

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Allan Roeder
Dept: Interim City Manager
Subject: AWARD A CONTRACT TO CARL WARREN AND COMPANY FOR THIRD PARTY LIABILITY CLAIMS ADMINISTRATION SERVICES

From: Kingsley Okereke
Dept: Finance
Date: February 24, 2015

OBJECTIVE

The purpose of this report is to request that the City Council award a contract to Carl Warren and Company to provide third-party liability claims administration services.

BACKGROUND

The Finance Department is responsible for overseeing the City's self-insured program for its tort and civil liabilities. As part of this program, the City contracts with a third party administrator (TPA) specializing in public entity liability to manage an average of 125 claims that the City receives annually. The TPA possesses the necessary skills and knowledge to effectively work with claimants, staff, and the City Attorney's Office in order to provide recommendations to the City on the appropriate disposition of claims. The TPA acts as the City's representative in all matters related to the investigation, adjustment, and processing of claims for money damages asserted by third parties against the City. In addition, the TPA maintains a computer database of all claims and loss history for the City, provides legal support services for litigated claims, represents the City in Small Claims Court proceedings, and upon approval of the City, processes settlement and expense payments to the appropriate parties.

DISCUSSION

Since 1986, the City has retained the services of Carl Warren and Company for claims administration services. The contract expired in November 2014 and a Request for Proposal (RFP No. 1139) was issued to ensure the City receives the best service at a fair price. The City received five proposals. City staff from Risk Management and the Police Department evaluated the proposals based on qualifications and experience, project plan, and price. Based on the evaluation results, Carl Warren and Company is rated as the highest scoring firm for the City's claims administration services.

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The following is a summary of the ratings:

Proposer	Rater A	Rater B	Total
Carl Warren and Company	930	890	1,820
York Risk Services Group, Inc.	742	752	1,494
AdminSure, Inc.	711	601	1,312
Keenan and Associates	497	737	1,234
TriStar Insurance Group	540	610	1,150

FINANCIAL IMPACT

There is no impact to the General Fund. The cost of the three-year contract is \$324,000 and is funded through the City's Risk Management Fund.

RECOMMENDATION

It is recommended that the City Council:

- Award a contract to Carl Warren and Company to provide third party liability claims administration services, in the amount not to exceed \$324,000 for the three-year term of the contract, with an option to extend the agreement for two additional one-year terms, for a total performance period of five years;
- Authorize the Interim City Manager or his designee to execute the professional services agreement on behalf of the City and to make minor modifications as appropriate; and
- Authorize the Interim City Manager or his designee to execute amendments to the agreement for any options to extend.



KINGSLEY OKEREKE
Finance Director



By: Ann Eifert
Senior Administrative Analyst

Attachment: Consultant Agreement with Carl Warren and Company

Recommended for Approval



Allan L. Roeder
Interim City Manager

CONSULTANT AGREEMENT

THIS AGREEMENT is made this ____ day of _____, 2015, by the CITY OF GARDEN GROVE, a municipal corporation, ("CITY"), and Carl Warren & Company, a California Corporation ("CONSULTANT").

RECITALS

The following recitals are a substantive part of this Agreement:

1. This Agreement is entered into pursuant to CITY OF GARDEN GROVE Council Resolution No. 9212-14 (January 28, 2014).
2. CITY desires to utilize the services of CONSULTANT to Provide Third Party Liability Claims Administration.
3. CONSULTANT is qualified by virtue of experience, training, education and expertise to accomplish services.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Term of Agreement:** The term of the agreement shall be for period of three (3) years from full execution of the agreement, with an option to extend said agreement additional two (2) years, for a total performance period of five (5) years. Option years shall be exercised one (1) year at a time, at the sole option of the CITY. This agreement may be terminated by the CITY without cause. In such event, the CITY will compensate CONSULTANT for work performed to date in accordance with proposal which is attached as Attachment A and is hereby incorporated by reference. CONSULTANT is required to present evidence to support performed work.
2. **Services to be Provided:** The services to be performed by CONSULTANT shall consist of the services as further specified in CONSULTANT'S proposal which is attached as ATTACHMENT "C" and is hereby incorporated by reference. CONSULTANT agrees that its provision of Services under this agreement shall be within accepted accordance with customary and usual practices in CONSULTANT'S profession. By executing this Agreement, CONSULTANT warrants that it has carefully considered how the work should be performed and fully understands the facilities, difficulties, and restrictions attending performance of the work under this agreement.
3. **Compensation.** CONSULTANT shall be compensated as follows:
 - 3.1 **Amount.** CONSULTANT shall be compensated in accordance with the Fixed Annual Pricing schedule set forth in the PROPOSAL PRICING which is attached as ATTACHMENT "B".
 - 3.2 **Not to Exceed.** Total Compensation for this agreement shall not exceed an amount of Three Hundred Twenty Four Thousand Dollars (\$324,000.00), for the first three years, in arrears and in accordance with Scope of Services and RFP No. S-1139, which is attached as ATTACHMENT "A," and is hereby incorporated by reference. CONSULTANT warrants that all services will be performed in a competent, professional and satisfactory manner in accordance

with the standards prevalent in the industry for such services. CONSULTANT shall not be compensated for any services rendered in connection with its performance of this Agreement, which are in addition to those set forth herein, unless such additional services are authorized in advance and in writing by the City Manager. The Proposal and this Agreement do not guarantee any specific amount of work.

- 3.3 Payment. For work under this Agreement, payment shall be made per monthly invoice. For extra work not a part of this Agreement, a written authorization by CITY will be required and payment shall be based on Fixed Annual Pricing as provided in Pricing Proposal which is attached as ATTACHMENT "B".
- 3.4 Records of Expenses. CONSULTANT shall keep complete and accurate records of payroll costs, travel and incidental expenses. These records will be made available at reasonable times to CITY.
- 3.5 Termination. CITY and CONSULTANT shall each have the right to terminate this Agreement, without cause, by giving thirty (30) days written notice of termination to the other party. If CITY terminates the project, then the provisions of paragraph 3 shall apply to that portion of the work completed.

4. **Insurance Requirements**

- 4.1 Commencement of Work CONSULTANT and all subcontractors shall not commence work under this Agreement until all certificates and endorsements have been received and approved by the CITY. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify the CITY of any material change, cancellation, or termination at least thirty (30) days in advance. All subcontractors shall provide the same insurance as required herein of CONSULTANT. CONSULTANT shall be responsible to collect and maintain all insurance for all subcontractors.
- 4.2 Workers Compensation Insurance For the duration of this Agreement, CONSULTANT shall maintain Workers Compensation Insurance in the amount and type required by California Law, if applicable. The insurer shall waive its rights of subrogation against the CITY, its officers, officials, agents, employees, and volunteers.
- 4.3 Insurance Amounts CONSULTANT shall maintain the following insurance for the duration of this Agreement:
 - a) Commercial general liability an amount not less than \$1,000,000 per occurrence; (Claims made and modified occurrence policies are not acceptable.); Insurance companies must be admitted and licensed in California and have an AM Best's Guide Rating of A-, Class VII or better, as approved by the CITY;
 - b) Automobile liability in an amount not less than \$1,000,000 combined single limit; (Claims made and modified occurrence policies are not acceptable.) Insurance companies must be admitted and licensed in California and have an AM Best's Guide Rating of A-, Class VII or better, as approved by the CITY.

- c) Professional liability in an amount not less than \$1,000,000 per occurrence; Insurance companies must be acceptable to CITY and have an AM Best's Guide Rating of A-, Class VII or better, as approved by the CITY. If the policy is written on a "claims made" basis, the policy shall be continued in full force and effect at all times during the term of the agreement, and for a period of three (3) years from the date of the completion of services provided. In the event of termination, cancellation, or material change in the policy, professional/consultant shall obtain continuing insurance coverage for the prior acts or omissions of professional/consultant during the course of performing services under the term of the agreement. The coverage shall be evidenced by either a new policy evidencing no gap in coverage, or by obtaining separate extended "tail" coverage with the present or new carrier.

An Additional Insured Endorsement, ongoing and completed operations, for the policy under section 4.3 (a) shall designate CITY, its officers, officials, employees, agents, and volunteers as additional insureds for liability arising out of work or operations performed by or on behalf of the CONSULTANT. CONSULTANT shall provide to CITY proof of insurance and endorsement forms that conform to CITY's requirements, as approved by the CITY.

An Additional Insured Endorsement for the policy under section 4.3 (b) shall designate CITY, its officers, officials, employees, agents, and volunteers as additional insureds for automobiles owned, lease, hired, or borrowed by CONSULTANT. CONSULTANT shall provide to CITY proof of insurance and endorsement forms that conform to CITY's requirements, as approved by the CITY.

For any claims related to this Agreement, CONSULTANT's insurance coverage shall be primary insurance as respects to CITY, its officers, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by the CITY, its officers, officials, employees, agents, or volunteers shall be excess of the CONSULTANT's insurance and shall not contribute with it.

If CONSULTANT maintains higher insurance limits than the minimums shown above, CONSULTANT shall provide coverage for the higher insurance limits otherwise maintained by the CONSULTANT.

5. **Non-Liability of Officials and Employees of the CITY.** No official or employee of CITY shall be personally liable to CONSULTANT in the event of any default or breach by CITY, or for any amount, which may become due to CONSULTANT.
6. **Non-Discrimination.** CONSULTANT covenants there shall be no discrimination against any person or group due to race, color, creed, religion, sex, marital status, age, handicap, national origin or ancestry, in any activity pursuant to this Agreement.
7. **Independent Contractor.** It is understood and agreed that CONSULTANT, including CONSULTANT's employees, shall act and be independent contractor(s) and not agent(s) or employee(s) of CITY, and that no relationship of employer-employee exists between the parties. CONSULTANT's assigned personnel shall not obtain or be entitled to any rights or benefits that accrue to, or are payable to, CITY employees, and CONSULTANT shall so inform each employee organization and each employee who is

hired or retained under this Agreement. CITY is not required to make any deductions or withholdings from the compensation payable to CONSULTANT under the provisions of this Agreement, and is not required to issue W-2 Forms for income and employment tax purposes for any of CONSULTANT's assigned personnel. CONSULTANT hereby expressly assumes all responsibility and liability for the payment of wages and benefits to its assigned personnel, and all related reporting and withholding obligations. CONSULTANT hereby agrees to indemnify and hold CITY harmless from any and all claims or liabilities that CITY may incur arising from any contention by any third party, including, but not limited to, any employee of CONSULTANT or any federal or state agency or other entity, that an employer-employee relationship exists by reason of this Agreement, including, without limitation, claims that CITY is responsible for retirement or other benefits allegedly accruing to CONSULTANT's assigned personnel.

8. **Compliance With Law.** CONSULTANT shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government. CONSULTANT shall comply with, and shall be responsible for causing all contractors and subcontractors performing any of the work pursuant to this Agreement, if any, to comply with, all applicable federal and state labor standards, including, to the extent applicable, the prevailing wage requirements promulgated by the Director of Industrial Relations of the State of California Department of Labor. The City makes no warranty or representation concerning whether any of the work performed pursuant to this Agreement constitutes public works subject to the prevailing wage requirements.
9. **Disclosure of Documents.** All documents or other information developed or received by CONSULTANT are confidential and shall not be disclosed without authorization by CITY, unless disclosure is required by law.
10. **Ownership of Work Product.** All documents or other information developed or received by CONSULTANT shall be the property of CITY. CONSULTANT shall provide CITY with copies of these items upon demand or upon termination of this Agreement.
11. **Conflict of Interest and Reporting.** CONSULTANT shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.
12. **Notices.** All notices shall be personally delivered or mailed to the below listed addresses, or to such other addresses as may be designated by written notice. These addresses shall be used for delivery of service of process.

(a) Address of CONSULTANT is as follows:
Carl Warren & Company
Attention: Tom Boylan, COO
770 S. Placentia Avenue
Placentia, CA 92870

(b) Address of CITY is as follows (with a copy to):

City of Garden Grove:
P.O. Box 3070
Garden Grove, CA 92842

City Attorney
City of Garden Grove
P.O. Box 3070
Garden Grove, CA 92842

13. **CONSULTANT'S Proposal.** This Agreement shall include CONSULTANT'S proposal, ATTACHMENT "C" hereto, which shall be incorporated herein. In the event of any inconsistency between the terms of the proposal and this Agreement, this Agreement shall govern.
14. **Licenses, Permits and Fees.** At its sole expense, CONSULTANT shall obtain a **Garden Grove Business License**, all permits and licenses as may be required by this Agreement.
15. **Familiarity With Work.** By executing this Agreement, CONSULTANT warrants that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the facilities, difficulties and restrictions of the work under this Agreement. Should CONSULTANT discover any latent or unknown conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY of this and shall not proceed, except at CONSULTANT'S risk, until written instructions are received from CITY.
16. **Time of Essence.** Time is of the essence in the performance of this Agreement.
17. **Limitations Upon Subcontracting and Assignment.** The experience, knowledge, capability and reputation of CONSULTANT, its principals and employees were a substantial inducement for CITY to enter into this Agreement. CONSULTANT shall not contract with any other entity to perform the services required without written approval of the CITY. This Agreement may not be assigned voluntarily or by operation of law, without the prior written approval of CITY. If CONSULTANT is permitted to subcontract any part of this Agreement, CONSULTANT shall be responsible to CITY for the acts and omissions of its subcontractor as it is for persons directly employed. Nothing contained in this Agreement shall create any contractual relationship between any subcontractor and CITY. All persons engaged in the work will be considered employees of CONSULTANT. CITY will deal directly with and will make all payments to CONSULTANT.
18. **Authority to Execute.** The persons executing this Agreement on behalf of the parties warrant that they are duly authorized to execute this Agreement and that by executing this Agreement, the parties are formally bound.
19. **Indemnification.** To the fullest extent permitted by law, CONSULTANT agrees to protect, defend, and hold harmless CITY and its elective or appointive boards, officers, agents, and employees from any and all claims, liabilities, expenses, or damages of any nature, including attorneys' fees, for injury or death of any person, or damages of any nature, including interference with use of property, arising out of, or in any way connected with the negligence, recklessness and/or intentional wrongful conduct of CONSULTANT, CONSULTANT'S agents, officers, employees, subcontractors, or independent contractors hired by CONSULTANT in the performance of the Agreement. The only exception to CONSULTANT'S responsibility to protect, defend, and hold harmless CITY, is due to the negligence, recklessness and/or wrongful conduct of CITY, or any of its elective or appointive boards, officers, agents, or employees.

This hold harmless agreement shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by CONSULTANT.

20. **Modification.** This Agreement constitutes the entire agreement between the parties and supersedes any previous agreements, oral or written. This Agreement may be modified only by subsequent mutual written agreement executed by CITY and CONSULTANT.
21. **Waiver.** All waivers of the provisions of this Agreement must be in writing by the appropriate authorities of the CITY and CONSULTANT.
22. **California Law.** This Agreement shall be construed in accordance with the laws of the State of California. Any action commenced about this Agreement shall be filed in the central branch of the Orange County Superior Court.
23. **Interpretation.** This Agreement shall be interpreted as though prepared by both parties
24. **Preservation of Agreement.** Should any provision of this Agreement be found invalid or unenforceable, the decision shall affect only the provision interpreted, and all remaining provisions shall remain enforceable.

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[SIGNATURES ON FOLLOWING PAGE]

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IN WITNESS THEREOF, these parties hereto have caused this Agreement to be executed as of the date set forth opposite the respective signatures.

"CITY"
CITY OF GARDEN GROVE

Dated: _____, 2015

By: _____
City Manager

ATTEST

"CONSULTANT"
Carl Warren & Company

City Clerk

By: Tom Bayler
Title: CEO

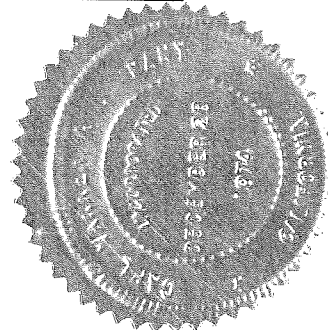
Dated: _____, 2015

Dated: 2-11, 2015

APPROVED AS TO FORM:

[Signature]
Garden Grove City Attorney

Dated: February 11, 2015



If CONSULTANT is a corporation, a Corporate Resolution and/or Corporate Seal is required. If a partnership, Statement of Partnership must be submitted to CITY

ATTACHMENT "A"

RFP No. S-1139 SCOPE OF SERVICES

The City of Garden Grove is accepting proposals from qualified firms to provide third party liability claims administration services as outlined in the Scope of Services below.

The CONSULTANT shall administer the City's Self-Insurance Liability Program and act as the City's representative in all matters related to the investigation, adjustment, processing, and resolution of claims for money damages asserted by third parties against the City.

1. ASSIGNED PERSONNEL: Assign a Principal Account Adjuster to the City to act as the primary contact for the City. The City must approve the Principal Account Adjuster and any other personnel assigned to perform services for the City. If for any reason, in the City's sole discretion, the service provided by any assigned personnel is unsatisfactory, the contractor will agree to assign replacement personnel that must also be approved by the City. Adjusters assigned to the City must have a minimum five (5) years full time experience as a general liability adjuster and a minimum of three (3) years experience with public agency liability claims adjusting. An Associate in Claims Designation is preferred.
2. CLAIMS ADJUSTMENT SERVICES: The contractor will provide complete claims adjustment services on each accident or incident, which is, or may be the subject of a liability claim against the City. Such services shall include, but are not limited to:
 - a. Open and maintain a claim file on each potential or actual claim assigned to the contractor.
 - b. Review all new claims for liability and provide an assessment of liability to the City no later than twenty-one (21) days from receipt of claim from the City.
 - c. Review status of claims and adequacy of reserves on all active cases at least every sixty (60) days.
 - d. Provide narrative reports to the City when recommending disposition of a claim or any other significant events that have or will occur. Reports must be clear and concise and be provided within format approved by the City.
 - e. Diary all files at appropriate intervals to allow for timely completion of required activity.
 - f. Files will clearly and concisely document each action taken on a claim.
 - g. Identify and notify possible co-defendants.
 - h. Identify liability and potential defenses, including use of governmental immunities, comparative negligence, joint tortfeasors and joint and several liability.
 - i. Tender claims to other potentially responsible parties.
 - j. Determine subrogation potential and assist the CITY in effecting recovery in the least costly manner and with the most advantageous disposition. Such disposition must be approved by the City.

- k. Make a written recommendation to the City once the investigation is complete, including identification of potential defenses and recommending action on the claim, with alternatives, when appropriate. All notices pertaining to claim insufficiency, returning late claims, and claim rejections, shall be timely and in accordance with the relevant provisions of the Government Code.
 - l. Contact claimant, or their attorney, within five (5) days of receipt of claim and maintain appropriate contact until the claim is closed.
 - m. Telephone calls from City staff, claimants, or claimant's attorneys shall be returned within one (1) business day. If the contractor's appropriate staff member called is not available to return the call within this time frame, another designated staff member must return the call.
 - n. Have translators available to assist with non-English speaking claimants.
 - o. Whenever its investigation results in a determination that the City has sustained a liability to a third party, the contractor will process such claim or potential claim for settlement in accordance with instructions and policies established by the City for settlement.
 - p. Notify the City's excess carriers of all claims that exceed, or may exceed, the City's self-insurance retention or as required by the excess carriers' liability claim reporting procedures.
 - q. Act as liaison between the insurance carriers and the City on matters affecting the adjustment of claims.
 - r. Seek reimbursement from the excess insurance carrier for any losses in excess of the City's self-insured retention.
 - s. Obtain settlement agreements and releases upon settlement of claims or potential claims.
 - t. In addition to claims cases actually assigned to the contractor for claims adjusting, certain other claims may be opened, adjusted, settled and closed by City staff. The contractor will issue claim numbers, and will update and maintain a loss database for such claims on behalf of the City. Such claims will not be included in pending or annual caseload assignments for billing purposes.
 - u. Maintain and store all hardcopy files for seven (7) years after the claim file is closed.
3. INVESTIGATIVE SERVICES: The contractor will provide complete investigative services, which will include, but are not limited to:
- a. Prompt receipt, acknowledgement and examination of all reports of accidents, incidents, claims or cases which are or may be the subject of liability claims, and will do so in not more than two (2) business days after receipt of the report at the contractor's office.
 - b. Provide immediate investigation of accidents, incidents, claims or other cases as requested by the City; investigation will include on-site investigation, photographs, interviewing of witnesses, determination of losses and other such investigate services necessary to determine liability and losses.

- c. Maintain service on a 24-hour, seven (7) days per week basis, to receive telephone reports of any incident or accident, which may be the subject of a liability claim, and provide immediate investigative services to the extent necessary to provide a complete investigation. The contractor will provide the City and will maintain current a roster of the contractor's staff that are available for emergency and after-hours contact or call out.
 - d. Arrange, with prior City approval, for expert services including to but not limited to professional photography, independent medical examinations, professional engineering services, and laboratory services.
 - e. Report all bodily injury claims to the Index Bureau. Conduct Index Bureau searches for repeat claimants. Conduct additional Index Bureau searches at request of the City.
4. LEGAL SUPPORT SERVICES: The contractor will provide the following legal support services on each claim where the claimant has commenced litigation:
- a. Upon notification by the City that litigation has been filed on an open claim, the contractor will contact the City's trial attorney and provide all information and files concerning the claim.
 - b. Maintain a liaison with the City's trial attorney and provide such investigation services as are required by such attorney during pre-trial and trial stages.
 - c. Assist the City's trial attorney in answering any interrogatories or requests for admissions filed by the claimant.
 - d. At the request of the City, attend settlement conferences on behalf of the City.
 - e. Assist City staff in Small Claims Court actions filed by and against the City, including but not limited to, obtaining witness information, evidence, assistance in preparing the case for trial, and appear on behalf of the City.
 - f. Review, evaluate, and monitor special counsel statements of services.
 - g. Regularly and reasonably discuss and review investigation issues, discovery, and case strategy with the City's trial attorney.
5. ADMINISTRATION SERVICES: The contractor will provide the following administration services:
- a. Attend meetings and prepare status reports at the request of the City.
 - b. Provide tabulated status reports on all reported claims, indicating the status of each reported claim, details of such claim, the outstanding reserves for each claim and details of all claim payments, at the request of the City.
 - c. Maintain computer database of all reported claims and provide the City access to such database. At a minimum, such database will provide fields acceptable to the City, file notes, reserves, and expenses incurred on each claim. Provide on-line access for City staff to access all claims information, payment and expense information, and provide City staff the ability to produce loss runs and other reporting information on the City's claims. The contractor will provide appropriate personnel for support services.

- d. Provide the City with up to three (3) special loss runs per fiscal year as requested by the City.
 - e. Inform the City of changes or proposed changes in statutes, rules and regulations and case law affecting the general liability program.
 - f. Assist in the development of policies and procedures relating to the general liability program.
 - g. Conduct risk management related seminars for City staff at the request of the City.
 - h. Comply with the mandatory reporting requirements of Section 111 of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA).
6. TRUST ACCOUNT SERVICES: The contractor will provide the following trust account services:
- a. The City will establish a trust account and will deposit into the account the sum of Seventy Five Thousand Dollars (\$75,000), which the contractor will use for the settlement of claims and/or payment of claim expenses.
 - b. The contractor will not issue any check or claim settlement or expense payment until authorization has been secured from the City. In no event will the contractor be authorized by the City to issue any single check greater than Seventy Thousand Dollars (\$70,000).
 - c. Expenses authorized by City will be paid within fourteen (14) days of receipt of the invoice.
 - d. Checks issued by the contractor shall require two (2) authorized signatures. The contractor will mail numbered copies of the checks immediately to the City upon check issuance.
 - e. The contractor will maintain a detailed check register, which accounts for every check in the trust account number series. The contractor will provide a copy of the check register to the City at the end of each month.
 - f. All employees of the contractor who have access to the trust account will be bonded.
7. AUDITS: CONSULTANT will cooperate with the City and will make available any and all claim files and records available for audits. Audits of claims will be conducted by either City staff or a contracted claims auditor at a frequency and duration as specified by the City. The City or contracted claims auditor will have reasonable access to the necessary portions of the contractor's facilities, records and files for review or audit purposes.



CARL WARREN & COMPANY
Claims Management and Solutions

FIXED ANNUAL PRICING

Year of Contract	Fixed Annual Rate
Year 1	\$108,000
Year 2	\$108,000
Year 3	\$108,000
Year 4 (optional)	\$108,000 + CPI
Year 5 (optional)	\$108,000 + CPI

Subrogation is charged at 21%

Our fixed annual pricing model is inclusive of the following:

- Account Management
- Program Administration and Banking Fees
- Open Claims at Contract Inception
- Supervisor & Adjusters
- Support Staff
- Mail
- Phone
- Trust Account Services
- IT Support & Services
- Mileage
- Photographs
- ISO
- MMSEA
- Stenography



5. OVERVIEW AND APPROACH

- a. Proposers must include in this section their understanding of managing a municipal liability claims program.

Carl Warren & Company has proudly been handling the City's claims since 1984. Throughout our 39 year partnership, what we do for the City and how we do it continues to evolve, change, and be enhanced to improve the service that Carl Warren & Company provides to both the City and its constituents.

How do we add value to the City?

As you will see throughout our response, Carl Warren & Company adds value to the entire claims handling / risk management process at the City.

- We continue to bring consistency and stability and have a thorough understanding of the City's expectations and protocols.
- We act as an extension of the City in dealing with constituents and claimants, serving as a buffer at times to prevent acrimony.
- Our early intervention during the claim process avoids representation of counsel.
- Our team gets to the heart of the matter quickly and resolves claims before they escalate.
- Adjuster, Steve Rolon, a former police officer, is on call to the Police Department 24/7 and responds to requests day or night.
- We attempt to resolve claims so that they do not reach the MMSEA threshold (if they do, we assure MMSEA compliance).
- The City's pricing was reduced 5 years ago to assist with expense reductions during the economic downturn of 2008 and then left flat for the past 3 years.
- Our role has been to act swiftly to minimize exposures to the City as can be seen in the following examples:

The rapid response adjuster has responded to Police Department calls a minimum of 5 times over the past two years (some in the middle of the night); a trip and fall liability settlement that could have been litigated ended in a settlement for Medical Specials only due to the rapport established by the adjuster which minimized animosity toward the City; numerous early calls to claimants that reduced friction and calmed what would otherwise be contentious situations, gaining claimant trust thus avoiding litigation and reducing the ultimate cost of claims.



- b. Proposers must include their approach to providing efficient and effective third party claims administration services. Include your proposed administrative procedures, areas of responsibility, and service delivery time frame. Additionally, identify the proposed staffing and describe the transition plan and implementation of the contract.

We will handle all of the City's claims in conjunction with both the City and Carl Warren & Company's Best Practices. We propose continuing to handle the program as follows:

Claim Reporting

Carl Warren & Company maintains an 800 number and a designated e-mail address for the City's claims reporting, available to the City 24/7. The City has their assigned staff's cell phone numbers in the event they need to be contacted after hours. There is no additional cost to contact Carl Warren & Company or have us respond to a claim on a 24/7 basis.

Losses can be reported by email, fax, online or phone. The most common method is email. The notice is reviewed by the Claim Supervisor and assigned to an adjuster, typically within 2-4 hours. Via email we then confirm receipt of the claim and provide a claim number to the City.

File Management

Where the City determines that an investigation is necessary, the focus of our investigation is the timely gathering of critical information and preservation of potential evidence. Towards that end, we make contact with the claimant, witnesses and the City within 24 hours of receipt of the claim. The facts are obtained, damages assessed and an evaluation is made. The results of the investigation are analyzed and a liability determination is made, taking into consideration the possible comparative fault of the claimant and any applicable contractual indemnity provisions. Within 2 business days of receipt of a new claim, the adjuster enters the claims information into our Risk Management Information System, MyCarlWarren. The initial investigation findings are reported to the City no later than 7 days with a complete investigative report provided within 30 days. We also investigate and handle through conclusion all telephone-adjusted claims. The goal is to complete a comprehensive evaluation expeditiously and advise the City of the liability exposure. We then act on the City's authority to resolve the claims as quickly, fairly and efficiently as possible.

Diary Review

Our files are on strict diary and are reviewed at pre-established intervals, to ensure the timely investigation and completion of work as well as the adequacy of



the established reserves. We currently have the manager diaries setup to review every 30 days, but this can be modified if requested by the City. Adjusters review the diary report weekly and the Claim Supervisor receives reports weekly as to late diaries. The Supervisor audits at least 10 adjuster files monthly. Any trends or problems found are addressed internally. The Supervisor reviews all reserve changes, payments and ensures the files are on diary.

Reserving Practices & Philosophy

The initial reserve takes into consideration all potential payments related to the loss including liability, codefendants and allocated expenses in an effort to arrive at an ultimate net loss figure. Claim reserves are established no later than 7 days of receipt of the claim. They are established on a claim by claim basis. The liability exposure, expense, venue and anticipated life of the claim are all factors taken into consideration when reserving a file. The first element of proper reserving is a timely and professional investigation into liability and damages. Our experience in the public sector allows us to adequately evaluate and reserve the claim as they differ in scope from most other types of claims in the private sector. We do not use average case reserving and avoid stair-stepping the reserves on any claim. Reserves are reviewed every thirty days. Any reserve revisions are clearly explained in the file notes.

Subrogation

Carl Warren & Company currently identifies, pursues, and deposits all of the City's subrogation funds. Each claim is investigated to determine if subrogation or recovery potential exists. This evaluation is clearly posted to the claim file and/or the online claim system. The City is contacted for approval to pursue and/or review contracts before any notice is given to a potential third party. Once approval is obtained from the City, recovery from responsible third parties is aggressively pursued by the claim representative.

We have an in-house subrogation team which handles recovery nationwide for our clients. In 2013, this team collected over \$3 million for our clients in the public sector, most of whom pay us based on a contingency basis. Over 90% of these funds were recovered within 60 days of the file being given to us for recovery pursuit.

Excess Carrier Reporting

When it is determined that a claim meets the reporting guidelines of the City's excess carrier, AmTrust the carrier will be placed on notice and provided all available information by telephone and followed up with a hardcopy report. Generally, a



copy of the file will be sent within 10 days of notice of claim filing when the type of loss or injury is either known or alleged. The City will also be sent a copy of each report. Carl Warren & Company will pursue any excess reimbursements owned by the carrier. We are familiar with and agree to comply with AmTrust claims reporting requirements.

Litigation Management

It is the philosophy of Carl Warren & Company to manage litigation from a two-prong approach – strategy and cost containment. We work with the City's trial attorney and approved counsel. A strong working relationship between the adjuster and defense attorney is important since both bring different skills to the claims handling and resolution process.

A complete copy of the investigative file is transmitted to the defense counsel. Our strategy is to assist in providing an objective analysis of those cases that should be vigorously defended, as contrasted to those that should be settled once limited discovery has been conducted to leverage a negotiated settlement. Defense counsel is asked to provide a liability evaluation, plan of action, budget and time line for completion of items listed. They will indicate the handling attorney at the defense firm and they will sign the agreement so everyone has a clear understanding of what is to be completed, when and at what price. Additional work must be approved by the managing adjuster before any expense for experts, records, etc. can be obtained. Any non legal work should be referred and completed by the handling adjuster. We are available to work with the selected counsel to develop an intelligent and reasonable litigation plan that is in the best interest of the City.

We believe that utilization of structured settlements can reduce loss costs in moderate to severe claims. We also believe in the utilization of Alternative Dispute Resolution (ADR) to reduce litigation costs. We will assist in the preparation of the defense of a claim by helping to prepare discovery responses, negotiate settlements and pursue subrogation actions.

Our adjusters have extensive experience in attending small claims court on minor claims that do not require the services of an attorney. On litigated claims, we will keep the City informed in writing of conferences, hearings and trials. When requested to assist, we will attend trials, hearings, arbitrations, mediations, settlement conferences and any other legal proceedings.



Trust Funds

We currently administer a trust fund for the City. The trust accounts are all created with Payee Positive Pay and Cleared Check processing as security measures for fraud protection.

Carl Warren & Company would provide the City with monthly detailed reconciliation reports and replenishment requests for all Trust Accounts. A copy of the bank statement and a check register will be provided with the report. The report will provide the Opening Balance, Disbursements, Deposits and Adjustments.

We have read the City's Trust Account Services requirements on Page 11 of the Request for Proposal and can comply.

Data Transition

As the incumbent on the program a transition and implementation plan is not applicable. Another benefit of the City staying with Carl Warren & Company is that there would be no need to transfer the open claim files to a new TPA. Our team is familiar with those files and there would continue to be continuity on the account.

Staffing

We propose (1) Account Manager – Kelly Ogle, (1) Supervisor/Adjuster – Steve Rolon, and (1) Primary Adjuster – Jaclyn Marquez for the program. Kelly has recently stepped in as the Account Manager and will be a great asset to the City's team due to her extensive experience overseeing public entity programs.

Subcontractors

All claim services are handled in-house. We currently utilize Material Damage Appraisers for auto appraisals and with the City's authorization; we would like to continue utilizing their services.

Material Damage Appraisers
10315 Woodley Ave. Suite 209
Granada Hills, CA 91344
Tel: 818.491.3534
Fax: 818.368.5100
sarkis@mdappraisers.net



- c. Proposers must reference all corresponding itemized numbers as listed in the Scope of Services and must note any services not provided by the proposing entity.

We have read and acknowledge the services outlined in Attachment A – Scope of Services. Carl Warren & Company currently provides all services outlined to the City, and is able to continue to do so. We have no exceptions to any of the requirements in the following sections:

- | | |
|--------------------------------------|-----------------------------------|
| 1. <i>Assigned Personnel</i> | 5. <i>Administration Services</i> |
| 2. <i>Claims Adjustment Services</i> | 6. <i>Trust Account Services</i> |
| 3. <i>Investigative Services</i> | 7. <i>Audits</i> |
| 4. <i>Legal Support Services</i> | |

- d. Proposers must itemize those services which are further required in the servicing of the contract but that are not noted in the aforementioned paragraphs as requirements and will entitle this section as Additional Services.

Loss Control

The Carl Warren & Company team provides loss control services to the City as they identify and report on hazards that they observe during investigations or when they travel throughout the City.

Annual Stewardship Report/Claims Meetings

Both the supervisory and technical staff on the City's program will continue to be available to attend any claims reviews or meetings. We will also prepare status reports at the request of the City. We feel it is important, as partners in the claim process, to have face to face quarterly meetings as it allows for open dialogue and discussion to ensure everyone is in agreement on the claims handling philosophy.

Going forward, Carl Warren & Company will provide the City with an annual stewardship report at the end of each policy year. Our Quality Assurance Department assists in compiling this report. The report focuses on:

- Service Team Report
- Past Year Goals & Objectives
- Year in Review (results, successes, challenges, opportunities)
- Financials (savings, benchmarking, total cost of risk, fees)
- Ideas and solutions to reduce risk for the upcoming Year

Please refer to Exhibit B for a sample stewardship report.



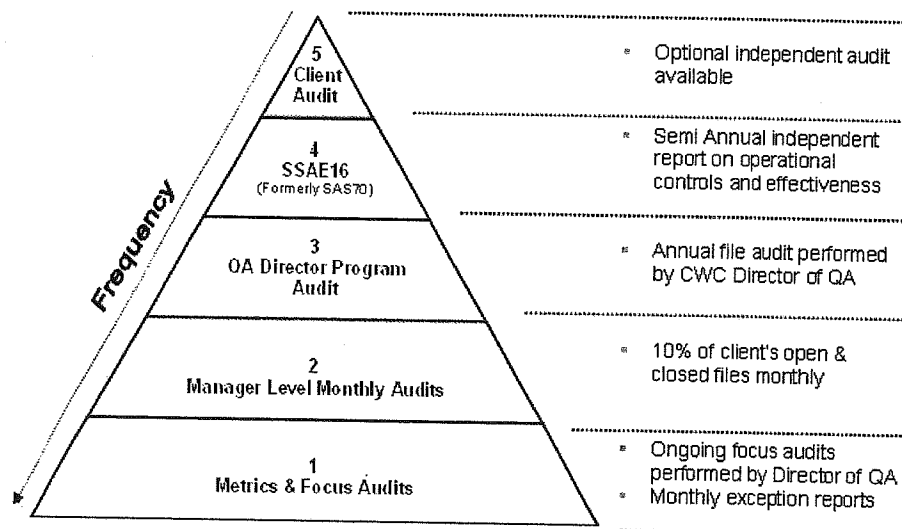
Quality Assurance

We have an extensive internal QA process that is monitored on a monthly basis. Adjusting staff are constantly evaluated against internal metrics and subpar performance requires formal action plans including corrective action as needed. The City's current average score on internal metrics consistently exceeds 90%. We have a separate QA platform that was integrated into our claims process in 2013 that allows for greater performance feedback and quicker identification of troubled areas or under-performing staff.

Through the use of our management reports, we pull monthly reports that identify claims which might fall outside of agreed upon handling guidelines. This approach allows us to take corrective action before an issue becomes a problem. In addition, Carl Warren & Company's Quality Assurance Group (QA) completes a number of focus and data quality audits throughout the year. We also have random audits performed for our SSAE 16 audit report, Employee Stock Ownership Plan (ESOP) and our IT system.

Supervisors audit files, reviews weekly and monthly management reports and collects feedback. Our internal monitoring tools include inactivity reports, diary reports, coding/reserve reports, random and focus audits. These tools provide feedback and insight to potential performance metric shortfalls as well as performance successes. The benefit of this level of monitoring is that it gives the supervisor the ability to try and correct performance issues as they arise. This information is stored throughout the year and then summarized in the adjuster annual performance review.

Our staff will also be available for spot audit checks by the City and Amtrust when required.





MMSEA

Carl Warren & Company is compliant with the Medicare Secondary Payer reporting requirements. We have partnered with ISO using the Universal Format for reporting purposes. Through our Director of Quality Assurance and Compliance we keep our staff and clients apprised of all updates and provide training classes, if necessary.

Each claim where a bodily injury is alleged will be indexed with the Insurance Service Organization (ISO) for prior incidents. If a "hit" comes back, it will be pursued by the handling adjuster. Where applicable, claimants will be indexed for Medicare beneficiary status, so as to comply with any and all requirements of MMSEA. If a claimant/plaintiff is found to be a beneficiary, all steps will be taken to protect the City under the requirements of MMSEA prior to any settlement, verdict or judgment.

- e. Proposers must submit samples of standard monthly reports and samples of specialized reports available to the City. Please specify which reports are to be included at no additional cost and which reports are available at an additional cost. Please specify cost for each report. If reports are available on disk, please list the available formats, and any additional costs.

Carl Warren & Company will continue to deliver information to the City through our online access information system, mycarlwarren. This application is available for review at any time – 24/7/365 – via a desktop, laptop, tablet, or Smartphone and functions in real time with updates every few hours.

Mycarlwarren uses technology from the business-intelligence software firm MicroStrategy which sits atop our SQL Data Warehouse and allows the City customized access to their financial and claim information. The system is structured as a risk management tool in addition to providing claims data, and provides City staff easy access to their records.

City staff are also able to access the site to view and sort data, generate graphs, print reports and export information to a variety of formats including, but not limited to, Excel, PDF and TXT.

The City has direct access to the adjuster's file notes, all claimant information, and financial data (including financial summary and payment detail). They are able to access an extranet environment to perform intuitive reporting and ad-hoc analyses on risk and loss prevention data. Here they can link to individual claims information, drill down to a particular payment and read the narrative associated with the payment.

Carl Warren & Company will continue to provide the City with all desired loss runs and statistical reports at no additional charge. Ad hoc reporting is fully supported as are subscription services for e-mailed reports and event based alerting.