



RISK REDUCTION AND RISK FINANCING POLICY

BOARD OF DIRECTORS POLICY AND PROCEDURE NO. BOD 041

WHEREAS, Chapter 446e of the Connecticut General Statutes charges the Connecticut Resources Recovery Authority with responsibility for assisting the State's municipalities in implementing programs for the safe and economical reuse, management and disposal of the solid waste; and

WHEREAS, the Directors of the Connecticut Resources Recovery Authority desire to minimize accidents affecting people, property and the environment at projects with which they are associated; and

WHEREAS, the Directors of the Connecticut Resources Recovery Authority also desire to keep the costs associated with fortuitous losses, should they occur, to a prudent minimum in order to protect the financial well being of projects, and regional authorities and CRRA itself;

NOW, THEREFORE, The Directors of the Connecticut Resources Recovery Authority adopt the following policies and actions in order to fulfill their statutory duties, minimize accidents and provide for a financially sound and flexible property-casualty risk management program.

1. ADMINISTRATION

The Risk Management Committee of the Board of Directors of the Connecticut Resources Recovery Authority (CRRA) shall oversee the administration of the Risk Reduction and Risk Financing Policy set forth herein. The Risk Management Committee shall review CRRA's risk management programs, including: loss exposures, risk controls, self-insurance plans, and insurance coverages, at least annually, and report to the Board of Directors. Administration of the Policy on behalf of CRRA and its various projects is assigned to the Risk Manager, reporting to CRRA's Legal Counsel, and under the direction of the President.

2. RISK REDUCTION

CRRA is committed to the development and ongoing implementation of safety and loss prevention programs. This includes programs for the safety of employees, contractors and visitors to its projects; for the security and integrity of equipment and property; and for prevention of harm to third persons and the environment. CRRA is firmly committed to the principal that existence of insurance and the availability of funds to pay claims are not a substitute for accident and loss prevention. In furtherance of this principal, CRRA adopts the following policies and actions:

- (a) CRRA is committed to the maintenance of safe working conditions and the establishment of safe operating practices. CRRA shall comply with all legal requirements for worker health and safety and may require that reviews of work place hazards and procedures to promote safety are periodically undertaken for projects with which it is associated. Each employee of CRRA and its contractors are expected to perform their jobs in a safe manner, follow safety rules, and use all required and appropriate safety equipment. Employees and contractors are encouraged to share their concerns regarding potential hazards and ideas for measures to mitigate them.
- (b) CRRA shall require that each active operating project with which it is associated have the following:
 - (1) An emergency plan to minimize confusion and harm in the midst of an emergency situation;
 - (2) A loss prevention program, including security, theft and fire safety programs, to anticipate and mitigate hazards and losses before they occur; and,
 - (3) A contingency plan to facilitate continued management of waste in the event that a project is experiencing difficulties in normal operations.
- (c) CRRA will make reasonable efforts to maintain its equipment in accordance with manufacturers' suggestions in order to insure equipment longevity and prevent accidents. CRRA will also conduct periodic reviews of equipment utilization.
- (d) CRRA recognizes its responsibility to direct and administer programs that will prevent personal injury and property damage resulting from motor vehicle accidents.
- (e) CRRA will provide loss control training so that all employees perform their jobs with no accidents and can respond in emergency situations.

3. RISK FINANCING

The costs associated with the waste management projects of CRRA ultimately affect the fees paid by participating municipalities. Among the costs of management are risk financing costs which include purchasing insurance, funding losses that would fall within the insured deductible or self-insured retentions, funding excess losses which exceed the limits of purchased insurance or for which insurance cannot be purchased and the administrative

expenses associated with controlling risks, managing claims, and purchasing insurance. Mindful of its responsibilities to participating municipalities, CRRA is committed to a risk financing policy of providing sufficient funds to meet loss situations as they occur without severe fluctuations or increases in municipal tip fees and without disruption of municipal waste management activities.

The major objectives of CRRA's risk financing policy are to provide: cost stability to participating municipalities by avoiding sharp increases to project operating expenses and tipping fees which might result from payment of large unexpected losses; equity by assuring that participating municipalities are responsible only for risk financing cost incurred by their own project; satisfaction of all insurance requirements contained in contracts, leases, permits, and bond covenants; avoidance of adverse publicity that might result from an "uninsured losses"; cost savings by minimizing insurance premiums and risk reduction by (1) safety training, and (2) investment in safety programs; and justice so that adequate funds are available to satisfy the legitimate claims of individuals that may be harmed by CRRA activities.

The following policies and actions are adopted in furtherance of CRRA's risk financing policy:

- (a) There shall be established one or more funds in which each project shall contribute its proportionate share of the total CRRA risk financing costs. The amounts to be included in such funds shall be recommended to the Risk Management Committee by the Risk Manager, based upon advice of CRRA's risk management consultant and broker of record. The funds may include:
 - (1) An Risk Management Fund, to provide funds for insurance premiums, expected losses, risk management administrative expenses, and reserves for open claims;
 - (2) An Excess of Loss Fund, to retain earnings for unexpected losses where insurance is not purchased, or in excess of insured limits, and to pay expenses related to establishing pre- and post- loss financing mechanisms; and
 - (3) A Pollution Loss Fund, to retain earnings to fund for pollution-related claims including defense costs, clean-up, and liability.
- (b) CRRA shall attempt to minimize commercial insurance premiums and the cost of risk over the long run through judicious risk retention and use of alternate loss financing techniques, such as reserve funds, judgment bonds, and bank letters of credit. In furtherance of these objectives, the guidelines for retained losses will be established annually after a review of insurance market conditions by the Risk Management Committee based upon the advice of the Risk Manager and/or others.

Approved By: Board of Directors

P&P Number: BOD 041

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