CITY COUNCIL AGENDA ITEM COVER MEMO

Agenda Item Number: _____

Meeting Type: Regular

Meeting Date: Oct 22, 2015

Action Requested By: Human Resources

Agenda Type: Resolution

Subject Matter:

Agreement with Casualty Actuarial Consultants, Inc. to conduct an actuarial study of the City's Workers Compensation claims as required by the State of Alabama.

Exact Wording for the Agenda:

Resolution authorizing the Mayor to execute a Consulting Agreement between the City of Huntsville and Casualty Actuarial Services , Inc.

Note: If amendment, Please state title and number of the original

Item to be considered for: Action

Unanimous Consent Required: No

Briefly state why the action is required; why it is recommended; what council action will provide, allow and accomplish and; any other information that might be helpful.

This agreement is needed to provide for an actuarial analysis be performed on the City's Workers Compensation claims as required by the State of Alabama every three years.

Associated Cost: $3,500.00

Budgeted Item: _____

MAYOR RECOMMENDS OR CONCURS: _____

Department Head: [signature]

Date: 10/14/15

ROUTING SLIP
CONTRACTS AND AGREEMENTS

Originating Department: **Human Resouces** Council Meeting Date: **10/22/2015**

Department Contact: **Cindy Lehman** Phone # **256-427-5244**

Contract or Agreement: **Agreement**

Document Name: **Consulting Agreement between the City of Huntsville and Casualty Actuarial Consulta...**

City Obligation Amount: **3500.00**

Total Project Budget:

Uncommitted Account Balance:

Account Number: 1100-19-00220-502150-0000000

Procurement Agreements

Select...	Select...

Grant-Funded Agreements

Select...	Grant Name:

Department	Signature	Date
1) Originating	[signature]	10/14/15
2) Legal	Mary C Cater MBP	
3) Finance HC	[signature]	10/20/15
4) Originating		
5) Copy Distribution		
a. Mayor's office (1 copies)		
b. Clerk-Treasurer (Original & 2 copies)		

Revised 04/15/2011

RESOLUTION NO. 15-____

WHEREAS the City Council of the City of Huntsville, Alabama, does hereby declare that the Mayor be, and he is hereby authorized to enter into a Consulting agreement between the City of Huntsville and Casualty Actuarial Consultants, Inc. on behalf of the City of Huntsville, a municipal corporation in the State of Alabama, for the purpose of providing actuarial analysis of the City's worker's compensation plan, which said agreement is substantially in words and figures similar to the certain document attached hereto and identified as "Consulting Agreement Between the City of Huntsville and Casualty Actuarial Consultants, Inc." consisting of five (5) pages, plus three (3) pages consisting of related documents and the date of October 22, 2015 appearing on the margin of the first page, together with the signature of the President or President Pro Tem of the City Council, an executed copy of said document being permanently kept on file in the Office of the City Clerk-Treasurer of the City of Huntsville, Alabama.

ADOPTED this the 22nd day of October, 2015.

_____
President of the City Council of
the City of Huntsville, Alabama

APPROVED this the 22nd day of October, 2015.

_____
Mayor of the City of
Huntsville, Alabama

STATE OF ALABAMA
COUNTY OF MADISON

CONSULTING AGREEMENT BETWEEN
CITY OF HUNTSVILLE and
CASUALTY ACTUARIAL CONSULTANTS, INC.

This Consulting Agreement made, entered into and executed on this 22th day of October, 2015 by and between the City of Huntsville, Alabama, a municipal corporation, (hereinafter referred to as the "City") and Casualty Actuarial Consultants, Inc., a corporation organized and existing under the laws of Tennessee (hereinafter referred to as the "Consultant").

WITNESSETH:

WHEREAS, the City is required to set reserves for worker's compensation claims in an amount deemed to be sufficient to pay any and all claims expense which may reasonably be expected to be incurred, and have those reserves independently verified by an actuary once every three (3) years, and submit the actuary's report to the State of Alabama Department of Labor for review in accordance with Rule 480-5-2-.02(8)(a) of the Alabama Department of Labor Administrative Code; and

WHEREAS, the Consultant is experienced in performing actuarial and loss analysis and is willing to provide such services to the City;

NOW THEREFORE, in consideration of the promises and agreements hereinafter made, the parties hereby agree as follows:

1. Description of Services.

   The Consultant shall perform for the City an independent actuarial analysis of loss and allocated loss adjustment expense reserves as required by Rule 480-5-2-.02(8)(a) of the Alabama Department of Labor Administrative Code, and shall issue a report regarding its findings. Such report shall include, at a minimum, a signed statement of opinion, and a certification letter in compliance with the requirements set forth in Exhibit "A" hereto.

2. Performance of Services.

   The manner in which the services by consultant shall be performed and the specific hours worked by the Consultant in order to fulfill its obligations under this Agreement

_____
President of the City Council of the
City of Huntsville, Alabama
Date: _____

shall be determined by the Consultant. However, the City will rely on the Consultant to work as many hours as may be reasonably necessary to fulfill Consultant's obligations under this Agreement. Regardless of the number of hours performed by the Consultant in order to properly fulfill its obligations to the City, payment to Consultant shall not exceed the sum of Three Thousand Five Hundred Dollars ($3,500.00).

3. Payment.

The City will pay the Consultant a lump sum payment of Three Thousand Two Hundred Dollars ($3,500.00) for its services. Payment shall be due upon receipt and acceptance of the actuarial report, including the required cover letter and statement of opinion, by the City. No additional cost incurred by the Consultant shall be reimbursed by the City.

4. Term/Termination.

Consultant shall request from the City the information and data needed to perform its obligations under this Agreement within fifteen (15) days following execution of this Agreement. Consultant shall complete its analysis and provide the City with its written report within thirty (30) days of receipt of the information and data provided by the City. Time is of the essence in this Agreement. It is understood by the parties that the written report to be provided by the Consultant in accordance with the terms herein is essential to the City complying with a December 29, 2015 deadline imposed by administrative requirements of the State of Alabama.

5. Relationship of Parties.

It is understood and agreed by the parties that the Consultant, as well as its agents and/or employees, are independent contractors and are not employees of the City. The City will not provide any employee benefits, including, but not limited to worker's compensation, health insurance benefits, paid vacation, or any other employee benefit, for the benefit of the Consultant or any of its agents and/or employees.

6. Gratuities.

The Consultant shall not bestow any gifts, provide entertainment, or bestow any other benefit or personal favor upon any person or organization which has a business relationship with the City of Huntsville or is likely to have business dealings with the City in the future, including, but not limited to, Brentwood Services and its

agents and/or employees. Nor shall Consultant accept any such gratuities from any such persons and/or organizations which have business dealings with the City or are likely to have such business dealings in the future.

7. Injuries to Consultant.

The Consultant is obligated to obtain sufficient liability insurance coverage (as well as worker's compensation coverage, if required by law) for the benefit of the Consultant, its agents and employees, if any. Consultant waives any and all rights to recovery from the City for any injuries that the Consultant (and/or its agents and employees) may sustain while performing services under this Agreement.

8. Indemnification.

The Consultant agrees to indemnify and hold the City harmless from any and all claims, losses, expenses, fees, including attorney fees, costs and judgments that may be asserted against the City that result from the acts or omissions of the Consultant and/or its agents and employees.

9. Professional Liability Coverage.

The Consultant shall carry professional liability insurance coverage with a limit of $1,000,000.00 per claim.

10. Return of Records.

Upon termination of this Agreement, the Consultant shall deliver all records, notes, data, memorandum, models and equipment of any nature belonging to the City, or pertaining to the business of the City, which are in the Consultant's possession or control.

11. Notices.

All notices required or permitted under this Agreement shall be made in writing and shall be deemed delivered when delivered in person or deposited in the United States mail, postage prepaid, addressed as follows:

City: City of Huntsville - Human Resources
Attn: Cindy Lehman
P. O. Box 308
Huntsville, Alabama 35804

Consultant: Casualty Actuarial Consultants, Inc.
Attn: J. Edward Costner

7000 Executive Center Drive
Suite 312
Brentwood, TN 37027

Such addresses may be changed from time to time by either party by providing written notice as specified herein.

12. Entire Agreement.

This Agreement contains the entire agreement between the parties and there are no other promises, conditions, agreements, or representations, whether oral or written, made by and between the parties, either personally or by their authorized agents, prior to the execution and acceptance hereof.

13. Amendment.

This Agreement may be modified or amended, if the amendment is made in writing, authorized by the City Council of the City of Huntsville, Alabama, and duly executed by both parties.

14. Severability.

If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision shall be deemed to be written, construed, and enforced as so limited.

15. Waiver of Contractual Right.

The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver for limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.

16. Applicable Law.

This Agreement shall be governed by the laws of the State of Alabama.

17. Jurisdiction.

In the event either party to this Agreement institutes legal proceedings against the other party, it is hereby

agreed that any such civil action involving the parties to this Agreement shall be filed and maintained in Madison County, Alabama.

18. Nondisclosure of Sensitive, Restricted or Confidential Information.

The Consultant acknowledges that in order to perform the services required by the terms of this Agreement, it is required to access certain sensitive, restricted or confidential information provided by the City of Huntsville. The Consultant acknowledges and agrees that neither the Contractor nor its employees, nor any subcontractors or their employees, will use such confidential information for any purpose except for performance of the required services identified in this Agreement and that such sensitive, restricted, or confidential information will not be disclosed to any other person or entity. The Contractor shall maintain appropriate security measures to protect the confidentiality and dissemination of all information furnished to the Contractor by the City of Huntsville pursuant to this Agreement. This section 18 shall survive the termination of this Agreement.

IN WITNESS WHEREOF, City and Consultant have each caused this Agreement to be executed by their respective officers, hereunto duly authorized, on this the 22nd day of October 2015.

City of Huntsville, Alabama

By: _____
Tommy Battle
Its: Mayor

Attest: _____
Charles E. Hagood
Clerk-Treasurer

Casualty Actuarial
Consultants, Inc.

By: _____
Its: President

Witness: P. Keith Woolley

Robert Bentley
GOVERNOR

G. Thomas Surtees
COMMISSIONER

STATE OF ALABAMA
DEPARTMENT OF LABOR

MR BRYON THOMAS or CHIEF FINANCIAL OFFICER 10/1/2015
CITY OF HUNTSVILLE
308 FOUNTAIN CIRCLE
P O BOX 308
HUNTSVILLE, AL 35804

RE: SI-1340 CITY OF HUNTSVILLE
Workers Compensation Actuarial Analysis of Loss is Due Within 90 Days

As an employer self-insuring its workers' compensation exposure, your company is required by Rule 480-5-2-.02(8)(a) of the State of Alabama Department of Labor Administrative Code to submit an independent actuarial analysis of loss and allocated loss adjustment expense (ALAE) reserves for your self-insured workers' compensation liabilities/losses every three (3) years.

Also required with submission of your actuarial analysis is a Cover Letter, signed by an authorized company official, certifying that the actuarially recommended workers' compensation loss reserves have been set up in the liabilities section of the company's balance sheet, on a discounted or undiscounted basis.

A qualified independent loss reserve specialist shall mean a person who is:

(1) Not an officer, director, or controlling stockholder of the self-insured company, nor an employee of a subsidiary of the self-insured;
(2) Is a member in good standing of the Casualty Actuarial Society; or
(3) A member in good standing of the American Academy of Actuaries who has been approved as qualified for signing casualty loss reserve opinions by the Casualty Practice Council of the American Academy of Actuaries.

A signed statement of opinion must be attached to the analysis, which sets forth the actuary's opinion regarding loss and loss adjustment (ALAE) reserves. The statement of opinion must conform to the outline as established in the National Association of Insurance Commissioners' (NAIC) Property and Casualty manual, and must consist of the following:

(1) A paragraph identifying the actuary;

(2) *A scope paragraph identifying the subjects of the opinion, and describing the scope of the actuary's work. The scope paragraph must include a listing of the company name(s) and certificate number(s) of all subsidiaries in the State of Alabama which are the subject(s) of the opinion and identifying the company's entire period as a self-insurer and that the opinion encompasses the company's entire self-insurer period.

(3) *A paragraph specifically identifying reserve requirements for claims prior to January 1, 1990 if the company was self-insured prior to this date and;

- **New for 2007 forward**

(4) One or more additional paragraphs may be needed in certain instances if the actuary considers it necessary to state a qualification of his/her opinion, or to explain some aspect of the annual statement which is not already sufficiently explained. This shall also include a statement of opinion by the qualified independent loss reserve specialist setting forth his/her opinion relating to loss and allocated loss adjustment expense reserves.

This actuarial report must be completed per the instructions of the National Association of Insurance Commissioners' (NAIC) manuals: (1) "Accounting Practices and Procedures Manual for Fire and Casualty Insurance Companies" and (2) "Annual Statement Instructions for Property and Casualty".

We require that this independent actuarial report be received by the Department of Labor by no later than ninety (90) days after the close of the self-insured's 2015 financial year. The actuarial report is now due from those individual self-insurers who were self-insured during the period of Jan 1, 2012 through Dec 31, 2012. If a company's self-insured accident year does not coincide with their financial year, the actuarial report should be as of the end of the accident year, but submitted within Ninety (90) days after the close of the financial year.

Your accident year is the twelve (12) month period into which you group losses for tracking purposes. This does not necessarily correspond to your financial/fiscal year or calendar year. This is often referred to as contract year by claims administrators or policy year if a company is insured with a carrier.

A qualified independent actuary as defined above, and contain the following information must prepare this actuarial report:

- Independently determined estimate of net (after consideration of excess insurance, both aggregate and specific), with a breakdown of the case reserve and the IBNR components, and gross (statutory limits before excess insurance) loss and ALAE reserves as of the end of your accident year.

Estimated expected losses and ALAE for the next three (3) accident years subsequent to the latest completed accident year.

- Both of the above items should be provided on a nominal basis and present value basis, to reflect anticipated investment income.

To illustrate the dates for the above items, assume that the latest accident year ended on September 30, 2014, and that self-insurance commenced on October 1, 1991. The first item should cover the loss and ALAE reserves for all injuries occurring between October 1, 1991 and September 30, 2014. The second item should cover the next three (3) self-insured accident years, October 1, 2014 through September 30, 2015; October 1, 2015, through September 30, 2016; and October 1, 2016, through September 30, 2017.

REMINDER: Effective March 1, 2001, new rules for Self-Insurers were adopted which included a fifth dollar ($50) per day penalty for late filing of reports. All required reports, documents or requested information must be received by the division no later than ninety (90) days after the close of a self-insured's financial year. The rules also allow for an extension, for good cause, of up to Ninety Days (90). If you are in need of an extension, it must be requested before your financial statement due date.

Should you have any questions, please direct them to Mr. Charles DeLamar, Ms. Bertha Bonny or Mr. Steve Garrett, Self-Insurance Section (800) 528-5166 or (334) 353-0760, (334) 353-0910 or (334) 353-8622.

Sincerely,

Charles T. DeLamar

Charles T. DeLamar
Director, Workers' Comp Division

CTD/bb