



Board Report

File #: 2021-0484, File Type: Contract

Agenda Number: 15.

FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 15, 2021

**SUBJECT: PUBLIC LIABILITY/PROPERTY DAMAGE THIRD PARTY CLAIMS
ADMINISTRATION SERVICES**

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award an eight-year, firm fixed price Contract No. PS75821000, to Carl Warren & Company, LLC to provide Public Liability/Property Damage (PL/PD) claims administration services, in the amount of \$12,148,152 for the four-year base term, \$6,666,674 for the first, 2-year option term, and \$7,111,894 for the second, 2-year option term, for a combined amount of \$25,926,720, effective November 1, 2021, subject to resolution of protest(s), if any.

ISSUE

The current contract will expire on October 31, 2021. PL/PD claims administration services are necessary for the continuity of Metro's liability claims program.

BACKGROUND

Metro utilizes the services of a third party administrator (TPA) to investigate, evaluate, and resolve the majority of third party claims filed against Metro. Third party claims generally arise out of bus and rail operations.

DISCUSSION

Metro's Public Liability/Property Damage Claims Program is administered through a blend of in-house, contractor, and subcontractor staff. In-house Risk Management staff handles the more severe injury claims, while Contractor staff handles the more frequent, less severe injury claims. The subcontractor staff performs all field investigations and responds to an accident scene upon notification from Metro dispatch. Under this new contract, the Contractor shall handle all claims valued at \$100,000 or less while Risk Management will handle cases valued in excess of \$100,000.

Contractor's personnel shall be housed at Metro's Gateway building, similar to the arrangement with the current TPA. Co-locating TPA consultants with Metro's Risk Management's staff has proven to increase efficiencies in claims administration, better coordination and communication with Risk

Management, Operations, and other Metro Departments and reduces contract cost.

Subrogation of losses against a responsible third party is also a part of the services provided by the TPA. Over the last ten years, Metro has received total gross recoveries of \$11,942,917 from subrogation or cross complaints and the TPA recoveries are consistent with industry best practice since they encourage the TPA to recover as much as possible from third parties.

Metro receives an average of 2,500 new public liability/property damage claims a year. The open general liability claims inventory as of RFP issuance was 2,082 claims. Processing claims with an inventory of this size requires the issuance of approximately 150 plus payments monthly to claimants, attorneys, experts, and others. The expertise and infrastructure of a professional TPA in resolving these claims and litigation are essential for structuring a competitive and cost-effective program.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

The funding for eight months of \$2.1 million for this action for PL/PD third party claims administration services is included in the FY22 budget in cost center 0531, Risk Management, Project 300018, PRMA-PLPD, line item 50316, Professional Services. Since this is a multi-year contract, the Chief Risk, Safety and Asset Management Officer will be accountable for budgeting the cost in future years, including any options exercised. In FY21, \$2.6 million was expended on these services.

Impact to Budget

The fiscal year funding for this action will come from the Enterprise, General and Internal Service funds paralleling funding for the actual benefiting projects charged. No other sources of funds were considered because these are the activities that benefit from these services. This activity will increase operating costs from the current fiscal year.

EQUITY PLATFORM

The majority of Metro's claims arise from bus and rail operations which primarily include patrons from various equity focused communities, low-income riders, minorities, women, people of color, persons with physical disabilities, and persons with limited English proficiency.

Additionally, as we expand our mobility options with new transportation programs, such as the Crenshaw/LAX line, Regional Connector, Micro Transit, Express Lanes Expansion, NextGen Bus Plan implementation, and other future rail lines, the risks for incidents throughout the County expands, which leads to the potential increase in claims from the newly implemented service. Therefore, awarding this contract benefits the claimants from the various equity focused communities in which Metro provides services and ensures that existing and future claims will continue to be processed and managed without interruption or impact to individual claimants.

Non-English speaking, visually impaired, and deaf claimants will have the same access to claim adjusters as other claimants since the Contractor will utilize various vendors that provide language translation and interpreting services. Although we do not foresee any other potential negative impact on the equity focused communities through the administration of claim handling activities, Metro will partner with the Contractor to identify activities which might impact those communities and seek remedies when possible. The Contractor will further assist by providing new claim data monthly for certain recurring incidents (such as wheelchair incidents). With this data, Risk Management can inform and work with other Metro departments, such as Operations, to help mitigate the impact on the mobility impaired community.

A 20% Disadvantaged Business Enterprise (DBE) goal was established for this solicitation. Carl Warren & Company met the goal by making a 20% DBE commitment, see Attachment B for details.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal # 5 “Provide responsive, accountable and trustworthy governance within the LA Metro organization.” The responsible administration of Metro’s PL/PD claims includes the use of third-party claims administration services.

ALTERNATIVES CONSIDERED

The Board may choose to self-administer Metro’s third party claim inventory. This alternative is not recommended as Metro does not have sufficient resources available to perform the work. This would require hiring approximately 30 FTEs. Further, although not known with certainty, the costs for self-administration would be similar or potentially higher than the costs of contracting for this service.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS75821000 with Carl Warren & Company, LLC, effective November 1, 2021, to provide PL/PD third party claims administration services.

ATTACHMENTS

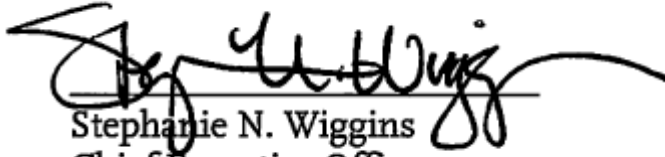
Attachment A - Procurement Summary

Attachment B - DEOD Summary

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