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Diamond Bar, California 91765

Telephone (909) 861-0816
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March 23, 2010

Laura Stover
Human Resources Manager
City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840

Re: Workers' Compensation Claims Administration Service Fee Adjustment

Dear Ms. Stover:

As we discussed, pursuant to Section 12 of the Service Agreement between the City of Garden Grove and AdminSure (formerly known as Colen & Lee) for Workers' Compensation Claims Administration Services, effective July 1, 2010, the monthly service fee will be adjusted from \$15,000 per month to \$15,500 per month.

All other terms and conditions shall remain in full force and effect.

Should you have any questions, please do not hesitate to contact me directly at (909) 396-5814.

Sincerely,

A handwritten signature in cursive script that reads "Alithia Vargas-Flores".

Alithia Vargas-Flores
Vice President/Director of Operations

/avf

SELF-INSURANCE
SERVICE AGREEMENT

THIS AGREEMENT is entered into this day of June, 1996 between the CITY OF GARDEN GROVE, hereinafter referred to as the "City," and COLEN & LEE, INC., a California Corporation, hereinafter referred to as the "Administrator."

WHEREAS, the City has undertaken to self-insure its Workers' Compensation obligation; and

WHEREAS, the Administrator is engaged in the business of administering Workers' Compensation self-insurance programs; and

WHEREAS, the City desires to retain the services of the Administrator to administer a Workers' Compensation self-insurance program, hereinafter referred to as the "Program," for the City;

NOW, THEREFORE, the City hereby retains the services of the Administrator and the Administrator agrees to perform services for the City under the terms and conditions of this Agreement.

1. TERM: This Agreement shall become effective as of July 1, 1996

and shall continue in effect until terminated by the cancellation provision set forth herein.

2. PERIODIC MEETINGS: The Administrator shall meet with City staff no more than four times per year to:

- A. Assist the City in developing internal procedures.
- B. Provide orientation and training to City personnel involved in the administration of the Program.
- C. Discuss specific claims and general trends in the Program.

3. ADVISORY SERVICES: The Administrator shall provide written advisory bulletins to inform the City of the adoption, amendment or repeal of all statutes, rules and regulations which directly affect the Program.

4. REQUIRED FORMS: The Administrator shall provide the City with all forms required by the State in connection with the Program.

5. COMPLIANCE WITH LAW: The Administrator shall administer the Program in full compliance with all laws, rules and regulations governing Workers' Compensation and self-insurance.

6. CLAIMS ADMINISTRATION: The Administrator shall have the

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authority and responsibility to provide claims administration services which include:

- A. Entering claim information on a log and establishing a claim file upon receipt of an injury report.
- B. Setting and updating reserves.
- C. Arranging for investigation.
- D. Determining compensability.
- E. Preparing and issuing benefit notices and pamphlets.
- F. Arranging for medical treatment from specialists, as necessary.
- G. Initiating and maintaining contact with employees or their attorneys.
- H. Monitoring disability status by reviewing medical reports and calling doctors for updates.
- I. Auditing and paying medical bills.
- J. Paying mileage reimbursement to employees.
- K. Paying temporary disability compensation when appropriate to do so or advising the City of the need to adjust payroll records when salary continuation is applicable.

- L. Arranging medical exams in conformance with State law to determine whether an employee's medical condition is permanent and stationary and what, if any, permanent disability exists.
- M. Paying permanent disability compensation in accordance with the law.
- N. Arranging for attorney representation of the City whenever the need arises, selecting attorneys from a list approved by the City.
- O. Monitoring attorneys and assisting them in preparing cases.
- P. Auditing and paying legal expenses.
- Q. Arranging for vocational rehabilitation services when appropriate.
- R. Monitoring vocational rehabilitation consultants and assisting them as necessary.
- S. Auditing and paying vocational rehabilitation expenses.
- T. Attending all hearings that are required by law.
- U. Preparing and issuing vocational rehabilitation notices.
- V. Preparing and issuing permanent disability compensation

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notices.

- W. Pursuing subrogation when there is a viable third party.
- X. Notifying the City's excess insurers of all claims which exceed or may exceed the City's self-insurance retention, maintaining liaison between the City and its excess insurers on matters affecting the handling of such claims and arranging for reimbursement to the City of losses in excess of its self-insurance retention.
- Y. Obtaining settlement authority and negotiating settlement on appropriate claims.
- Z. Closing claim files when appropriate to do so.

7. OBLIGATIONS OF EMPLOYER: The City shall:

- A. Submit all reports of work injury to the Administrator within one day of the City's knowledge of the injury, serializing each report with an ascending incident number.
- B. Respond to Administrator requests for information and authority within five days of such requests.
- C. Provide information that is accurate and is in a form specified by the Administrator.

- D. Grant settlement authority to the Administrator in advance of vocational rehabilitation and legal hearings or be available by phone or in person during those hearings.

8. CHECKING ACCOUNT: The City and Administrator agree that:

- A. The City shall establish a checking account from which all Workers' Compensation benefits and expenses are to be paid.
- B. The Administrator shall prepare checks and issue those checks directly to payees without delay.
- C. The Administrator shall sign checks with a facsimile check signing machine.
- D. The Administrator shall secure both checks and check signer in a locked room accessible to a limited number of personnel.
- E. The City shall maintain an adequate balance in the checking account to meet all Workers' Compensation obligations without delay.
- F. The Administrator shall order the checks which are to be paid for by the City.

- G. The checking account may be used to pay civil penalties in which case the Administrator shall reimburse the City within fifteen days for any amount of the penalty which the Administrator caused.

9. STATISTICAL REPORTS: The Administrator shall provide monthly statistical reports to assist City management in monitoring the Program.

These reports shall include, at a minimum:

- A. A monthly loss experience report, on or before the tenth (10) day of each calendar month, for the preceding month, containing the following information: employee's name, injury date, closing date, department, location, cause of injury, type of injury, days lost from work, OSHA coding, reserves and payments.
- B. A monthly transaction report, on or before the tenth (10) day of each calendar month for the preceding month, containing the following information: check number, transaction date, amount, payee, name of employee and claim number.

10. REGULATORY REPORTING: The Administrator shall prepare all

reports required by State regulatory agencies in connection with the Program, including the Self-Insurer's Annual Report required by the Department of Self-Insurance Plans.

11. RECORDS: The Administrator shall establish and maintain claim files, claim logs, transaction documents and all other records associated with the Program. These records shall be the property of the City and shall be available, on five (5) days notice, for review or for transfer to another custodian. Unless this Agreement is cancelled, closed files shall be stored by the Administrator for five (5) years and shall thereafter become the responsibility of the City. Upon cancellation of this Agreement, the City shall be responsible for maintaining and storing all records. The Administrator shall not dispose of or destroy these records without the prior, written authorization of the City.

12. CONSIDERATION: The City shall pay the Administrator \$12,000.00 per month for services rendered under this Agreement. Once a year after the first year of this Agreement, the Administrator may increase or decrease the service fee by giving written notice of the change to the City at least sixty (60) days prior to the change.

13. ALLOCATED EXPENSES: The City shall pay for check printing, field

investigation, defense attorneys, legal costs, remote photocopy, engineering experts, accident reconstruction experts, process service, messenger service, court reporters, vocational rehabilitation consultants, structured settlement consultants and translators.

14. PENALTIES: The Administrator shall be responsible for paying or appealing penalties unless the penalty results from the City's failure to:

- A. Provide an Employee Claim Form to an injured employee within 24 hours of knowledge of the injury.
- B. Date stamp the returned Employee Claim Form.
- C. Provide an Employer's First Report of Work Injury to the Administrator within five days from the date of knowledge of an injury.
- D. Provide a wage statement within ten days from the date of knowledge of an injury where the employee is entitled to less than the maximum temporary disability rate.
- E. Provide information requested by the Administrator within a timely manner.
- F. Provide accurate information to the Administrator.

- G. Follow a written recommendation of the Administrator.

15. INDEMNIFICATION: The Administrator shall indemnify, hold harmless, and defend the City from all claims, legal actions, losses, expenses, injuries or damages arising out of the Administrator's actual or alleged negligence or intentional wrongdoing incident to the performance of this Agreement except when such claims, legal actions, losses, expenses, injuries or damages are due to the sole negligence of the City, its officers, agents or employees.

16. INSURANCE: The Administrator shall:

- A. Maintain in force at all times General Liability and Errors and Omissions Insurance in the amount of One Million (\$1,000,000) Dollars per occurrence, combined single limit.
- B. Maintain in force at all times a Fidelity Bond in the amount of Five Hundred Thousand (\$500,000) Dollars.
- C. Maintain in force at all times Workers' Compensation Insurance for employees of the Administrator, as required by law.
- D. Notify the City, in writing, thirty (30) days prior to any cancellation or reduction in the above coverages.

E. Maintain evidence of the above coverages on file with the City throughout the term of this Agreement.

17. NOTICES: All notices, demands, requests, or approvals which are required under this Agreement, or which either the City or the Administrator may desire to serve upon the other, shall be in writing and shall be conclusively deemed served when delivered personally, or forty-eight (48) hours after the deposit thereof in the United States Mail with postage pre-paid.

18. CANCELLATION: This Agreement may be cancelled by either party giving to the other, in writing, notice of its intention to cancel this Agreement at least sixty (60) days prior to the date of termination. Upon the date of termination of this Agreement, or the date on which records are transferred to another custodian, whichever occurs first, the Administrator shall no longer be responsible for administration of the City's claims.

19. PARTIAL INVALIDITY: If any provision of this Agreement is held by a competent court to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect.

20. GOVERNING LAW: The validity of this Agreement and of any of its

terms and provisions shall be interpreted pursuant to the Laws of the State of California.

21. INTERPRETATION: The terms and conditions of this Agreement shall be construed pursuant to their plain, ordinary meaning and shall not be interpreted against the maker.

22. ATTORNEY FEES: If any action at law or equity, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorney fees in addition to any other relief to which it may be entitled.

23. ASSIGNMENT: The Administrator shall not assign, sublet or transfer by operation of law or otherwise any or all of its rights, burdens, duties or obligations of this Agreement without the prior, written consent of the City.

24. CONFLICT OF INTEREST: The Administrator agrees not to accept any employment during the term of this Agreement from any other person, firm or corporation if that employment is likely to result in a conflict between the interests of the City and the interests of any third parties.

25. ENTIRE CONTRACT: This instrument contains the entire Agreement

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between the parties relating to the rights herein granted and obligations herein assumed. Any oral representations or modifications concerning this instrument shall be of no force or effect. Subsequent modifications shall be made in writing with the agreement of both parties.

EXECUTED at Garden Grove, California, on the date and year first above written.

CITY OF GARDEN GROVE

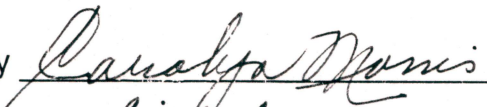
COLEN & LEE, INC.

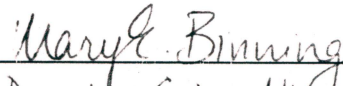
by 
MAYOR

by 

ATTEST:

APPROVED AS TO FORM:

by 
CITY CLERK

by 
Deputy City Attorney