

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Human Resources	(2) MEETING DATE 9/25/2012	(3) CONTACT/PHONE Tami Douglas-Schatz/781-5959	
(4) SUBJECT Request to approve a contract with Carl Warren & Company LLC for Liability Program Administration services through June 30, 2015 in an annual amount not to exceed the \$125,000 that is budgeted for this contract.			
(5) RECOMMENDED ACTION It is recommended that your Board approve a contract with Carl Warren & Company LLC for Liability Program Administration services through June 30, 2015 in an annual amount not to exceed the \$125,000 that is budgeted for this contract.			
(6) FUNDING SOURCE(S) FC 409- Liability Insurance Internal Service Fund	(7) CURRENT YEAR FINANCIAL IMPACT \$125,000	(8) ANNUAL FINANCIAL IMPACT \$125,000	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)  19001202		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP  N/A	(15) BUSINESS IMPACT STATEMENT?  No	(16) AGENDA ITEM HISTORY  <input checked="" type="checkbox"/> N/A Date _____	
(17) ADMINISTRATIVE OFFICE REVIEW			
(18) SUPERVISOR DISTRICT(S) All Districts -			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Human Resources / Tami Douglas-Schatz/781-5959

DATE: 9/25/2012

SUBJECT: Request to approve a contract with Carl Warren & Company LLC for Liability Program Administration services through June 30, 2015 in an annual amount not to exceed the \$125,000 that is budgeted for this contract.

## **RECOMMENDATION**

It is recommended that your Board approve a contract with Carl Warren & Company LLC for Liability Program Administration services through June 30, 2015 in an annual amount not to exceed the \$125,000 that is budgeted for this contract.

## **DISCUSSION**

The County's Liability Program is one of several programs run by the Risk Management division of the Human Resource Department. The Liability Program has been established to manage risk from third party claims and lawsuits. The program emphasizes cost containment, litigation management, and accident prevention. The team constructed to execute the liability program includes three elements - inside counsel, outside counsel, and claims administration - and is managed by a County Risk Management Analyst. Two of these elements, outside counsel and claims administration, are contracted vendors. Pursuant to provisions in our Memorandum of Coverage for the General Liability Insurance Program with CSAC EIA (our excess General Liability Insurance), expenses for claims administration and litigation costs can only be charged against the County's self-insured retention (SIR) if a non-county employee is used to perform the tasks. This is a prime driver for use of a third party claims administrator, such as Carl Warren & Company, for claims adjusting.

Since 1984, the County has contracted with outside firms for the claims administration portion of the Liability Program. These firms, referred to as third party administrators (TPAs), carry out the day-to-day claims management activities (claims adjustment) and ensure all claims reporting and legal requirements are met. This includes such activities as: investigating claims, adjusting and settling claims, maintaining claim documentation, monitoring defense plans and costs for litigated claims, reporting claims to the County's excess insurer (the California State Association of Counties Excess Insurance Authority (CSAC-EIA)), and maintaining an automated claims reporting system. The TPA serves the County as a central component of an integrated, multi-disciplinary liability claims program, in a manner intended to minimize duplication of effort and staff/resource impacts, and maximize program flexibility. Given the cyclical nature of any county's Liability Program, it is very common for public entities to contract with Third Party Administrators for claims adjusting. Claim activity and frequency can vary from year to year. The use of a third party administrator enables more flexibility to respond to changes in claim frequency, as the vendor can respond more quickly than the County to program ups and downs which may require changes to staffing levels. Expenses for the services of a TPA (for claims administration) can be charged against the County's SIR.

In August of 2004, the County entered into a two-year contract with Carl Warren & Company LLC for liability program TPA services. The short-term contract allowed the County to sever its business relationship with the prior TPA as quickly as possible due to serious performance issues. After working closely with Carl Warren & Company during the initial two year contract, staff concluded the County would be best served by extending the existing contract for an additional three years. The Liability Program recognized considerable improvement in cost containment through use of Carl Warren & Company.

In 2009, the Human Resources Department recognized that additional program improvements could be realized through enhanced litigation management. Since the early 1990's, the County had relied on a single, local attorney firm to handle a majority of its cases. Human Resources modified its use of outside counsel to diversify our capabilities. Through an Request For Qualifications process, we identified a pool of quality outside attorney firms, and assigned existing and new cases to pool attorneys based upon their areas of expertise. In an effort to cause as little disruption to the Liability Program as possible during the case transition, a request to extend the TPA contract with Carl Warren & Company an additional three years was approved in 2009. It is worthy of note that with this new attorney pool arrangement, and strong claims administration services from our TPA, settlement costs and outside legal fees have been reduced substantially. Fees for legal services in 2011/12 were approximately half the amount incurred 4 years ago.

Since contract inception in 2004, Carl Warren & Company has continuously provided high quality service. Per the County's Contracting for Services Policy, Risk Management initiated a Request For Proposal for Liability Program TPA services in June 2012 and received a total of three proposals. In cooperation with the General Service Agency's Purchasing staff, Risk Management assembled a selection committee composed of representatives from the Administrative Office, County Counsel, and the Sheriff's department. The committee evaluated all three proposals on factors including fees, transition costs and ability to partner with the County. The selection committee unanimously chose the Carl Warren & Company LLC proposal as the superior submittal. The County then entered negotiations with Carl Warren & Company LLC for continuing TPA services and successfully negotiated the addition of 30 hours of in-person loss mitigation training and other customized training workshops tailored to the County. The contract recommended for approval today is the product of that negotiation.

#### **OTHER AGENCY INVOLVEMENT/IMPACT**

County Counsel has approved the attached contract agreement for legal form and effect. The General Services Agency Purchasing group assisted in RFP preparation, proposal evaluation, and contract negotiation. Representatives from County Counsel, the Administrative Office, and the Sheriff's Department served on the selection committee.

#### **FINANCIAL CONSIDERATIONS**

The contract compensates Carl Warren & Company LLC on an hourly basis for services provided. For 2012-13, the rate will be \$71.00 per hour, \$72.00 in 2013-14, and \$73.00 per hour in 2014-15. In FY 2011-12, the hourly rate for services was \$73.00 and the annual cost of the contract was \$83,303. The lower hourly rate in this new contract is based on the proposed hourly rate included in the vendor's response to the RFP. Claims activity could rise or fall and the associated costs will/can fluctuate as well. Based upon TPA costs in recent years, and trends in the program, we anticipate \$125,000 as an annual estimate for costs. Adequate funding is available in the Liability Fund for this expense.

#### **RESULTS**

Approval of this item will enable to the County to enter into a contract with Carl Warren & Company LLC for high quality Liability Program Third Party Administrator Services through June 30, 2015, with the addition of 30 hours of annual customized training as it relates to the Liability program.

#### **ATTACHMENTS**

1. Contract
2. Exhibit A - Scope of Services
3. Exhibit A-1 - Claims Administration Guidelines (Addendum B)
4. Exhibit B - Financial Arrangements