

May 22, 2002

Honorable Mayor and Members of
The Hermosa Beach City Council

Regular Meeting of
May 28, 2002

**Approval of Recommendation for Third Party Administration of General
Liability Claims**

Recommendation:

It is recommended that the City Council approve a proposal for third party administration of the City's general liability claims submitted by the firm of Colen & Lee and authorize the City Manager to negotiate and execute a contract for a three year term commencing July 1, 2002 with an option to negotiate a two year extension based on performance.

Background:

The contract with the existing third party administrator, Fleming & Associates, will expire June 30, 2002. Fleming & Associates has been providing third party administration of the City's general liability claims since July 1, 1997. At that time the City entered into a three year service agreement that contained a two year extension provision. At the completion of the three year term, the extension was executed as the services performed were acceptable and Fleming & Associates agreed to continue providing the service without an increase in fees. The service fees have remained unchanged since July 1, 1997. In anticipation of the expiration of the agreement, staff prepared and advertised a request for proposals. The Notice Inviting Proposals was published on April 4 and April 11, 2002 in the Daily Breeze. The Request For Proposals was also mailed directly to thirteen companies who had either requested to be placed on a bid list or are known to provide the services desired.

The City received six responses to the request. Based on an initial review of the proposals submitted, four of these companies were invited to an interview with the Personnel & Risk Management Director and the Finance Director.

Analysis:

The lowest bid from the proposals submitted was provided by Colen & Lee at a maximum fee of \$12,000 per year for the three year term. Below is a table showing the total three year cost of the four companies interviewed. As shown, Colen & Lee's proposed fee is approximately 21% less than the fee proposed by Fleming & Associates. It should be noted that Fleming & Associates has proposed a 43% increase in fees.

	Total 3 Year Cost
Colen & Lee	\$36,019
Fleming & Associates	\$43,500
Advanced Risk Technologies	\$55,600
Ward North America	\$61,500

The City has experience in service provided by Colen & Lee, as this was the company providing liability claims administration services through June 30, 1997. Colen & Lee currently provides liability claims administration services for twelve other cities and several special districts. The company's focus is in providing service to local governments. References were also contacted with very favorable recommendations. In addition, Colen & Lee is on the list of approved claims administration service providers maintained by the Independent Cities Risk Management Authority.

It is anticipated that a contract can be negotiated with Colen & Lee which will include provisions for termination should the services provided not be acceptable. A three year contract is proposed with an option for a two year renewal based on performance as recommended by the City Manager and Personnel Director.

Attached is a copy of the proposal from Colen & Lee for your review and information. Copies of each of the proposals submitted are available for review in the Personnel Office.

Fiscal Impact:

The fiscal impact of approving the proposal with Colen & Lee will result in an expenditure not to exceed \$13,875 in the 2002/2003 fiscal year. Over the three year proposed term, a twenty-one percent (21%) savings will be realized over the fees proposed by the current service provider.

Respectfully submitted,

Concur,

Michael A. Earl, Director
Personnel & Risk Management

Stephen Burrell
City Manager