Council Meeting of
February 27, 2007

Honorable Mayor and Members
of the City Council
Torrance, CA

SUBJECT: Request for Approval of Contract for Liability Claims Administration Services

Expenditure: Not to Exceed $141,453.28

RECOMMENDATION

The Human Resources Director recommends that the City Council approve a contract with NovaPro Risk Solutions, LP for liability claims administration services for the period March 1, 2007 through June 30, 2008 in the amount of $141,453.28.

Funding

Funds are available in the 2006-07 and 2007-08 Self Insurance Operating budget.

BACKGROUND

The City of Torrance utilizes a third-party administrator for the handling and administration of liability claims. The services provided include the investigation and adjustment of liability claims, as well as the operation and maintenance of the liability claims information system.

NovaPro Risk Solutions, LP (formerly Ward-North America, Inc.) has provided liability claims administration services for the City since 1991. Several years ago an on-site claims adjuster housed in the Personnel Building was provided. The current contract, which has been in effect since March 1, 2005, expires on March 1, 2007. NovaPro has proposed a modest price increase of 3% for the upcoming contract period.

ANALYSIS

Staff is recommending a contract with NovaPro Risk Solutions, LP for the following reasons:

- NovaPro has expertise in handling governmental entity claims, as well as handling City of Torrance claims.

- The City is satisfied with the quality of service provided.
- The vendor provides an on-site adjuster which enables the City to receive a high level of service and prompt communication.

Respectfully submitted,

ELAINE M. WINER
HUMAN RESOURCES DIRECTOR

By Randall Sellers
Randall Sellers
Risk Manager

CONCUR

Elaine M. Winer
Elaine M. Winer
Human Resources Director

LeRoy J. Jackson
LeRoy J. Jackson
City Manager

ATTACHMENT: Proposed Contract with NovaPro Risk Solutions, LP

Attachment

CONSULTING SERVICES AGREEMENT

This CONSULTING SERVICES AGREEMENT ("Agreement") is made and entered into as of March 1, 2007 (the "Effective Date"), by and between the CITY OF TORRANCE, a municipal corporation ("CITY"), and NovaPro Risk Solutions, LP, a California Corporation ("CONSULTANT").

RECITALS:

A. CITY wishes to retain the services of an experienced and qualified CONSULTANT to provide liability claims administration services.

B. CONSULTANT represents that it is qualified to perform those services.

AGREEMENT:

1. SERVICES TO BE PERFORMED BY CONSULTANT

CONSULTANT will provide the services listed in the Scope of Services attached as Exhibit A. CONSULTANT warrants that all work and services set forth in the Scope of Services will be performed in a competent, professional and satisfactory manner.

2. TERM

Unless earlier terminated in accordance with Paragraph 4 below, this Agreement will continue in full force and effect from the Effective Date through June 30, 2008.

3. COMPENSATION

A. CONSULTANT's Fee.

For services rendered pursuant to this Agreement, CONSULTANT will be paid in accordance with the Compensation Schedule attached as Exhibit B, provided, however, that in no event will the total amount of money paid the CONSULTANT, for services initially contemplated by this Agreement, exceed the sum of $141,453.28 ("Agreement Sum"), unless otherwise first approved in writing by CITY.

B. Schedule of Payment.

Provided that the CONSULTANT is not in default under the terms of this Agreement, upon presentation of an invoice, CONSULTANT will be paid monthly the fees described in Paragraph 3.A. above, according to the Compensation Schedule. Payment will be due within 30 days after the date of the monthly invoice.

4. TERMINATION OF AGREEMENT

A. Termination by CITY for Convenience.

1. CITY may, at any time, terminate the Agreement for CITY's convenience and without cause.

2. Upon receipt of written notice from CITY of such termination for CITY's convenience, CONSULTANT will:

   a. cease operations as directed by CITY in the notice;
   b. take actions necessary, or that CITY may direct, for the protection and preservation of the work; and
   c. except for work directed to be performed prior to the effective date of termination stated in the notice, terminate all existing subcontracts and purchase orders and enter into no further subcontracts and purchase orders.

3. In case of such termination for CITY's convenience, CONSULTANT will be entitled to receive payment for work executed; and costs incurred by reason of such termination, along with reasonable overhead and profit on the work not executed.

B. Termination for Cause.

1. If either party fails to perform any term, covenant or condition in this Agreement and that failure continues for 15 calendar days after the nondefaulting party gives the defaulting party written notice of the failure to perform, this Agreement may be terminated for cause; provided, however, that if during the notice period the defaulting party has promptly commenced and continues diligent efforts to remedy the default, the defaulting party will have such additional time as is reasonably necessary to remedy the default.

2. In the event this Agreement is terminated for cause by the default of the CONSULTANT, the CITY may, at the expense of the CONSULTANT and its surety, complete this Agreement or cause it to be completed. Any check or bond delivered to the CITY in connection with this Agreement, and the money payable thereon, will be forfeited to and remain the property of the CITY. All moneys due the CONSULTANT under the terms of this Agreement will be retained by the CITY, but the retention will not release the CONSULTANT and its surety from liability for the default. Under these circumstances, however, the CONSULTANT and its surety will be credited with the amount of money retained, toward any amount by which the cost of completion exceeds the Agreement Sum and any amount authorized for extra services.

3. Termination for cause will not affect or terminate any of the rights of the CITY as against the CONSULTANT or its surety then existing, or which may thereafter accrue because of the default; this provision is in addition to all other rights and remedies available to the CITY under law.

C. Termination for Breach of Law.

In the event the CONSULTANT or any of its officers, directors, shareholders, employees, agents, subsidiaries or affiliates is convicted (i) of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of a contract or subcontract; (ii) under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty which currently, seriously, and directly affects responsibility as a public consultant or contractor; (iii) under state or federal antitrust statutes arising out of the submission of bids or proposals; or (iv) of violation of Paragraph 19 of this Agreement; or for any other cause the CITY determines to be so serious and compelling as to affect CONSULTANT's responsibility as a public consultant or contractor, including but not limited to, debarment by another governmental agency, then the CITY reserves the unilateral right to terminate this Agreement or to impose such other sanctions (which may include financial sanctions, temporary suspensions or any other condition deemed appropriate short of termination) as it deems proper. The CITY will not take action until CONSULTANT has been given notice and an opportunity to present evidence in mitigation.

5. FORCE MAJEURE

If any party fails to perform its obligations because of strikes, lockouts, labor disputes, embargoes, acts of God, inability to obtain labor or materials or reasonable substitutes for labor or materials, governmental restrictions, governmental regulations, governmental control, judicial orders, enemy or hostile governmental action, civil commotion, fire or other casualty, or other causes beyond the reasonable control of the party obligated to perform, then that party's performance shall be excused for a period equal to the period of such cause for failure to perform.

6. RETENTION OF FUNDS

CONSULTANT authorizes CITY to deduct from any amount payable to CONSULTANT (whether or not arising out of this Agreement) any amounts the payment of which may be in dispute or that are necessary to compensate CITY for any losses, costs, liabilities, or damages suffered by CITY, and all amounts for which CITY may be liable to third parties, by reason of CONSULTANT's negligent acts or omissions or willful misconduct in performing or failing to perform CONSULTANT's obligations under this Agreement. In the event that any claim is made by a third party, the amount or validity of which is disputed by CONSULTANT, or any indebtedness exists that appears to be the basis for a claim of lien, CITY may withhold from any payment due, without liability for interest because of the withholding, an amount sufficient to cover the claim. The failure of CITY to exercise the right to deduct or to withhold will not, however, affect the obligations of CONSULTANT to insure, indemnify, and protect CITY as elsewhere provided in this Agreement.

7. CITY REPRESENTATIVE

Randall Sellers is designated as the "City Representative," authorized to act in its behalf with respect to the work and services specified in this Agreement and to make all decisions in connection with this Agreement. Whenever approval, directions, or other actions are required by CITY under this Agreement, those actions will be taken by the City Representative, unless otherwise stated. The City Manager has the right to designate another City Representative at any time, by providing notice to CONSULTANT.

8. CONSULTANT REPRESENTATIVE(S)

The following principal(s) of CONSULTANT are designated as being the principal(s) and representative(s) of CONSULTANT authorized to act in its behalf with respect to the work specified in this Agreement and make all decisions in connection with this Agreement:

Liz Nelson

9. INDEPENDENT CONTRACTOR

The CONSULTANT is, and at all times will remain as to CITY, a wholly independent contractor. Neither CITY nor any of its agents will have control over the conduct of the CONSULTANT or any of the CONSULTANT's employees, except as otherwise set forth in this Agreement. The CONSULTANT may not, at any time or in any manner, represent that it or any of its agents or employees are in any manner agents or employees of CITY.

10. BUSINESS LICENSE

The CONSULTANT must obtain a City business license prior to the start of work under this Agreement, unless CONSULTANT is qualified for an exemption.

11. OTHER LICENSES AND PERMITS

CONSULTANT warrants that it has all professional, contracting and other permits and licenses required to undertake the work contemplated by this Agreement.

12. FAMILIARITY WITH WORK

By executing this Agreement, CONSULTANT warrants that CONSULTANT (a) has thoroughly investigated and considered the scope of services to be performed, (b) has carefully considered how the services should be performed, and (c) fully understands the facilities, difficulties and restrictions attending performance of the services under this Agreement. If the services involve work upon any site, CONSULTANT warrants that CONSULTANT has or will investigate the site and is or will be fully acquainted with the conditions there existing, prior to commencement of services set forth in this Agreement. Should CONSULTANT discover any latent or unknown conditions that will materially affect the performance of the services set forth in this Agreement, CONSULTANT must immediately inform CITY of that fact and may not proceed except at CONSULTANT's risk until written instructions are received from CITY.

13. CARE OF WORK

CONSULTANT must adopt reasonable methods during the term of the Agreement to furnish continuous protection to the work, and the equipment, materials, papers, documents, plans, studies and other components to prevent losses or damages, and will be responsible for all damages, to persons or property, until acceptance of the work by CITY, except those losses or damages as may be caused by CITY's own negligence.

14. CONSULTANT'S ACCOUNTING RECORDS; OTHER PROJECT RECORDS

Records of the CONSULTANT's time pertaining to the project, and records of accounts between CITY and the CONSULTANT, will be kept on a generally recognized accounting basis. CONSULTANT will also maintain all other records, including without limitation specifications, drawings, progress reports and the like, relating to the project. All records will be available to CITY during normal working hours. CONSULTANT will maintain these records for three years after final payment.

15. INDEMNIFICATION

CONSULTANT will indemnify, defend, and hold harmless CITY, the City Council, each member thereof, present and future, its officers, agents and employees from and against any and all liability, expenses, including defense costs and legal fees, and claims for damages whatsoever, including, but not limited to, those arising from breach of contract, bodily injury, death, personal injury, property damage, loss of use, or property loss however the same may be caused and regardless of the responsibility for negligence. The obligation to indemnify, defend and hold harmless includes, but is not limited to, any liability or expense, including defense costs and legal fees, arising from the negligent acts or omissions, or willful misconduct of CONSULTANT, its officers, employees, agents, subcontractors or vendors. It is further agreed, CONSULTANT's obligations to indemnify, defend and hold harmless will apply even in the event of concurrent negligence on the part of CITY, the City Council, each member thereof, present and future, or its officers, agents and employees, except for liability resulting solely from the negligence or willful misconduct of CITY, its officers, employees or agents. Payment by CITY is not a condition precedent to enforcement of this indemnity. In the event of any dispute between CONSULTANT and CITY, as to whether liability arises from the sole negligence of the CITY or its officers, employees, agents, subcontractors or vendors, CONSULTANT will be obligated to pay for CITY's defense until such time as a final judgment has been entered adjudicating the CITY as solely negligent. CONSULTANT will not be entitled in the event of such a determination to any reimbursement of defense costs including but not limited to attorney's fees, expert fees and costs of litigation.

16. NON-LIABILITY OF CITY OFFICERS AND EMPLOYEES

No officer or employee of CITY will be personally liable to CONSULTANT, in the event of any default or breach by the CITY or for any amount that may become due to CONSULTANT.

17. INSURANCE

A. CONSULTANT must maintain at its sole expense the following insurance, which will be full coverage not subject to self insurance provisions:

1. Automobile Liability, including owned, non-owned and hired vehicles, with at least the following limits of liability:

   a. Primary Bodily Injury with limits of at least $500,000 per person, $1,000,000 per occurrence; and

   b. Primary Property Damage of at least $250,000 per occurrence; or

   c. Combined single limits of $1,000,000 per occurrence.

2. General Liability including coverage for premises, products and completed operations, independent contractors/vendors, personal injury and contractual obligations with combined single limits of coverage of at least $1,000,000 per occurrence.

3. Professional liability insurance with limits of at least $1,000,000 per occurrence.

4. Workers' Compensation with limits as required by the State of California and Employers Liability with limits of at least $1,000,000.

B. The insurance provided by CONSULTANT will be primary and non-contributory

C. CITY, the City Council and each member thereof, members of boards and commissions, every officer, agent, official, employee and volunteer must be named as additional insured under the automobile and general liability policies.

D. CONSULTANT must provide certificates of insurance and/or endorsements to the City Clerk of the City of Torrance before the commencement of work.

E. Each insurance policy required by this Paragraph must contain a provision that no termination, cancellation or change of coverage can be made without thirty days notice to CITY.

18. SUFFICIENCY OF INSURERS AND SURETIES

Insurance or bonds required by this Agreement will be satisfactory only if issued by companies admitted to do business in California, rated "B+" or better in the most recent edition of Best's Key Rating Guide, and only if they are of a financial category Class VII or better, unless these requirements are waived by the Risk Manager of CITY ("Risk Manager") due to unique circumstances. In the event the Risk Manager determines that the work or services to be performed under this Agreement creates an increased or decreased risk of loss to CITY, the CONSULTANT agrees that the minimum limits of any insurance policies or performance bonds required by this Agreement may be changed

accordingly upon receipt of written notice from the Risk Manager; provided that CONSULTANT will have the right to appeal a determination of increased coverage by the Risk Manager to the City Council of CITY within 10 days of receipt of notice from the Risk Manager.

19. CONFLICT OF INTEREST

A. No officer or employee of the CITY may have any financial interest, direct or indirect, in this Agreement, nor may any officer or employee participate in any decision relating to the Agreement that effects the officer or employee's financial interest or the financial interest of any corporation, partnership or association in which the officer or employee is, directly or indirectly interested, in violation of any law, rule or regulation.

B. No person may offer, give, or agree to give any officer or employee or former officer or employee, nor may any officer or employee solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation or any part of a program requirement or a purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any way pertaining to any program requirement, contract or subcontract, or to any solicitation or proposal.

20. NOTICE

A. All notices, requests, demands, or other communications under this Agreement will be in writing. Notice will be sufficiently given for all purposes as follows:

1. Personal delivery. When personally delivered to the recipient: notice is effective on delivery.

2. First Class mail. When mailed first class to the last address of the recipient known to the party giving notice: notice is effective three mail delivery days after deposit in an United States Postal Service office or mailbox.

3. Certified mail. When mailed certified mail, return receipt requested: notice is effective on receipt, if delivery is confirmed by a return receipt.

4. Overnight delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account: notice is effective on delivery, if delivery is confirmed by the delivery service.

5. Facsimile transmission. When sent by fax to the last fax number of the recipient known to the party giving notice: notice is effective on receipt. Any notice given by fax will be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a non-business day.

6. Addresses for purpose of giving notice are as follows:

CONSULTANT:	NovaPro Risk Solutions, LP P.O. Box 2422 Tustin CA 92780-2422 Fax: 714-544-1979
CITY:	City Clerk City of Torrance 3031 Torrance Boulevard Torrance, CA 90509-2970 Fax: (310) 618-2931

B. Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified, will be deemed effective as of the first date the notice was refused, unclaimed or deemed undeliverable by the postal authorities, messenger or overnight delivery service.

C. Either party may change its address or fax number by giving the other party notice of the change in any manner permitted by this Agreement.

21. PROHIBITION AGAINST ASSIGNMENT AND SUBCONTRACTING

This Agreement and all exhibits are binding on the heirs, successors, and assigns of the parties. The Agreement may not be assigned or subcontracted by either CITY or CONSULTANT without the prior written consent of the other.

22. INTEGRATION; AMENDMENT

This Agreement represents the entire understanding of CITY and CONSULTANT as to those matters contained in it. No prior oral or written understanding will be of any force or effect with respect to the terms of this Agreement. The Agreement may not be modified or altered except in writing signed by both parties.

23. INTERPRETATION

The terms of this Agreement should be construed in accordance with the meaning of the language used and should not be construed for or against either party by reason of the authorship of this Agreement or any other rule of construction that might otherwise apply.

24. SEVERABILITY

If any part of this Agreement is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Agreement will remain in full force and effect.

25. TIME OF ESSENCE

Time is of the essence in the performance of this Agreement.

26. GOVERNING LAW; JURISDICTION

This Agreement will be administered and interpreted under the laws of the State of California. Jurisdiction of any litigation arising from the Agreement will be in Los Angeles County, California.

27. COMPLIANCE WITH STATUTES AND REGULATIONS

CONSULTANT will be knowledgeable of and will comply with all applicable federal, state, county and city statutes, rules, regulations, ordinances and orders.

28. WAIVER OF BREACH

No delay or omission in the exercise of any right or remedy by a nondefaulting party on any default will impair the right or remedy or be construed as a waiver. A party's consent or approval of any act by the other party requiring the party's consent or approval will not be deemed to waive or render unnecessary the other party's consent to or approval of any subsequent act. Any waiver by either party of any default must be in writing and will not be a waiver of any other default concerning the same or any other provision of this Agreement.

29. ATTORNEY'S FEES

Except as provided for in Paragraph 15, in any dispute, litigation, arbitration, or other proceeding by which one party either seeks to enforce its rights under this Agreement (whether in contract, tort or both) or seeks a declaration of any rights or obligations under this Agreement, the prevailing party will be awarded reasonable attorney's fees, together with any costs and expenses, to resolve the dispute and to enforce any judgment.

30. EXHIBITS

All exhibits identified in this Agreement are incorporated into the Agreement by this reference.

31. CONSULTANT'S AUTHORITY TO EXECUTE

The person(s) executing this Agreement on behalf of the CONSULTANT warrant that (i) the CONSULTANT is duly organized and existing; (ii) they are duly authorized to execute this Agreement on behalf of the CONSULTANT; (iii) by so executing this Agreement, the CONSULTANT is formally bound to the provisions of this Agreement;

and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which the CONSULTANT is bound.

CITY OF TORRANCE
a Municipal Corporation

_____
Frank Scotto, Mayor

ATTEST:

_____
Sue Herbers
City Clerk

APPROVED AS TO FORM:
JOHN L. FELLOWS III
City Attorney

By:_____

NovaPro Risk Solutions, LP
a California Corporation

By:_____
Liz Nelson
Sr. Vice President

Attachments:	Exhibit A	Scope of Services
	Exhibit B	Compensation Schedule

Revised: 1/30/01

Exhibit A

SCOPE OF SERVICES

1. ADMINISTRATIVE SERVICES

CONSULTANT shall provide, as a minimum, the following administrative services:

A. Assignment of Principal Accounts Adjuster to CITY to provide liaison between CITY and CONSULTANT; and

B. Provide CITY with tabulated Monthly Status Reports on all reported claims including all take-over claims, during the term of this Contract indicating the status of each claim the outstanding reserves for each claim and details of all claim payments during the month. The Status Report shall be delivered to CITY within twenty (20) days of the close of each calendar month.

C. CONSULTANT shall administer the claims administration program for CITY; and

D. CONSULTANT shall represent CITY in matters related to the investigation, adjustment, processing, and resolution of claims for money damages asserted against CITY, and

2. INVESTIGATIVE SERVICES

A. CONSULTANT shall provide complete investigative services on each and every claim and on each and every potential claim referred to CONSULTANT by CITY. Said investigative services shall include, but not be limited to the following:

(1) Receipt and examination of all reports of accidents, incidents, claims and cases which are or may become the subject of a liability claim;

(2) The investigation of such accidents, incidents, claims and cases where examination warrants such investigation or when requested by CITY. Such investigation shall include but not be limited to an on-site investigation, other investigative services necessary to determine liability and losses and gathering all necessary evidence for trial. Said investigation does not include extraordinary professional service as directed in paragraph 2-B.

B. Extraordinary Professional Services Include:

All reasonable and supportive extraordinary services where expert and professional assistance is required, such as professional photography, independent medical examinations, professional engineering services and laboratory services.

3. CLAIMS ADJUSTMENT SERVICES

A. CONSULTANT shall provide complete claims adjustment services on each and every accident and on each and every incident referred by CITY which is, or may become, the subject of a liability claim against CITY. Such services shall include, but are not limited to the following:

(1) The establishment and maintenance of a claim file within 48 hours of receipt on each and every potential claim and on each and every actual claim reported to CONSULTANT;

(2) Establish reserves for Property Damage, Bodily Injury and Expense. Monitor reserves throughout the life of the claim including litigation.

(3) Whenever CONSULTANT'S investigation results in a determination that CITY has sustained a liability, CONSULTANT shall process any such claim or potential claim for attempted settlement of such claims.

(4) Provide a 24-hour 800 number 365 days a year for emergency contact;

(5) Provide all necessary personnel to perform the services as agreed upon under the contract.

(6) Review all claims/incident reports within 24 hours of receipt.

(7) Immediate notification to the CITY of claims compliance irregularities (State's Tort Claims Act).

(8) Establish a computerized diary on each claim file. A computerized diary report will be generated each Monday and will be provided to the Adjuster, Account Executive and Branch Manager.

(9) Conduct a thorough investigation of the facts and gathering of documentation needed to properly evaluate the claim including:

(a) Contact with claimants or their attorneys within 24 hours of receipt of the claim in CONSULTANT'S office. If contact attempts are unsuccessful Ward will attempt contact by mail.

(b) Contact CITY Risk Management personnel to discuss investigation deemed necessary, including responding to directions given by the CITY with the transmittal of the claim.

(c) Obtain statements where warranted by the damages, exposure and/or when specifically requested by the CITY. Recorded statements will be transcribed when requested by the City Attorney's office, after service of a lawsuit.

(d) Non-injury statements will be obtained where warranted.

(e) Scene photographs will be obtained on all serious auto accidents and on all other claims when they will preserve evidence and/or improve CONSULTANTS and the CITY'S understanding of the incident. Photographs will be mounted and labeled, indicating the date taken and the name of the photographer.

(f) Diagrams will be used when warranted.

(g) Estimates/appraisals must be obtained on automobile property damage claims. If the estimated damage exceeds $1,000 or the vehicle is deemed a total loss a personal inspection and appraisal is required. If the claimant or attorney refuses to cooperate with our request for estimates or inspection/appraisal, the party will be notified that their failure to cooperate may result in rejection of the claim.

(h) Medical authorization forms must be obtained on all Bodily Injury claims. Failure to cooperate on the part of the claimant or attorney will result in notification that their failure to cooperate may result in rejection of their claim. Medical authorizations will be sent to all treating physicians/medical providers with a written request for copies of all doctor notes, bills and completion of CONSULTANT'S medical report form. Copy services

will be used only when the physician/medical provider fails to respond or in the case of a serious injury.

(i) Updated medical authorizations will be obtained if the claimant continues to treat and the original medical authorization has expired.

(j) All Bodily Injury claimants will be indexed. Claimants should be re-indexed every 6 months.

(k) Co-defendants, coverage, indemnity and subrogation potential should be explored on every claim. Copies of contracts, indemnification agreements, etc., should be obtained and tender letters sent where applicable.

(l) Witness searches will be considered when there is an indication witnesses exist who have not been identified.

(m) All bills for medical and other services for which a claim is being made will be reviewed for reasonableness, casual relationship, and conformity to appropriate fee schedules.

(10) Submit to CITY recommendations on claims to be discussed, rejected or resolved for the bi-weekly Claims Committee meetings.

(11) Maintain a well-documented and orderly claims file. All activity shall be well-documented on the Activity Summary.

Activity Summary Sheets shall be kept in chronological order, stapled, and on top of all other file documentation. All activity shall be dated and initialed by the Adjuster.

(12) Request payment of claims and related allocated expenses by use of a Payment Request Form.

(13) Subject to prior approval from the CITY and the exercise of professional judgment, adjust and settle all reported claims. Settlement shall include necessary compromise and release agreements, and dismissals.

(14) Provide a closing report to the CITY and close the claim file. Such file will be maintained in CONSULTANT'S office for five (5) years after date of closure. At the end of five (5) years, the claim file will be returned to the CITY.

(15) Continue maintenance of reserves throughout the life of the litigation.

(16) Assist with investigation services as requested by the CITY'S attorney. These services are not included in the flat yearly fee set forth in Section 6 of this Agreement. All post-litigation investigation services will be provided on a time and expense basis.

(17) Receive and monitor status reports from the handling attorney.

(18) Continue to enter payments made by the CITY for loss and expense throughout the life of the litigation.

(19) Close the claim/litigation file after obtaining a copy of release and dismissal for the City Attorney's office or outside counsel. In lieu of these documents, close the claim/litigation file after receiving written instruction from the City Attorney's Office to do so.

(20) Provide monthly, semi-annual and annual loss run reports. Scheduling of reports to be determined by the CITY.

(21) Cooperate fully with the CITY, its consultants and auditors.

B. Not withstanding and other provisions of this Agreement, CITY reserves the right to conduct its own investigation.

4. LEGAL SUPPORT SERVICES

A. CONSULTANT shall provide, as a minimum, the following legal support services on each and every claim wherein the claimant has commenced litigation:

1. Upon notification by CITY that litigation has been filed on an open claim, CONSULTANT shall contact CITY'S trial attorney assigned to handle the case by CITY and provide such trial attorney with all information and files concerning the claims;

2. CONSULTANT shall maintain liaison with CITY'S trial attorney and provide such investigation services as are requested by such attorney during pre-trial and trial stages;

3. CONTRACTOR shall if requested, assist CITY'S trial attorney in answering any and all interrogatories filed by the claimant;

4. CONTRACTOR shall assist CITY'S personnel in Small Claims actions filed against CITY on claims handled by CONTRACTOR by providing CITY with the following:

   (a) names of all witnesses to be subpoenaed,

   (b) necessary evidence, and

   (c) assistance at the trial, including appearance as a witness, if necessary.

5. DATA SUPPORT SERVICES

Contractor shall provide on line access to claims data and have an Internet e-mail address wherein client can communicate with contractor in writing via the computer.

6. TERM OF CONTRACT AND RATES

This contract is for a period of sixteen (16) months, commencing at 12:01 a.m. March 1, 2007 and ending June 30, 2008. This contract may be continued in effect through an amended agreement between both parties. If the Agreement is mutually extended, the rate of the new contract year shall be negotiated.

Exhibit B

COMPENSATION SCHEDULE

CONSIDERATION

A. CITY hereby agrees to pay CONTRACTOR and CONTRACTOR hereby agrees to accept as full satisfaction for its services provided hereunder, compensation in the following amounts:

1. CONTRACTOR SHALL be compensated a fee in the amount of one hundred forty one thousand four hundred fifty three dollars and twenty eight cents ($141,453.28), paid monthly in the amount of $8,840.83.

2. CONTRACTOR'S flat annual fee does not encompass allocated loss adjustment expenses which are excluded. Bill is to be at net cost for the following miscellaneous fees, expenses and services:

   (a) Fees for service of process, costs of undercover operative and detective services.

   (b) Costs for employing experts for the preparation of maps, accounting, chemical or physical analysis or diagrams.

   (c) Costs for independent medical examination and/or evaluation for rehabilitation and/or to determine the extent of the client's liability.

   (d) Costs of legal transcripts of testimony taken at coroner's inquests, criminal or civil proceedings.

   (e) Costs for copies of any public records and/or medical records.

(f) Costs of engineers, handwriting experts and/or any other type of expert used in the preparation of litigation and/or used on a one-time basis to resolve disputes.

(g) Special field investigation, including attendance at Small Claims Court, that occurs outside of Los Angeles County.

(h) Any other similar cost, fee or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a claim or loss or to the protection or perfection of the subrogation rights of the client which must have the explicit prior approval of the client.