

LIABILITY CLAIMS ADMINISTRATION AUDIT SERVICES CONTRACT

- I. *Parties.*** The Parties to this agreement are the Authority for California Cities Excess Liability (ACCEL) and Farley Consulting Services (Auditor).
- II. *Scope.*** Auditor shall perform the services noted within the Request for Proposal, with amendments or additions indicated in the auditor's written proposal and adopted by the Board of Directors of ACCEL.

Goals. ACCEL's goals are to be assured that:

1. Member claims administrators are effectively and competently adjusting member claims.
2. Members are reporting claims to ACCEL in a timely and appropriate manner.
3. Accurate reserving practices are utilized.
4. Adjustor experience level, competence and staffing levels meet industry standards for municipal entities.
5. All provisions of ACCEL's claims requirements are met.
6. A reconciliation of loss data is conducted to assist in the accurate calculation of retrospective premium rating for each member.

In addition to the evaluation of underlying administrator performance, this project requires the assessment of performance of the ACCEL administrator when overseeing and directing the claims adjusting process.

Methodology. Contractor will incorporate the analysis of performance in key claims handling areas into each audit. All open/active claims with incurred costs of \$25,000 or more for each member will be reviewed. Additional claims with incurred costs below that threshold, as well as approximately 10 closed claims with incurred costs of \$25,000 or more for each member, will also be audited.

In addition, in the spring of each year, Members' loss data is input into the Retrospective adjustment calculations and as verified by ACCEL outside Claims Auditor. The Auditor will review/reconcile three items including the confirmation that claims listed in prior reports have not dropped off if the Total Incurred amount remains above \$25,000;

1. The 12/31 open and closed loss for all occurrences over \$25,000 for each member,
2. The TPA's 12/31 loss run data as compared with members' loss runs, and
3. The 6/30 Retrospective adjustment report produced by the Program Administrator, to ensure that the prior years report is consistent with the current report being used for the Retrospective calculations, and loss data of the other reports above reconciled.

Working with the ACCEL Program Administrators, Auditor will create and submit a final reconciled report by June 1st.

Work Plan: The review of claims will require a month of on-site auditing at the various locations during the period of late March to the end of April for each contract year. The report of audit findings and the loss data reconciliation will be delivered to ACCEL prior to the June Board meeting with a Presentation of the report to the ACCEL Board is anticipated at its June meeting.

The audit schedule will be arranged in February and will avoid black-out dates when ACCEL conducts meetings, and doing everything possible to accommodate member and TPA vacation plans.

A current inventory of all open claims regardless of incurred costs, as well as a loss run of all claims (open or closed) that have generated incurred costs of \$25,000 or more from each member during its years of involvement in the ACCEL program will be requested in advance and delivered at the particular member or its administrator site visit.

- III. Compensation.** With respect to the services specified in Section II, Agreement, ACCEL agrees to pay Auditor, and Auditor agrees to accept, for performance of all services rendered herein, in accordance to a fee structure included in the Auditor's proposal and adopted by the Board of Directors of ACCEL equal to \$42,300 for both the 2017 and 2018 audits. Payment of 30% (\$12,690) of the project fee prior to the on-site auditing. The balance of the fee (\$29,610) will be due upon project completion (after presentation at the June Board meeting). Said compensation shall include all expenses incurred by Auditor, including those for the spring reconciliation of claims.
- IV. Material Change.** In the event that ACCEL's operations change substantially by merger, acquisition, expansion, or other material change, thus changing the scope and nature of exposures, losses, and/or insurance program(s), the parties will negotiate in good faith to revise this compensation arrangement as appropriate.
- V. Personnel.** Auditor agrees Timothy P. Farley will be responsible for performance of the audit as described in the Request for Proposal and the Proposal as accepted. Should such personnel become unavailable to perform services for Auditor, then Auditor agrees to replace, as soon as practicable, such personnel with personnel of comparable skills and experience as determined by Board of Directors of ACCEL.
- VI. Severability.** If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.
- VII. Term.** The term of the contract is 2017 and 2018 audits, and this term can be amended by the Board for additional years with 90 days prior notice of service commencement dates.

- VIII. Termination.** The Agreement may be cancelled by either party any time upon 90 days advance written notice delivered or mailed to the other party in accordance with the notice provisions set forth herein. In the event of termination or expiration of this Agreement. Obligation to provide services will cease at 12:01 a.m. upon the effective date of termination or expiration.
- IX. Disaster Recovery; Continuity.** Auditor agrees that it has a disaster recovery plan in place that is intended to secure, and if necessary, restore information adversely affected by a security breach, force majeure or natural disaster. In addition, Auditor will make commercially reasonable efforts to ensure that, at all times, it has a sufficient number of trained personnel on hand to meet its obligations under this Agreement including in the event of a force majeure, natural disaster, or pandemic.
- X. Applicable Law:** This Agreement has been executed and delivered in the State of California, and the validity, enforceability and interpretation of any of the clauses of this Agreement shall be determined and governed by the laws of the State of California.
- VI. Entire Agreement Modification.** This contract constitutes the entire understanding of the parties hereto. Auditor shall be entitled to no other benefits than those specified herein. No changes, amendments or alternations shall be effective unless in writing and signed by both parties. Auditor specifically acknowledges that in entering into and executing this contract, Auditor relies solely upon the provisions contained in the contract or expressly incorporated by reference and not others.
- VII. Covenant.** This contract has been executed and delivered in the State of California, and the validity, enforceability and interpretation of any of the clauses of this contract shall be determined and governed by the laws of the State of California.
- VIII. Enforceability.** If any term, covenant, condition or provision of this agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.
- IX. Hold Harmless.** Auditor agrees to defend, indemnify and hold harmless ACCEL, its officers, directors, agents and employees from any and all claims for injuries and/or damages to persons or property which arise out of the terms and conditions of this contract and which are caused by the negligent acts or omissions of Auditor, its officers, agents and/or employees. Auditor shall provide a copy of a certificate of insurance evidencing adequate insurance coverage for its liability.

It is further agreed that ACCEL shall defend, hold harmless and indemnify Auditor, its officers, agents and employees from any and all claims for injuries and/or damages to persons or property which arise out of the terms and conditions of this contract and which are caused by the negligent acts or omission of ACCEL, its officers, agents and/or employees.

X. **Insurance.** Auditor shall maintain in effect at all times during the duration of this contract, not less than the following coverages and limit of insurance, which shall be maintained with insurers, and under the forms of coverage satisfactory to ACCEL:

1. Auditor agrees to maintain Workers' Compensation insurance at all times during the performance of services under this contract, as required by the California Labor Code.
2. Auditor shall secure and maintain in full force, during the term of this contract Professional Liability insurance appropriate to the respective profession and work to be performed as specified in this contract with per claim and aggregate coverage limits of not less than one million dollars (\$1,000,000).
3. Promptly upon execution of this contract, Auditor shall furnish ACCEL with original endorsements effecting coverage for the Professional Liability and Workers' Compensation coverage required by this paragraph. The endorsements shall be signed by a person authorized by the insurer to bind coverage on its behalf.


Notice of Cancellation: A provision that coverage will not be cancelled or subject to reduction without written notice given to ACCEL c/o Alliant, Program Administrators, 100 Pine Street, 11th Floor, San Francisco, CA 94111.

XI. **Copyright.** Any reports, documents or other materials produced or any other materials given to or prepared by Auditor under this contract shall be the property of ACCEL and none shall be subject to an application for copyright by or on behalf of Auditor.

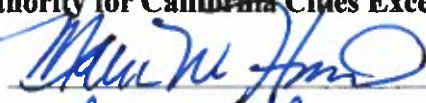
XII. **Findings Confidential.** No reports, information, documents or any other materials given to or prepared by Auditor under this contract which ACCEL requests in writing to be kept confidential, shall be made available to any individual or organization by Auditor without prior written approval of ACCEL. However, Auditor shall be free to disclose such data as is publicly available, already in its possession, or independently developed.

IN WITNESS WHEREOF, ACCEL and Auditor have hereby executed this contract on 9/11/17.

Farley Consulting Services
P.O. BOX 5928
Oceanside, CA 92052

By: 
Title: PRESIDENT

Authority for California Cities Excess Liability

By: 
Title: ACCEL President