

C O U N C I L C O M M U N I C A T I O N

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

COUNCIL MEETING DATE
DECEMBER 20, 1989

SUBJECT: REVIEW OF CLAIMS MANAGEMENT SERVICES

PREPARED BY: City Manager

RECOMMENDED ACTION: That the City Council review the staff recommendation concerning this matter and take action as deemed appropriate.

BACKGROUND INFORMATION: The City presently contracts with the firm of ADJUSTCO, of Sacramento, for claims administration in the areas of liability and workers' compensation. This relationship with ADJUSTCO and its predecessor, L. J. Russo, dates back approximately 10 years. The claims administration service in both areas was quite satisfactory until the recent few months during which time there has been a significant decline in performance. ADJUSTCO representatives acknowledged this in a meeting with the City Attorney, City Clerk, Assistant City Manager and me in City Hall Wednesday morning. Claims administration is a most critical aspect of the City's operation. Errors and omissions in this area have the potential of exposing the City to huge monetary losses.

Staff members expressed to the ADJUSTCO representatives disenchantment with the level of service presently being provided. The representatives were advised that as conditions stand at this time, staff would be recommending to the City Council at Wednesday night's meeting that the City's claims administration business be placed elsewhere. ADJUSTCO was invited to attend the City Council meeting to offer whatever information it might in an effort to change the staff's recommendation or convince the City Council to the contrary. ADJUSTCO will in all probability be in attendance at Wednesday night's meeting. Staff members have contacted other claims administration firms and have received assurances that such a transition could be accomplished with minimum disruption in the normal order of things. ADJUSTCO has, within the recent past, lost some key personnel. We have been advised that this has occurred in at least one other branch office of this firm. The net result of this has been that some of the City's claims have not been handled properly and expeditiously.

Staff will be prepared at Wednesday night's meeting to present recommendations to the City Council regarding the providing of claims administration service. Specific proposal will be presented at that time. The City cannot afford the exposure of maintaining this relationship while ADUSICO restructures and re-staffs its organization, promises notwithstanding.

Staff will be prepared to answer any questions Councilmembers may have regarding this most important issue.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Thos. A. Peterson", with a long horizontal flourish extending to the right.

Thomas A. Peterson
City Manager

TAP:br

SELF-INSURED CLAIMS MANAGEMENT
AND **LOSS** CONTROL CONSULTING CONTRACT

THIS **CONTRACT** is made and entered into this 20th day of December, 1989, 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 1725 N. McDowell Boulevard, Petaluma, CA 94954; Telephone Number: 707/778-1118. The Corporate Officers are Ronald Blanquie, President; Michael Craig Patterson, Executive Vice President; and Daniel A. Blanquie, Senior Vice President.

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

I. GENERAL

The CITY desires to have a unified claims management and loss control consulting service. 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.

XI. SERVICES

The CLAIMS ADMINISTRATOR will assist the CITY in the management of the CITY'S liability claims program. It will receive all claims and incident reports from 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 a panel of defense attorneys 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. The CLAIMS ADMINISTRATOR will perform Loss Control Analysis and Consulting services for the CITY in a manner and to an extent agreed upon. 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 assist the CITY with risk management and loss control 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.

111. PAYMENT FOR SERVICES

The annual Computer Services fee for the first year of this Contract is \$2,400. 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 \$200.00 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

<u>Claims Management:</u>	\$50.00 per hour*
<u>Risk Management & Loss Control Consulting:</u>	\$90.00 per hour*

³
* Based exclusively on time of investigative, supervisory, and management personnel. No additional charge, except as provided below, for routine secretarial, insurance, or office overhead.

Allocated Costs

Local Travel (billed from Fairfield)	.40 per mile
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Color Photography (35mm)	1.75 per print
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As Incurred
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As Incurred
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* 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 5% 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 1½% per month imposed on the next billing cycle.

IV.

The term of this Contract shall be a period of ^{One (1) yr} ~~three (3)~~ year beginning ²² December 20, 1989, and terminating at midnight. ²¹ December 31, 1990. MCP

MCP B 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.

V. 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.

VI. OWNERSHIP OF FILES

It is agreed that the claim files maintained in the CLAIMS ADMINISTRATOR'S office 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 as 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.

VII. 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.

VIII. 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.

IX. 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.

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 claim(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 claim or grouping of claims, charges for services so rendered will be billed at the rates then in effect as established by the CLAIMS ADMINISTRATOR.

December 20, 1989
Date

CITY OF LODI
By: Thomas A. Peterson
Authorized Signature

Thomas A. Peterson, City Manager

Attest: Alice M. Reinche
Alice M. Reinche, City Clerk

INSURANCE CONSULTING ASSOCIATES, INC.

December 18, 1989
Date

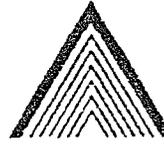
By: Michael Craig Patterson
MICHAEL CRAIG PATTERSON, Executive Vice President



INSURANCE



CONSULTING



ASSOCIATES, INC.

INTEGRATED CLAIMS MANAGEMENT DIVISION

FAX TRANSMISSION

From: FAX # 415/751-9805

To: FAX #: 209/333-6795

Date: 12/18/89

Time: _____

From: Michael Patterson

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: Alice Reimche, City Clerk

COMPANY/ORGANIZATION: CITY OF LODI

ADDRESS: 201 West Pine Street / Call Box 3006

CITY: Lodi, CA 95240

RE: LIABILITY CLAIMS MANAGEMENT SERVICES

MESSAGE / SPECIAL INSTRUCTIONS: ~~I'll give you a call on Tuesday~~
afternoon. If you have any questions, however, please call me before
then. If I'm out of the office, I'll call you back as quickly as
possible. Best regards,

TOTAL NUMBER OF PAGES TRANSMITTED (INCLUDING THIS PAGE): 12

FAX CHARGES: \$2.50 First Page
\$1.75 Additional Pages Due: \$ _____

Please forward Remittance Invoice to Follow

PLEASE CALL 415/751-9801 IF ALL OF THE PAGES ARE NOT RECEIVED

CLAIMS MANAGEMENT
Independent Adjusters
Self-Insured Corporate Administration
Public Entity Administration
Trial Preparation
Computerized Claims Information
Service Bureau

CONSULTING SERVICES
Loss Control
Claims Fraud Detection
Claims Fraud Prevention
Risk Management
Claims Auditing

License #0607524



INSURANCE



CONSULTING



ASSOCIATES, INC.

INTEGRATED CLAIMS MANAGEMENT DIVISION

December 18, 1989

ORIGINAL VIA FEDERAL EXPRESS
 COPY VIA FAX - From: 415/751-9805
 To: 209/333-6795

CITY OF LODI
 Attention: Ms. Alice Reimche, City Clerk
 201 West Pine Street
 Call Box 3006
 Lodi, CA 95240

RE: LIABILITY CLAIMS MANAGEMENT SERVICES

Dear Alice:

We are very appreciative that the City's staff will be recommending to the Council on December 19th that our Firm manage your liability claims program.

I have prepared the enclosed Contract for your review and am providing you with an Original for the City's records and a Duplicate Original for return to ICA. If you, the City Attorney, or the City Manager would like to discuss any of the Contract provisions, we could do so by phone between now and the Council meeting Wednesday.

As I mentioned in my December 12th letter, it is important that we sit down to discuss the details of the program. I want to make certain that every aspect of our administration reflects the City's wishes. In addition to basic philosophy and procedural issues, we will want to discuss whether or not the City wants ICA to issue expense and settlement payments through a Trustee Account or simply should issue vouchers to the City so that you can issue any payments. We will also want to go over the various options that you have regarding the format of loss runs and any particular cases which are currently pending and which the City regards as critical.

I have left open within the text of the agreement the actual contract period dates. It is not yet clear to us whether or not the City would like us to begin immediately the management of new and pending cases or whether Adjustco will continue to handle matters for an interim period. As indicated previously, we are prepared to step in at any moment that the City selects.

CLAIMS MANAGEMENT

Independent Adjusters
 Self-Insured Corporate Administration
 Public Entity Administration
 Trial Preparation
 Computerized Claims Information
 Service Bureau

CONSULTING SERVICES

Lou Control
 Claims Fraud Detection
 Claims Fraud Prevention
 Risk Management
 Claims Auditing

License #0607524

825 LAKE STREET, GARDEN LEVEL • SAN FRANCISCO, CA 94115

TELEPHONE: (415) 751-9805 FACSIMILE: (415) 751-9805

CITY OF LODI

Ms. Alice Reimche

December 18, 1989

Page 2 of 3

The fees quoted in the Contract have been our standard rates for the past year. Our claims management fees are based upon a professional services rate of \$36.00 per hour, plus 40X (rounded down to \$14.00) for unallocated expenses. You asked about the Time & Expense charges of other firms. While our competitors do not generally disclose their rates to us, we have a copy of a 4/6/89 billing from the George Hills Company which shows billing rate of \$53.20 per hour based upon \$36.00 for professional services plus 40% for various unallocated expenses. Likewise, we understand that the billing rate for Pearce & Frankman is \$67.50 per hour. We believe that our rates are competitive and, in fact, every independent claims audit performed on behalf of our clients has confirmed the fairness of our billing practices. There are other formats than "Time & Expense" for calculating service charges, but for a relatively small program such as Lodi's (as contrasted with some larger organizations that have 1,500 to 5,000 claims per year), we believe that the Time & Expense, ethically applied, is the fairest for both parties. It assures the client that charges are made only when earned, and it protects both the client and the claims administrator in assuring that there is no economic disincentive to good service in the event that claims activity is substantially higher than originally predicted.

I am taking the liberty of enclosing with the original of this letter which is being sent by Federal Express, a copy of each of the following items:

California State Assembly Resolution of September 11, 1989 commending Insurance Consulting Associates, Inc.

December, 1987, issue of Inc. Magazine which rates ICA as #207 in the "Inc. 500" roster of America's fastest growing, privately held small companies.

December, 1988, issue of Inc. Magazine listing ICA as #225 in the 1987 "Inc. 500."

Incidentally the Petaluma office address that I have listed within the text of the Contract will be effective on January 1st. We will be moving on December 29th into our new home office.

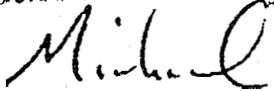
I will attend the City Council meeting on Wednesday evening and will be available to respond to any questions from the Council members.

The City's interest in our Firm is both pleasing and gratifying. We are looking forward with thanks to working on your behalf.

CITY OF LODI
Ms. Ali e Reimche
December 18, 1989
Page 3 of 3

Warm personal regards,

INSURANCE CONSULTING ASSOCIATES, INC.



Michael Craig Patterson
Executive Vice President

Enclosures with original via Federal Express:

Original and Duplicate Original Contract
Resolution of the California State Assembly
Inc. Magazine, December, 1987, and December, 1988, issues

MCP:bc

CALIFORNIA LEGISLATURE

Assembly



RESOLUTION

By the Honorable Bill Filante, M.D.
Ninth Assembly District Relative to commending the

INSURANCE CONSULTING ASSOCIATES, INC.

WHEREAS, The Insurance Consulting Associates, Inc. was honored recently for appearing on the Inc. Magazine "300 List of Fastest-Growing Companies in the United States" for the second year in a row, and, upon this occasion, the Company is deserving of congratulations and commendations from the people of California; and

WHEREAS, This achievement is outstanding, as only the very smallest percentage of businesses can annually claim such a distinction; and

WHEREAS, Insurance Consulting Associates, Inc. has pioneered in the fields of insurance fraud detection and prevention, claims administration and risk management, and has set ethical and business standards which are emulated throughout the insurance and self-insurance industry; and

WHEREAS, Ron Blangnie as President and founder of Insurance Consulting Associates, Inc., which was launched as a one-man shop in 1979 and which was ranked number 267 in the Inc. 300 listing of America's fastest-growing companies in 1988, has earned recognition for his services to the profession, the industry, the community, and the state; and

WHEREAS, Insurance Consulting Associates, Inc. is helping to develop and preserve California's ranking as the number one state in the nation in entrepreneurial growth; and

WHEREAS, Insurance Consulting Associates, Inc. is a model company combining the very best in civic participation, business success, and professional excellence; now, therefore, be it

RESOLVED BY ASSEMBLY MEMBER BILL FILANTE, M.D., That he takes great pleasure in congratulating the Insurance Consulting Associates, Inc. upon its appearing on the Inc. Magazine "300 List of Fastest-Growing Companies in the United States" for the second year in a row, commends the Company for its contributions to the community and state, and extends best wishes for continued success.



Members Resolution No. 2131

Dated this 11th day of September, 1989

Bill Filante
Honorable Bill Filante, M.D.
9th Assembly District

Or inal - For City's File

SELF-INSURED CLAIMS MANAGEMENT
AND LOSS CONTROL CONSULTING CONTRACT

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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 \$200.00 or one-twelfth of the annual fee, whichever is greater, may be made monthly toward any remaining balance.

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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.

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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 claim 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.

December 16, 1989
Date

By: Michael Craig Patterson
MICHAEL CRAIG PATTERSON Executive Vice President

CITY OF LODI
WORKERS' COMPENSATION CLAIMS MANAGEMENT
AND RISK CONTROL SERVICES AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of _____, 1989, by and between the CITY OF LODI ("CITY") and GREGORY B. BRAGG & ASSOCIATES, INC., a California Corporation and general partner of BRAGG & MORSE ("CLAIM ADMINISTRATOR"), and

W I T N E S S E T H

WHEREAS, CITY requires Workers' Compensation claims adjusting and administrative services, and CLAIM ADMINISTRATOR is agreeable to performing such services for CITY,

NOW, THEREFORE, the parties agree as follows:

1. CITY hereby retains CLAIM ADMINISTRATOR, and CLAIM ADMINISTRATOR accepts CITY'S retainer, to perform Workers' Compensation Claims Management and Risk Control Services.
2. CLAIM ADMINISTRATOR agrees to initiate prompt handling of all claims presented to the CLAIM ADMINISTRATOR upon notification in writing, facsimile transmission, or by telephone from CITY. CLAIM ADMINISTRATOR will not be responsible for late reporting by CITY or claims not reported by CITY. Claim handling procedures and policies as outlined in the proposal will be complied with.

3. All original reports, documents, and claims data of every kind or description that are prepared in whole or part by or for CLAIM ADMINISTRATOR in connection with this agreement shall be CITY'S property. Additional copies of original reports, documents, and data requested by CITY will be at CITY'S expense in accordance with this agreement. All such records shall be held in strictest confidence by CLAIM ADMINISTRATOR.

4. For services pursuant to this Agreement, CITY shall pay CLAIM ADMXNISTRATOR an annual administration fee of \$1800.00, payable at the inception of the Agreement. In addition to the administration fee, the CITY shall pay time and expense charges on each claim as incurred in the investigation and adjustment of claims, and risk control services as needed. Time and expense charges are as follows:

a)	Adjusting Services	\$36.00 per hour
b)	Risk Control Services	\$45.00 per hour
c)	Office overhead	33% of services
d)	Secretarial	\$ 5.00 per page/form
e)	Claim Set Up	\$10.00 per claim
f)	Mileage	\$.35 per mile
g)	Photocopies	\$.25 per copy
h)	Photographs	\$ 2.00 per photo
i)	Audio Cassettes	\$ 3.00 per tape
j)	Video Cassettes	\$10.00 per tape

5. CLAIM ADMINISTRATOR will submit its bills on a monthly basis. Payment by CITY shall be made within a reasonable period of time, not to exceed thirty (30) days.

6. All attorney's fees and other allocated expenses shall be the

responsibility of the CITY. It is agreed and understood that, whenever practicable, any attorney's fees, WCAB or court costs, costs of outside experts, and other costs related to services to be performed by persons other than CLAIM ADMINISTRATOR should be billed directly to CITY and the bills will be paid from CITY'S trust account.

7. The term of this contract shall be from _____ to and including _____. This agreement may be terminated by either party for any reason upon sixty (60) days written notice. This agreement will be automatically renewed on a yearly basis **subject** to the same terms and conditions, **except Paragraph 4**, herein, **which** may be renegotiated by the parties hereto.

8. In performing the services agreed upon, CLAIM ADMINISTRATOR (and its agents and employees) **shall** have the status of independent contractor, and shall not be **deemed** to be an officer, employee, or agent of CITY.

9. During the period of this agreement, and for a period of one (1) year thereafter, CLAIM ADMINISTRATOR agrees not to solicit for employment, or employ any CITY employee contacted during the performance of this agreement; **and** CITY agrees not to solicit for employment or employ **during** the period of **this** agreement and for a period of one (1) year thereafter, any employee of CLAIM ADMINISTRATOR contacted during the performance of this agreement.

10. CLAIM ADMINISTRATOR shall defend, indemnify, and hold **harmless** CITY, its officers, agents, and employees from and against all damages, claims, penalties, demands, actions, or causes of actions which may arise **solely** from the action, conduct, or failure to act by CLAIM ADMINISTRATOR or its officers and employees.

CITY will defend, indemnify and hold **harmless** CLAIM ADMINISTRATOR, its officers, agents, and employees from and against **all** damages, claims, penalties, demands, actions, or cause of actions if not **caused** by the willful misconduct or negligent acts of CLAIM ADMINISTRATOR'S officers and employees.

11. CLAIM ADMINISTRATOR shall provide CITY with a Certificate of Insurance duly executed by an insurance company or companies authorized to transact business in the State of California, and said Certificate shall certify the CLAIM ADMINISTRATOR has in full force and effect \$1,000,000.00 coverage applying to bodily injury, personal injury, and property damage. CLAIM ADMINISTRATOR shall maintain errors and omissions coverage in the amount of \$1,000,000.00 per occurrence.

12. The provisions set out herein constitute the whole **and** entire agreement between the parties hereto and may be altered only by mutual agreement, reduced to writing and executed by authorized officers of both parties.

CITY OF LUDI

DATE

BY _____

GREGORY B. BRAGG & ASSOCIATES, INC.

12-20-89
DATE

BY *Gregory B. Bragg*

ADJUSTCO

1451 River Park Dr. • Suite 213 • Sacramento, CA 95815
(916) 920-5381 • FAX (916) 922-4529

December 20, 1989

To: City of Lodi

John R. Snider, Mayor
Evelyn Olson
David M. Hinchman
James W. Pinkerton, Jr.
Fred M. Raid

Thomas A. Peterson, City Manager
Alice M. Reimche, City Clerk
Bob McNatt, City Attorney

Dear Respected members of the Lodi City Council and City of Lodi Executives:

On behalf of ADJUSTCO, INC. please allow the writer to establish the organizational plan for the administration of the Workers' Compensation program and Liability program for the City of Lodi.

Management of the Sacramento Claims Administration office changed in the first part of October 1989 under the direction of Dean Kirschner. Mr. Kirschner came to ADJUSTCO with twenty (20) years of background in the claims industry; the last fourteen (14) as Corporate Claims Manager of Amfac, Inc., a major self-insured in the industry. While private sector entities are deemed to be different from the Municipalities in the way that claims activity is treated, the fact remains that they are for the most part represented by Third-Party Administrators (TPA) whose duty and obligation is to represent the entity as per agreement and in the finest way possible in order to mitigate the dollar exposures and payout, whether ultimately under the scrutiny of tax paying residents of the City of Lodi, or stockholders of a private sector entity.

Upon assuming the management duties of the Sacramento Office of ADJUSTCO, under close supervision of the ADJUSTCO, INC. Management Council, and at the direction of same, we concentrated on focusing our attention on staffing, or those individuals charged with handling and representing the City of Lodi as well as other clients. Bluntly, we cleaned house. Rather than utilize the resources at hand and work with the staff that the writer inherited, in order to bring service up to speed at the possible cost of the clients, we recruited individuals who bring experience and desire to please the clients in accordance with the agreements which brought us all together in the first place.

The first issue to be addressed was Workers' Compensation. Effective January 2, 1990, our Workers' Compensation Unit will consist and operate per the attached restructuring operational plan. Without belaboring the issues, while we believe that the level of quality in our physical handling of your claims was very good, the restructure will ensure an even better quality of claims administration which you expect and which we strive to give at a minimum.

The other area of claims administration, General Liability, needed restructuring as well. At the present time, we have added two (2) seasoned claims technicians, plus the writer who, as Manager, is taking a focused and active participatory role in your claims program. You may rest assured that the relationship between the City of Lodi and its residents, and particularly when there is a complaint, warranted, or not, is looked upon by this organization as critically and vitally important. We recognize that while we handle the claims for the City of Lodi, we further recognize that we had better represent the City of Lodi as if it was our own.

More importantly, while we can all make promises and commitments, the proof is what is fact. To begin with, should we (ADJUSTCO) be fortunate to retain the City of Lodi, it is strongly urged that we schedule a monthly meeting to review the account, its claims activity and our performance.

Coming from this writer's background as a client and a demanding client, it is strongly felt that ADJUSTCO is the quality organization that you deserve as a client, and in particular, the Sacramento Branch Office is committed to giving you the best service possible. While the proof has to be shown, we respectfully submit that for as long as our relationship existed, the level of service was, by our own admittance, worthy. We have taken a proactive position in restructuring ourselves to ensure an even higher quality of service. You cannot, and should not have anything less, and we will give you the best.

Respectfully,

ADJUSTCO, INC.

Elliott Dean Kirschner
Branch Manager

EDK:ntf

cc: A. Yobs, President and CEC, ADJUSTCO, INC.



1451 River Park Dr • Suite 213 • Sacramento, CA 95815
(916) 920-5381 • FAX (916) 922-4529

PROPOSED STRUCTURE FOR WORKERS' COMPENSATION UNIT

Pursuant to California Workers' Compensation
Reform Act Effective January 1, 1990

Additional Staff:

Workers' Compensation Examiners

(Until permanent examiners can be hired, 2 temporary examiners with 25 years experience between them will come onboard January 2, 1990)

2 Claims Examiners

1 in place at this time.

1 hired to begin **January 2, 1990**. Claims assistant has 7 years experience.

File Clerk/Typist

To be hired. Should be in place by January 15, 1990.

Supervisor

Hired. Began December 18, 1989. Fourteen years experience, with 7 years administering Public Entities.

Each Examiner will be responsible for 2 accounts and will supervise the work of the claims assistants with regard to MO's (Medical Only's).

Each Examiner will handle no more than 180 indemnity files.

Each Examiner will have a dedicated Claims Assistant who will handle all of the first calls, make all medical appointments, pay **bills**, pay disability payments, handle MO's for the accounts, handle bill calls, etc.

Typist/File Clerk will be responsible for opening mail, transcribing for Examiners and Claims Assistants and do any photocopying.

Each Examiner will be responsible for all indemnity files, will attend hearings, rehab conferences and do files reviews for their respective clients at least 4 times a year or more per the client's request.