

Statement from Central Basin Municipal Water District General Manager Antonio Perez on Director Art Chacon

When I joined the District, I became aware of an ongoing appeal by the District regarding JPIA's rejection of an auto accident claim that involved Director Arturo Chacon.

Director Chacon was involved in an auto accident while on District business and the claims submitted by the other involved parties' insurance carriers were submitted to JPIA and subsequently rejected.

The dispute was that the District felt that the accident was a covered claim and JPIA was responsible for resolving the claim. The District had retained Sedgwick to represent the District in this matter. The District did nothing to resolve the claims, but instead continued to retain Sedgwick to appeal JPIA's decision.

Sedgwick informed me that the accident was a covered claim, but JPIA could technically reject the claim because the District did not tender the claim to JPIA in a timely manner.

Sedgwick also advised that lack of a license was not a factor because it was no-fault insurance.

Sedgwick went on to inform me that the outstanding claims could be a contributing factor preventing Dir. Chacon from obtaining a license.

Because the District was negligent in submitting a covered claim, Director Chacon had a valid cause for action against the District. Given that the District's exposure was in the tens of thousands and possibly six figures if the claim was not settled, I decided to settle the claim (approx. \$16K which is within the GM's authority of \$25K) to mitigate the District's liability on or about February 2014.

Because the claim was a valid insurable claim that was rejected because of a technicality, I scheduled an appeal w/ JPIA's Executive Committee to recover the \$16K, to be heard in August, 2014.

President Hawkins and I met w/ representatives of JPIA in April 2014 to discuss the issues surrounding the pending cancellation of the District's insurance. At that meeting, I asked whether they would support the District's appeal of the Chacon matter.

JPIA indicated that the claim was an insurable claim that normally would be covered, but JPIA staff would recommend rejecting the claim because of timeliness.

I then asked whether lack of a license was part of their decision, and they confirmed that lack of license was not a consideration because it was no-fault insurance.

After consulting w/ the President and Special Counsel, I decided to drop the appeal because it was not cost-effective to continue if the appeal was most likely to be rejected.