



RISK MANAGEMENT FUND POLICY

Section 1: RISK MANAGEMENT COMMITTEE

Section. 1.1 Created.

The Risk Management Committee is comprised (subject to modifications by the Chief Executive Officer (CEO) of:

1. Chief Executive Officer (acting Chair of the Committee)
2. Chief Financial Officer;
3. Chief Administrative and Compliance Officer;
4. Information Technology Director;
5. Chief Operating Officer;
6. Chief Planning Officer;
7. Chief Security and Integrity Officer, and
8. Organizational Development Director.

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The Risk Management Committee is supported by the Risk Manager who is responsible for the daily operations of the Risk Management Division.

Section 2: DUTIES OF COMMITTEE

In addition to their regular duties, members of the Risk Management Committee shall have the following responsibilities:

1. Review and approve risk management policies, programs and activities to minimize the exposure or liability of the Great Lakes Water Authority to claims and damages;
2. Produce an annual report that summarizes its evaluation, monitoring and coordination of GLWA's comprehensive risk management strategy;
3. Prepare for the Board an annual strategic risk management report which evaluates the effectiveness of risk management functions within the GLWA including, but not limited to, an annual Total Cost of Risk (TCOR) analysis not later than 60 calendar days after the end of each calendar year;
4. Develop an annual report summarizing claims that have been paid by the Authority on risk related matters including, but not limited to, the settlement of lawsuits, general liability claims, and worker's compensation claims. The report shall provide

recommendations for risk avoidance and liability exposure reduction measures related to these claims.

Section 3: RISK MANAGEMENT FUND

Section. 3.1 Created.

A designated fund, within the operating fund, shall be established by the Authority, to be designated "***Risk Management Fund of the Great Lakes Water Authority***," hereinafter in this division called the "Risk Management Fund."

Section 3.2 Initial and permanent funding; use; minimum balance.

(a) There shall be initially deposited into the Risk Management Fund a sum not to exceed five million dollars (\$5,000,000), provided that an amount not to exceed four million dollars (\$4,000,000) shall be used to fund: (i) the payment of losses by the Authority during the fiscal year, and (ii) the payment of the cost of any insurance policies or brokerage services deemed necessary by the Risk Management Committee.

(b) An amount equal to not less than one million dollars (\$1,000,000), hereinafter in this division called the "minimum required balance," shall be maintained in the Risk Management Fund as permanent fund equity for the payment on behalf of the authority of all sums which the authority shall become legally obligated to pay. The Chief Financial Officer (CFO) may recommend, from time to time, subject to Board approval, an increase or reduction in the minimum required balance. The CFO shall timely advise the Board of any event or circumstance which would cause or result in a reduction of the balance in the Risk Management Fund to an amount less than the minimum required balance during any fiscal year, hereinafter called the "deficiency." In such event, the CFO shall also recommend an amendment to appropriations necessary to eliminate the deficiency.

(c) Accumulations to the Risk Management Fund by virtue of funding contributions may be used to pay all self-insured losses up to stop-loss limits, the cost of first and third-party liability insurance premiums to insure against losses and administrative costs incurred in connection with the payment of such losses, the procurement of third-party administrators for workers' compensation, general liability, and commercial vehicles, or the retention of a property & casualty insurance broker.

Section 3.3 Contributions and adjustments.

The Chief Financial Officer shall annually make a recommendation for inclusion in the budget, subject to the normal budget process, of the amounts to be contributed to the Risk Management Fund based upon a reasonable cost allocation methodology. Adjustments to such contributions may be made annually pursuant to the recommendations of the CFO as a budget amendment.

In the event that the losses of any department in any fiscal year exceed any such department's contribution to the Risk Management Fund for that year, contributions by such department in future years may be increased to reflect fully the losses incurred as recommended by the CFO as a budget amendment.

The CFO is authorized to develop and administer guidelines, policies and procedures for funding the risk management activities. Those guidelines, policies and procedures shall be applied in a nondiscriminatory manner to, and shall be adhered to by, the departments so as to carry out the provisions of this division in as cost effective a manner as possible and to preserve the Risk Management Fund for the purposes for which it has been established. In making the recommendations as called for under this section, the CFO may take into account actuarial determinations based on the loss experiences of the departments.

Section 3.4 Investment of funds.

The Chief Financial Officer, subject to applicable laws, may from time to time invest, sell and reinvest the monies of the Risk Management Fund in investments. Earnings from such investments shall be credited to the Risk Management Fund.

Solely for the purposes of investment, the monies of the Risk Management Fund may be pooled with the monies of the operating fund, provided that the Chief Financial Officer shall account separately for the monies of the Risk Management Fund in pooled investments and the earnings thereon.

Section 3.5 Losses covered.

(a) Losses shall be paid from the Risk Management Fund. Should any loss or losses exceed the accumulated balance in the Risk Management Fund, any such deficiency in the Risk Management Fund shall be satisfied in accordance with applicable laws.

(b) The Risk Management Fund shall cover liability to third parties for any loss or damage whatsoever whether arising out of negligence, tort, contract or otherwise accruing payable by the GLWA and for which insurance coverage could be provided by a third party insurer, but for which the GLWA has determined to self-insure, including, without limitation, any obligation for which the GLWA may be held liable under Worker's Compensation or Disability Benefits Law, or under any similar laws, or for damage to property or personal injury, in accordance with applicable law.

Sec. 3.6 Payment.

The CFO shall pay losses from the Risk Management Fund, except for losses resulting from a consent judgment or decree. For the purpose of this section, a consent judgment or decree means an order or judgment issued by a judge based on an agreement between the parties to a lawsuit to settle the matter aimed at ending the litigation with a judgment or order that is enforceable.

Sec. 3.7 Additional insurance.

The Risk Management Fund shall be the sole provider of coverage for losses as defined in this division, provided that any department may petition the CFO for exception, which petition may not be unreasonably denied. No payment shall be made from the Risk Management Fund for losses covered by any purchased insurance within the limits of such insurance.

Sec. 3.8 Appropriations; annual reports.

The CFO shall make an annual report for the most recently completed fiscal year ending June 30 to the GLWA Board before the twentieth day of September of each year regarding the performance and the fiscal status of the Risk Management Fund.

The annual report shall include the loss experiences of the departments, respectively, as well as investment earnings with respect to the Risk Management Fund, together with a recommendation thereon as to the appropriations necessary to carry out the provisions of this division.

Such recommended appropriations may be included in the budget for the ensuing fiscal year, subject to the normal budget process, provided that such appropriations shall be prorated among the departments, respectively, on the basis of loss experiences.

Sec. 3.9 Payment approval thresholds.

- *Redemption of worker’s compensation claims*

Redemption Value	Authority to Approve	Board Approval Required?
< \$10,001	Third-party administrator	No
\$10,001 – \$100,000	GLWA Risk Manager	No
\$100,001 - \$500,000	General Counsel	Notice Only (Quarterly)
> \$500,000	CEO	Yes (Monthly)

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- *Redemption of general liability/commercial auto claims*

Redemption Value	Authority to Approve	Board Approval Required?
< \$5,000	Third-party administrator	No
\$5,000 – \$50,000	GLWA Risk Manager	No
\$50,001 - \$100,000	General Counsel	Notice Only (Quarterly)
> \$100,000	CEO	Yes (Monthly)

- *Property / Environmental / Cyber / Fiduciary / Public Officials & Employment Practices*

Claim Value	Authority to Approve	Board Approval Required?
< 10% of deductible	GLWA Risk Manager	No
10% - 50% of deductible	CEO	No
>50% of deductible	CEO	Notice Only (per occurrence)