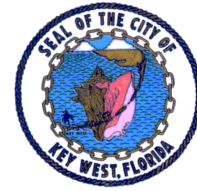


Executive Summary



To: Patti McLauchlin, City Manager

CC: Todd Stoughton, Assistant City Manager

Christina Bernaldi, Director of Finance

From: Laura Estevez, Risk Manager/Safety Officer

Date: 9/1/2022

RE: RFP# 22-004- Third Party Claim Administration

Action:

Respectfully request the City Commission award proposal of Relation Insurance Services (formally EMI) for policy years 10/01/2022-09/30/2025 for services rendered as the City of Key West Third Party Claims Administrator. Additionally, authorizing the City Manager or designee to negotiate and execute an agreement with Relation Insurance Services for the policy year 2022-2025 with the option, to renew agreement on an annual basis, for up to two (2) additional policy years. Additionally authorizing the City Manager or designee to execute all necessary documents with the advice and consent of the City Attorney.

Background:

On September 15, 2009, the City Commission adopted Resolution No. 09-246, authorizing the acceptance of Employers Mutual, Inc. (EMI), now Relation Insurance Services (Relation), proposal to serve as the City's insurance (property, casualty, and workers' compensation) program Third Party Administrator (TPA) for policy year 2009/2010, with option of four (4) additional years. The intent of the RFP was to provide the City the opportunity to annually re-evaluate the services provided by (EMI)/Relation and to exercise its option for renewal in subsequent policy periods based on performance.

Policy year 2013/2014 represented the final one (1) year period that could be exercised by the City, pursuant to Resolution 09-246 and RFP 09-011. Subsequently, the City Commission adopted Resolution No. 14-085 approving an additional one (1) year extension for policy year 2014/2015.

In Resolution 15-184, the City Commission authorized extending the Agreement for Administrative Services with (EMI)/Relation, for policy period 10/1/2015 to 9/30/2016, with an option to renew for three (3) additional one-year periods based on the same premise of exercising said option to renew based on performance.

In Resolution 19-247, the City Commission authorized extending the Agreement of Administrative Services with (EMI)/Relation for policy period 10/1/2019 to 10/1/2022.

On June 21, 2022, the City of Key West engaged Ben Few & Company, an independent insurance consultant, to assist the City in development of a Request for Proposal (RFP) to receive competitive proposals for the Third Party Claims Administration of the City's Property and Casualty Claims (to include Workers' Compensation), Claims Management for the 10/01/2022-09/30/2025 policy year. In addition to preparing the RFP, Ben Few & Company was requested to evaluate proposals, confirm all proposer references, and facilitate answering of any questions with the RFP Evaluation Committee.

On June 27, 2022, RFP was issued and advertised via Demandstar and sent via email to several Florida TPA's by Ben Few & Company.

On August 10, 2022, sealed RFP proposals were received and were publicly opened by the City Clerk. Three prospective service providers responded to the RFP:

1. Gallagher Bassett Services, Inc.
2850 Golf Road
Rolling Meadows, IL 60008

2. PMA Management Corp.
380 Sentry Parkway
PO Box 3031
Blue Bell, PA 19422

3. Relation Services of Florida
700 SE Central Parkway
Stuart, FL 34994

Based on evaluations provided by the RFP Selection Committee on August 24, 2022, the Committee has selected Relation Insurance Services with a score of 68/100 points. See Attachment A- Evaluation Committee Scoring and Ranking RFP# 22-004.

Financial Impact:

The services Relation Insurance has provided to the City thus far, following are highlighted statistics since the inception of the relationship back in September 2009. Prior to Relation's inception in 2009, the average annual workers' compensation claim cost from 2005-2008 was \$1.6M. Looking at the continued claim development for each four-year period since that time there has been a downward trend of claim costs reflected below:

2009-2012 = \$748,961.21
2013-2016 = \$651,241.69
2017-2020 = \$554,532.69

- The average number of workers' compensation claims for the same periods above with the reduction over the average count from 2005-2008:

	Avg WC Claim Count	Reduction from 2005-2008
2005-2008	113	
2009-2012	76	33%
2013-2016	72	36%
2017-2020	64	43%

- Total claims costs on all lines of business:

	Total Claims Costs All Lines	Net Change from Prior 4-Year Period
2005-2008	\$10.1M	
2009-2012	\$6.1M	-\$4M
2013-2016	\$6.7M	+\$600,000
2017-2020	\$2.9M*	-\$3.8M*

*Still in development

- The City's workers' compensation modification rate decreased from a 2.13 in 2010 to a 1.3 in 2014. The 2021 State of Florida's modification rate for the City of Key West is 1.13. This continued decline in the City's Self-Insurer Experience Modification rate represents significant savings to the City in premiums, assessments, and loss funds.

The most significant savings to the City by continuing its relationship with Relation Insurance Services has been realized in the result of excellent claims management over the last 10 years. Flat rate fees comprise roughly 3% of overall claims costs. Effective claims management is the key to significant cost savings as opposed to simply comparing administrative fees on paper. However, Relation Insurance has excelled in both areas as it has provided the City with both savings in claims management efforts as detailed above, as well as savings in administrative fees as discussed below.

Relation's fee schedule is very simple in that it charges the City based on a flat rate fee per claim. Relation charges flat rate fees for workers' compensation claims based on the statutory definition of Lost Time and Medical Only, rather than a non-statutory definition. The cost difference between Medical Only and Lost Time is approximately \$1,015.00 per claim.

Relation has also proven itself to be a valuable source of savings simply by way of its philosophy in claims management. Relation strives to close workers' compensation

claims quickly and efficiently after providing injured workers with excellent medical services. The result of this practice has reduced the City's claim volumes significantly. Further, Relation does not elongate the life of claims without good reason. Depending on the fee structure, extending the life of claims can unnecessarily cost the City additional claim expenses in the way of administrative fees.

Average workers' compensation administrative costs with the City's prior TPA from 2005 through 2010 policy years ranged from \$54,536 to as high as \$96,500. Administrative costs for workers' compensation claims expended by the City to Relation from policy years 2010 to 2020 ranged from \$12,606 to \$29,130. General liability claims administrative fees paid to the prior TPA for the same periods ranged from \$27,100 to \$96,500, whereas Relation administrative fee costs for its respective policy years ranged from \$15,759 to \$18,312. Relation's average flat fee from 2018-2020 is \$38,500 per year. Which is marginal compared to market rates and the costs savings provided.

The fiscal year proposed Risk Management budget, when approved, will contain amounts sufficient to cover the number of claims projected to be administered in the fiscal year 2022-2025 operating period in account numbers 502-1952-519-3100 (Liability Insurance) and 502-1953-519-3100 (Workers' Compensation).

Recommendation:

Request the City Commission award the proposal of Relation Insurance Services in the amount of \$135,000.00 for policy years 2022-2025 (Compensation is based on flat fee per claim basis. Based on historic experiences, it is anticipated that the annual fees will not exceed \$45,000 per year, or \$135,000.00 over the three-year contract term) for services rendered as the City of Key West Third Party Claims Administrator. Additionally, authorizing the City Manager or designee to negotiate and execute agreement with Relation Insurance Services for the policy year 10/01/2022-09/30/2025 with the option, at the sole discretion of the City, to renew agreement on an annual basis for up to two (2) additional policy years. Additionally authorizing the City Manager or designee to execute all necessary documents with the advice and consent of the City Attorney. See Attachment B- Relation Insurance Services Cost Per Claim Fees.