



**EDUCATIONAL
SERVICE
DISTRICT 112**

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SOUTHWEST WASHINGTON RISK MANAGEMENT INSURANCE COOPERATIVE

TO: Interested Firms or Individuals

FROM: Jeff Boydston, Risk and Project Manager, ESD 112

SUBJECT: Request for Proposal for Property/Casualty Claims Audit for the Southwest Washington Risk Management Insurance Cooperative

DATE: October 7, 2019

I. Overview

The Southwest Washington Risk Management Insurance Cooperative (SWRMIC) is a self-insured, self-administered property/casualty cooperative of 32 public school districts in Washington State that has been in operation for over 30 years. SWRMIC has a \$250,000 SIR for both property and liability. More information about us can be found on our website at <https://www.esd112.org/insurance/>

II. Invitation

We are seeking a qualified firm or individual to perform an audit of our property/casualty claims handling. The Risk Cooperative has an average of 60 claims per year, with less than 5% of those claims litigated. The audit should include a file review of a representative sample of claims since August 2019, the date of our last claims audit.

III. Administrative Requirements

A. RFP Coordinator

All communications regarding this RFP must be directed to:

Jeff Boydston, Risk and Project Manager
Educational Service District 112
2500 NE 65th Avenue
Vancouver, WA 98661-6812
Phone: (360) 952-3572
FAX: (360) 750-9836
Email: jeff.boydston@esd112.org

All communication back to bidders will also come from the RFP Coordinator.

B. RFP Schedule

RFP distribution	October 7, 2019
Deadline for Written Questions	October 28, 2019
Deadline for receipt of proposals	November 8, 2019 at 5 pm PDT
Selection of provider	By December 8, 2019
On site audit dates	Week of January 6-20, 2020
Draft report issued	By January, 31, 2020
Final report issued	By February 7, 2020

Questions about this RFP must be submitted in writing to the RFP coordinator. All questions posed and all responses provided will be posted on the ESD112 RFP webpage at <https://www.esd112.org/itb-rfp-rfq-contracts>. Written questions will be received until October 28, 2019

The firm's proposal must be received at the ESD 112 in Vancouver, WA no later than 5:00 p.m. PDT on Friday, November 8, 2019. Firms providing proposals that are incomplete or do not provide the information requested in this RFP may be disqualified.

C. Proposal Format

One original unbound copy of the proposal, signed by a person duly authorized by the firm to contractually bind the firm, plus one electronic copy of the proposal (sent to the RFP Coordinator's email address) must be submitted by the deadline for receipt of proposals. The firm must certify that its proposal will remain in effect for a minimum of 90 days after the proposal due date. The firm's proposal, insofar as it is not inconsistent with the RFP, will be incorporated into the final agreement by reference.

D. Process

Proposals will be scored using the criteria list in the Qualifications section (Section V). References may be contacted.

IV. **Scope of Work**

A. Areas to evaluate

The objective of this audit is to evaluate SWRMIC's claims handling to determine if the process is working efficiently and effectively, based on industry

best practices and Washington State law, and/or identify potential areas where improvements are needed. This review of claim reserving, adjusting and payment procedures will identify strengths, areas of improvement, findings, conclusions and recommendations. The scope of the claims audit shall include a review of claims administration procedures and practices in the areas listed below:

1. Compliance with state law (WAC 200-100-050)

200-100-050

Standards for claims management—Claims administration.

(1) All joint self-insurance programs shall adopt a written claims administration program which includes, as a minimum, the following procedures:

- (a) Claims filing procedures and forms.
- (b) Standards requiring case reserves for each claim be established in the amount of the jury verdict value.
- (c) Standards requiring case reserves be reviewed every ninety days or when reasonably practicable and such review is documented in the claims diary.
- (d) Standards requiring appropriate adjuster workloads.
- (e) Standards requiring claims payment procedures include sufficient internal controls to ensure adequate review and approval by claims management staff.
- (f) Standards requiring file documentation be complete and up-to-date.
- (g) Standards requiring timely and appropriate claim resolution practices.
- (h) Standards requiring opportunities for recoveries be reviewed and documented for each claim.
- (i) Standards requiring compliance with Internal Revenue Service (IRS) rules for 1099MISC regulations.
- (j) Standards requiring claims files be audited on the following categories: Staffing, caseloads, supervision, diary, coverage, reserves, promptness of contacts, field investigations, file documentation, settlements, litigation management and subrogation.

(2) All joint self-insurance programs may perform claims administration services on their own behalf or may contract for claims administration services with a qualified third-party administrator, provided all of the specific requirements under subsection (1) of this section are included in the contract.

(3) All joint self-insurance programs shall have a written member coverage appeal procedure that contains, as a minimum, procedures for a member filing an appeal with the joint self-insurance program, including the time limit for filing, a time limit for response, and a provision for an additional level of review.

(4) All joint self-insurance programs shall maintain a financial system that identifies claim and claim adjustment expenses.

(5) All joint self-insurance programs shall provide for the purchase of goods and services to replace or repair property in a manner which will, in the judgment of the governing body of the joint self-insurance program, avoid further damage, injury, or loss of use to a member or third-party claimant.

(6) All joint self-insurance programs shall maintain claim expense reports for all claims made against the joint self-insurance program and its members.

(7) All joint self-insurance programs shall obtain an independent audit of claim reserving, adjusting and payment procedures every three years at a minimum. The audit shall be conducted by an independent qualified claims auditor not affiliated with the program, its insurers, its broker of record, or its third-party administrator. Such review shall be in writing and identify strengths, areas of improvement, findings, conclusions and recommendations. Such review shall be provided to the governing body and retained for a period not less than six years. The scope of the claims audit shall include claims administration procedures listed in subsection (1) of this section.

2. Compliance with AGRiP Advisory Standards

The AGRiP Advisory Standards covering Claims Management recognize the need for adequate written policies and procedures in administering claims against members.

Standards addressed:

VIII-A The pool has written procedures that include settlement authority structure, internal review/audit procedures, and loss reserving.

VIII -B The pool maintains a comprehensive claims management information system and/or accounting system that tracks claims, develops loss data, and is distributed to members on a regular basis.

VIII -C The pool maintains a litigation management program that includes, but is not limited to, establishment of a list of qualified attorneys when applicable, establishment of reporting procedures, and ongoing monitoring and case management, including evaluation of legal expenses.

VIII -D THE CLAIMS AUDIT:

VIII -D-1 In addition to the tests conducted during the course of a financial audit a claims audit is conducted at least once every three years regardless of whether claims are handled by in-house staff or by an outside service provider.

VIII -D-2 The claims audit includes determination that claims were handled in a timely and efficient manner.

VIII -D-3 The claims audit includes determination that the claims administrator adequately communicated.

VIII-D-4 The claims audit includes determination that case reserving practices were reasonable.

VIII -D-5 The claims audit includes determination that loss experience reports accurately reflect case reserves and payments.

VIII -D-6 The claims audit is conducted by a qualified firm or individual engaged by the pool that is independent of the pool and its claims service providers.

VIII -D-7 The claims auditor issues a report on the condition of the pool's claims handling and reserving practices noting significant exceptions and/or deficiencies.

VIII -D-8 The pool adequately addresses all exceptions or deficiencies noted in the claims audit within a reasonable period of time.

3. Compliance with industry best practices

As determined by the auditor.

B. SWRMIC information provided to the auditor

1. General information

a. Numbers and types of claims

As of 8/3/19, SWRMIC has had 213 new claims since our last audit (7/13). The number of claims by fiscal year (9/1/xx – 8/31/xx) are as follows: 2016-17: 73 new claims; 2017-18: 68 new claims; 2018-19: 61 new claims (as of 8/31). Of the 213 new claims since our previous audit, 12% are Property, 31% are Auto Liability, 34% are Auto Physical Damage, 23% are GL. We typically have 30-40 open claims at any one time; from 10-20% of those claims are open pending subrogation- collecting repayments only.

b. Adjuster

SWRMIC has one full time adjuster, who has almost 30 years of claims experience, and has been with ESD 112 for eight years. We occasionally use an outside adjusting service to assist as directed by our adjuster.

2. As part of the audit process, the successful claims auditing firm can expect to receive the following information:

- A current three-year loss run for all claims, in an Excel format
- A copy of the SWRMIC Claims Manual (internal claims handling procedures)
- Access to our SIR agreements and excess policies/coverages
- Access to the electronic claims system (developed in-house), and the scanning system (Laserfiche)

All claims files and access to electronic systems are located at Educational Service District 112, 2500 NE 65th Avenue, Vancouver, WA.

C. Written report

A written analysis of findings that clearly documents compliance in the claims administration process and identifies opportunities for improvement is expected. An overall score is requested. We would like the opportunity to review and discuss a preliminary audit report before the final report is completed. Please provide a printed copy and an electronic copy of the final report.

V. **Qualifications**

The following are requests for information that will allow the SWRMIC to learn more about your firm and its capabilities.

- A. Name of firm/individual and a brief history and description of your firm (a brochure will suffice).
- B. List all individuals who will be directly involved in this claims audit - name, title, and qualifications, as well as experience with auditing property/casualty claims.

Note: A minimum of five years in claims management and investigative experience, and a minimum of three years of experience in auditing the same manner of claims filed against the program being audited is required.

- C. Include a statement declaring independence from the program being audited, its insurers, its broker, or its third-party administrators. This includes: SWRMIC, ESD 112, Puget Sound ESD, Washington Schools Risk Management Pool, Chartis, Lexington, AIG, United Educators, ACE, Hartford Steam Boiler, and Arthur J Gallagher.
- D. Describe any experience with property/casualty self-insured clients and school and/or public entity pools in Washington State or the Northwest.
- E. Provide the names and telephone numbers of at least four references for which similar work has been performed. Two of the references should be recent clients. Two of the references should be either public entity or intergovernmental-pool clients.
- F. Describe how you will perform the audit, including the activities you will complete in the auditing process, the number of claims you recommend

- be reviewed, the amount of time needed for the audit, and your proposed timeline.
- G. Provide a sample of a property/casualty claims audit report that your company has done.
 - H. Provide a Certificate of Insurance evidencing \$1 million per occurrence Professional Liability insurance coverage.
 - I. Provide a flat fee to perform the audit, including all expenses.
 - J. For the individual who completed the proposal, please provide the: Name; Title; Signature; and Date.

We reserve the right to refuse any and all bids. At our sole discretion, we can determine who is qualified.

The Southwest Washington Risk Management Insurance Cooperative appreciates your interest in this selection process. We look forward to receiving your proposal at ESD 112 in Vancouver, WA by November 8, 2019 at 5:00 pm PDT.