

**Lee County Board Of County Commissioners
Agenda Item Summary**

Blue Sheet No. 20020954

1. REQUESTED MOTION:

ACTION REQUESTED: Approve expenditure of \$173,519 to Gallagher Bassett Services, Inc. for claims administration services for the County's self-insured liability and workers' compensation insurance program effective 10/1/02-03. This deposit is based upon anticipated claim activity and is auditable at the 18th, 24th, 36th and 48th month intervals. Should our actual claims activity be more than anticipated, an additional fee will be due. If our claims do not materialize as anticipated, Gallagher Bassett will return a portion of the deposit.

WHY ACTION IS NECESSARY: To retain the services of a qualified third party claims administrator to adjust and pay claims.

WHAT ACTION ACCOMPLISHES: Retains the services of Gallagher Bassett Services, Inc. for the second of a possible five-year agreement (as approved by the Board on September 18, 2001)

2. DEPARTMENTAL CATEGORY:

COMMISSION DISTRICT #

CIC

3. MEETING DATE:

09-03-2002

4. AGENDA:

- CONSENT
- ADMINISTRATIVE
- APPEALS
- PUBLIC
- WALK ON
- TIME REQUIRED:

5. REQUIREMENT/PURPOSE:

(Specify)

- STATUTE
- ORDINANCE
- ADMIN. CODE
- OTHER

6. REQUESTOR OF INFORMATION:

- A. COMMISSIONER
 - B. DEPARTMENT County Administration
 - C. DIVISION Budget Operations
Risk Management
- BY: Anthony Majul
Budget Director

7. BACKGROUND:

On September 18, 2001 the Board approved Blue Sheet #20010997 for claims administration services for our liability and workers' compensation claims. Also approved was the authority to renew this contract for two additional one-year periods beyond the initial three-year agreement, upon mutual agreement of both parties.

The Risk Management office is satisfied with the level of service received from Gallagher Bassett Services, Inc. The proposed renewal fee of \$173,519 reflects an increase of \$32,063 (23%) from the prior year fee of \$141,456 and is attributed to an 18% increase in the number of anticipated claims and a 5% increase in the per claim rates.

Gallagher's service fee is a deposit based on anticipated claim activity. Deposit audits will be performed at the 18th, 24th, 36th and 48th month of the given claim period. Should our claims annualize out at less than the deposit, Lee County would be eligible for a refund at the 18th, 24th, 36th, and/or 48th month audit. Should our claims annualize out at more than the deposit, Lee County would be obligated to pay additional fees at the 18th, 24th, 36th, and/or 48th month audits.

Funds will be available in account string #GC5133857700.503190, Self-Insurance, Property and Liability, Other Professional Services in the amount of \$173,519.

8. MANAGEMENT RECOMMENDATIONS: The Budget Office recommends approval of the motion.

9. RECOMMENDED APPROVAL:

A Department Director	B Purchasing or Contracts	C Human Resources	D Other	E County Attorney	F Budget Services				G County Manager
<i>[Signature]</i>				<i>[Signature]</i>	OA <i>[Signature]</i> 8/20/02	OM <i>[Signature]</i> 8/21/02	Risk <i>[Signature]</i> 8/20/02	GC <i>[Signature]</i> 8/20/02	<i>[Signature]</i>

10. COMMISSION ACTION:

- APPROVED
- DENIED
- DEFERRED
- OTHER

APPROVED BY CO. ATTY. *[Signature]*
11/6/02
CO. ATTY. *[Signature]*
FORWARDED TO: *[Signature]*

8-20-02
2:15 DTD
COUNTY ADMIN.
FORWARDED TO: *[Signature]*



Gallagher Bassett Services, Inc.

02 JUL 20 11:14:05

July 19, 2002

Lee County Board of County Commissioners
c/o Lori Parsons, Risk Program Manager
PO Box 398
Fort Myers, Florida 33902-0398

RE: Gallagher Bassett Services Renewal for the 2002 to 2003 Claim Period

Dear Lori:

Please find enclosed the Gallagher Bassett Services, Inc. renewal quotes for Third-Party Administration Services for the 2002 to 2003 year. The 2002 to 2003 year is the second year of a three-year agreement. The claim rates were capped at a 5% increase due to the multi-year agreement signed last year. Per your request, I have attached a quote for the County's renewal and a separate quote for the Sheriff's department.

We anticipate the estimated number of reported claims at the County to increase due to the three-year average we conducted on your claim counts. With this increase, ancillary fees will increase because claim volume directly affects the Administration, Coordination and Data Management fees especially workers' compensation indemnity claims and bodily injury claims. As you will see, the claim volume is estimated to increase 18%. With the corresponding claim rates increasing 5%, your overall increase is about 23%. For your reference, I have attached the most recent Loss and Claim experience report.

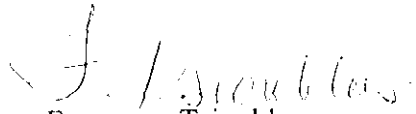
~~The projected number of claims for the Sheriff's department was taken from the correspondence you sent me in June. We have included the Sheriff's department as part of County which will allow us to apply the discounted claim rates from the multi-year agreement to the Sheriff's department quote.~~

Per our discussion, you will receive your monthly loss runs via e-mail beginning October 30, 2002 rather than having them a paper copy mailed to you. Furthermore, you do have access to 18 months worth of loss runs via Risxfacs.com.

Gallagher Bassett Services, Inc.
PO Box 4840
Clearwater, Florida 33758-4840
(727) 796-6929 ext. 249
Fax (727) 796-3559

Please do not hesitate to contact me with any questions you may have.

Sincerely,

A handwritten signature in cursive script, appearing to read "F. Tsiouklas".

Francesca Tsiouklas
Account Manager

Lee County*

Explanation of Quote

To derive the expected claim count for Lee County's 2002 to 2003 year, Gallagher Bassett conducts an average of actual claims from the last two years claim history and estimates the remaining months of 2002. Lee County's claim count for the 2002 to 2003 claim period was estimated to be 375 claims. Average number of claim over the three claim periods is 375 claims.

	Actual <u>1999-2000</u>	Actual <u>2000-2001</u>	Annualized 9-mos.+10% IBNR <u>2001-2002</u>	<u>Avg.</u>
Auto Lia.-Bodily Injury	14	22	51	29
Auto Lia.- Property Damage	43	39	50	44
General Lia.- Bodily Injury	22	9	13	15
General Lia.- Prop Damage	67	81	79	76
Products/Professional	5	2	0	2
Workers Comp. Med Only	98	115	163	125
Workers Comp. Indemnity	79	78	94	84
	328	346	450	375

Lee County is in the middle a multi-year agreement with Gallagher Bassett Services, Inc. This is the second year of a three-year agreement. Per claim rates are capped at 5% this year.

*Does not include the Sheriff's department.

Lee County Board of County Commissioners
Two Year Comparison*
Second Year of a Three-Year Agreement
2002 to 2003

CLAIMS SERVICE	# Claims 01/02	# Claims 02/03	% Change	Rate 01/02	Rate 02/03	% Change	Price 01/02	Price 02/03	% Change
Auto Liability - Bodily Injury	22	29	32%	\$597	\$627	5.0%	\$ 13,134.00	\$ 18,183.00	38%
Auto Liability - Property Damage	46	44	(4%)	\$305	\$320	5.0%	\$ 14,030.00	\$ 14,080.00	0%
General Liability - Bodily Injury	11	15	36%	\$597	\$627	5.0%	\$ 6,567.00	\$ 9,405.00	43%
General Liability - Property Damage	64	76	19%	\$305	\$320	5.0%	\$ 19,520.00	\$ 24,320.00	25%
Professional	4	0	0%	\$629	\$660	5.0%	\$ 2,516.00	\$ -	0%
WC - Medical Only	99	125	26%	\$106	\$111	5.0%	\$ 10,494.00	\$ 13,875.00	32%
WC - Indemnity	69	84	22%	\$753	\$791	5.0%	\$ 51,957.00	\$ 66,444.00	28%
TOTAL CLAIMS	315	373	18%				\$ 118,218.00	\$ 146,307.00	24%
Data Management Services							\$ 12,805.00	\$ 14,817.00	16%
Administration/Coordination							\$ 6,974.00	\$ 7,808.00	12%
Information Services: Risxfacs.com 1 user							\$ 1,995.00	\$ 2,095.00	5%
Banking							\$ 1,464.00	\$ 2,492.00	70%
GRAND TOTAL							\$ 141,456.00	\$ 173,519.00	23%

*The 02/03 service fee quote is a deposit based on 100% of anticipated activity. This is a life of contract agreement.

Lee County Board of County Commissioners is in the second year of a three year agreement.

Claim counts will be audited on the 18th, 24th, 36th, and 48th month.

Lee County Board of County Commissioners

TERMS AND CONDITIONS

- (1) Claim deposits will be reviewed semi-annually and audited at the 18th, 24th, 36th and 48th month.
- (2) Ind-Surcharge states are identified as Arizona, Florida, Idaho, Maine, Minnesota, New Mexico, New York, North Carolina, Ohio and South Carolina. Should **Lee County** have claims in these states, they will be billed at the rates listed on the renewal cost and terms document.
- (3) Claims will be handled for the life of the contract with no additional per claim fees. If **Lee County** should decide to non-renew, their existing open files can be handled in one of three ways:
 1. Gallagher Bassett would continue to handle the open files at our prevailing rates fee per year per open file.
 2. Gallagher Bassett would continue to handle the open files on a Time and Expense basis.*
 3. Gallagher Bassett would return the files to **Lee County**. (Contingent upon Carrier approval).
- (4) RISX-FACS® includes the following:
 - New Claim Set Up
 - Historical claims
 - Lee County Report Package
 - Claim Activity Report - Monthly**
 - Claim Register - Monthly**
 - Claim Register Annually**
 - Claim Loss Analysis - Monthly**
 - Accident Loss Analysis- Monthly**
 - Managed Care Savings Detail - Monthly**
 - Managed Care Savings Summary – Monthly**
 - Carrier Report Package
- (5) Account Administration includes the following:
 - **Account Manager**
 - **Loss Notices @ \$10,000**
 - **Detailed Status Reports (formerly known as Topical Captioned Reports) @ \$50,000**
 - **Index Bureau Reporting**
 - **Settlement Authority @ \$50,000**
 - **Quarterly Meetings**
 - **SIMMS Banking**
- (6) RISXFACS.com: On-line access for one user to Gallagher Bassett claim database
 - **On-line usage is included**
 - **Ad-hoc report usage is included**
- (7) Billing and Payment Terms: Fees will be billed on an agreed upon interval (monthly, quarterly) during the calendar year. Fees are payable upon receipt of the invoice. Gallagher Bassett reserves the right to charge 1% per month, or the maximum legal rate, on balances unpaid after 30 days.

(8) **Claim Charges:**

The claim charge is applicable per claimant per line of coverage.

Example Only: A client during working hours is involved in an automobile accident with another vehicle with two occupants. Both occupants were injured, both cars were damaged and our client was injured.

The claims handling charges (example only) will be:

Claimant #1 - Auto Liability Bodily Injury	\$627
Claimant #2 - Auto Liability Bodily Injury	\$320
Claimant Owner - Auto Liability Property Damage	\$320
Client - Workers' Compensation	\$791
	\$2,058

The total GB fee is \$2,058 to adjust the accident. **Specific claim charges by claimant by line of coverage is normal practice in our industry.**

(9) **Allocated Expenses:** Shall be the responsibility of the CLIENT and shall include, but not be limited to:

- Legal fees
- Professional photographs
- Extraordinary costs for witness statements
- Medical records
- Experts' rehabilitation costs
- Fees for service of process
- Architects, contractors
- Engineer
- Police, fire, coroner, weather, or other such reports
- Property damage appraisals
- Sub Rosa investigation
- Official documents and transcripts
- Pre-and post-judgment interest paid
- Managed Care
- Medical examinations
- Extraordinary travel made at client's request
- Court reports
- Accident reconstruction
- Chemist
- Collection cost payable to third parties on subrogation
- Any other similar cost, fee or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a claim or loss which must have the explicit prior approval of the client.

(10) **Managed Care:** Managed Care services may include, but not be limited to:

- Preferred provider organization networks
- Automated state fee scheduling
- Medical case management and vocational rehabilitation network
- Utilization review services
- Light duty - return to work programs
- Prospective injury management services
- Hospital bill audit services

STANDARD CLAIMS MANAGEMENT SERVICES

(11) **Workers' Compensation - Medical Only**

Evaluate and adjudicate work-related claims involving medical treatment only. Claims will be adjudicated according to statutory requirements and corporate guidelines. The guidelines anticipate:

- Investigation sufficient to determine claim type and compensability.
- No subrogation is required.
- Lost days do not exceed statutory waiting period.
- No payments for indemnity and vocational rehab.
- No loss notices, captioned reports, client meetings or settlement authority is required.
- Payments on claim do not exceed \$2,500.

Claims requiring services beyond the guidelines stated above will be considered indemnity cases.

(12) **Workers' Compensation - Indemnity Claims**

Investigate, evaluate and adjudicate work-related claims involving disability and/or payment of medical and other expenses. Claims will be adjudicated according to statutory requirements and corporate guidelines.

(13) **Liability Claims**

Investigate, evaluate and adjudicate all third party claims for which **Lee County** may be legally obligated. Third-party claims will be managed and administered in accordance with our product guidelines.

(14) **Property Claims**

Investigate, evaluate and adjudicate all first-party claims which the **Lee County** reports involving damage or loss of real or personal property. First-party claims will be managed and administered in accordance with our product guidelines.