RMS

TRINDEL AUDIT REPORT – 2014

An audit of Trindel claims handling for its members was conducted at the San Jose, CA offices of George Hills, who serves as the TPA for the Trindel program (Del Norte, Mono, San Benito, Lassen, Colusa, Alpine, Modoc, Plumas, Sierra, Trinity and Sutter [Sutter just recently joined Trindel and its claims are handled by York; we will be doing a separate audit of the York handling]).

The audit reviewed both hard files and electronic data contained in SIMS. A review of 33 open files and 17 closed files was conducted. A post-audit interview was conducted with the Claims Adjuster. Copies of RMS Audit Review forms are included as a confidential document.

The following observations were made in the course of the audit and discussed at the exit interview:

Investigation – The files indicated an appropriate level of investigation, both in the initial and ongoing handling of the claims. The adjuster utilizes County resources and conducts his own investigation to obtain information and documentation. Outside investigators and appraisers are also used appropriately.

Reserves – In the exit interview we discussed the trend of large expense reserves being posted on EPL and civil rights cases in the claims stage, were a minimal loss reserve was posted ($200 in most cases).

The explanation we received is that the Claims Adjuster was instructed by the EIA and JPA to post the worst case scenario reserve.

Because of this instruction the adjuster felt, based on past high expense litigation, that he needed to post $125,000 to $150,000 expense reserves on these types of risks.

The standard practice and EIA guidelines would be to post a "realistic" ultimate value reserve. This value on both loss and expense reserves would take into account -- liability, damages and other factors that would evaluate and determine the risk.

The reserving practice of the adjuster needs to be reevaluated by the JPA, to comply with generally accepted standards and EIA guidelines.

(**NOTE**: Claims where the expense reserves do not seem to be justified or based on a full risk evaluation are: GHC0001597, GHC0001181, 34532, 35049, 39505, GHC0001032, GHC0001179, GHC0000371, 44742, 45430, GHC0001223, 45190, 44792, 44462.)

Litigation Management – A number of cases reviewed had higher than expected expense payments.

(**NOTE**: Refer to claims: 37265, 37085, 35324, 31516, 35769, 32983, 28646.)

The adjuster explained that the cases with high litigation costs were inherited from the previous Claims Manager. The current adjuster advised he is diligently working on controlling costs and has been in the process of reviewing the current defense firms utilized by members of the JPA. He has to date discontinued the use of some firms and has added new firms. He feels this move will help to control litigation costs in the future.

(**Note**: It would be suggested that the adjuster utilize a Defense Counsel Evaluation form that requires defense counsel to quantify the information needed to evaluate liability and damage, which will help to reserve properly and identify cases that should be resolved versus incur additional defense costs. A sample of a Defense Counsel Evaluation form is included as **Exhibit A**. We suggest any form that is utilized, be communicated via e-mail, completed by defense counsel electronically and returned via e-mail.)

Overall, litigation management needs to be tightened up in the areas of communication, cost control and evaluation of risk. As previously mentioned, the Adjuster advised he is aware of this and is in the process of making adjustments to resolve these issues.

Liability/Damage Evaluation – This process can use improvement as noted above in the Litigation Management section of this report.

Focus on the following will help to improve the process:

- Better communication with defense counsel.
- Risk analysis when setting reserves.
- A defined process to determine cases that should be resolved versus litigated.

File Management – Overall management of information in both the hard and electronic files was found to be acceptable.

The TPA office has used SIMS since February 2014. SIMS is not being fully utilized and the TPA office is still in the learning process as to its use and capabilities. Scanning of pertinent documents into SIMS can use some improvement. We would suggest the Adjuster consult with the George Hills IT staff in this regard.

The hard files are well documented and organized.

File Management includes:

- Good use of a diary process.
- Statutory notices are recommended or sent out in a timely and appropriate manner.

Areas that could use additional attention:

- Excess Reporting – Since the JPA has a $100,000 SIR, cases with high expense reserves, regardless of the loss reserve, should be reported to the EIA. A review of the EIA reporting guidelines by the JPA with the Claims Adjuster would be in order.

- Financial Reconciliation – It was explained in the audit that the TPA makes all payments and the JPA does the reconciliation. This process should be reviewed by the JPA to assure that timely and appropriate documentation is being provided by the TPA on closed cases and/or cases that exceed the SIR. The process should include a formal reconciliation form to be completed by the TPA and sent to the JPA so reimbursement can be requested and documented. A check and balance system does not seem to exist between the TPA and JPA.

Negotiation Practice – Claims handled by the TPA are identified as meritorious and resolved in a timely and economically favorable manner. The claims resolution practice is beneficial to the members and JPA.

On litigated cases, as previously noted, attention should be paid to avoid high litigation costs and identify cases that would be appropriate for some form of early resolution. A member or JPA review process should be implemented to evaluate risk and appropriate future action.

The claims handling requires some improvement in the areas of reserving, litigation management and excess reporting in order to meet or exceed generally accepted claims handling standards and EIA/CAJPA claims guidelines.

The litigation management issue is being currently addressed by the TPA. The areas of reserving and excess reporting should be reviewed and addressed by the JPA with the TPA.

Respectfully submitted,

Kenneth R. Maiolini, ARM-P

cc: Defense Counsel Evaluation Form (Exhibit A)
RMS Audit Matrix (Exhibit B)
RMS Audit Review Forms (Confidential Document)

EXHIBIT A

Defense Counsel Evaluation Form

Please complete the DCE below and return it via email to our office within 10 working days. In order to anticipate future expense and loss reserves, please be complete in your liability and damage analysis. Thank you for your cooperation.

To complete this form, place your cursor in the first grey field "Prepared By:", enter the appropriate information and then "tab" to the next field. The form provides for as much space that is needed. Once complete, save the document to your computer under the plaintiff's name and email it to us.

Should you have any questions, please do not hesitate to contact our office.

DEFENSE COUNSEL EVALUATION (DCE)

Prepared By:
Date:
Case Name:
Date of Loss:
County Claim No.:
Court File No.:

ALLEGATIONS:

LIABILITY ISSUE (Include Co-Defendants if Applicable):

DAMAGES (Include Liens):

CASE STRENGTHS:

CASE WEAKNESSES:

SETTLEMENT VALUE:

VERDICT VALUE:

CURRENT LITIGATION STATUS:

SIGNIFICANT LITIGATION DATES:

Mediation	Settlement Conference	Trial

DATES (OTHER):

EXHIBIT B

RMS Audit Matrix

Entity Reviewed Trindel Program GL I

Date of Review Sept. 24, 2014 # of Claims Reviewed 50

Average Case Loads 128 open on run 8/14 – at audit 94 open

TPA (If Applicable) George Hills (San Jose)

Claims Handling Compliance by % and/or 1-10 Rating

Government Code / Statutory Notices	100%	/
File Documentation	90%	/
Liability Determination	70%	/
Damage Evaluation	70%	/
Litigation Management	70%	/
Subrogation	N/A	/
Risk Transfer	N/A	/ 10
Excess Reporting	70%	/
Reserving	70%	/
Negotiation Practices	70%	/
Supervision Oversight	N/ A	/
Averages	76.25%	

Auditor: Ken Maiolini