



Risk Co-Op
YOUR TRUSTED PARTNER
FOR SW WASHINGTON SCHOOLS

DATE: March 17, 2023
TO: Interested Firms or Individuals
FROM: Shaun Mettler, ESD 112 Assistant Fiscal Officer
SUBJECT: Request for Proposal for Property/Casualty Claims Audit for the Risk Co-Op for SW Washington Schools – No. RFP ESD 112-04-23

I. Overview

The Risk Co-Op for SW Washington Schools (Risk Co-Op) is a self-insured, self-administered property/casualty cooperative of 31 members with 27 public school districts in Washington State that has been in operation for over 30 years. Risk Co-Op 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 75 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 July 2020, the date of our last claims audit.

III. Administrative Requirements

A. RFP Coordinator

All communications regarding this RFP must be directed to:

Shaun Mettler, Assistant Fiscal Officer
Educational Service District 112
2500 NE 65th Avenue
Vancouver, WA 98661-6812
Phone: (360) 952-3571
FAX: (360) 750-9836
Email: shaun.mettler@esd112.org

All communication back to bidders will also come from the RFP Coordinator. Interested Firms or Individuals Request for Proposal for Property/Casualty Claims Audit for the Risk Co-Op.

B. RFP Schedule

RFP distribution	March 17, 2023
Deadline for Written Questions	April 7, 2023
Deadline for receipt of proposals	April 14, 2023 at 4:30 pm PDT
Selection of provider	By May 12, 2023
Audit dates	June 19-July 6, 2023
Draft report issued	By August 18, 2023
Final report issued	By August 31, 2023

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/?target=rfp>. Written questions will be received until April 7, 2023.

The firm's proposal must be received at Educational Service District 112 (ESD 112) in Vancouver, WA no later than 4:30 p.m. PDT on Friday, April 14, 2023. 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 the Risk Co-Op's claims handling to determine if the process is working efficiently and effectively, based on Washington State law, AGRiP Advisory Standards, and industry best practices. 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 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. The number, date, and scope of claims audited will be determined by the auditor based upon level of error and risk assessed by the auditor.

2. Compliance with AGRiP Advisory Standards

The AGRiP Advisory Standards covering Claims Management recognize the need for claims management, administration, litigation, and claims auditing in administering claims against members.

Standards addressed:

IX-A Regardless of whether the pool administers claims using in-house staff or a contracted relationship, the pool has written procedures addressing the entire life cycle of claims management and administration activities and shares them with the administration team regularly, including at a minimum, procedures that address:

- Initial notice and intake procedures for new claims;
- Adjuster assignments and supervisory oversight;
- File notes and claim documentation;
- Reserving practices, including reserve changes or updates;
- Timeliness standards for claims adjusting activities;
- Claim investigation methods, expectations and activities;
- Methods to raise coverage questions or other reasons a claim might be denied, and the process for doing so;
- Member and/or claimant communication expectations throughout the life of a claim;
- Methods to identify and effectively manage claims with potential to be more severe than originally expected;
- Subrogation and salvage activities and expectations; and
- Timely and complete reporting of claims to the pool's reinsurers or excess carriers, and tracking of recoverables.

IX-C The pool maintains litigation management practices including at a minimum:

- Attorney qualifications required to defend claims on behalf of member entities;
- Criteria and a process for accepting or approving attorneys to defend claims on behalf of member entities;
- Criteria and a process for accepting a defense attorneys not otherwise approved by the pool;
- Required reporting by the defense attorney to the pool about litigation status, budget, and overall case management;
- Required communication by the defense attorney to the member entity, including regular status reports or updates; and
- Performance standards or guidelines for defense attorneys.

IX-D Independent Claims Audit: Regardless of whether the pool administers claims using in-house staff or a contracted relationship, the pool conducts a claims audit by a qualified firm or individual, at least once every three years. The claims audit is conducted by a firm or person independent of the pool and its claims administrators, reinsurers or excess carriers. The independent claims audit includes, at a minimum, review of the following key of the pool's claims management policies and procedures:

- Timely claims handling;
- Claim file documentation and supervisory oversight;
- Adherence to claim payment and settlement authorities;
- Claim reserving practices;
- Adequacy of claims investigation;
- Adequacy of claim communication with the pool member and claimant; • Litigation management activities; and
- Alignment of loss experience reports to case reserves and payments.

The pool governing body will be provided a written report of findings from the audit, including any areas of deficiencies or exceptions and how the pool will address such deficiencies. Include the date of the last claims audit.

3. Compliance with industry best practices

As determined by the auditor.

B. Risk Co-Op information provided to the Auditor

1. General information

a. Numbers and types of claims

The Risk Co-Op has had 185 new claims since 9/1/20. The number of claims is as follows: 2020-21: 59 new claims; 2021-22: 84 new claims; 2022-23: 42 new claims (as of 3/15/23). Of the 185 claims, 42 are Property, 49 are Auto Liability, 54 are Auto Physical Damage, 28 are GL. We typically have 40 open claims at any one time; currently 48 files are pending, 14 are open only for subrogation or deductibles.

b. Adjuster

Risk Co-Op has one part time adjuster, who has over 30 years of claims experience, and has been with ESD 112 for three years. We occasionally use an outside adjusting service to assist as directed by our adjuster. During the identified audit period, no outside adjusters were used.

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

- A loss run for all claims covering the identified audit period, in an Excel format
- A copy of the Risk Co-Op Claims Manual (internal claims handling procedures)

- Access to our SIR agreements and excess policies/coverages
- Any claim documents needed to conduct the audit will be supplied as requested

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 Risk Co-Op 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.
- C. Include a statement declaring independence from the program being audited, its insurers, its broker, or its third-party administrators. This includes: Risk Co-Op, ESD 112, Washington Schools Risk Management Pool, Lexington, United Educators, 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 two references for which similar work has been performed. One of the references should be a recent client and one should be either a public entity or intergovernmental-pool client.
- 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 proposals. At our sole discretion, we can determine who is qualified.

The Risk Co-Op for SW Washington Schools appreciates your interest in this selection process. We look forward to receiving your proposal at ESD 112 in Vancouver, WA by April 14, 2023 at 4:30 pm PDT.