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DEPARTMENT OF  
FINANCE  
  
RISK MANAGEMENT &  
INSURANCE DIVISION

CITY OF SACRAMENTO  
CALIFORNIA  
March 1, 1990  
RM:90018WP:WR/eb

CITY HALL  
ROOM 14  
915 I STREET  
SACRAMENTO, CA  
95814-2685

Budget & Finance Committee  
Sacramento, California

916-449-5556

WILLIAM REDMOND  
MANAGER

Honorable Members in Session:

SUBJECT: AUTO AND GENERAL LIABILITY CLAIMS THIRD PARTY  
ADMINISTRATION SERVICES FOR THE CITY

SUMMARY

This report recommends the award of a five (5) year contract subject to annual review to Bragg & Morse, Inc. to provide the City of Sacramento with auto and general liability claims administration services.

BACKGROUND

The previous Agreement for third party administrator of auto and general liability claims services between the City of Sacramento and Adjustco, Inc. terminated on January 19, 1990.

On January 9, 1990, the City Council authorized cancellation of the City's Agreement with Adjustco, and adopted RFP specifications to go out to bid for a new auto and general liability claims administrator.

The claims administration services proposal was issued with an appropriate timetable for selecting the new subject claims administration service.

Request for Proposals were mailed out to eleven (11) local claims service offices and advertisements were placed in required newspapers.

On February 8, 1990, seven (7) qualified written proposals responsive to the bid request were received by the City. These proposals were reviewed by a committee composed of five (5) city staff members: Jack Crist, Deputy City Manager; Donna Giles, Personnel Director; Richard Antoine, Deputy City Attorney; Frank Mugartegui, General Services Director; and William Redmond, Risk Manager; and the committee selected the three (3) most qualified firms for final interviews.

<u>Qualified Proposals Received</u>	<u>Firms Selected for Interview</u>
Bragg & Morse, Inc.	X
Gallagher Bassett Insurance Services	
G.A.B. Business Services, Inc.	
George Hills Co., Inc.	X
Carl Warren & Co.	X
Pearce & Frankman	
Insurance Consulting	

The firms interviewed are all capable and qualified claims administrators, making the selection difficult. Selection of the recommended claims administrator was based on the following criteria: 1) Length of public entity experience; 2) Third party administration and legal experience; 3) Quality of their claims and financial reporting system; 4) Background and reference checks; 5) Firm bid that included the cost of the run off of approximately 485 open claims; and 6) A dedicated staff. Bragg & Morse is the unanimous choice of the staff committee after completing the screening and interview process.

#### FINANCIAL DATA

Funding is provided in the FY 1989-90 budget for the subject service.

Bragg & Morse proposes two (2) options to the City of Sacramento for the proposed services as follows:

#### (OPTION 1) - CITY PROVIDES OFFICE SPACE TO LOCATE BRAGG & MORSE AS DEDICATED STAFF IN CITY FACILITIES

##### 1) Current Claims

For claims commencing at the inception of the contract, Bragg & Morse is to perform all administrative services offered in this proposal. The following fees are proposed on a flat annual fee of \$188,400 or \$15,700 per month for up to 600 new claimants per year. New claims over 50 per month will be billed at \$38.00 per hour plus expenses.

##### 2) Other Expenses

For services pursuant to this agreement the only additional allowable expenses incurred will be billed at the following rates:

- a) Mileage - \$.35 per mile
- b) Photographs - \$2.00 per photograph

These charges will be billed on a monthly basis.

3) Run-Off Claims

There will be no additional charge for servicing open claims being serviced by our previous administrator.

4) One Time Charge

A) A one time charge of not to exceed \$4,000 for converting historical data from Corporate Systems (Adjustco) to Bragg's software system.

B) Bragg & Morse will purchase a computer terminal, modem, word processor and laser printer to support the dedicated staff of three for this agreement for a one time charge of \$5,000.

5) Contract Terms

The term of this contract shall be from March 27, 1990, to and including March 26, 1995. This agreement may be terminated by either party for any reason upon sixty (60) days written notice. This agreement will be automatically renewed on a yearly basis subject to the same terms and conditions, except Paragraph one (1) above which may be renegotiated by the parties hereto.

(OPTION 2) - BRAGG & MORSE WILL PROVIDE OFFICE SPACE, FACILITIES AND EQUIPMENT TO HOUSE THE DEDICATED STAFF REQUIRED TO SUPPORT THIS PROPOSAL

All costs will be the same as Option 1 except current claims costs will carry an additional 20% office and overhead monthly combined charge to provide the facilities and equipment items to provide the required liability claims management services for the City of Sacramento.

MBE/WBE EFFORTS

A comprehensive effort was made to identify any MBE/WBE firm who provide third party auto and general liability claims services. Requests for proposals were sent out to all known local third party administrators. We advertised in local newspapers. It was not known whether any of these firms would qualify as MBE/WBE firms.

After reviewing all seven proposals submitted it was determine that none of the seven firms qualified for an MBE/WBE designation.

RECOMMENDATION

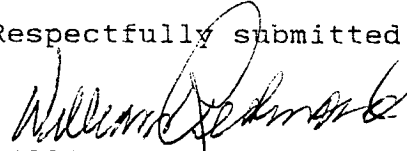
It is the recommendation of the City's Risk Management Committee that the Budget & Finance Committee forward with a recommendation

March 1, 1990

for approval the attached resolution awarding a contract to Bragg & Morse, Inc. authorizing both options for a period of five (5) years, subject to annual review.

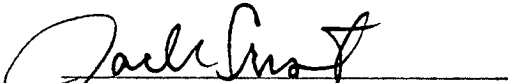
The City proposes to start with option 2 that will allow Bragg & Morse to immediately administer the City's account in their local office. Option 1 will allow the City to locate Bragg & Morse's dedicated unit in city office space at a later date if it is cost effective to do so.

Respectfully submitted,



William Redmond  
Risk Manager

Recommendation Approved:

  
Jack Crist  
Deputy City Manager

All Districts  
March 13, 1990

Contact Person to  
Answer Questions:

William Redmond, Risk Manager  
449-5556

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

## RESOLUTION APPROVING AWARD OF AUTO AND GENERAL LIABILITY CLAIMS ADMINISTRATION SERVICE

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

1. That the City Manager is hereby authorized and directed to contract with Bragg & Morse, Inc. either Option 1 or Option 2 for a period of five (5) years, starting March 27, 1990, through March 26, 1995, subject to annual review and the availability of office space within the City's facilities, for Auto and General Liability Claims Administration Services for the City;
2. (OPTION 1)-IF THE CITY PROVIDES OFFICE SPACE TO LOCATE BRAGG & MORSE DEDICATED STAFF IN CITY FACILITIES

1) Current Claims

For claims commencing at the inception of the contract, Bragg & Morse is to perform all administrative services offered in this proposal. The following fees are proposed on a flat annual fee of \$188,400 or \$15,700 per month for up to 600 new claimants per year. New claims over 50 per month will be billed at \$38.00 per hour plus expenses.

2) Other Expenses

For services pursuant to this agreement the only additional allowable expenses incurred will be billed at the following rates:

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RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

4) One Time Charge

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- B) Bragg & Morse will purchase a computer terminal, modem, word processor and laser printer to support the dedicated staff of three for this agreement for a one time charge of \$5,000.

5) Contract Terms

The term of this contract shall be from March 27, 1990, to and including March 26, 1995. This agreement may be terminated by either party for any reason upon sixty (60) days written notice. This agreement will be automatically renewed on a yearly basis subject to the same terms and conditions, except Paragraph one (1) above which may be renegotiated by the parties hereto.

(OPTION 2)-BRAGG & MORSE WILL PROVIDE OFFICE SPACE, FACILITIES AND EQUIPMENT TO HOUSE THE DEDICATED STAFF REQUIRED TO SUPPORT THIS PROPOSAL

All costs will be the same as Option 1 except current claims costs will carry an additional 20% office and overhead monthly combined charge to provide the facilities and equipment items to provide the required liability claims management dedicated unit services for the City of Sacramento.

- 3. That the Department of Finance is authorized and directed to pay fees for said coverage from the Risk Management and Insurance Program budget 4-21-11-1151/2-4258.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
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DATE ADOPTED: \_\_\_\_\_