

COUNCIL COMMUNICATIONS

TO: THE CITY COUNCIL
FROM: THE CITY MANAGER'S OFFICE

COUNCIL MEETING DATE:
NOVEMBER 28, 1990

SUBJECT: CONTRACT RENEWAL WITH INSURANCE CONSULTING ASSOCIATES, INC. TO PROVIDE
LIABILITY CLAIMS ADMINISTRATION AND GENERAL RISK MANAGEMENT CONSULTING SERVICES
TO THE CITY OF LODI

RECOMMENDED ACTION: That the City Council, by motion action, approve a three year contract with Insurance Consulting Associates, Inc. to provide liability claims administration and general risk management consulting service to the City of Lodi and authorized the City Manager and City Clerk to execute the contract on behalf of the City of Lodi.

BACKGROUND INFORMATION: For the past year, the City of Lodi has contracted with Insurance Consulting Associates, Inc. (ICA) to provide liability claims administration and general risk management. ICA was retained when we experienced a very serious decline in the performance of the City's previous liability contract administrator. ICA was able to accomplish the transition under difficult circumstances with minimum disruption and have performed in a very expeditious and professional manner during the past 12 months.

The following are conclusions contained in a recent audit performed for the California Joint Powers Risk Management Authority of which Lodi is a member:

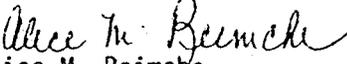
The City of Lodi liability claim program is being very effectively managed and administered by Insurance Consulting Associates, Inc.

There had been an apparent lapse in effective claim administration by the previous administrator due to a significant change in management and the City made a decision to change claim administrators approximately nine months ago. This has been a very positive change and the City benefits from a very professional and experienced claim technical staff at ICA.

The changes contained in the proposed contract renewal are as follows:

1. Three year contract (subject to same termination conditions) instead of one.
2. \$2.00 per hour increase (roughly 4%) on our claims management service fee.
3. \$50.00 per month increase in computer service fee.
4. \$15.00 per hour reduction for risk management and loss control services.

Attached marked Exhibit A is a copy of the proposed renewal contract and cover letter from Daniel A. Blanquie, Executive Vice President, Insurance Consulting Associates, Inc.


Alice M. Reimche
City Clerk

AMR/jmp



INSURANCE



CONSULTING



ASSOCIATES, INC.

EXHIBIT A

November 13, 1990

RECEIVED
NOV 15 PM 1:07
ALICE REIMCHE
CITY CLERK
CITY OF LODI

Ms. Alice Reimche
City Clerk
City of Lodi
Call Box 3006
Lodi, CA 95241-1910

Re: Contract Renewal with
Insurance Consulting Associates, Inc.

Dear Alice:

This letter follows our phone conversation of November 12, 1990. Insurance Consulting Associates, Inc. considers it an honor and privilege to continue to provide liability claims administration and general risk management consulting services to the City of Lodi. I have attached the proposed contract and one additional copy with the changes we discussed. The key changes are as follows:

- Three year contract (subject to same termination conditions) instead of one.
- \$2.00 per hour increase (roughly 4%) on our claims management service fee.
- \$50.00 per month increase in computer service fee.

I am sure you will agree that these increases are modest. They are meant only to cover the ever increasing costs of doing business. As I mentioned, our fees are very competitive within the industry.

As an added incentive to the City, we have lowered our risk management and loss control hourly service fee from \$90.00 to \$75.00 per hour. It is our sincere belief that the best form of insurance the City can have is its employee's education. With proper education, we can help the City reduce its frequency and severity of losses. I will more fully discuss a loss control program for the City with you and Mr. McNatt at our next case review session.

Risk Management

Claims Administration

Loss Control

Mailing Address: P.O. BOX 750849 • PETALUMA, CA 94975-0849
Corporate Offices: 1125 NORTH McDOWELL BOULEVARD • PETALUMA, CA 94954
Telephones: (707) 778-1118 • 1-800-CALL-ICA • FAX: (707) 778-8213

License No. 0607524

Ms. Alice Reimche
November 13, 1990
Page two

I will be pleased to answer any questions or work with you on any revisions the City may have as a result of your review. If, however, there aren't any, the documents can be executed as presented. Please provide us with a properly executed original copy.

We look forward to a long and mutually beneficial relationship with the City.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Dan @&+", is written over the typed name.

Daniel A. Blanquie
Executive Vice-president

DAB: kh

Enclosures

**SELF-INSURED CLAIMS MANAGEMENT
AND GENERAL RISK MANAGEMENT
CONSULTING CONTRACT**

THIS **CONTRACT** is made and entered into this 20th day of December, 1990, by and between the CITY OF LODI, hereinafter referred to as the CITY, and INSURANCE CONSULTING ASSOCIATES, INC., hereinafter referred to as the CLAIMS ADMINISTRATOR.

INSURANCE CONSULTING ASSOCIATES, INC. is licensed in California to provide independent adjusting services. Its State License number is 0607524, It is a California Corporation with Home Office located at 1125 North McDowell Boulevard, Petaluma, CA 94954; Telephone number: 707/778-1118. The Corporate Officers are Ronald Blanquie, President, and Daniel A, Blanquie, Executive Vice President.

IT IS HEREBY AGREED by and between the parties signing this Contract, as follows:

I. GENERAL

The CITY desires to have unified claims management and general risk management consulting services, INSURANCE CONSULTING ASSOCIATES, INC. is a Claims Management and Consulting firm experienced in providing the requested services and is ready and capable to perform such services for the CITY.

II. SERVICES

The CLAIMS ADMINISTRATOR will assist the CITY in the management of the CITY's liability claims program. The CITY will transmit promptly to the CLAIMS ADMINISTRATOR all verified claims which it receives and will notify the CLAIMS ADMINISTRATOR through Incident Reports of circumstances which it believes may give rise to future claims. The CLAIMS ADMINISTRATOR will perform no investigation of Incident Reports without the express request of the CITY. It will initiate prompt investigations and attempt to secure the cooperation and confidence of claimants and their attorneys. It will provide reports to the CITY with respect to issues of fact, damages, and liability. It will provide recommendations with respect to courses of action regarding

settlement and/or defense. Utilizing settlement authority as provided by the CITY, it will negotiate with claimants and their attorneys with the goal of securing a mutually-acceptable resolution to any claim. It will attempt to resolve cases without litigation, If assignment of a case to defense counsel is necessary, it will make the assignment on behalf of the CITY utilizing counsel specified and approved in advance by the CITY. It will receive and review all expense billings related to pending cases and, before approving such billings for payment, will secure any necessary supportive documentation, Absent direction from the CITY to the contrary, it will attempt to secure open or limited extensions of time on cases which it believes are likely to **be** resolved more quickly, efficiently, and economically in that manner. Releases of All Claims will be obtained from all claimants receiving settlements from the CITY through the CLAIMS ADMINISTRATOR. The CLAIMS ADMINISTRATOR will provide timely and appropriate reporting to the excess insurers of the CITY in a manner consistent with **the** reporting guidelines provided to it by the carriers. It will make itself available to the City Council for discussion of pending cases. Consistent with the expressed wishes of the CITY, it will make itself available for scheduled claim reviews with the CITY. It will provide to the CITY a monthly computerized Loss Run of pending and closed cases sorted in a format to be approved by the CITY. The CLAIMS ADMINISTRATOR will perform loss control analysis and consulting services for the CITY and will assist the CITY with risk management services in a manner and to an extent agreed upon. It will encourage cooperative activity amongst the various other firms providing administration or consulting services to the CITY.

III. DENIAL, COMPROMISE OR SETTLEMENT OF CLAIMS

Settlement authority will be obtained by the CLAIMS ADMINISTRATOR from the CITY or, in the event of an exposure piercing the CITY's self-insured retention, jointly from the CITY and its Excess Insurer. Absent specific instructions to the contrary from the CITY, the CLAIMS ADMINISTRATOR is authorized to incur on behalf of the CITY defense costs including, but not limited to attorney fees, court costs, charges for court reporters, experts, technical analyses and reviews, medical examinations, and related items as are necessary or appropriate in the judgment of the CLAIMS ADMINISTRATOR or defense counsel for the proper defense of any case.

IV. PAYMENT FOR SERVICES

The annual Computer Services fee for the first year of this Contract is \$3,000.00. That fee covers the cost of computer hardware, space on the system, and production of Loss Run Register, Graphic Summary, and Numeric Summary reports. The Fee is due in full at the inception of each year of the Contract, though, for the convenience of the CITY, payments of \$250.00 or one-twelfth of the annual fee, whichever is greater, may be made monthly toward any remaining balance.

There will be no charge for the time and attention necessary to review and respond by phone to Incident Reports not requiring investigation, adjustment, or contact with claimants, witnesses, or counsel.

All activities related to the handling of specific claims will be billed on a Time & Expense basis, as follows, for the first year:

Professional Services

Claims Manaaement: *\$ 52.00 per hour

Risk Manaaement and Loss Control consulting: **\$ 75.00 per hour

- * Based exclusively on time of investigative, supervisory, and management personnel. No additional charge, except as provided below, for routine secretarial, insurance, or office overhead.
- ** Although \$90.00 per hour is presently the current fee, this amount shall be reduced to \$75.00 per hour as long as claims administration is performed by INSURANCE CONSULTING ASSOCIATES INC.

Allocated Costs

Local travel (billed from Fairfield)	\$.40 per mile
Photography	\$\$\$.30 per page
Color photography (35mm)	\$ 2.00 per print
Recording cassettes for statements	\$ 1.75 each
Statement transcription	\$ 5.00 per page
Video cassettes	(As incurred)
Videotaping	† 75.00 per hour
Long distance telephone calls (out of the 707 or 209 area codes;	(As incurred)
FAX services	\$ 2.50
First page:	1.75
Each additional page:	\$ 25.00
Initial file set-up	(As incurred)
Posting costs	(As incurred)
Necessary expenses	(As incurred)
Special computer services and reports	(As incurred)
Computer record searches	(As incurred)
Travel out of area	(As incurred)

* Applicable for claims management only. No set-up charge on consulting projects.

Increases are authorized for the second and third years of this contract in an amount not to exceed 7% per year, plus a pro-rata share of any increase in liability insurance cost exceeding 25% of the previous year's premium. The CLAIMS ADMINISTRATOR shall submit Statements on a monthly basis showing an itemized breakdown by claim or by consulting activity. Billings are payable upon presentation, with any unpaid item being subject to a late charge of 1-1/2% per month imposed on the next billing cycle.

V. TERM

The term of this Contract shall be for a period of three (3) years beginning December 20, 1990, and terminating at midnight, December 20, 1993. This contract may be terminated by either party for any reason upon sixty (60) days' written notice. The Contract may be renewed subject to renegotiation of terms and conditions by the parties hereto.

VI. INDEPENDENT CONTRACTOR

It is expressly agreed that the CLAIMS ADMINISTRATOR shall have the status of an Independent Contractor and shall not be deemed to be an officer, employee, or agent of the CITY.

VII. OWNERSHIP OF FILES

It is agreed that the claim files maintained in the CLAIMS ADMINISTRATOR's offices are the property of the CITY and may be reviewed upon reasonable notice. Upon termination of this Contract, possession of the files will be transferred to the CITY which will pay the reasonable costs of any activity associated with the transfer including, but not limited to, the cost of photocopying in whole or in part any and all claims files are required for the CLAIMS ADMINISTRATOR to be in compliance with any law pertaining to the maintenance of records by a licensed adjusting firm. The CLAIMS ADMINISTRATOR is authorized to destroy any claim file without notice to the CITY after seven years following the date of file closure.

VIII. MUTUAL HOLD HARMLESS AND INDEMNIFICATION

Each party hereto agrees to indemnify, hold harmless and defend the other, its officers, agents, and employees from and against any and all claims, demands, liability, costs and expenses of whatever nature, including court costs and counsel fees arising

out of injury, death, or loss to any person or persons, or loss of, or physical damage to, any property resulting in any manner from the sole negligence or willful acts of the responsible party, its agents, employees, licensees, or guests in the making or arising out of the performance of this agreement.

In the event it is determined by settlement or litigation that there is a joint liability and/or responsibility of the parties for the settlement or judgment, the parties hereto agree that the responsibility for payment of such settlement or judgment shall be borne by the parties in proportion to the share of fault as determined by the court or jury in case of a judgment, and by agreement, or arbitration in the event that agreement cannot be reached, in the case of a settlement. The parties further agree hereunder that in those cases described under this paragraph, each party shall bear its own costs and attorney fees.

IX. INSURANCE

The CLAIMS ADMINISTRATOR agrees to procure and maintain during the life of this contract and to provide evidence to the CITY that it carries General Liability, Non-Owned Automobile Liability, and Errors & Omissions insurance in an amount not less than \$1,000,000, plus statutory Workers compensation coverages.

X. LIMITATION OF LIABILITY

It is agreed that the CLAIMS ADMINISTRATOR will provide services utilizing good faith efforts based upon its experience in claims management and consulting. The CLAIMS ADMINISTRATOR provides no warranty, express nor implied, that its services will result in any specific outcome for any case nor any reduction in the frequency, severity, or cost of any liability claims(s) nor any incidents giving rise to claims, no matter how caused.

XI. ARBITRATION

The CITY and the CLAIMS ADMINISTRATOR agree to submit any claims arising under this Contract to binding arbitration pursuant to the current provisions of the California Code of Civil Procedure and any successor statutes.

In the event of any claim between the parties hereto arising out of the terms and conditions of this agreement, the prevailing party, whether by way of arbitration or by judicial litigation, shall be entitled to reasonable attorney's fees and costs as determined either by the arbitrator or by a court of competent jurisdiction.

XII. RESPONSIBILITY FOR CLAIMS ADMINISTRATION FEES

It is agreed that the CITY is liable for payment for all services rendered in accord with this Contract. Should the self-insured retention, the deductible, or the annual aggregate applicable to a particular claim or policy year be exceeded, the CLAIMS ADMINISTRATOR's billings remain the responsibility of the CITY, and the CLAIMS ADMINISTRATOR is expressly authorized to continue all claims management activities which it deems to be appropriate until it receives from the CITY express written instructions to terminate any involvement in the claim or grouping of claims.

XIII. TERMINATION OF SERVICES

The responsibility of the CLAIMS ADMINISTRATOR to provide any services terminates on the date that this Contract is terminated, whether or not that date is the scheduled date provided herein or is earlier or later. Should this contract be terminated for any reason and should the parties agree that the CLAIMS ADMINISTRATOR will continue to handle any aspect of any claims or grouping of claims, charges for services so rendered will be billed at the rates then in effect as established by the CLAIMS ADMINISTRATOR.

CITY OF LODI

Date

By: _____
Authorized Signature

INSURANCE CONSULTING ASSOCIATES, INC.

11-13-50
Date

By: *Daniel A. Blanquie*
Daniel A. Blanquie
Executive Vice President

CITY COUNCIL

JOHN R. (Randy) SNIDER, Mayor
DAVID M. HINCHMAN
Mayor Pro Tempore
EVELYN M. OLSON
JAMES W. PINKERTON, Jr.
FRED M. REID

CITY OF LODI

CITY HALL, 221 WEST PINE STREET
CALL BOX 3006
LODI, CALIFORNIA 95241-1910
(209) 334-5634
TELECOPIER (209) 333-6795

THOMAS A. PETERSON
City Manager

ALICE M. REIMCHE
City Clerk

BOB McNATT
City Attorney

November 29, 1990

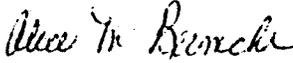
Mr. Daniel A. Blanquie
Executive Vice President
Insurance Consulting Associates
P.O. Box 750849
Petaluma, CA 94975-0849

Dear Dan:

Enclosed please find a fully executed original copy of the contract renewal with Insurance Consulting Associates, Inc., covering a three-year period commencing December 20, 1990 which was approved by the Lodi City Council at its adjourned regular meeting of November 28, 1990.

We look forward to a mutually beneficial relationship during the period of this contract.

Very truly yours,


Alice M. Reimche
City Clerk

AMR/jmp

Enclosure

cc: Finance Director, Robert H. Holm