



**PROPOSAL TO PROVIDE WORKERS' COMPENSATION**

**CLAIMS ADMINISTRATION SERVICES**

**TO THE**

**CITY OF WEST ALLIS**

*Submitted: November 1, 2008*

## **General Information**

CVMIC is very interested in continuing to provide workers' compensation claims administration services to the City of West Allis. As your general liability insurer, CVMIC has a long-standing relationship with the City. We currently provide comprehensive loss control and liability claims services to the City.

CVMIC offers "state of the art" workers' compensation claims administration services at a reasonable and competitive price. Compensation for these services is fee based. Our administration fee is a one-time charge regardless of the complexity or duration of the claim. We receive no compensation with respect to a claim from other sources and any savings or benefits received from other sources accrue to the benefit of the City of West Allis or the membership.

With respect to financial responsibility, we have enclosed a copy of our audited financial statements for your review (see Attachment 1). CVMIC has received an AM Best rating of A-V, 'Excellent'. In addition, you will note that our unencumbered reserves are almost \$24,000,000. We are self-insured with respect to professional operations.

### **Facts about CVMIC:**

- 21 years service to City of West Allis
- CVMIC's track record of responding to member needs and problems
- Members actively participate in the operations of CVMIC through committee assignments, Board representation and membership meetings. In addition, we actively develop the link with members through participation in various Advisory Committees, (Law Enforcement, Fire and EMS, Personnel/Human Resources, Public Works/Utilities, Park and Recreation and Risk Management), whose mission is to assess member exposures and develop the tools, training programs and other resources members need. Members such as City of West Allis, have direct input in the development of Company goals and objectives.

## **Workers' Compensation Claims Adjusting Proposal**

### **A. The Company's Overall Industry Performance**

Since first becoming eligible to receive an A.M. Best Rating in 1992, CVMIC has continually received the rating of "A- (VI), Excellent" or better, and currently has an "A" rating. This is the highest rating that can be given to a company of our size.

### **B. Specialization**

CVMIC was created in 1987, our exclusive business is to provide Liability and Workers' Compensation Protection, Claims Administration, Risk Management and Loss Control services for Wisconsin municipalities.

### **C. Quality of Relationships with Excess Insurance Markets**

CVMIC currently provides members with a broad form of liability protection in excess of a self-insured retention. CVMIC also provides several group purchase options including excess workers' compensation insurance. The group purchase options which provide cost-effective coverage are procured for CVMIC through, Marsh Risk & Insurance Services. The City participates in the excess workers' compensation that provides statutory workers' compensation protection excess of its self-insured retention. City of West Allis has purchased its excess workers' compensation policy coverage through the group purchase option since 1991.

### **D. Principals and Service Team**

1. Greg Gilsinger, Workers' Compensation Claims Manager since 1997
2. Merrie J. Strike, Workers' Compensation Claims Specialist, since April 2002
3. Bobbi J. Springer, Claims Specialist, since June 2008
4. Beth Stadler, Claims Assistant, since 2003
5. Tom Mann (ARM), Liability Claims Manager, since 1993
6. Mike DeMoss, Executive Director, since 1988
7. Ken Horner, Director of Operations, since 1991
8. Rick Bayer, Loss Control Manager, since 1997
8. Jean Cole, Liability Loss Control Specialist, since 2003
9. Dave Kodel, Liability Loss Control Specialist, since 1998
10. Bruce Stenz, Loss Control Specialist, since 2003
11. Pallin Allen, Loss Control Specialist, since 2003

Biographies are provided in Attachment #2.

E. **Services to be provided, service locations and capabilities to perform requested services**

CVMIC will provide workers' compensation claims administration, loss prevention and risk management services. CVMIC's office is in Brookfield. We believe our record of service to the City of West Allis clearly establishes our capability to perform the services you seek.

F. **Company Philosophy on Claim Management and Risk Control**

CVMIC takes an aggressive approach to claims administration. Our philosophy is to work closely with our clients to vigorously defend claims where liability is questionable. For those claims determined to be compensable, we work in a prompt, cost effective manner in order to mitigate damages and limit the exposure of our members. CVMIC is proactive in its efforts to identify and control loss exposures by providing a wide range of risk management and loss control services, programs and seminars.

G. **Quality of Investigation and Data Processing Services**

*Investigation* - CVMIC works closely with members in the investigation of claims. We strive to maintain close contact with members from the first notice of injury through final disposition. We work closely with each member to ensure they have effective internal claims reporting, investigation and control procedures in place and that they are kept fully informed as the claim develops. Large case management, surveillance, expert witnesses, IMEs, Rehab nurses, extra ordinary claims, management techniques, may be necessary at times on specified claims. These situations will be discussed with the City for prior approval of the expenditure. Costs for these services are the responsibility of the City.

*Data Processing* - CVMIC is a licensed user of the RiskMaster claims software. RiskMaster is a state-of-the-art software system that provides flexibility to create custom reports to meet the diverse needs of members. CVMIC is developing a comprehensive reporting protocol that provides members with a wide array of standardized reports and the flexibility to develop custom reports to meet most needs.

H. **Specific experience with similar municipal self-insurance programs and accounting and loss control needs**

CVMIC currently administers the self-insured liability claims administration services for 44 member Cities and Villages in the State of Wisconsin. These services have been provided to most members since joining CVMIC. Effective 1-1-98, CVMIC expanded its claims administration services to include workers' compensation claims. Each of the professional staff of CVMIC has been involved with a self-insured municipal workers' compensation program.

I. **References provided**

Rick Hermus, Village Administrator  
Village of Kimberly  
515 West Kimberly Avenue  
Kimberly, WI 54136

Gary Rogers, City Administrator  
City of Waupun  
East Main Street  
PO Box 232  
Waupun, WI 53963

Additional references can be provided upon request.

J. **Accessibility of senior staff to meet with City staff at least quarterly to discuss claim status and claim management services**

The Claims Manager will meet with the appropriate staff to review pending work comp claims on quarterly basis. More frequent meetings will be scheduled as necessary. All staff is available to meet with City representatives as needed.

K. **Categories of Services**

**Communication and Service Performance Standards**

*Communication* - Upon receipt of a notice of a loss, (WC-12 - Employee's First Notice of Injury) we will determine whether loss should be set up as a claim or incident. In addition, contact will be made where necessary to discuss questionable issues. On all claims, we work closely with the member to determine the extent of investigation needed. When investigation is complete, a recommendation is made to the member. CVMIC will handle medical only claims by promptly processing the bills for payment. A more detailed investigation will occur for time loss claims. City of West Allis currently purchases excess worker's compensation protection from Safety National Insurance Company with a SIR of \$350,000.00. We will work with the City to ensure proper protocols are followed in reporting claims to the excess carrier.

*Service Performance Standards* - CVMIC has developed a comprehensive policy to govern the administration of workers' compensation claims. This policy meets the highest standards of the industry. To ensure compliance with these standards, CVMIC annually retains an independent auditor to review its claims administration operation. The results of this audit are reported to the CVMIC Board of Directors and available to all members.

### **Claim Determination**

Once a determination has been established that the indemnity claim is compensable under workers' compensation, the Claims Manager will discuss our recommendation with the member. This discussion will be followed up with a letter to the member confirming the contact and the recommendation.

### **Claim Payments**

CVMIC, as a member owned business, can structure the payment of claims to meet your needs. They can be paid like a first dollar program or a voucher can be generated and sent to the City requesting payment be issued. Claims reserved over the member's SIR are reported to the excess workers' compensation carrier by CVMIC. Payments of medical bills will be paid in accordance to the recognized Wisconsin database.

CVMIC contracts with Midwest Comp Review Service (MCRS) and BCE Emergis for Preferred Provider arrangements. These programs ensure available discounts are provided to the member. All savings will be returned to the member.

### **Reserving Practices and Actuarial Forecasts**

Reserves are set by the Claims Manager for all lost-time claims. Changes of reserves of \$5,000 or more are reported to the Executive Director at the end of each month. Quarterly loss reports are sent to each member to ensure they are fully aware of the current status of all claims. These reports provide current information regarding outstanding reserves and payments for their claims. Again, our reserving practices are reviewed each year by an independent claims auditor. Moreover, the overall adequacy of our reserves can be reviewed by CVMIC's independent actuary, Milliman USA. The charge for this service is the responsibility of the City.

### **Claim Adjudication and Use of Attorneys**

CVMIC's Legal Counsel will work closely with the Claims Manager to review claims and coverage issues. Claims that require legal counsel can be handled by a members staff attorney or the outside attorney of their choice. The excess carrier may want to participate in the selection of legal counsel on reserved claims in their layer. Attorneys are requested to submit bills on a quarterly basis. All bills are reviewed by the Claims Manager and are subject to review by General Counsel. On claims with large attorney fees, General Counsel will provide legal oversight. Costs for general counsel will be paid by CVMIC. All other legal fees are the responsibility of the City.

## **Subrogation**

Subrogation is attempted wherever possible. We discuss the potential for subrogation with the city prior to initiating action. Correspondence will be sent to the potentially responsible party requesting payment. An attempt will be made to recover monies paid out. No additional fees are charged for CVMIC's subrogation efforts. However, collection costs will be the responsibility of the City. In the event that this is not successful, we would attempt to identify potential assets.

## **Loss Funding Arrangements for Claim Payment**

All payments within the member's SIR are paid by the member pursuant to vouchers provided by CVMIC or by a direct payment by CVMIC with reimbursement by the City to its deposit fund.

## **Loss Control Services**

CVMIC will provide workers' compensation loss control service at no cost. Services will be provided in a manner consistent with how liability loss control services have been provided in the past.

## **Record Keeping and Statistical Reports**

CVMIC will provide a variety of loss reports to members on a quarterly basis. Customized reports may be developed at a member's request.

## **Accounting Practices and Statistical Analysis**

The RiskMaster Claims System can track financial information on a total pay out per year, per claim and total claim payments from loss date. Reports can be generated for members to provide accurate loss descriptions and statistics of frequency and severity of claims by type of claims for the member to review and take action.

## **Time Keeping Operations**

Any vendor hired by CVMIC is required to provide a detailed billing describing the person performing the service, the date the services were performed, work performed, the amount of time the services took and the cost per hour for the services. A detailed description is also requested on any disbursements expended by the vendor.

### **Special Claim Handling Instructions**

On claims involving serious injury or claims reserved above \$50,000, the Claims Manager generates a Caption Report for review by the member, Director of Operations and Executive Director. This step serves as a check and balance for all serious claims. Settlement authority for claims within the member's SIR must be obtained from the member and/or its counsel. Copies of correspondence are forwarded to members unless otherwise advised. Monthly reports keep members aware of the status and reserve levels on claims.

### **Special handling of open claims - Prior and Subsequent to Contract**

CVMIC will accept the run-off of a previous Third Party Administrator. (Refer to quote page for cost options.) Once the information is received, each loss would be reviewed. As necessary, information for pending claims will be input into the RiskMaster system. This will include information about the claimant, how the accident occurred, facts of the accident, payments made to date, reserves and file notes. Claims information would have to be obtained from the current Third Party Administrator in an acceptable format. CVMIC would then work with RiskMaster or another service provider to have the data converted into the RiskMaster system. The cost for this service would be the City's responsibility. If at the end of our contract, you the City would choose to convert our data to another claims system. CVMIC will provide data files at cost.

### **Attachment**

CVMIC Audited Financial Statement

### **Fees for Service**

CVMIC will charge \$520.00 per indemnity claim and \$86.00 per medical-only claim, regardless of the length it takes for the claim to be concluded. CVMIC guarantees the rate through December 31, 2011. A minimum charge of \$11,500.00 and a maximum charge of \$22,700.00 will protect the City from costs higher than expected in any given year.



**Proposal Prepared by  
Cities & Villages Mutual Insurance Company**

**for the**

**City of West Allis**

Contract Period: 01/01/09 to 12/31/11

<u>Line of Coverage</u>	<u>Estimated Claims*</u>	<u>Cost of File Claim Handling</u>	<u>Total</u>
Workers' Compensation:			
Medical Only	60	\$ 86.00	\$ 5,160.00
Indemnity	15	\$520.00	\$ 7,800.00
Incident Reports	5	\$ 22.00	
			110.00
Administrative Annual Fee	<u>0</u>		_____
Total Estimated Claims			
Handling Fee	TBD	Incl.	\$13,070.00

\* The estimated number of claims used to develop this quote are based on average number of losses provided. Actual cost will be based on utilization during the contract period.

\*\* Indemnity claims are defined as all other-than-medical-only claims.

\*\*\* Incident Reports are defined as files only established for record purpose only.

This proposal is on a "per claimant" basis. Any accident or occurrence resulting in ten or more injured employees, shall be capped at that level.

**All Fees quoted are inclusive of:**

- Completion of Workers' Compensation First Report of Injury Form by member
- CVMIC will forward first report of injury to the state on all reportable injuries
- A letter to Injured Employee-one customized one-page letter
- Litigation Management
- Subrogation/Recovery reservation of rights letter
- Quarterly Loss Run and Loss Fund Activity reports
- Flat rate pricing for Life of File claims handling will remain in effect for the life of the file with no termination penalty
- Index Bureau filing fee is included in the claim charge quoted
- PPO discounts (where available).
- Medical payments based on recognized Wisconsin data base

Payment for services will be made to CVMIC on a quarterly basis at 1/4<sup>th</sup> of the projected minimum charge. First payment will be made on or before the first day of service, and quarterly thereafter. Service for run off will be billed at the end of the first quarter of the year. Final payment will be based on reconciliation to actual claim frequency that will be prepared 3 months following the end of the contract year.

CVMIC will coordinate the appropriate agreed upon Medical Cost Containment Services, Vocational Rehabilitation Services, and other services as necessary. These services are paid as allocated expenses and are not included in the fees quoted.

This proposal excludes allocated expenses which are defined as follows:

Allocated Expenses: Shall be the responsibility of the CLIENT and shall include, but not be limited to:

- \* attorney & legal fees
- \* professional photographs
- \* medical records
- \* experts' rehabilitation costs
- \* accident reconstruction
- \* architects, contractors, engineers
- \* police, fire, coroner, weather, or other reports that are needed
- \* property damage appraisals
- \* extraordinary costs for witness statements
- \* official documents and transcripts
- \* Rehabilitation nurses
- \* medical examinations including second opinions
- \* unusual travel made at CLIENT's request
- \* surveillance
- \* court reporters
- \* fees for service of process
- \* pre- and post- judgment interest paid
- \* chemists and other experts
- \* any other similar cost, fee or expense reasonable chargeable to the investigation, negotiation, settlement or defense of a claim or loss which must have the explicit prior approval of the CLIENT.

Our proposal is based on the assumption that the City will be making payment based on CVMIC's recommendation and CVMIC will not be making payments on your behalf. If you desire CVMIC to make payment, additional cost of bank services will be at the City's expense.

This proposal does not include any charge for the preparation of annual workers' compensation reports or workers' compensation unit statistical reports. These reports can be prepared by CVMIC on a T & E basis at a prevailing hourly rate of \$60 per hour.