



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors

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June 4, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**EXERCISE OF ONE-YEAR OPTION, AS AMENDMENT NO. 2
TO THE CONTRACT FOR AUTO AND GENERAL LIABILITY CLAIMS
ADMINISTRATION AND LEGAL DEFENSE MANAGEMENT SERVICES
(ALL AFFECTED) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve, as Amendment No. 2 to the current third-party Auto and General Liability Claims Administration and Legal Defense Management Services Contract (Contract) with Carl Warren & Company (Warren), a one-year contract extension, as provided for by the Contract. The current Contract is due to expire on August 14, 2002. The option to extend the Contract is provided for by Section 6.0. "Option to Extend," of the current Contract approved by your Board on August 6, 1996.2
2. Instruct the Auditor-Controller to make disbursements/payments for services under that extended/amended service contract with Warren, as authorized and validated by the Chief Administrative Officer, from the General and Special Funds, Special District's Auto and General Liability Trust Fund and the Contract Cities Liability Trust Fund.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION



United We Stand

On August 6, 1996, your Board approved the prevailing Contract with Warren to provide third-party auto and general liability claims administration and legal defense management services to the County. That Contract was approved for an initial term of five years, which is due to expire on August 14, 2002. Provisions within Section 6, "Option to Extend," within that Contract provides for implementation of an optional extension for two consecutive one-year terms, subject to County and contractor approval and execution of that recommended action by your Board. On July 3, 2001, the Board approved Amendment No. 1, the Option to Extend, to August 14, 2002. We are now recommending that your Board approve Amendment No. 2, the option to extend the contract for an additional year, to August 14, 2003.

FISCAL IMPACT/FINANCING

As set forth within Section 6, "Option to Extend," of the prevailing Contract, Warren has agreed to extend the current contract, subject to your Board's approval, the provisions of which will provide for:

- A maximum annual rate of compensation totaling \$2,010,247 for the resolution of existing cases and the administration of up to 2,150 new claims and lawsuits handled by Warren during the extended one-year contract term.
- As required by Contract, the above flat rate is to be adjusted on August 1, 2002, on the basis of the same percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the Los Angeles/Long Beach/Anaheim area during the preceding calendar year. The CPI adjustment due on August 1, 2002 will be 2.8 percent which is below the five percent maximum defined within this service agreement.
- Reimbursement of additional costs and expenses incurred by Warren for maintaining current/up-to-date claims and lawsuits information within the County's Integrated Risk Management Information System, at an approximate cost of \$280,000 annually.
- Additional compensation to the contractor in the event that Warren's claims and lawsuits workload exceeds the established workload threshold limit of 2,150 cases. Predicated on program historical data, we do not anticipate exceeding this maximum annual limit or incurring this one time additional expense.

The Contract provides for Warren to identify, pursue and collect subrogation recovery from other parties who are responsible for damage to County property or injury to County employees. Based on available information provided by departments (including the Sheriff, Fire and Public Works), this recovery exceeds well \$75,000 annually.

Monthly costs for the above services provided by Warren under this recommended contract extension will be paid from General and Special Funds, Special District's Auto and General Liability Trust Fund, and the Contract Cities Liability Trust Fund.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The five-year Contract with Warren, contract number 70255, approved by the Board on August 6, 1996, provides third-party auto and general liability claims administration and legal defense management services to the County. Those services include investigation of auto accidents and general liability incidents or events, assessment of the County's potential claims liability, and recommended resolution of claims and lawsuits brought against the County, County Special Districts Auto and General Liability Trust Fund, and the Contract Cities Liability Trust Fund.

In addition, Warren also has responsibility, under County Counsel supervision, for monitoring the performance of legal firms that participate on the County's legal defense panel. Warren's responsibilities also includes the entry and maintenance of auto and general liability claims information, the production of database reports and other related information, and supporting and advancing County department loss prevention efforts.

The services provided and Warren's compliance with the existing service contract requirements are reviewed quarterly and evaluated by the County's consultant, Shelter Island Risk Services (Shelter Island). In a recent report issued by Shelter Island, they reported that Warren's services fully meets or exceeds the service expectations delineated within the prevailing service contract. In addition, County Counsel concurs with this recommended action by your Board.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval by your Board of the recommended exercise of the option to extend the current Contract with Warren for auto and general liability claims administration and legal defense management services will ensure the continuity of those services without interruption, at a cost effective manner. This recommended Board action will have no impact on any other

Honorable Board of Supervisors
June 4, 2002
Page 4

County department service contracts.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
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c: County Counsel
Auditor-Controller
Affected Departments