

Manager/Supervisor Risk Management

#88– 9/11/12

A twice weekly e-mail training for YCPARMIA members

TOPIC: YCPARMIA'S DECLARATIONS AND INSURING AGREEMENT

The first page of an insurance contract is usually the declarations page. YCPARMIA's declaration page lists the participating member entities, their individual deductibles, and the coverage limits. Member deductibles range from \$1,000 to \$5,000 per occurrence and our self-insured pooled retention is \$500,000. Above the pooled limit there are excess limits up to \$40,000,000 obtained through our membership in CJPRMA; any claims above that amount are the responsibility of the individual member.

The insuring agreement defines the scope of the contractual agreement between the member entities and YCPARMIA. The insuring agreement is found in "Section 1 – Coverages." It provides that:

- YCPARMIA will pay sums that the covered party *(indemnifies)*
- becomes legally obligated to pay *(payments can only be made due to legal liability)*
- As damages *(basically limited to money)*
- Because of
 - bodily injury, *(bodily injury, sickness, disease or emotional distress)*
 - property damage, *(physical injury to tangible property, and loss of use)*
 - personal injury, *(including false arrest, defamation, and civil rights violations)*
 - public officials errors and omissions, *(unintended mistake or oversight)*
 - and employment practices liability. *(discrimination, harassment, and/or wrongful termination of an employee)*
- Caused by an occurrence during the coverage period. *(basically an accident)*
- YCPARMIA has the right and duty to defend *(the duty to defend is independent of the duty to indemnify; we choose and hire defense counsel who reports to YCPARMIA)*
 - Even if the allegations are groundless, *(the duty to defend is not based on liability)*
- YCPARMIA has the right to investigate and settle at its discretion *(authority to act, compromise and/or settle lies with YCPARMIA, not the member)*
- Until the limits are exhausted. *(obligation then passes to the excess group)*

The agreement then goes on to state that the "Memorandum of Coverage does not provide insurance, but instead provides for pooled self-insurance."

The contractual specifics found in this language are probably not important for the purposes of this training, but there are three important concepts to recognize.

- Under this insuring agreement YCPARMIA has the duty to defend and indemnify the member entity for their liability exposures. The entity has transferred their obligation to pay damages and defense costs to YCPARMIA, and those obligations are only limited by language found in the rest of the coverage agreement, and the coverage dollar limits.
- There is no insurance; all claims payments and defense costs are paid by entity funds.
- Authority to act -- deny, settle or defend – rests exclusively with YCPARMIA, not the member.

Next topic: Definitions