

**WASHINGTON STATE TRANSIT INSURANCE POOL  
PROPERTY LIABILITY PROGRAM  
REQUEST FOR PROPOSAL FOR CLAIMS AUDITING SERVICES  
SEPTEMBER 15<sup>TH</sup>, 2011**

**INTRODUCTION**

The Washington State Transit Insurance Pool (WSTIP) intends to contract with a firm for claims audit services.

The Pool is requesting proposals from qualified claims auditors who are experienced in the liability field. Your firm is invited to submit a written proposal.

**BACKGROUND**

**Washington State Transit Insurance Pool**

The Washington State Transit Insurance Pool is one of an estimated 17 pools currently operating in the State of Washington. The Pool was established in 1989. Currently, there are 25 member Transit Districts which participate in the property and liability programs offered by the Pool. WSTIP represents a majority of transit districts in Washington State. Member vehicles travel almost travel 100 million miles a year. The programs/coverages offered by the Pool include General & Auto Liability, Property, and Crime. The Pool also provides loss prevention and risk management services to our Pool members. The Pool is governed by a Board of Directors consisting of one member from each of the 25 Districts and an Executive Committee consisting of eight members. The Pool employs a staff of 9 full-time employees and 2 part-time employees including the positions of Executive Director, Deputy Director, Member Services Manager, Claims Specialist, Financial Specialist, IT Specialist, Risk Management Specialist, General Counsel, Member Services Coordinator, Member Services Assistant and Receptionist.

**BACKGROUND OF PROGRAMS COVERED BY THIS AUDIT**

All 25 members of the Pool participate in the liability coverage's offered by the Pool. Liability coverage is first dollar based. 22 of the 25 members participate in the property program. Members have deductibles for property coverage ranging from \$2,500 to \$25,000. WSTIP averages 900 to 1000 property and liability claims each year. Currently there are 434 open claims. 26 files are in a litigation status. WSTIP has a thriving subrogation business for its members that recovers \$300,000 to \$400,000 a year.

**General Liability/Auto Liability Program.** WSTIP provides \$12,000,000 in liability limits to its member districts. The Pool is reinsured by Governmental Entities Mutual (GEM) and One Beacon over the Pool's \$1 million Self-Insured Retention with a quota share split on the \$3 million X \$1 million of 83% going to GEM and 17% retained by WSTIP. One Beacon covers the \$8 million X \$4 million layer. Two members purchase \$8 million X \$12 million liability coverage for additional protection through the Animal program at Alliant Insurance. The member district's have \$5,000 deductibles for Errors and Omissions coverage and first dollar coverage for auto and general liability.

The majority of the liability claims are handled by Pool Claims Staff and 5 to 6 independent adjusters. We use Riskmaster X (RMX) as our electronic claims management system and we use

Image Now as our electronic document management system. We are virtually a paper free claims office.

**Other Coverages.** The Pool also provides Crime Coverage and All Risk Property Coverage to 22 of the 25 Member Districts.

### **SCOPE OF WORK**

Since 1998, the Pool has used internal staff and 5 to 6 Independent Claims Adjusters to manage and adjust member liability claims. **This audit will review liability claims remotely including those files that are adjusted in-house. We want the Auditor to review the claims remotely via our claims web interface (Riskmaster X and Image Now) Riskmaster X is our claims management system and Image Now is our electronic document management system. These systems are accessible via the Internet (worldwide web). You need Internet Explorer 6, 7 or 8 to access the system. We will give the selected auditing firm, a user name and password to access the system remotely from their particular office.**

The Pool may require specific claim files be reviewed due to the size of the claim or complexity of the particular claim.

The Washington State Transit Insurance Pool is seeking an auditor who can provide us with a comprehensive audit and written report that complies with Washington Administrative Code WAC 82-60-050 "Standards for Claims Management – Claims Administration". The audit shall determine if a claim complies with the requirements of WAC 82-60-050. The audit which must include the following components (as appropriate):

1. Are the claims handled in a timely and efficient manner? This would include a review of the criteria and time lines for determining status reports, documentation of reserve changes, and the level of supervision.
2. Has the claims staff adequately communicated with the Pool, the Districts, Claimants, and when necessary with defense counsel?
3. Are the case reserving practices reasonable, resulting in adequate reserves?
4. Do the loss reports accurately reflect the case reserves and payments?
5. Is the excess carrier or Pool being notified of cases with potential excess involvement in a timely manner?
6. Is there is an understanding of the potential recovery to be made through subrogation or contribution by a co-defendant. Are the proper procedures being implemented when proceeding with subrogation or other recovery options?
7. We also require a review of general claims handling, including timely investigation, preservation of evidence and litigation. Are they following generally accepted claims handling practices?
8. Is the billing methodology appropriate? Based upon the file and contract, is the Pool being billed appropriately for the services rendered?

9. This claims audit must be conducted by a qualified third party firm or individual engaged by the Pool that is independent of the Pool and its claims service providers.
10. It is a requirement that the claims auditor issues and presents a report on the condition of the Pool's claims handling and reserving practices noting significant exceptions and/or deficiencies to the Executive Committee. The Executive Committee meets every month at the Pool's office. This report will serve as a tool for the Pool to adequately address all exceptions or deficiencies noted in the claims audit within a reasonable period of time.
11. In addition to reviewing the claims administration, the audit should include written recommendations where Pool claims staff, independent adjusters and Pool attorneys could improve the claims handling process, such as delay in first reports, delay in claimant contact, or problems with payments, billing, etc.
12. Also, as a part of this audit, we would like you to review a small sample of liability claims being handled by the Pierce Transit Claims Staff. We are thinking 10 to 20 liability claims. Pierce Transit is the largest member of WSTIP and we have a unique Interlocal Agreement with them to administer their own claims.
13. We also want to ensure that our communication with Independent Adjusters and excess carriers is appropriate.

### **WORK PRODUCT**

The auditor shall provide a written report within 30 days of the field work that includes:

1. Identification of Strengths
2. Areas of Improvement
3. Findings
4. Conclusions
5. Recommendations (ranked by priority)

### **PROPOSED TIME FRAME**

<b>Activity</b>	<b>Date/Deadline</b>
Audit firm selected	October 15, 2011
Agreement signed	October 19, 2011
Remote portion of audit starts (no later than)	November 1, 2011
Remote portion of audit completed	November 30, 2011
Draft claims audit report submitted to Pool for review	December 10, 2011
Final claims audit report submitted to Pool	December 31, 2011

### **PROPOSAL REQUIREMENTS**

Your proposal shall include, in the order listed, the following:

1. The background on your firm and identification (including resumes) of the personnel to be involved in the account, including their professional qualifications and experience.

2. A list of public entities that you now serve and have served in the past five (5) years. Also the name and telephone number of persons to contact for references. This reference list should also include how long you have been conducting business with this entity and the scope of services provided (i.e. investigation, claims audits, monitoring of claims, risk management services, etc.).
3. Please explain your philosophy of claims auditing.
4. Please provide a statement which assures the Pool that you have insurance coverage in the following areas: 1) Workers' Compensation, 2) General Liability, and 3) Automobile Liability. The successful firm will be required to provide evidence of these coverages upon implementation of the contract.
5. Please provide a copy of a liability claims audit completed by your firm. Preferably one auditing a public entity or a TPA of a public entity. Please white out any sensitive information.
6. Please provide a flat fee quotation for services that is inclusive of all your costs and expenses, including the cost of one electronic copy, two hard (2) copies of the final report for the Pool.
7. Please advise us how you will determine the sample size of claims to be reviewed. We think an appropriate sample of claims is 50 to 75 claims based on our yearly claims volume. We would provide a loss run for you to select claims from. You are welcome to submit an optional fee schedule, in addition to the above, but it is not likely that quotes based on time and expense will be awarded.
8. The contract between WSTIP and the selected Claims Auditor must address [WAC 82-60-080](#) regarding conflict of interest. Please click on the link to view the WAC.
9. The Claims Audit and Auditor must comply with [WAC 82-60](#).

### **SUBMITTAL OF PROPOSALS**

One electronic version of the proposal (via e-mail), and two (2) hard copies of the proposal, one (1) of which shall be unbound for photocopy purposes, shall be sent to:

Washington State Transit Insurance Pool  
2629 12<sup>th</sup> Court SW  
Olympia, WA 98502  
Attn.: Denise Ellison, Claims Specialist  
[denise@wstip.org](mailto:denise@wstip.org)

All proposals must be received no later than 5:00 PM on Friday, October 1st, 2011. **No postmarks will be accepted.** Late proposals will not be considered. All proposals, whether selected or rejected, shall become the property of the Washington State Transit Insurance Pool.

### **AWARD OF CONTRACT**

The Pool reserves the right to reject any and all proposals submitted. Award of the contract will be made to the firm, in the sole opinion of the Pool, which will provide the best service and that best meets the needs of the Pool Members. The selection process will use [WAC 60-215](#) and the

[WSTIP Board policy on purchasing](#) as guidelines for the selection and awarding the contract. Click on the links to view these documents.

Finalists may be required to participate in a telephonic oral interview with the Pool at no additional expense to the Pool.

A sample contract that WSTIP would use for this project is included with this RFP.

### **ADDITIONAL INFORMATION**

Requests for additional information or assistance relative to the Request for Proposal should be directed to:

Jerry Spears, Deputy Director  
Washington State Transit Insurance Pool  
2629 12<sup>th</sup> Court SW  
(360) 586-1800  
[jerry@wstip.org](mailto:jerry@wstip.org)

### **APPENDIX A**

#### **WASHINGTON STATE TRANSIT INSURANCE POOL AUGUST 2011**

				<b>A</b>	<b>B</b>
<b>Year</b>	<b>Open Claims</b>	<b>Total Claims</b>	<b>Year</b>	<b>UNL/Claim</b>	<b>RM Incurred/Claim</b>
2002	1	402	2002	\$ 3,186	\$ 3,301
2003	0	395	2003	\$ 3,022	\$ 3,022
2004	0	544	2004	\$ 4,742	\$ 4,724
2005	0	668	2005	\$ 3,370	\$ 3,345
2006	8	745	2006	\$ 6,205	\$ 6,122
2007	3	802	2007	\$ 3,389	\$ 3,133
2008	9	839	2008	\$ 6,376	\$ 6,908
2009	37	858	2009	\$ 5,765	\$ 5,078
2010	145	1086	2010	\$ 5,201	\$ 3,451
2011	<u>231</u>	<u>658</u>	2011	<u>\$ 7,442</u>	<u>\$ 4,805</u>
<b>Totals</b>	434	6997	<b>Total</b>	5,072	\$ 4,496

					(B)	
Year	Gross Paid	Recovery	Net Paid	Reserves	RM Incurred	Outstand Liab
2002	1,743,583	491,880	1,251,703	75,352	1,327,055	75,352
2003	1,579,985	386,277	1,193,709	0	1,193,709	
2004	4,322,821	1,752,945	2,569,876	0	2,569,876	9,679
2005	3,217,486	982,893	2,234,593	0	2,234,593	16,715
2006	5,000,029	930,398	4,069,631	491,008	4,560,639	553,421
2007	3,167,274	889,527	2,277,747	235,268	2,513,015	440,423
2008	5,643,376	1,471,733	4,171,643	1,624,068	5,795,711	1,624,068
2009	4,377,984	1,101,160	3,276,824	1,080,049	4,356,873	1,669,424
2010	2,637,687	661,395	1,976,292	1,771,332	3,747,624	3,671,477
2011	<u>3,551,885</u>	<u>2,839,452</u>	712,433	<u>2,449,435</u>	3,161,868	4,184,119
<b>Totals</b>	<b>35,242,111</b>	<b>11,507,660</b>	<b>23,734,451</b>	<b>7,726,512</b>	<b>31,460,963</b>	<b>12,244,678</b>

<b>2010</b>	<b>Open Claims</b>
Pierce	34
WSTIP	101
<b>2010</b>	<b>Total Claims</b>
Pierce	333
WSTIP	753
<b>2011</b>	<b>Open Claims</b>
Pierce	53
WSTIP	166
<b>2011</b>	<b>Total Claims</b>
Pierce	149
WSTIP	438



## TEMPLATE CONTRACT FOR SERVICES

Agreement made this \_\_\_\_ day of between the Washington State Transit Insurance Pool (referred to as WSTIP), 2629 12<sup>th</sup> Court SW, Olympia, WA 98502 and, (referred to as "CONTRACTOR"),

NOW THEREFORE, in consideration of the mutual covenants contained herein, it is hereby agreed as follows:

**Section 1. Description of Goods and Services.** CONTRACTOR shall provide the following goods and/or services to WSTIP:

CONTRACTOR

### **Conditions of Work:**

1. .

**Section 2. Payment.** WSTIP shall pay CONTRACTOR as follows:

50% on November 1<sup>st</sup> 2011 and the remaining 50% when the Claims Audit is completed and accepted by WSTIP.

**Section 3. Terms and Time of Payment.**

Payment terms are net thirty (30) days.

**Section 4. Time of Performance.** CONTRACTOR shall provide the services in the following time frame:

**Section 5. Duration.** This agreement shall become effective upon subscription by both parties and shall terminate December 31, 2011. With mutual consent of both parties, this contract may be extended for two one-year periods with negotiation of Scope of Work and Payment.

**Section 6. Independent CONTRACTOR.** The parties acknowledge that CONTRACTOR is an independent CONTRACTOR and is not an agent or employee of WSTIP.

**Section 7. Non-discrimination.** With respect to any work or undertaking to fulfill this contract, CONTRACTOR shall not discriminate against any person on the basis of race, color, religion, national origin, ancestry, sex, or age.

**Section 8. No Assignment.** CONTRACTOR shall not assign this contract without the prior written consent of WSTIP.

**Section 9. Integration.** This contract contains the entire agreement between the parties and there are no other terms or conditions, written or oral, other than those set forth.

**Section 10. Modification.** This contract may not be modified or amended except by a written amendment signed by both parties.

**Section 11. Termination.** Either party, upon 30 days written notice, may terminate this contract.

**Section 12. Insurance.** The CONTRACTOR shall procure and maintain for the duration of this Agreement insurance against claims for injuries to persons or damage to property that may arise from or in connection with the CONTRACTOR'S own work including the work of the CONTRACTOR'S agents, representatives, employees, sub-CONTRACTORS or sub-CONTRACTORS.

Before beginning work on the project described in this Agreement, the CONTRACTOR shall provide evidence, in the form of a Certificate of Insurance, of the following insurance coverage and limits (at a minimum):

1. Business auto coverage for any auto no less than a \$300,000 each accident limit.
2. Commercial general liability insurance no less than \$500,000 per occurrence with a \$1,000,000 aggregate. Coverage shall include, but is not limited to, contractual liability, products and completed operations, property damage, and employer's liability.

The CONTRACTOR is responsible for the payment of any deductible or self-insured retention that is required by any of the CONTRACTOR'S insurance. If the WSTIP is required to contribute to the deductible under any of the CONTRACTOR'S insurance policies, the CONTRACTOR shall reimburse the WSTIP the full amount of the deductible.

The WSTIP shall be named as an additional insured on the CONTRACTOR'S commercial general liability policy. This additional insured endorsement shall be included with evidence of insurance in the form of a Certificate of Insurance for necessary coverage. The WSTIP reserves the right to receive a certified and complete copy of all of the CONTRACTOR'S insurance policies.

It is the intent of this contract for the CONTRACTOR'S insurance to be considered primary in the event of a loss, damage or suit. The WSTIP's own comprehensive general liability policy will be considered excess coverage in respect to the WSTIP. Additionally, the CONTRACTOR'S commercial general liability policy must provide cross-liability coverage as would be achieved under a standard ISO separation of insureds clause.

The CONTRACTOR shall request from his insurer a modification of the ACORD certificate to include language that written notification will be given to the WSTIP for any cancellation, suspension or material change in the CONTRACTOR'S coverage at least 30 days in advance of such cancellation, suspension or material change.

**Section 13. Hold Harmless.** CONTRACTOR shall defend, indemnify and hold WSTIP, its officers, officials, employees, agents and volunteers harmless from any and all claims, injuries, damages, losses or suits, including all legal costs and attorney's fees, arising out of or in connection with the performance of this Agreement, except for injuries and damages caused by the sole negligence of WSTIP. WSTIP's inspection or acceptance of the CONTRACTOR'S work when completed shall not be grounds to void any of these covenants of indemnification.

Should a court of competent jurisdiction determine that this Agreement is subject to RCW 4.24.115, then in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of CONTRACTOR and WSTIP, its officers, officials, employees, agents and



volunteers, then CONTRACTOR'S liability hereunder shall be only to the extent of the CONTRACTOR'S negligence.

IT IS FURTHER SPECIFICALLY AND EXPRESSLY UNDERSTOOD THAT THE INDEMNIFICATION PROVIDED HEREIN CONSTITUTES THE CONTRACTOR'S WAIVER OF IMMUNITY UNDER INDUSTRIAL INSURANCE, TITLE 51 RCW, SOLELY FOR THE PURPOSES OF THIS INDEMNIFICATION. THE PARTIES FURTHER ACKNOWLEDGE THAT THEY HAVE MUTUALLY NEGOTIATED THIS WAIVER.

**Section 14. Venue.** Any suit regarding this contract may be brought only in Thurston County, Washington.

**Section 15. Choice of Law.** The laws of the State of Washington shall apply to the interpretation and enforcement of this contract.

**Section 16. Attorney's Fees.** The prevailing party in any litigation to enforce this contract shall be entitled to its reasonable costs and attorney's fees.

**Section 18. Point of Contact.** WSTIP's Point of Contact: Jerry Spears, Deputy Director, 360.586.1800, ext 217.

DATED this \_\_\_\_ DAY of, 2011.

---

DATED this \_\_\_\_\_, 2011

---

JERRY SPEARS, DEPUTY DIRECTOR  
WASHINGTON STATE TRANSIT INSURANCE POOL

