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Policy 576**

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RISK AND INSURANCE MANAGEMENT

.1 PURPOSE AND POLICY

The purpose of this policy is to establish uniform procedures for handling liability, property and fidelity exposures.

It is the policy of Clallam County to shelter its assets against accidental loss or losses which, in the aggregate during any financial period, would significantly affect personnel, property, the budget or the ability of Clallam County to continue to fulfill its responsibilities to taxpayers and the public.

Clallam County will utilize a risk management process which includes a systematic and continuous identification of loss exposures; the analysis of these exposures in terms of frequency and severity probabilities; the application of sound risk control procedures; and, a method for the financing of risk consistent with the County's financial resources.

In recognition of its financial resources and the spread of its physical assets, Clallam County will accept retention of uninsured liability losses up to the following limits:

- Not more than \$100,000 arising out of a single event or occurrence.

.4 PRACTICES AND PROCEDURES

4.1 Director Responsible for Risk Management Function

The Director has the responsibility for risk and insurance management and shall identify and respond to all exposures that could result in financial loss for the County of Clallam.

4.2 Claims Settlement Authority

The Director in conjunction with the County Administrator and the County Prosecuting Attorney, or Deputy Prosecutor so designated, shall be vested with the authority to authorize settlement of claims within the County's self-insured retention.

4.3 Budget

The Risk Management budget shall be established to allow payment for property, casualty, and fidelity insurance premiums, personnel costs, equipment purchases, and other expenses.

4.4 Risk Management Fund

In addition to the Risk Management operating budget, the County shall establish and maintain a dedicated Risk Management Fund as an expendable trust for the exclusive purpose of funding the County's self insured retention for incurred and non-reported claims liability. Commencing each budget year, the balance in the Risk Management Fund shall be equal to or more than the actuarially calculated reserve designated appropriate to fund unfunded loss exposure.

4.5 Insurance Coverage

The following policies shall be reviewed in determining amounts of insurance and bonds.

(1) Real and Personal Property

It shall be the County's policy to insure real and personal property to include fire, earthquake, and flood losses on public buildings with outside carriers on a blanket or loss limit basis for an agreed amount of not less than \$25,000,000 per occurrence. Insurance values shall be determined by obtaining from County Officials and updated inventory and information relating to questions of insurable property under their jurisdiction. At a minimum of every 5 years, an independent industrial appraisal shall be performed for the sole purpose of updating the statement of values.

It shall be the County's policy to insure the content of public buildings with outside carriers under the same conditions as real property.

(2) Public Liability and Property Damage Insurance on Motor Vehicles

Public liability and property damage insurance shall be carried on all motor vehicles. The policy limits of liability on such motor vehicles shall be recommended by the Director.

(3) Comprehensive General Liability Insurance

The County shall provide general liability coverage for bodily injury, errors, and omissions and property damage for all County employees and properties. The policy limits of liability for the above coverage shall be recommended by the Director.

(4) Catastrophic Insurance

The County may maintain Excess Liability Insurance to protect against any major catastrophe. The limits of liability, coverage, and retention shall be recommended by the Director.

(5) Other Insurance

Other insurance, such as Employee Dishonesty, Workers' Compensation, Fiduciary Liability or any other type of coverage deemed necessary by the County, shall be placed into effect. The policy limits of such coverage's shall be recommended by the Director.

(6) Employee Faithful Performance Bond

An employee Faithful Performance Bond shall be secured for all County employees as required by the Laws of the State of Washington, the Charter, ordinances or regulations of the County of Clallam, or as may be recommended by the County Administrator or the County Prosecuting Attorney's Office.

(7) Public Officials' Bond

A Public Officials' Bond shall be secured for the positions that are required by law to be individually bonded.

(8) Evaluating and Rating Insurance Companies

A. M. Best & Co. is the most widely recognized authority on the evaluation and rating of insurance companies based in part upon their financial strength and policyholders' service. It is the County's established practice to make every effort to deal only with companies having a Best's rating of A++, A+, A or A-, which are the four highest ratings available and a minimum of \$50 million in Policyholders' Surplus.

Deviation from this practice shall only be accomplished following full disclosure and concurrence by the Board of Commissioners and County Administrator.

4.6 Responsibility

County Officials shall report the following changes in property under their supervision to the Director.

(1) Changes in Building Use

All changes in the use of occupancy of buildings shall be reported. Strict observance of this requirement is necessary since building use bears directly on insurance rates and public liability status.

(2) Razed Buildings

All razed buildings shall be reported immediately to the Director so that insurance on such buildings can be canceled.

(3) Changes in Equipment

A complete record covering the disposal and procurement of all insurable equipment.

(4) Property Losses

All property losses occurring from fire or other causes which may be recovered from insurance shall be immediately reported verbally and in writing to the Director.

(5) Duties of the Director

Changes and adjustments in insurance policies necessitated by reports from County Officials shall be made by the Director who is authorized to make changes on fleet size, insurance covering County equipment and to cancellations for razed buildings.

5 RESPONSIBILITIES AND AUTHORITY FOR LOSS CONTROL, LOSS PREVENTION, AND INSURANCE PROGRAMMING

5.1 Purpose

The purpose of this procedural statement is to make explicit the responsibilities and authority of the Director; other departments of the County; and, its agencies with respect to implementing the County's program on property and liability loss control.

5.2 Responsibility of the Director

The Director shall:

- a. Identify risk exposure areas and make recommendations to the County Administrator as to whether to insure, self-insure, or budget for the risks, or to use some combination of these methods. When appropriate the Director shall recommend changes in current County policy with respect to loss prevention, self-insurance and insurance coverage.
- b. Maintain perpetual inventories on the insurable values of all property, including buildings, contents, equipment, vehicles and supplies.
- c. Be informed of proposed changes in the insurance liability status of municipalities in the State of Washington and provide loss controls necessary to avoid any large liability losses.
- d. Review municipal and state ordinances and appropriate federal manuals to determine when insurance and bonds are required, permitted, or desirable, at the discretion of the community.
- e. Make periodic reports to the County Administrator with respect to the current status of the insurance and loss prevention programs.

5.3 Responsibilities of Other Personnel

County Officials shall cooperate with the Director in investigation of loss exposures and claims, and in the operation of any effective safety and loss prevention program. County Officials shall follow the guidance on contracting as set out in Administrative Policy 560 to assure that any increase or decrease in the County's contractual liability can be properly identified and controlled.

5.4 Responsibilities of County Prosecuting Attorney

The County Prosecuting Attorney's Office shall:

- a. Review all contract forms entered into by the County to identify and reduce any contractual liability being assumed by the County, and attempt to transfer such liabilities
- b. Notify the Director changes in the State statutes and common law which affect municipal liability
- c. Provide assistance to the insurer in the investigation and settlement of claims against the County from both employees and the public
- d. Provide legal assistance in the examination of insurance and bond contracts entered into by the County

5.5 Forbidden Acts

Except as specifically directed by the Director or Prosecuting Attorney or Deputy Prosecutor so designated, no County department, division or other County agency, and no County Official, employee, or authorized agent acting individually or collectively, may engage in the following acts:

- a. Negotiate or otherwise affect the settlement of a claim or lawsuit against the County
- b. Make an admission of liability involving a claim or lawsuit against the County
- c. Discuss with persons who are not County employees, incidents that could reasonably lead to claims or lawsuits against the County
- d. Discuss with persons who are not County employees, incidents that are the subject of pending claims of lawsuits

.6 SAFETY AND LOSS PREVENTION PROGRAM

The Director shall design and manage a workable safety and loss prevention program with the cooperation of all County Officials and the Safety Committee Representatives. The purpose of this program is to reduce accidents causing injuries to County employees and the public, and to reduce the frequency and severity of all property losses. County Officials shall post all required safety related literature. The Director shall make maximum use of the expert services of insurers, brokers, and departmental safety personnel whenever possible to develop better safety and loss prevention procedures. The program shall include:

- a. Periodic inspections of facilities
- b. Investigation into the causes of accidents and property losses
- c. Development of training programs for employees
- d. Communicating safety literature to all departments

.7 ACCIDENT AND CLAIM REPORTING

Prompt reporting of loss helps expedite claims handling, reduces personnel time, and results in cost savings through settlement of justifiable claims. All accidents resulting in bodily injury to any person, whether or not employed by the County, and all incidents resulting in property damage, destruction or illegal taking of County property shall be reported immediately to the Director.

Claims against insurance companies or persons damaging County property will be filed by the Director and the County Prosecuting Attorney's Office.

.8 PROCEDURES FOR REPORTING ACCIDENTS AND LOSSES

8.1 Prompt Reporting of Accidents and Incidents

All accidents and losses shall be reported promptly and in accordance with prescribed procedures.

The maintenance of a favorable public image, the protection of the County's interest, the reduction in time lost for personnel and equipment, and the savings realized through prompt settlements are significant benefits which may be realized. Supervisory personnel at all levels shall require adherence to these principles.

8.2 General Liability, Vehicular Accidents, and Workers' Compensation

Reports of general liability, vehicular and workers compensation incidents shall be reported promptly to the Director on a report form made available by the Risk Management Department. All accidents involving fatalities on County property shall be reported immediately to the Director.

In preparing incident reports special attention shall be given to the following areas:

- a. Time, date and place of accident or event
- b. Description of vehicle, equipment, or property involved
- c. Name of injured(s)
- d. Nature of damage or loss and established cost
- e. Description of circumstances
- f. Names and addresses of witnesses
- g. Diagram of events, when feasible
- h. Appropriate signatures

8.3 Director Processes Loss and Notifies Insurance

The Director processes all accident and loss notices and will notify the insurance company concerned.

Workers' Compensation accident reports should be filed directly with the claims administrator within 48 hours, with notice to the Director of Personnel and Risk Management the day of the accident, or by 4:00 p.m. on the next regular working day following the accident.

8.4 Accidents Occurring In Non-Business Hours

Accidents of a serious nature occurring on weekends or holidays should be reported immediately to the emergency number for Risk Management and followed up with the proper accident report forms.

8.5 Refer to Health and Safety Policy

Refer to Administrative Policy 240, Health, Safety, and Security for proper procedure in the filing of Workers' Compensation reports.

.9 CLAIMS PROCEDURE

All claims against the county shall be handled in accordance with the Revised Code of Washington, the Clallam County Home Rule Charter and the Washington Counties Risk Pool (WCRP) policy on Claims Reporting.

9.1 Designated County Claims Administrator

The Human Resource Director hereinafter referred to as Director is the designated Claims Administrator to whom all claims and lawsuits against the County, its elected and appointed officials and employees shall be promptly reported.

9.2 Timely Reporting of Claims to Appropriate Insurer

The Claims Administrator shall be responsible for sending copies of all claims/lawsuits to the appropriate insurer as follows:

- All claims where monetary damages will equal or exceed 50 percent of the County's deductible amount within 7 days from formal presentment to the County.
- All claims where monetary damages will not exceed 50 percent of the County's deductible within 30 days from formal presentment to the County.
- All lawsuits shall be sent immediately, but not later than 5 days from the date of service.
- No County Official, employee or volunteer, not even the County Claims Administrator or member of the Prosecuting Attorney's Office, shall accept service of process, except as provided by statute.
- The Prosecuting Attorney or assigned defense counsel will file a Notice of Appearance for the County with the court. A copy of the Notice of Appearance will be sent to the Human Resources Director.

9.3 General Duties of the Claims Administrator

The County Claims Administrator shall report to the Insurer all known incidents, which could involve the following within 30 days of knowledge:

- Ultimate liability may exceed \$100,000
- Death
- Brain injury or spinal cord damage, real or specific (quadriplegia or paraplegia)
- Impaired or loss of use of limbs (amputation of major members)
- Injury significantly affecting the capacity of sight, taste, smell or hearing
- Significant disfigurement
- Injury to the reproductive organs
- Significant highway design/maintenance liability
- Significant law enforcement liability
- Extended disability (6-months)
- Severe burns
- Multiple persons injured in a common occurrence
- Significant psycho-neurotic involvement
- Other incidents that may merit special notification

9.4 Service of Process

Service of process for lawsuits shall be made upon the County Auditor.

9.5 Receipt of Claim

Upon receipt of a claim for damages, the insurer determines after discussion with the County Claims Administrator whether the claim will be handled in-house by the County or assigned to an independent adjuster for investigation and evaluation. An acknowledgement form is sent to the County Claims Administrator identifying the insurer claim number, date of loss, reserve and who is handling the claim. The claim is entered into the insurer database.

9.6 Receipt of Lawsuit or Other Litigation

Immediately upon receipt of a lawsuit or other litigation from the County Auditor, the County Claims Administrator shall distribute copies of all paper involving the lawsuit to the prosecuting Attorney, named defendants and to the insurer. Upon receipt of a Summons and Complaint, the insurer will determine after discussion with the County Claims Administrator if counsel is required and assign the lawsuit to defense counsel when appropriate. If defense counsel is assigned by the insurer, then defense counsel shall, in the discretion of the County's Prosecuting Attorney, either substitute for or associate with the prosecuting Attorney.

Along with the copies distributed, the Claims Administrator shall maintain a log of claims and lawsuits.

9.7 Claims Filed in Error

All claims filed against the County in error will be tendered to the responsible party.

.10 KNOWN OR SUSPECTED LOSS REPORTING TO STATE AUDITOR

State law (RCW 43.09.185) requires all state agencies and local governments to **immediately** notify the State Auditor's Office in the event of a known or suspected loss of public funds or assets or other illegal activity. The County Official for the department in which the loss has occurred shall be responsible for notification to the State Auditor, Audit Manager of Special Investigations. There is no minimum threshold of funds that would negate this requirement.

The State Auditor, Audit Manager of Special Investigations will advise the County on the process to be utilized to investigate the loss. Decisions on whether the internal audit function will be accomplished by the State Auditor, assigned to an independent auditing firm, or staff of the County will be the sole decision of the Audit Manager of Special Investigations. No County Official shall have the authority to determine the scope of the investigation and audit.

10.1 Notify County Auditor, County Administrator, County Sheriff, and the Director

In addition to notifying the State Auditor, the County Official shall also immediately upon learning of the suspected loss notify the County Auditor, County Administrator, County Sheriff, and the Director.

10.2 Prepare a Chronology

The County Official shall prepare a chronology describing the events that led up to the reported loss. Staff research and any information obtained in interviews with employee(s) believed responsible for the loss, such as admission, should be included in this document. This document should be obtained and retained in the investigation file, a copy of which will need to be delivered to the State Auditor for their working paper file.

10.4 Employee/Witness Interviews

Critical elements to the interviews would be to determine what was done, how the irregular transactions were recorded in the accounting system, how long the irregular activity occurred, and the estimated amount of the loss. All interviews and subsequent personnel actions shall be conducted under the guidance of Clallam County Administrative Policy 235 and any applicable provisions with a collective bargaining agreement.

The interview should be conducted in a conference room for privacy purposes with the door closed, but not locked. The room set-up shall ensure that a custodial situation (Miranda Warnings) was not created (i.e., no blocking the employee's exit from the room). If the employee is a member of a union, s/he is entitled to union representation (Weingarten Warnings) or to have another person of their choosing present during the interview.

10.5 Administrative Leave

Immediate suspension with pay is sometimes appropriate when reasons exist during investigations or pending discipline. Administrative leave may be imposed at the discretion of the County Official whenever circumstances warrant. Guidance for administrative leave shall be in accordance with County Administrative Policy 235. In such event, the employee should be placed on administrative leave immediately after the interview has been conducted. At the conclusion of the interview, the County Official shall obtain from the employee all keys, the County identification badge, and any other assigned County property. The County Official shall immediately notify the appropriate departments to cancel telephone, computer, and other electronic access to the facilities. It may also be necessary to change locks and safe/vault combinations if the employee had access/knowledge.

10.6 Protect and Secure All Records and Evidence

Upon discovery of the loss, the County Official shall take immediate action to secure and protect all records and evidence from loss or destruction. All related computers and other electronic recording records shall be secured. Original records related to the loss shall be secured in a safe place such as a vault, safe, or other locked file cabinet until the State Auditor has completed an audit.

Immediately search all County owned or leased vehicles, lockers, desks, computers or contents of other similar department controlled spaces. Clallam County's reservation of the right to search areas used exclusively by an employee may be based on reasonable belief that policy has been violated. Such searches shall be approved by the County Official or his/her designee and, if possible, notice will be given to the employee with an opportunity to be present.

In matters affecting health and safety of other employees and the public at large, the County reserves the right to commence a search with or without notice to the County Official or affected employee.

10.7 Do Not Allow Restitution

No County Officials has authority to accept restitution or enter into a restitution agreement with an employee prior to an investigation/audit to establish the amount of loss in the case. RCW 43.09.260 prohibits finalization of restitution until the State Auditors Office (Audit Manager for Special Investigations) and the applicable Attorney General Office/County Prosecuting Attorney representative have approved it. The restitution Agreement shall include the amount of the loss, the State Auditor's Office audit costs, and the County's investigative costs.

10.8 Complaints of Criminal Activity

Complaints against employees which allege criminal violation shall be referred to law enforcement as appropriate. An internal investigation may be conducted at the same time as a criminal investigation. It is recognized that the standard of proof in disciplinary matters is substantially different than that affecting charging decisions and/or convictions in criminal matters. Charging or conviction in criminal matters is not a determining factor in the disposition of internal investigations.

10.9 Prepared Press Release

The County should be prepared to make a press release with details of the case once the police report has been filed. The press release should only be released at the advice and concurrence of the Audit Manager for Special Investigations and the appropriate Prosecuting Attorney. This document should indicate that the County's internal controls detected the loss (if appropriate), that all agencies have been notified as required by state law, and that any internal control weaknesses that allowed this loss to occur and not be detected over a period of time have been corrected.

.11 CONTRACT AND LEASE REQUIREMENTS

All contracts entered into by the County, including short-form, professional and lease agreements, shall be discussed on an individual basis with the Prosecuting Attorney and the Director to ensure that appropriate insurance and indemnification requirements may be added to these agreements.

.12 PROCEDURES FOR SECURING INSURANCE

Clallam County shall maintain an insurance program specifically designed to meet the needs of the County and make changes as needed.

- a. All department or division heads are to make recommendations as to coverage which would best protect their particular operation.

- b. All reports and records received from the different departments will be reviewed and the insurance program will be revised to best meet the changing requirements.
- c. The Director may consult with the County Prosecuting Attorney's Office for recommendations concerning the County's liabilities.
- d. The Director will make recommendations to the County Administrator as to the proper and adequate insurance coverage.
- e. After approval by the County Administrator for the acquisition of insurance, the Director will negotiate for all County insurance coverage by utilizing the County's insurance broker of record.

.13 ALLOCATION OF INSURANCE COSTS

Where County operations or divisions have their own revenue sources or are an independent legal entity, insurance costs should be attributed to such operations or divisions and will be charged specifically to those operations or divisions.

When premium breakdown is not easily determined, liability insurance, Worker's Compensation, and property insurance costs shall be allocated to each department based on payroll, number of employees or loss experience or any combination thereof. Blanket Faithful Performance Bond premiums may be allocated by the number of employees in each department. Property insurance costs may be allocated according to the specific properties used and operated by each of the divisions or departments.

.14 REPORTS TO BE FILED WITH THE DIRECTOR

- a. All accident and incident reports
- b. Claim and non-claim incident reports
- c. Copies of authorizations for the acquisition or disposal of property
- d. Minutes of all legislative meetings, safety meetings, and all other board meetings in which insurance or loss prevention is discussed
- e. All other reports, proceedings and memoranda which have to do with the County's Risk Management program