



CITY OF CARSON

Legislation Text

File #: 2021-985, Version: 1

Report to Mayor and City Council

Tuesday, January 04, 2022

Consent

SUBJECT:

CONSIDER APPROVAL OF AMENDMENT 1 TO THE CARL WARREN & COMPANY AGREEMENT FOR CONTRACT SERVICES FOR ADMINISTRATION OF THIRD PARTY LIABILITY CLAIMS ARISING FROM THE DOMINGUEZ CHANNEL ODOR INCIDENT AND ADOPT RESOLUTION 22-004 BUDGET TRANSFERS IN THE FY 2021-2022 HUMAN RESOURCES AND RISK MANAGEMENT DEPARTMENT BUDGET (CITY COUNCIL)

I. SUMMARY

In early October 2021, a foul odor began emanating from the Dominguez Channel, a waterway that cuts through the City. Even though the Dominguez Channel is not the City's property, the City does not control the channel, maintain, or have jurisdiction over the channel, and there is no evidence the City caused the odor event, the City started receiving claims related to the Dominguez Channel Odor Event. Based on the latest count, the City has received over 1800 claims related to Dominguez Channel.

Carl Warren & Company, the City's third-party claim administrator (TPA) has agreed to provide administration services for up to 2500 Dominguez Channel claims at a flat fee of \$100,000, and \$50 per claim for each claim over 2500. Without this amendment, the City would be subject to a fee of \$800 per bodily injury claim and \$400 property damage claim after the initial 125 claims in the contract year. The proposed amendment would save the City hundreds of thousands of dollars in claim handling fees.

II. RECOMMENDATION

1. APPROVE Amendment 1 to the Carl Warren & Company agreement for contract services to administer the Dominguez Channel Odor Event claims at a flat rate of \$100,000 for up to 2,500 claims, and \$50 per claim for claims in excess of 2,500.

2. AUTHORIZE the Mayor to execute the amendment following approval as to form by

City Attorney.

3. WAIVE further reading and ADOPT Resolution No. 22-004, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, BUDGET TRANSFERS WITHIN THE FISCAL YEAR 2021-22 BUDGET IN THE HUMAN RESOURCES AND RISK MANAGEMENT DEPARTMENT"

III. ALTERNATIVES

Take another action the City Council deems appropriate.

IV. BACKGROUND

The City is self-insured for its General Liability Program and maintains a contract with a third-party administrator (TPA) to handle the self-insured claims. Carl Warren & Company has provided TPA services to the City since 1978. The most recent contract agreement was awarded in 2019 and is effective until September 30, 2022. The agreement provides administration services for up to 125 claims per year at a flat annual rate. If we exceed 125 claims in a contract year, the agreement sets a fee of \$800 for each additional bodily injury claim and \$400 for each additional property damage claim. Historically the City receives an average of 70 claims per year.

In early October 2021, a foul odor began emanating from the Dominguez Channel, a waterway that cuts through the City. Soon after that the City started receiving claims related to the Dominguez Channel Odor Event. To date, the City has received more than 1800 claims alleging injury or damages arising from the occurrence. Residents have 6 months from the onset, or until April 2022, to file claims for damages or injury against the City. To avoid the high per claim fees that are contemplated in the agreement, staff negotiated an amendment with Carl Warren & Company to administer up to 2500 Dominguez Channel claims for a flat fee of \$100,000. The amendment sets a fee of \$50 per claim for each claim over 2500.

Although staff believes the City is not liable for damage or injuries caused by the incident, the expertise of a professional claims adjusting firm is needed to ensure compliance with applicable laws as well as to meet the requirements of the City's excess insurance carrier, PRISM. For the policy period 7/1/2021 - 6/30/2022, the City identified Carl Warren & Company as the sole administrator of liability claims. Therefore, it is important to use the same firm for the Dominguez Channel claims to avoid potential coverage disputes. Additionally, Carl Warren & Company warrants its performance in handling claims by contractually indemnifying the City for any errors and omissions in their performance. Therefore, staff is respectfully asking City Council to approve Amendment No. 1.

V. FISCAL IMPACT

There is no fiscal impact to the General Fund. Human Resources and Risk Management department will absorb the full projected \$100,000 costs related to amendment no. 1 of Carl Warren & Company service agreement. Resolution No. 22-004, if adopted, would transfer funds already allocated in the FY 2021-2022 Human Resources and Risk Management Department budget.

VI. EXHIBITS

1. Resolution 22-004, pages 4-5
2. Amendment No.1 to the Carl Warren & Company agreement, pages 6-13

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