



BROWN BROTHERS ADJUSTERS of NORTH INTERIOR
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DONALD K. SAMS, Manager

HOME OFFICE: SAN FRANCISCO, CA 94111

OUR FILE NO.

October 19, 1982

William Redmond
Risk Manager
Department of General Services
Risk Management & Insurance Division
800 - 10th Street, Suite 4
Sacramento, Ca. 95814

RE: Third Party Liability Claims Administration Audit

Dear Mr. Redmond:

This will acknowledge and thank you for yours dated October 15, 1982, to which you attached a copy of the third party liability claims administration audit dated September 13, 1982.

We reviewed the report with interest and find that many of the deficiencies listed were already noted and we are taking very positive steps toward correcting the situation.

We wish to advise that effective August 23, 1982, Mr. Jerry Lashley was hired for the specific purpose of handling the City of Sacramento account.

Since his employment we have instituted several changes along the lines of the recommendations listed by the audit. In response we will answer each recommendation as follows:

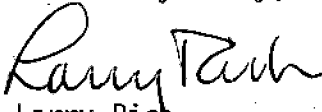
1. It is now standing policy that upon receipt of an assignment, field investigation is undertaken, and where the claimant is represented by an attorney that attorney is contacted to determine his theory of liability. If our investigation does not concur with the attorneys findings denial is recommended through the proper channel in an effort to start the statute of limitations.
2. As indicated above, because we have one man full time on the account all field investigation is now completed by this office with possible exception of investigation needed outside our territory. If possible this is done prior to the assignment of a defense counsel and he is made privy to this information.
3. Presently all field work accomplished, any telephone contacts made with either the claimant, City personnel or attorneys are duly noted in the file, making it quite easy for anyone to follow the progress of the file.



4. We believe that membership in the Pacific Coast Index Bureau would be beneficial to the City and although it means additional work by this office to prepare the necessary forms it is an excellent defense tool and as they noted can also be used by your workers compensation department.
5. We concur with the audit's finding that an analysis of uninvestigated cases somewhat fruitless. Unfortunately in the past we used a form letter when referring these matters to defense counsel. This letter has been altered to fit the occasion and an analysis will only be requested where a definitive investigation has been accomplished prior to assignment to defense counsel.
6. In the past two months several scheduled depositions have been halted by this office. It has been made very clear to the various defense counsel's that any scheduled depositions will be cleared through Mr. Lashley and that none would proceed without specific authorization.
7. Again for the past two months we have undertaken a complete program of evaluation/negotiation and settlement of various claims. Again in the past two months we have settled six cases that come to mind directly with the plaintiff attorney, and have effectively cut down defense costs in this area. This will be an ongoing pursuit and should reflect considerable savings in defense costs at years end.
8. We have requested authority to add another law firm to our list of recommended defense counsel in an effort to effect savings on defense costs.
9. We concur with the audit's finding that defense costs should be reserved. This can be accomplished by setting a separate reserve for a cost only or loading up the indemnity reserve. The method of handling this reserving should be discussed more thoroughly and an agreement reached.

If you have any further questions or need additional information as to our confirmation of the auditor's recommendations please advise and we will comply immediately.

Yours very truly,


Larry Rich,
Manager

LR/nb

RESOLUTION NO. 82-785

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AMEND AGREEMENT FOR ADMINISTRATION OF CLAIMS UNDER THE CITY'S SELF-INSURED RETENTION PROGRAM (SIR)

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That the City Manager is hereby authorized to enter into an agreement that supersedes prior agreement (A7922) between the City of Sacramento and Brown Brothers Adjusters;
2. That the terms of the new agreement will provide for:
 - a) An expiration date of January 19, 1986;
 - b) Adjusters remuneration for the period January 19, 1983 through January 19, 1984 to be:
 - 1) \$108.53/claim for the 1st 600 claims;
 - 2) \$127.68/claim for claims exceeding 600 in number/year up to 700; and
 - 3) \$159.60/claim or time and expense at regular billing rates, whichever is less, for claims in excess of 700/year;
 - c) The City to assume all open claims, occurring after January 20, 1983, 30 days following termination of agreement, allowing Brown Brothers 30 days to attempt to settle as many claims as possible and to bring its files to a current status with a final status report on each file;
 - d) In the event of a catastrophe loss causing multiple claims from a single occurrence, the adjuster shall handle the first 10 claims without any additional compensation other than provided in the contract;
 - e) The compensation paid to the adjuster for the second and third year of this agreement (Jan. 20, 1984 to Jan. 19, 1985, and Jan. 20, 1985 to Jan. 19, 1986) shall be based upon the United States Department of Labor Consumer Price Index (CPI) not to exceed 10%, for the San Francisco-Oakland area for all Urban Consumers adding the "CPI" increase between December and December of the prior year;

APPROVED
BY THE CITY COUNCIL

NOV 16 1982

OFFICE OF THE
CITY CLERK

- f) The City agrees to reimburse the adjuster for files remaining open in excess of two years on a time and expense basis at \$25.00 per hour with a maximum limit of \$10,000 per year. For purposes of this provision the contract year starting Jan: 20, 1985, will be the first year that this additional cost will be applicable; and
- g) All other terms and conditions of the original agreement shall remain in force and effect in the said agreement.

3. That the Department of Finance is authorized and directed to pay for the said services from the Risk Management and Insurance Program Budget 4-21-1452-0000-4258.

MAYOR

ATTEST:

CITY CLERK