

January 18, 2006

Honorable Mayor and Members of
The Hermosa Beach City Council

Regular Meeting of
January 24, 2006

**Approval of an Extension to Contract for Third Party Administration of
Workers' Compensation Claims**

Recommendation:

That the City Council approve a six month extension to the contract with Hazelrigg Risk Management Services for third party administration of the City's Workers' Compensation claims.

Background:

The contract with the existing third party administrator of the City's workers' compensation claims, Hazelrigg Risk Management Services, became effective January 1, 2001. The contract was for a three year term and provided an option for extending an additional two years. The City exercised the extension option and the contract expired on December 31, 2005.

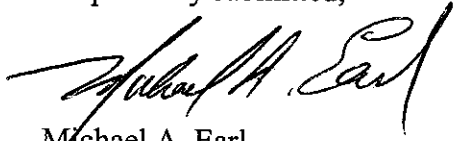
Analysis:

Ongoing administration of the City's workers' compensation claims is an important contracted service. As the existing contract expired on December 31, 2005, an extension is necessary so that staff may fully analyze the service currently provided and the workers' compensation claims program overall. Since the last request for proposal process for third party claims administration services was completed, considerable evaluation of member cities' workers compensation claims programs has been completed by the Independent Cities Risk Management Authority (ICRMA). ICRMA completed a request for proposal process with the goal of requiring member cities to use an authorized third party administrator. While the mandatory utilization of a particular administrator was not ultimately approved by the ICRMA governing board, the committee did complete an extensive evaluation of service providers. ICRMA has also been working on developing recommended performance standards for use by member cities who contract for third party claims administration. It has yet to be determined whether these standards will become mandatory for cities participating in the ICRMA workers' compensation program; however, they will likely be useful to cities that want to ensure a high level of claims administration service. Staff anticipates using much of the evaluation standards and criteria developed by ICRMA in evaluating future service for the City of Hermosa Beach.

Fiscal Impact:

The fiscal impact of approving the contract extension with HRMS will result in an expenditure of \$14,323 for the six month period of January 1, 2006 through June 30, 2006. There is no change proposed from the current rate and funds are included in the current year budget.

Respectfully submitted,



Michael A. Earl
Personnel & Risk Management Director

Concur,

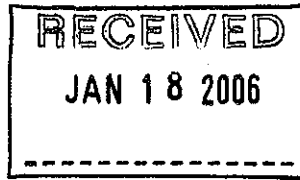


Stephen Burrell
City Manager

Noted for fiscal impact:



Viki Copeland
Finance Director



Post Office Box 669
Chino, California 91708
Phone: (909) 993-0340
Fax: (909) 627-3460

January 17, 2006

Mr. Michael Earl
Director of Personnel & Risk Management
City of Hermosa Beach
1315 Valley Drive
Hermosa Beach, CA 90254

RE: Contract Renewal / Extension

Dear Michael:

It was a pleasure taking with you last week, and we look forward to our continued relationship with the City. As you are aware, the claims administration agreement between the City of Hermosa Beach and Hazelrigg Risk Management Services expired on December 31, 2005. The agreement is continuous and renewable on an annual basis with service fees for future periods negotiable.

Pursuant to the City's request, we have extended the City's contract for six (6) months at the contract rate for 2005. At this time, we recommend to the City that the renewal/extension of the existing agreement remain unchanged except for Sections 1 and 2, relating to the "Term of Agreement" and "Consideration", respectively.

We value our relationship with you and the City of Hermosa Beach and would like very much to continue servicing your program. We are pleased and proud to be your workers' compensation administrator. During the last two and a half years of managing your workers' compensation program, we feel we have fine-tuned it to a very high level of effectiveness, and my staff has worked very effectively with your office to reduce your program's overall costs. In the last two and a half years, your City has realized over \$332,761.73 in savings by HRMS actively and aggressively reviewing and reducing inflated medical and hospitalization bill.

I have enclosed two copies of the amendment for your review. If it meets with your approval, please execute, returning one copy to our office. Again, thank you for your support and patronage. We look forward to working with you and your City's program.

Sincerely,

A handwritten signature in black ink, appearing to read 'CJ Fondrick', with a stylized flourish at the end.

Cathi J. Fondrick
Account Manager

Enclosure

**AMENDMENT TO THE CITY OF HERMOSA BEACH
AGREEMENT FOR CLAIM ADMINISTRATION SERVICE**

This AMENDMENT TO AGREEMENT FOR CLAIMS ADMINISTRATION SERVICES (the "Amendment") is made and entered into as of January 1, 2006 by and between the City of Hermosa, hereinafter referred to as "Agency", and Hazelrigg Risk Management Services, Inc., hereinafter referred to as "HRMS".

With reference to the certain Workers' Compensation Two-Year Term Administration Service Agreement ("Agreement") by and between Agency and HRMS, it is hereby agreed as follows:

SECTION 1: Paragraph 1. Term of Agreement is hereby amended to read as follows:

1. Term of Agreement

The term of this Agreement shall be from January 1, 2006 through June 30, 2006, and renewing on an annual basis unless otherwise terminated as stated in the Agreement in Section 6.

SECTION 2: Paragraph 2. Consideration a. of the Agreement is hereby amended to read as follows:

2. Consideration

HRMS' service fee for the period of January 1, 2006 through June 30, 2006 shall be Fourteen Thousand Three Hundred Twenty-three Dollars (\$14,323) for claims administration.

Except as amended hereby, the Agreement shall remain in full force and effect unchanged.

ACCEPTED BY:


City of Hermosa Beach
1315 Valley Drive
Hermosa Beach, CA 90254

ACCEPTED BY:

Hazelrigg Risk Management Services, Inc.
14275 Pipeline Avenue
Chino, CA 91710

By: _____

By: _____


Arlene Hazelrigg
President

Date: ____/____/2006

Date: Jan 1 / 12 / 2006

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Hazelrigg Risk Management Services, Inc.
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Chino, CA 91710

By: _____

By: 
Arlene Hazelrigg
President

Date: ____/____/2006

Date: Jan 12/2006