



# CITY OF ARVADA CITY COUNCIL POLICY

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Authorized by City Council: Resolution No. 16-147

Policy No. 300.5  
Page 1 of 3

Effective date: March 7, 2017  
Revision date: \_\_\_\_\_

**TITLE:** **Reserves and Settlement Authority**

**PURPOSE:** In 1983, the City Council established the Insurance Reserve Fund upon the recommendation of the City Manager to provide funding for the City's property and liability insurance and worker's compensation program.

The City withdrew its association with the Colorado Risk Sharing Agency (CIRSA), effective January 1, 1997. As a result City staff handles the processing of all claims with the exception of those which exceed the retention/deductible and Worker's Compensation claims. This internal services fund utilizes allocated contributions from internal departments, interest earnings and subrogation payments to fund the administrative budget and reserve funds.

The purpose of this policy is to establish revised reserves and settlement authority and procedures to be followed with respect to individual claims. The City Attorney is responsible to communicate the reserves established for any claims to the City Council upon request.

**DEFINITIONS:** Deductible shall mean an amount of money specified in an insurance policy (usually a property insurance policy) that is subtracted from the total cost of a loss by the insurance company and charged to the insured.  
Retention shall mean an amount of money, (such as \$250,000), that the City is required to pay on an individual claim before the insurance company is obligated to continue to pay excess coverage on a claim.

**POLICY and PROCEDURE:** It is the policy of the City Council that the respective monetary levels and responsibility for determining the reserves and settlement authority for any claim are as follows:

### **Reserves:**

Property and Liability claim reserves:

1. \$50,000 and under set by Property and Casualty Claims Manager.
2. \$50,001-\$100,000 set by the Risk Manager with the written approval of the Finance Director.
3. \$100,000-\$250,000 set by Finance Director upon consultation with and written approval of the City Manager and City Attorney
4. \$250,001 set by City Manager with input from the Director of Finance, Risk Manager and City Attorney.

### **Worker's Compensation Claims:**

The City utilizes a Third Party Administrator (TPA) to adjust and settle claims pursuant to Colorado Revised Statutes requirements and contractual requirements with the City.

1. The TPA sets the initial reserve on a claim. Should the reserve exceed \$25,000, it shall be subject to written approval of the Risk Manager. Any reserve exceeding one-half of the per claim retention is reported to the worker's compensation excess carrier by the TPA.
2. The TPA will settle and close all claims within the \$25,000 initial reserve.

### **Settlement Authority:**

Property and Casualty Claims:

1. \$50,000 and under: Property and Casualty Manager
2. \$50,001 - \$100,000: Risk Manager with the written approval of the Finance Director.
3. \$100,000 - \$250,000: City Manager with the approval of the City Council.
4. \$250,001 and over: Excess Insurance Carrier approves settlement upon the City meeting the retention/deductible of the excess policy.

Worker's Compensation Claims:

1. The TPA, Risk Manager, outside legal counsel in conjunction with the City Attorney settles claims (\$500,000 retention/deductible). The State Division of Workers Compensation reviews all settlements.
2. City Council will be advised of all settlements in excess of \$250,000 by the City Attorney.

Risk Management shall provide quarterly summaries to the City Manager, City Attorney and Director of Finance of all open claims in excess of \$50,000.