity is performing as well as defense counsel.

Reference: [Addendum B](#)

#### Audit Procedures

PRISM engages the services of auditors to perform claim audits of the members of its GL2 Programs. The entities to be audited and the corresponding sample size are specifically approved by PRISM in advance of the service being rendered. Entities are audited against the General Liability Claims Handling Standards – Addendums B as well as the General Liability Defense Counsel Standards.

Members are required to have claims audits every other year. The GL2 Program will pay the cost of claim audits for the members.

The claims administration and oversight performed by PRISM staff are audited every other year by an outside auditor. The results of that audit are presented to the GL2 Committee. If any recommendations for improvement are noted, staff will provide the Committee with a response to those recommendations.

The GL2 Committee has selected Risk Management Services and Praxis Claims Consulting to provide claims audit services for the program (GL2 Meeting Minutes from 5/2/14, Item 4.F.)

**Reference:** [Frequency of Member Audits Policy Statement](#)

**Reference:** [PRISM Underwriting and Claims Administration Standards, Section III: General Liability Programs, Part C](#)

**Reference:** [5/2/14 GL2 Committee Minute Order](#)

## **Miscellaneous:**

### Member Attendee Reimbursement Policy

Occasionally, non-committee members have attended committee meetings, either at their request or upon invitation from the committee, to address a business item on the agenda for that meeting. While this is most frequent with the Claims Review Committee, this has also occurred with other committees. A policy statement was approved by the Executive Committee at their meeting on 5/5/11, which applies to all committees.

Reference: [Exec Comm Policy Re: Reimb of Expenses for Meetings 5/5/11](#)

## **Meetings**

### **Code of Conduct/Ethics Policy:**

The Board has adopted a Code of Conduct which is applicable to all members, staff, committees, and the Board.

Reference: [Code of Conduct](#)

### **Scheduling:**

With a couple of exceptions, the Committee meets via web conference on the second Wednesday of every month.

Reference: [2026 Schedule of Meetings](#)

Reference: [GL2 Memorandum of Understanding](#)

### **Quorum:**

Pursuant to the GL2 MOU, a quorum consisting of at least three members of the Committee must be present in order to conduct a meeting.

### **Voting:**

#### Voting Requirements

Pursuant to the GL2 MOU, the voting requirement is at least three members of the Committee for all actions of the Claims Review Committee 2.

## Conflicts

Pertinent PRISM Code of Conduct Provisions:

2. We are committed to the concepts of democratic, effective and efficient governance by responsible, knowledgeable members of the Board of Directors and Committees with an understanding that official decisions made and actions taken by PRISM are always made in the best interests of PRISM's membership, as opposed to the interests of PRISM's staff, service providers, or other outside interests.

9. We are committed to the principle that conflicts of interest, (defined as situations in which a person has a financial or other interest or the appearance of a conflicting interest that would call into question the person's ability to act in an impartial manner with respect to a matter affecting PRISM) should be avoided and where present shall be fully disclosed. This includes situations when a member of the Board, a Committee, staff, or vendor has personal interests (including those of his/her family) that are contrary to his/her loyalty to PRISM.

## Vote on behalf of PRISM or the Entity I Represent?

Attorney General Opinion No. 00-708 dated 12/8/00 concluded that a member of the governing board (in this case the Claims Review Committee) of a joint powers agency may cast a valid vote on a matter before the agency that is inconsistent with the position by the legislative body which appointed the member.

Should a case under discussion present a potential conflict of interest to a voting member of the Committee, that member must abstain or absent himself/herself from the vote. The Committee will decide if it is necessary to excuse a member from the room if a particular case under discussion is controversial to that member.

Reference: [Attorney General Opinion No. 00-708](#)

## Voting When Conflict Arises:

According to FPPC:

- Disqualification
  - For financial interest (exception when action required)
- Abstention
  - Conflicting loyalties
  - Perception you can't be fair
  - Ethical dilemmas (exception for necessity to take action)

According to Roberts Rules of Order:

- Duty to vote if you have an opinion
- Right to abstain

- Personal interest - must abstain except
  - Vote for self in an election
  - Vote if other's interests are included in the motion

### **Closed Session:**

Closed sessions may be held in accordance with the provisions of state law and the Brown Act. Information discussed in closed session is confidential. In addition to the Committee and Legal Counsel, only individuals necessary for the discussion will be present. The Executive Committee and the GL2 Committee have appointed PRISM's Chief Legal Counsel and the Claims Review Committee 2's Legal Counsel to serve as legal counsel for this Committee for purposes of obtaining legal advice during closed sessions in accordance with the Brown Act (2/2/12 Executive Committee Meeting, Item 5.B.). All votes in Closed Session will be conducted by roll call.

Reference: [2/2/12 Executive Committee Minute Order](#)

### [GL2 Memorandum of Understanding](#)

The Claims Review Committee 2 has adopted a policy detailing when a Committee member and/or another representative of the member's entity is allowed to participate in the closed session discussion regarding a claim from that member's entity. The policy also sets forth whether and to what extent the member can participate in the closed session discussion on the claim, how the member should vote if they are participating in a vote on the claim, and under what circumstances the member must leave the discussion before a vote takes place.

Reference: [Policy Regarding Member's Participation in Closed Session 2/12/25](#)

## **Glossary of Terms**

Please note: The definitions provided in this section convey common, frequent understandings which may be useful to the Claims Review Committee 2. Many of the words may be defined differently in specific insurance contracts or may have expanded, reduced, or in other ways have different meanings in particular circumstances.

**ADA (Americans with Disabilities Act):** A federal law that prohibits discrimination against people with disabilities.

**Aggregate:** A cumulative amount of all losses for a period of time.

**Answer:** A responsive pleading following service of a lawsuit.

**ARM:** Associate in Risk Management.

**Attachment Point:** The dollar amount of a loss where the next layer of insurance begins to pay for the loss.

**Bane Act:** a California law allowing lawsuits against anyone who interferes with another person's state or federal constitutional or statutory rights through threats, intimidation, or coercion, even without discriminatory intent, protecting rights like free speech, voting, or freedom from unreasonable search, often used in police misconduct cases to seek damages and injunctions.

**Bodily Injury:** Physical damage to the body, including death, mental damage, pain, sickness, and disease.

**CCP §998:** A formal settlement offer in California litigation designed to encourage early resolution by creating financial consequences for the party who rejects it and then fails to achieve a better result at trial or arbitration. If a party rejects a reasonable 998 offer and then receives a less favorable judgment, they may have to pay the offering party's post-offer costs, including expert witness fees

**Comparative Negligence:** The degree of negligence on the part of each of several tortfeasors. California law currently operates on a pure comparative negligence basis, unless Prop 51 applies, with each party able to recover damages and liable for damages in proportion to his/her share in the overall negligence causing an accident.

**Complaint:** The initial legal pleading filed with the Court by the plaintiff to initiate the legal process against defendants.

**CPCU:** Chartered Property and Casualty Underwriter.

**Damages:** That which has been lost due to an accident or event, generally expressed in dollar terms; may include loss to property, loss of use, bodily injury, personal injury, loss of income, loss of reputation, etc.

**Defendant:** The party named in a lawsuit against whom a claim is being pursued.

**Defense Attorney:** The attorney hired to represent the defendant in a civil lawsuit.

**Demur/Demurrer:** One of several responsive pleadings to the court following service of a Complaint. The demurrer states that, even if the facts alleged in the Complaint are correct, the legal consequences are not such that liability accrues to the defendant and there is no need to answer them.

**Deposition:** Testimony by a party having knowledge material to a cause of action taken outside of court but under oath.

**Discovery:** The information gathering process occurring under power of subpoena and with written and oral testimony being provided under oath.

**Dismissal:** An order or judgement finally disposing of an action or suit by sending it out of court without a trial on the issues. The dismissal may be with prejudice, which bars the right to bring or maintain an action on the same claim or grounds, or without prejudice, in which case there is no bar to bringing or maintaining the action in the future on the same grounds.

**DOL (Date of Loss):** The first date on which an insured event occurred.

**Eminent Domain (Public Taking):** The power to take private property for public use by a public entity, provided the property is taken for a public purpose and just compensation is given to the owner of the property which is taken.

**Employment Practices Liability:** Liabilities arising from allegations of discrimination, failure to promote or hire, harassment, Americans with Disabilities Act responsibilities, wrongful termination, etc.

**Errors and Omissions Liability:** Liability caused by an error or omission in the performance of professional duties.

**Essential Functions:** Duties considered crucial in the performance of a specific job.

**Excess Coverage:** Insurance coverage which does not provide for payment to the insured or on behalf of the insured until underlying insurance coverage has paid its limits or the insured has paid its self- insured retention.

**Excess Insurance:** Insurance purchased to provide higher limits than the primary policy provides.

**Exemplary Damages:** See Punitive Damages.

**FMLA (Family and Medical Leave Act):** A federal law that provides up to 12 weeks unpaid, job-protected leave per year for personal or family health problems, which also requires that group health benefits be maintained.

**General Damages:** Compensation for damages which cannot be quantified by specific documentation. Examples include compensation for pain and suffering, loss of promotion, disadvantage in the labor market, or disfigurement.

**General Liability:** Liability for property damage, bodily injury, or personal injury to third parties.

**Guardian Ad Litem:** Guardian appointed only for the case being litigated.

**Hold Harmless Agreement:** A contractual provision establishing that one party will not be considered liable for particular damages which might arise.

**Howell Reduction:** A significant California court ruling (*Howell v. Hamilton Meats*) limiting personal injury damages, meaning plaintiffs can only recover the reduced amount actually paid for medical care, not the higher "billed" rates, preventing windfalls from insurance discounts. This rule applies when an injured party's insurance (like private insurance or Medicare) pays less than the initial bill due to negotiated rates, allowing defendants to argue for lower economic damages based on the actual, lower cost.

**Incurred:** The total dollar amount for which a file is exposed, including paid and outstanding totals, in each reserve category.

**Indemnity:** The act of making someone "whole" (give equal to what they have lost) or protected from (insured against) any losses which have occurred or will occur.

**In Pro Per:** An injured worker or plaintiff not represented by an attorney.

**Interactive Process:** Mandatory process in which an employer and disabled employee must communicate to identify and implement reasonable accommodation(s) to assist the employee in performing the essential functions of the same or an equivalent position with the employer.

**Interrogatories:** Written questions submitted to a party to a lawsuit, with written responses to be provided under oath within a specified time.

**Inverse Condemnation:** Action by private property owner against government entity for taking or damage to property caused by public work or project.

**Lien:** A claim for payment against a workers' compensation or liability claim.

**Medicare:** Federal program providing medical insurance coverage to seniors and other qualifying persons.

**Member:** A County or Public Entity participating in the GL2 Program.

**MOC:** Memorandum of Coverage.

**Monell Claims:** A type of claim under 42 U.S.C. § 1983 that holds a local government liable for constitutional rights violations, but only if the violation stems from an official "policy or custom," not just an employee's isolated act (*respondeat superior*). To prove a Monell claim, a plaintiff must show there was (1) a deprivation of a federal right, (2) linked to a municipal policy or custom, (3) demonstrating deliberate indifference by the government, and (4) that this policy was the direct cause (moving force) of the violation.

**MSC:** Mandatory Settlement Conference.

**Motion for Summary Judgement (MSJ):** A judgment granted without formal trial when it appears on the pleadings and other showings to the court that there is no genuine issue of fact and that the moving party is entitled to judgment as a matter of law.

**Negligence:** Failure to exercise the care that a reasonably prudent person would exercise in like circumstances.

**Occurrence:** An accident or event, which results in personal injury or property damage, neither expected nor intended from the standpoint of the covered party.

**Plaintiff:** The party who complains or sues in a civil action.

**Property Damage:** Physical injury to tangible property or loss of use of property.

**Proposition 51:** Tort reform that modified joint and several liability in lawsuits, making each defendant responsible only for its share of non-economic damages (like pain and suffering) while holding the “deep pocket” defendant responsible for all economic damages (like medical bills) fully responsible unless the plaintiff is found at least 51% at fault.

**Proximate Cause:** That which produces the injury, and without which the result would not have occurred.

**Punitive Damages:** Damages awarded not to compensate the plaintiff, but in order to reform or deter the defendant and similar persons from pursuing a course of action such as that which damaged the plaintiff.

**Reptile Theory:** Litigation tactic used by plaintiffs' lawyers to appeal to a jury's survival instincts by casting defendants as threats to community safety.

**Reserves:** Amount of money required to be set aside for the estimated total monetary value of each claim for the eventual payment of claims or losses.

**Respondent Superior:** A legal doctrine making an employer vicariously liable for an employee's wrongful acts if those acts occur within the scope of their employment, meaning the employer is responsible for the employee's mistakes, not their own direct wrongdoing. It shifts the financial burden to the employer, who is often better equipped to handle the losses, holding them responsible for actions benefiting the business, not personal frolics.

**Responsive Pleadings:** A written statement filed within a specific period to respond to the accusations contained in the Complaint.

**Rule 68:** Federal court rule allowing a defendant to serve an "Offer of Judgment" to a plaintiff for a specific amount, with costs accrued up to that point. If the plaintiff accepts within 14 days, judgment is entered; if rejected, and the plaintiff wins less at trial, they must pay the defendant's costs (like filing fees, deposition costs) incurred *after* the offer, making it a powerful settlement tool to shift litigation risks to the plaintiff.

**SIR (Self Insured Retention):** The amount of each loss for which each Member is responsible.

**Settlement:** A resolution of some or all issues pertaining to a claim.

**SOL:** Statute of Limitations.

**Specials:** Economic damages such as medical costs and wage loss.

**Staff:** Employees of PRISM.

**Subpoena:** A court summons to appear and/or produce tangible evidence for use at a hearing or trial.

**Subrogation:** The legal process by which an insurer seeks from a third party, who has caused a loss, recovery of the amount paid to the policy holder.

**Summons:** Notice which accompanies the Complaint which must be served upon a defendant to inform the defendant of pending action.

**Tort Law (Torts):** A wrongful act, other than for violation of contract, and for which a civil action is the appropriate remedy.

**TPA:** Third Party Administrator.

**Verified Claim:** The claim form required by the Government Code, for presentation to a public entity. Technically, a claim where the person presenting such is required to certify under oath the truthfulness of the allegations contained therein.

**VSC:** Voluntary Settlement Conference.