



CITY OF CARSON

Legislation Text

File #: 2019-796, Version: 1

Report to Mayor and City Council

Tuesday, September 03, 2019

Consent

SUBJECT:

CONSIDER AWARD OF GENERAL LIABILITY THIRD PARTY ADMINISTRATOR SERVICES FOR FY 2019/20, FY 2020/21 AND FY 2021/22 TO CARL WARREN & COMPANY (CITY COUNCIL)

I. SUMMARY

The City has been self-insured for its General Liability Program since its incorporation in 1968. The City maintains a contract with a third party administrator (TPA) to administer the self-insured claims. Carl Warren & Company has provided TPA services to the City since 1978. The most recent contract agreement was awarded in 2014, and through four amendments the term was subsequently extended to September 30, 2019.

On April 11, 2019, the City issued a Request for Proposal (RFP) for General Liability Claims Administration. That RFP selection process had to be cancelled as a result of the withdrawal by Adminsure, the previous winning proposer. Subsequently, a new RFP was re-issued on July 11, 2019. Five proposals were received.

The proposals were evaluated based on: 1) TPA Service Fee; 2) Personnel Qualifications; 3) References; 4) Scope of Work Ability; 5) Claims Management Approach and 6) Settlement and Legal Costs Control. Adminsure received the highest score for TPA Service Fee, but Carl Warren and Company received higher scores in Scope of Work Ability and Claims Management Approach, resulting in the highest overall score of 89 out of 100. Carl Warren and Company's claims management resources and claims handling approach have been effective in consistently reducing litigation and settlement costs for the City for the past 41 years.

Staff recommends awarding a new three-year contract to Carl Warren & Company.

II. RECOMMENDATION

Staff recommends that City Council:

1. Award a three-year contract for general liability Third Party Administrator services to Carl Warren & Company for the period of October 1, 2019 through September 30, 2022 with an option to extend the contract for an additional two-year period through September 30, 2024; and
2. Authorize the Mayor to execute the contract.

III. ALTERNATIVES

1. Select another firm as the City's general liability Third Party Administrator.
2. Reject the proposals and DIRECT staff to reissue a third RFP.
3. Take another action the City Council deems appropriate.

IV. BACKGROUND

The administration of a self-insured general liability program requires a third party claims administrator that is competent and performance oriented. General liability claims must be managed in accordance with the Tort Claims Act of the State Government Code. The City's third party administrator must have litigation cost containment measures in place, have knowledge of City issues and provide prompt and professional communication with City staff and residents.

The existing TPA contract will expire on September 30, 2019. An RFP was issued on April 11, 2019 and was subsequently re-issued on July 11, 2019. Five firms responded with complete, accepted proposals.

The proposals were evaluated based on the quality of the proposal and firms' response to items requested in the RFP. A copy of the evaluation form (rating sheet) used by the review committee is attached as Exhibit No. 1. In summary, the six criteria are: 1) TPA Service Fee; 2) Personnel Qualifications; 3) References; 4) Scope of Work Ability; 5) Claims Management Approach and 6) Settlement and Legal Costs Control. The review committee scored the proposals in accordance with the RFP evaluation criteria and cost of the proposal. The scores were totaled and then ranked:

RFP Proposal Summary Chart

Rank	Firm	3-year fees	Additional Fees
1	Carl Warren	\$ 179,949.44	Subrogation Fee: 18% plus \$50 set-up. Time and Expense \$90 per hour.
2	Adminsure	\$ 125,280.00	\$2,500 flat fee for data conversion. Subrogation fee: 18% of recovery.
3	Tristar	\$ 183,457.00	Proposed fee is for up to 90 claims. \$695 per claim over 90. \$150/hr for data conversion. Unclear how many hours or the max amount.
4	George Hill	\$ 165,000.00	Proposed fee is for up to 75 claims. It's highly likely that the City will exceed this number; One time startup Fee 2,500; Annual Admin Fee 2,500-5,000 (with a trust account:\$5,000+); MMSEA Set up 150; MMSEA Annual 250; Conversion Fee 15,000 (sliding scale depending on length of contract); Subrogation fee: 30%; Time and Expense \$115/\$90/\$75 per hour.
5	Beringer & Associates	\$ 175,175.00	Pricing chart included arithmetical errors, which we fixed in the total shown here. Account Set up \$2,500; Data Conversion \$2,500; Annual Admin Fee \$2,400; Annual Admin Fee (separate from above admin fee) \$2,125. Proposer made arithmetic errors and shows total 3-year fee of \$167,000. Proposal includes principal plus 3 resumes but no discussion of individual roles.

With the exception of the incumbent Carl Warren & Company, each proposal included one-time data conversion costs in addition to the three-year contract amount. George Hill and Beringer & Associates also included other administrative fees.

Each proposer was asked to disclose their public entity clients, including cities. In addition, litigation cost controls and communication with staff and claimants are very important for effective claims administration.

After careful consideration, Staff's recommendation is to award the contract to Carl Warren & Co. Carl Warren & Co provides liability TPA services to Carson as well as many other municipalities, public and private entities. They have performed well over many years.

V. FISCAL IMPACT

Funds for this item is included in the FY 2019/20 budget and will be included in the FY 2020/21 and 2021/22 budgets.

VI. EXHIBITS

1. TPA Rating Sheet (Page 5).
2. Agreement for Third Party Claims Administrator Service between the City of Carson and Carl Warren & Company (Pages 6 - 39).

3. Carl Warren & Company Proposal (available upon request).

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