

# Insurance Fund

Fund 45 • Internal Service Fund Type

## Fund Description

This fund is intended to satisfy claims arising out of losses within the District's deductible limits of insurance coverage for automobiles, emergency apparatus, property claims, general liabilities, and workers' compensation. Transfers from the General Fund, insurance premium refunds, and earnings on temporary investments provide the resources for the fund.

## Budget Summary

Expenditures	2011-12 Actual	2012-13 Actual	2013-14 Budget	2014-15 Budget
Materials and Services	\$ 11,169	\$ 6,213	\$ 643,797	\$ 634,175
Ending Fund Balance	639,921	638,697		
Total Expenditures	\$ 651,090	\$ 644,910	\$ 643,797	\$ 634,175

## Risk Management

The District utilizes the resources of this fund in order to reduce the costs of purchased property and casualty insurance policies, as well as workers' compensation policies, by increasing deductibles and retained risk within the policies. The District's insurance agent's actuaries have determined the size of this fund is appropriate for the District's combined insurance risks. The District annually reviews its risk management, insurance, and loss prevention programs with the goal of limiting exposure to all types of losses, improving the work environment, and increasing safety for District employees.

The policy adopted by the Board of Directors mandates that a program for risk management be adopted that is consistent with legal requirements and is within the ability of the District to finance. Board Policy states that the District shall purchase the necessary insurance or set aside adequate reserves to self-insure. Coverage must be adequate to protect:

1. Itself as a corporate body;
2. Its Board of Directors;
3. Its individual members; and
4. Its employees.

These groups are to be insured against financial loss arising out of any claim, demand, suit, or judgment by reason of alleged negligence or other act resulting in accidental injury to any person or damage to property within or outside the District, while performing their duties within the scope of their obligations as members of boards or commissions or as employees or Volunteers.

The District purchases insurance for or self-insures:

1. All real and personal property of the District;
2. Losses due to employee dishonesty, injury, or death;
3. Losses from claims associated with employee practices related to civil rights, sexual harassment and other related issues, and a program of benefits for employees within the limits established from time to time by the Board of Directors;
4. Flood, earthquake, and natural disasters; and
5. Workers' compensation insurance for employees and Volunteer firefighters.

## Insurance Fund, continued

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When the District is involved in using outside providers of services, certificates of insurance are provided for general liability, automobile liability, and workers' compensation insurance. Certificates of insurance are to be no less than \$1,000,000 per occurrence. Procedures have been developed and adopted to carry out this policy and the Finance department is designated to carry out and administer the program. Guidance is provided by the prudent person rule.

The District maintains a blanket property insurance policy covering all buildings, vehicles, and equipment owned. Liability limits are \$88,160,354 with a \$5,000 deductible. Coverage is written on a replacement cost basis for the perils of fire, extended coverage, and "all risk" of direct physical loss, subject to a deductible of \$5,000 per occurrence. Additional limits apply to areas of extra expense, demolition, and increased costs of construction. Major exclusions are earthquakes, flood, wear and tear, explosion of boilers, and interruption of power. Insurance policies cover earthquake and flood subject to a 2% deductible. Coverage is provided for owned equipment and is written on an "all risk" of direct physical loss basis. It provides insurance for firefighting equipment away from the premises or attached to various vehicles. Also covered are data processing and mobile communications equipment within specified limits and with deductibles of \$250. Vehicles are insured for both liability and physical damages at a defined replacement value. Deductible limits apply for the following coverage: \$100 deductible for comprehensive coverage and \$500 deductible limits for collision.

Insurance is carried for claims arising from employment related occurrences. This policy carries a \$5,000,000 limit with a \$1,000 to \$10,000 deductible, depending upon circumstance. Risk management for workers' compensation provides coverage for boards and commissions, employees, and Volunteers. Where non-paid persons are involved, an assumed monthly wage rate is identified for the premium and benefit purposes.

The District's loss experience in all areas has been excellent. Equipment and facilities are well maintained and accounted for in a comprehensive fixed asset program. A management committee reviews losses and steps are recommended to reduce future potential losses.

Workers' compensation losses have also been maintained at a low level. Risk management begins in the pre-employment phase and starts with a required medical physical examination and a physical agility test for firefighters.

Physical fitness is stressed and periodic measurement of fitness is maintained by performance tests. The District supports its employees' health and fitness through the Wellness program. The District takes a holistic approach to wellness and provides an employee assistance program through an outside provider in order to maintain anonymity.

The District has an appointed Safety Officer and Safety Committee. Safety meetings are held on a regular basis and all employees are encouraged to participate in addressing unsafe acts or situations.

In the area of workers' compensation insurance, the District purchases insurance for its employees and Volunteer firefighters. However, the District retains risks for extraordinary claims up to defined dollar amounts. This has been accomplished through a retrospective-rating plan adopted by the District.

Thus far, the savings recouped in that plan have returned the amount of risk retained and monies are held in this Insurance Fund for such a contingency.

## Insurance Fund, continued

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<i>Historical Data</i>			<i>Budget for Next Year 2014-15</i>		
<b>Actual Second Preceding Year 2011-12</b>	<b>Actual First Preceding Year 2012-13</b>	<b>Revised Budget This Year 2013-14</b>	<b>Resources</b>	<b>Proposed by Budget Officer</b>	<b>Approved by Budget Committee</b>
\$ 639,112	\$ 639,921	\$ 640,397	Beginning Fund Balance	\$ 630,925	\$ 630,925
3,383	3,687	3,400	Earnings from Temporary Investments	3,250	3,250
8,595	1,302		Insurance Refunds		
<b>\$ 651,090</b>	<b>\$ 644,910</b>	<b>\$ 643,797</b>	<b>Total Resources</b>	<b>\$ 634,175</b>	<b>\$ 634,175</b>
<b>Requirements</b>					
\$ 11,169	\$ 6,213	\$ 643,797	Property & Liability Losses	\$ 634,175	\$ 634,175
639,921	638,697		Ending Fund Balance		
<b>\$ 651,090</b>	<b>\$ 644,910</b>	<b>\$ 643,797</b>	<b>Total Requirements</b>	<b>\$ 634,175</b>	<b>\$ 634,175</b>

