



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: A 12-111, **Version:** 1

- a. Approve and authorize the Contracts/Purchasing Officer or designee to sign a Professional Services Agreement (PSA) with Carl Warren & Company for general liability claims administration services for a three (3) year term, estimated to cost \$86,000 per year for an estimated total of \$258,000 over three years;
- b. Authorize the Contracts/Purchasing Officer or designee to execute up to three (3) one-year extensions of the PSA at the request of the Risk Manager, provided the compensation terms do not increase by more than five percent (5%) and all other terms remain unchanged; and
- c. Approve and authorize County Counsel Risk Management Division to implement the attached Agreement with Carl Warren & Company for general liability claims administration services.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Contracts/Purchasing Officer or designee to sign a Professional Services Agreement (PSA) with Carl Warren & Company for general liability claims administration services for a three (3) year term, estimated to cost \$86,000 per year for an estimated total of \$258,000 over three years;
- b. Authorize the Contracts/Purchasing Officer or designee to execute up to three (3) one-year extensions of the PSA at the request of the Risk Manager, provided the compensation terms do not increase by more than five percent (5%) and all other terms remain unchanged; and
- c. Approve and authorize County Counsel Risk Management Division to implement the attached Agreement with Carl Warren & Company for general liability claims administration services.

SUMMARY/DISCUSSION:

The County began its self-insured General Liability program in 1979. The self-insured program is administered by County Counsel Risk Management Division and funding is provided through the General Liability - Internal Service Fund (ISF). The County utilizes a Third-Party Claims Administrator (TPA) to assist with management of its General Liability claims, including claims processing, program administration, and data management information system.

The County of Monterey recently completed a Request for Proposal (RFP) process and Carl Warren & Company was selected as the successful bidder. County Counsel Risk Management Division is now requesting that the Board of Supervisors authorize the execution and implementation of the attached PSA for general liability claims management services. Carl Warren & Company has been administering general liability claims since 1944 and acquired the County's prior third party administrator, NovaPro, last year. Carl Warren & Company is currently providing public entity liability claims management for 350 public entities, including over 175 cities and counties. In the selection process, Carl Warren demonstrated superior skills and experience in all matters concerning claims administration. The RFP review team believes Carl Warren best matches the needs of the departments and the interests of the County. Overall, Carl Warren scored the highest and provided the most competitive bid.

The recommended action will allow the County and Carl Warren & Company to enter into a Professional Services Agreement for a three (3) year term, effective July 1, 2012 with a provision for an extension of up to three (3) one-year extensions by agreement of the parties.

The recommended professional services agreement will have a fixed annual rate fee structure up to a set number of claims, after which a per claim flat fee will apply as set forth in Section 6.2 of the Agreement. The fixed fee also includes the handling of the County's open and pending claims. Each new incident report/file/claim in excess of the annual threshold will be priced at a per claim basis of \$610. Consistent with industry standard, fees for time and

expense adjustment are charged to the individual claim files.

The number of new claims for FY 2010-11 totaled 139 (e.g., and 100 for 2011-12 fiscal year, to date); with the frequency of claims trending downward the last several years. Risk Management estimates that the Carl Warren claims management fees will be approximately \$86,000 each year based on the 139 claim volume. The following reflects the incumbent (e.g., NovaPro) pricing compared to the Carl Warren contract:

NovaPro

1. Flat fee for new incident reports/files/claims: \$6,600 per month; equivalent to \$79,200 annually.
2. Volume threshold on flat fee: n/a.
3. Fee for new incident reports/files/claims in excess of volume threshold: n/a.
4. Pending Claim Transition Fees: n/a.
5. Admin Fee: \$0.
6. System Conversion Fees: n/a.
7. System Access Fees: \$0; limited system functionality.

Carl Warren & Company

1. Flat fee for new incident reports/files/claims: \$80,000 per year
2. Volume threshold on flat fee: 131
3. Fee for new incident reports/files/claims in excess of volume threshold: \$610 per incident report/file/claim
4. Pending Claim Transition Fees: \$0; is included in the flat annual fee
5. Admin Fee: \$1,000 per year
6. System Conversion Fees: \$0
7. System Access Fees: \$0 for first 5 users, \$250 per year for each additional user

OTHER AGENCY INVOLVEMENT:

The attached PSA has been approved by County Counsel as to legal form; the Auditor-Controller as to fiscal terms; and Risk Management for insurance and indemnity provisions.

FINANCING:

Funding for this professional services agreement is provided from the General Liability - Internal Service Fund (ISF).

Prepared by: Steve Mauck, Risk Manager, Ext. 3006

Approved by: Charles McKee, County Counsel, Ext. 5045

Attachments:

Carl Warren & Company PSA