

WORKERS' COMPENSATION
SELF-INSURANCE
SERVICE AGREEMENT

This Agreement is entered into by and between the CITY OF REDLANDS, hereinafter referred to as "CLIENT," and SOUTHERN CALIFORNIA RISK MANAGEMENT ASSOCIATES, INC., a California Corporation, hereinafter referred to as "SCRMA."

RECITALS

1. WHEREAS, CLIENT has elected to self-insure its workers' compensation programs in the State of California effective January 1, 1979; and
2. WHEREAS, SCRMA is specially trained, experienced and competent to render the services and advice as outlined in connection with the duties and responsibilities of administering specific claims for a self-administered workers' compensation program; and
3. WHEREAS, CLIENT and SCRMA have agreed to enter into a Service Agreement effective July 1, 2000.
4. The foregoing recitals are agreed to by the parties.

TERMS AND CONDITIONS

1. Term of Agreement

- a. This Agreement is effective July 1, 2000, and shall be continuous through June 30, 2003. The contract will renew on an annual basis unless otherwise terminated as stated in Section 6.

2. Consideration

- a. SCRMA's service fee for the period of July 1, 2000 through June 30, 2001 shall be \$46,850.00.
- b. The service fee is payable quarterly in advance by CLIENT upon receipt of SCRMA's invoice.
- c. SCRMA's service fee for the contract years beginning July 1, 2001 and July 1, 2002 will be negotiated based on the first year experience, limited to a maximum increase of 5% each year.
- d. It is recognized that the service fee as negotiated each year represents the expense of administering and adjusting Workers' Compensation claims that occur during the current contract period, and the fee does not cover the expense involved in processing claims to their ultimate conclusion.
- e. CLIENT retains the right of refusal for any outside vendor.

3. Responsibilities of SCRMA

a. Claims Administration

- (1) SCRMA agrees to provide claims service for CLIENT's Workers' Compensation exposure in the State of California as required by the regulatory bodies of said State and at a level acceptable to CLIENT.

b. Management Information System

- (1) SCRMA agrees to maintain claims and cost data as well as estimates of future claims liability on an individual claim basis.
- (2) SCRMA will provide management information services to CLIENT as agreed upon by the parties.
- (3) SCRMA retains sole right of ownership to its programs. However, CLIENT has a right to the data. In the event of a cancellation of SCRMA's service, CLIENT is entitled to a complete history file (tape) of all claims and payment information, as well as a complete format of the tape.

4. Responsibilities of CLIENT

- a. CLIENT shall report to SCRMA all Workers' Compensation claims information on specific cases in a timely manner and shall cooperate with SCRMA in all aspects of investigation, communication, the providing of recorded material, and any other area pertinent to SCRMA being able to provide the agreed service to CLIENT. SCRMA shall not be responsible, nor deemed liable for damages, real or otherwise, resulting from SCRMA's lack of knowledge of information in the possession of CLIENT, but withheld from SCRMA.

5. Claim Payment Fund

- a. The parties agree that SCRMA will pay claim expenses from a fund established by CLIENT and funded by CLIENT. The fund will be maintained by CLIENT at an amount sufficient to cover the expense of the Workers' Compensation claims. SCRMA agrees to make its records available to CLIENT for audit purposes at all times.
- b. Claim expenses are defined as medical, temporary or permanent disability, allocated claim expense, rehabilitation expense, claim and all other Workers' Compensation benefits payable to the injured employees or dependents of CLIENT.
- c. Allocated claim expense includes such costs as legal fees, court costs, court reporters, expert witnesses, investigation, photocopy, subpoena, photographic, fees to undercover operatives, depositions, and certain special costs as may be required.

6. Termination

- a. This Agreement may be terminated by either party by providing written notice sixty (60) days in advance to the other. In the event of termination, SCRMA will be obligated to provide all data, records and information developed with respect to CLIENT's business including all loss records to CLIENT or its designated agent on the date established by CLIENT. It is recognized that SCRMA will provide the records in good condition and assist in any transition as may be desired by CLIENT.
- b. CLIENT may, at its option, designate SCRMA to continue to manage all claim files with injury dates prior to the termination date of this Agreement, for a fee of 17.5% of paid claims, or on a time and charges basis at a rate agreed to by the parties.

7. Insurance Coverage

a. Blanket Fidelity Bond

SCRMA shall maintain a blanket fidelity bond in an amount not less than Five Hundred Thousand Dollars (\$500,000.00), with an approved corporate surety covering any and all principals, officers, and employees involved in performance of the Agreement and the trust fund (impress) account.

b. Errors and Omissions Insurance

SCRMA shall maintain Errors and Omissions Insurance in an amount not less than One Million Dollars (\$1,000,000.00) per occurrence and aggregate.

c. Public Liability and Property Damage Insurance

SCRMA shall maintain commercial general liability insurance in the amount not less than One Million Dollars (\$1,000,000.00) which shall be primary over any other insurance carried by your company. Certificates of insurance shall name CLIENT as an additional insured.

8. General Conditions

- a. SCRMA shall indemnify, hold free and harmless and defend CLIENT, its agents, servants, employees, officers and directors against any and all loss, damage, fines, liability, costs and expenses (including, but not limited to, attorney fees, court costs and reasonable investigative and delivery costs) and other such sums which CLIENT, its agents, servants, employees, officers and/or directors may reasonably pay or become obligated to pay on account of the acts or negligence of SCRMA, its agents, employees, officers or directors. CLIENT agrees to notify SCRMA promptly in writing in the event such claim, demand, assertion of liability or action is brought to CLIENT's attention.

- b. CLIENT shall indemnify, hold free and harmless and defend SCRMA, its agents, servants, employees, officers and directors against any and all loss, damage, fines, liability, costs and expenses (including, but not limited to, attorney fees, court costs and reasonable investigative and delivery costs) and other such sums which SCRMA, its agents, servants, employees, officers, and/or directors may reasonably pay or become obligated to pay on account of the acts or negligence of CLIENT, its agents or employees, officers or directors. SCRMA agrees to notify CLIENT promptly in writing in the event such claim, demand, assertion of liability or action is brought to SCRMA's attention.
- c. SCRMA agrees to perform the services of adjustment of Workers' Compensation claims and, at all times, administer the disposition of such claims including those in litigation subject to the direction of CLIENT. The services to be rendered to be within the standards acceptable in the field of Workers' Compensation. In the event CLIENT directs SCRMA to follow a specific request of CLIENT in the handling of any claim adjustment, CLIENT agrees to hold SCRMA harmless for any loss, cost, or expense should a claim or lawsuit thereafter be filed involving SCRMA. This Agreement is not intended to hold SCRMA harmless for any independent negligence of SCRMA in any matter arising from this Agreement.
- d. CLIENT shall not be liable to SCRMA for personal injury of SCRMA employees or property damage sustained by SCRMA in the performance of the services specified in this Agreement.
- e. Penalties and assessments arising from the failure of CLIENT to provide timely notice of claims or such other employer obligations as provided under the California Workers' Compensation Reform Act of 1989, shall be and remain the sole responsibility of CLIENT and CLIENT hereby agrees to indemnify, defend and hold SCRMA harmless from all claims arising from the imposition of such penalties and assessments. Administrative penalties arising solely from the failure of SCRMA to comply in a timely and proper manner with its duties as a claim administrator shall be and remain the sole responsibility of SCRMA, and SCRMA hereby agrees to indemnify, defend and hold CLIENT harmless from all claims arising from the imposition of such administrative penalties.
- f. More specifically, the parties acknowledge that the California Workers' Compensation Reform Act of 1989 requires first payment of Temporary Disability Indemnity within 14 days of CLIENT's knowledge of the injury and generally imposes an automatic penalty of 10% of the amount delayed for late indemnity payments which shall be payable directly to the injured employee without application. Furthermore, the parties agree that unless SCRMA is provided with notice of the claim within 7 days of CLIENT's knowledge of the injury, the above-referenced automatic penalty of 10% shall be and remain the sole responsibility of CLIENT.
- g. Any controversy arising out of this Agreement between the parties shall be resolved under the provisions of the California laws pertaining to arbitration. Attorney's fees, if any, shall be set by the arbitrator as to payment thereof. In the event either

party incurs attorney's fees, court costs and other expenses in an action brought to enforce rights hereunder, the prevailing party shall be paid by the other party a reasonable amount therefore to be fixed by the court in any such action.

- h. While performing the specified services, SCRMA is an independent contractor and not an agent or employee of CLIENT.
- i. Changes and modifications to this Agreement may be made by the mutual written consent of the parties.

Accepted By:

CITY OF REDLANDS

By: 

Authorized Signature

William E. Cunningham

Name (type or print)

Mayor

Title

35 Cajon Street, P. O. Box 3005

Street Address

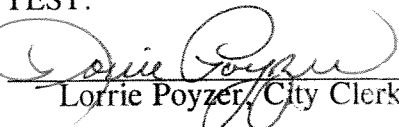
Redlands, CA 92373-3005

City, State, Zip

November 16, 1999

Date

ATTEST:

By: 

Lorrie Poyzer, City Clerk

Accepted By:

SOUTHERN CALIFORNIA RISK
MANAGEMENT ASSOCIATES, INC.

By: 

Authorized Signature

Jody A. Gray

Name (type or print)

Vice President

Title

313 E. Foothill Blvd.

Street Address

Upland, CA 91786-3952

City, State, Zip

11/4/99

Date

ADDENDUM NO. 3 TO
WORKERS' COMPENSATION
SELF-INSURANCE
SERVICE AGREEMENT

This Agreement is made and entered into between SOUTHERN CALIFORNIA RISK MANAGEMENT ASSOCIATES, INC., hereinafter referred to as "SCRMA," and the CITY OF REDLANDS, hereinafter referred to as "CLIENT."

WITNESSETH:

WHEREAS, SCRMA is especially trained and experienced and competent to perform the special services pursuant to this Agreement, the parties hereto agree as follows:

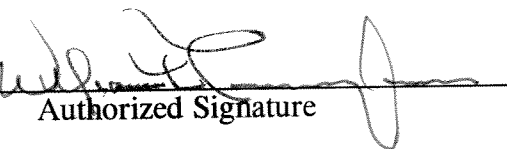
TERMS AND CONDITIONS

2. Consideration

- a. SCRMA's service fee for the period of October 1, 1999 through June 30, 2000, shall be \$33,468.75.
- b. The service fee is payable quarterly in advance by CLIENT upon receipt of SCRMA's invoice.

Accepted By:

CITY OF REDLANDS

By: 

Authorized Signature

William E. Cunningham
Name (type or print)

Mayor
Title

35 Cajon Street, P. O. Box 3005
Street Address

Redlands, CA 92373-3005
City, State, Zip

November 16, 1999
Date

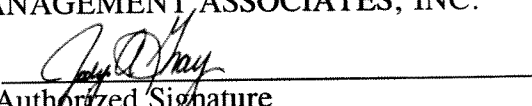
ATTEST:

By: 

Lorrie Poyzer, City Clerk

Accepted By:

SOUTHERN CALIFORNIA RISK
MANAGEMENT ASSOCIATES, INC.

By: 

Authorized Signature

Jody A. Gray
Name (type or print)

Vice President
Title

313 E. Foothill Blvd.
Street Address

Upland, CA 91786-3952
City, State, Zip

November 16, 1999
Date