

RESOLUTION NO. 22-206

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA, APPROVING THE SELECTION COMMITTEE RANKING OF THE RESPONSES TO REQUEST FOR PROPOSALS (RFP) NO. 22-004 FOR THIRD PARTY CLAIMS ADMINISTRATION SERVICES; AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE A CONTRACT WITH THE HIGHEST-RANKED PROPOSER, RELATION SERVICES OF FLORIDA, IN CONFORMANCE WITH THE RFP DOCUMENTS, AND UPON ADVICE AND CONSENT OF THE CITY ATTORNEY, FOR THREE POLICY YEARS (10/1/2022-9/30/2025) IN AN AMOUNT OF UP TO \$45,000.00 PER YEAR (\$135,000.00 OVER THREE POLICY YEARS), WITH AN OPTION TO RENEW THE AGREEMENT ON AN ANNUAL BASIS FOR UP TO TWO ADDITIONAL POLICY YEARS; PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, the City issued a request for Proposals for Third Party Claims Administration, capable of providing services set forth in RFP No. 22-004; and

WHEREAS, on August 10, 2022, the City Clerk opened three proposals, and at a public meeting on August 24, 2022, a ranking committee comprised of City staff and local experts ranked the responses to the RFP.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF
THE CITY OF KEY WEST, FLORIDA AS FOLLOWS:

Section 1: That the responses to RFP No. 22-004 for
Third Party Claim Administration Services are hereby ranked
by the selection committee, and approved by the City
Commission as follows:

- (1) Relation Insurance Services of Florida
- (2) Gallagher Bassett
- (3) PMA Management Corp

Section 2: That the City Manager is authorized to
negotiate and execute a contract with the top-ranked company,
Relation Insurance Services of Florida, for three policy
years (October 1, 2022-September 30, 2025), with an option
for up to two one-year renewals, in substantial conformance
with documents in the RFP response, upon advice and consent
of the City Attorney.

Section 3: Adequate funds for the FY 2022-23 policy
year, in the amount of up to \$45,000.00, are budgeted for
Third Party Claim Administration in budget accounts 502-1952-
519-3100 (Liability Insurance) and 502-1953-519-3100
(Workers' Compensation).

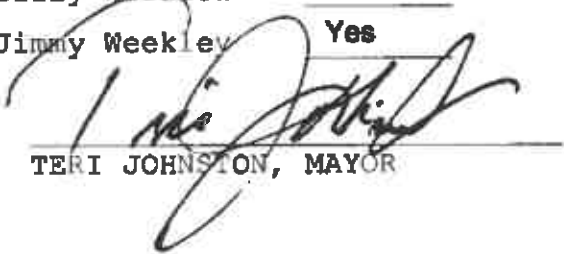
Section 4: That this Resolution shall go into effect immediately upon its passage and adoption and authentication by the signature of the Presiding Officer and the Clerk of the Commission.

Passed and adopted by the City Commission at a meeting held this 20th day of September, 2022.

Authenticated by the Presiding Officer and Clerk of the Commission on 21st day of September, 2022.

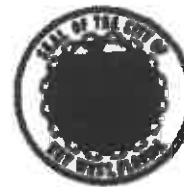
Filed with the Clerk on September 21, 2022.

Mayor Teri Johnston	<u>Yes</u>
Vice Mayor Sam Kaufman	<u>Yes</u>
Commissioner Gregory Davila	<u>Yes</u>
Commissioner Mary Lou Hoover	<u>Yes</u>
Commissioner Clayton Lopez	<u>Yes</u>
Commissioner Billy Wardlow	<u>Yes</u>
Commissioner Jimmy Weekley	<u>Yes</u>


TERI JOHNSTON, MAYOR


ATTEST:

CHERYL SMITH, CITY CLERK



Executive Summary

To: Patti McLauchlin, City Manager

CC: Todd Stoughton, Assistant City Manager
Christina Bervaldi, 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.

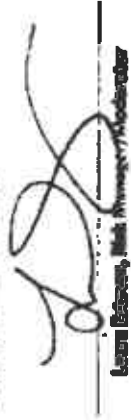
Third Party Claim Administration RFP #22-004

Evaluation Proposed Bidding

Wednesday, August 24, 2022

10:00 AM at City West City Hall

Moderator: Laura Blawie


Laura Blawie, Risk Advisory Moderator

Evaluation Period Members

Human Resources	1 Edy Ambrosi
Utilities	2 Jane Wilson (Alternate)
Key Energy Services	3 John Liem
Outside Evaluator	4 Ian McDonald
ET/Reviewer	

Evaluation Period Scoring

POINTS ALLOWED	PMA Management Corps				Resolution Insurance Services				Outgoing Business			
	1	2	3	4	1	2	3	4	1	2	3	4
Item Schedule	25	20	15	10	25	20.75	16.5	12.25	25	20.75	16.5	12.25
Reference of Professional Experience and Skill	25	15	10	5	25	20.75	16.5	12.25	25	20.75	16.5	12.25
Evidence of Ability to Deliver on Specific Timelines	25	20	15	10	25	20.75	16.5	12.25	25	20.75	16.5	12.25
Client References	20	5	5	5	20	7.5	7.5	7.5	20	7.5	7.5	7.5
Proper Insurance and Other Related Certifications or Professional Designations	5	5	4	5	5	3.75	3.75	3.75	5	3.75	3.75	3.75
Total Points	105	81	58	40	79	75	55	51	97	96	85	70
Proposed Average Proposed Points				57			68				83.5	