

CLAIMS SERVICE AGREEMENT

THIS AGREEMENT ("Agreement") is entered into by and between the City of Yakima, a Washington municipal corporation ("City" or "Employer"), and Penser North America Inc., a Washington corporation ("Penser").

PURPOSE AND SCOPE

The City and Penser desire to enter into an Agreement for the City to acquire advice, claims adjusting, administrative assistance, and services for workers' compensation claims. This Agreement will apply solely to claims arising from the City of Yakima's self-insured workers' compensation programs in the State of Washington. Penser is qualified to, and desires to, provide the services for the City, more particularly described in applicable Exhibit "A".

1. TERM

This Agreement is effective for a period of thirty-six (36) months, commencing July 1, 2022 through June 30, 2025, and renewing annually thereafter, unless the Agreement is changed by written consent of both parties, or the Agreement is terminated per the termination provisions below.

2. GENERAL CONDITIONS

2.1 Files and Records. Penser will maintain a complete physical file on every claim handled. These files will be the property of the City and will be available for review at the City's request. Penser shall maintain at its principle administrative office, adequate records of transactions between Penser and the City. The records shall be maintained as required by applicable law. Penser and the City shall both own the records and shall each retain the right to access such records for inspection or audit purposes.

2.2 Audits. Upon notice from the City, Penser shall provide such auditors as the City may designate reasonable access, during normal business days and hours, to Penser's business locations for the purpose of performing audits or inspections of the processes of Penser utilized in connection with supporting the delivery of Claims Services to the City under this Agreement.

Penser shall also comply with any audit or inspection lawfully required by any governmental agency with jurisdiction and authority over the City. In the event access to the City's data or information is required, as part of such government audit or inspection, access will be provided to the extent lawfully required or necessary for the City to fulfill its legal obligations.

2.3 Licensing and Certification. Penser shall be responsible for assuring that all adjusters it assigns to the City's claims are properly licensed and/or certified. Any medical only claims handler assigned to the account is required to be actively working towards achieving certification within one year.

2.4 Independent Contractor. It is hereby understood and agreed that Penser and its employees are not employees of the City. Penser and its employees are independent contractors and the City shall not control Penser or its employees as to the means and methods by which services are provided to the City as set forth in this Agreement.

2.5 Fiduciary Capacity. Penser shall not collect charges or premiums on behalf of or for the City, or return premiums received from the City to the City's employees. Accordingly, Penser shall not be required to hold amounts received by it from the City in a fiduciary capacity. In the event Penser begins collecting such charges or premiums on behalf of or for the City, Penser shall hold such amounts in a fiduciary capacity as required by the laws of the State of Washington.

2.6 Claims Handling and Service Instructions. In the event the City provides to Penser specific instructions for handling worker's compensation claims and/or administrative service instruction ("Instructions") such instructions shall accommodate sound claims handling procedures, and comply with relevant state laws and regulation. The City will assume responsibility for any legal actions, judgments, fines, penalties or bad faith, etc. specifically related to the City's instructions that are determined by a court of competent jurisdiction not to comply with sound claims handling procedures and relevant state laws and regulations.

3. FORM AND PAYMENT OF CLAIMS

Penser will issue checks from an account established by the City for payment of all workers' compensation benefits and expenses related to the claims, including but not limited to medical, indemnity and reasonable allocated loss adjustment expenses, which shall be paid by the City. The City shall have the right to audit and challenge all payments made by Penser.

Allocated Loss Adjustment Expenses are defined as follows:

1. Fees to independent loss adjusters, claims investigators, and damage adjusters;
2. Fees to attorneys for Claims in suit and for representation at hearings or pretrial conferences;
3. Fees to court reporters;
4. All court costs, court fees and court expenses;
5. Pre- and post-judgment interest paid as a result of litigation;
6. Fees for service of process;
7. Costs of undercover operative and detective services and surveillance;
8. Cost for nurse case management services;
9. Costs of employing experts for the preparation of maps, professional photographs, accountings, chemical or physical analysis, and diagrams;
10. Costs of employing experts for their advice; opinions or testimony concerning Claims under investigation or in litigation;
11. Costs of independent medical examination or evaluation for rehabilitation to determine the extent of the self-insured employer's liability;
12. Costs of medical bill adjudication and medical management expenses related to medical cost containment efforts;
13. Costs of legal transcripts of testimony taken at coroner's inquests, criminal or civil proceedings;
14. Costs of copies of any public records or medical records;

15. Costs of depositions and court-reported statements and/or statement transcription;
16. Costs and expenses of subrogation when referred to outside attorneys;
17. Costs of engineers, handwriting experts or any other type of expert used in the preparation of litigation or used to resolve disputes;
18. Fees for attendance at administrative hearings, when warranted, in those jurisdictions that permit or require adjusters or hearing representatives to attend pre-hearing conferences or informal hearings;
19. Any other similar cost, fee or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a Claim or alleged loss or to the protection or perfection of the subrogation rights of the Insurer and/or the Insured.

Allocated loss Adjustment Expenses shall not include any fee, cost or expense included in the Claims Administration Fees agreed to herein, including but not limited to overhead or office expenses of the Third-Party Administrator, such as, but without limitation, the wages, salaries, benefits, fees or other expenses.

4. SERVICE FEES

The City agrees to pay Penser for services within thirty (30) days of receipt of an invoice, in accordance with the prices set forth in the terms of this Agreement. Penser agrees it will provide a month invoice with detail showing evidence of each claim or expense incurring a service charge. The services fees and pricing is outlined in Exhibit B of this Agreement.

5. NON-DISCLOSURE OF INFORMATION

The City and Penser acknowledge that much; if not all of the material and information, which has or will come into the City's and Penser's possession or knowledge in connection with the performance of this Agreement, consists of confidential information "Confidential Information". The City and Penser agree to hold such Confidential Information in strictest confidence and agrees not to release such information to any individual or entity, including employees, unless such individuals or entities are necessarily involved in the provisions of Claim Service hereunder or are entitled to the information by law.

Penser further agrees not to make use of Confidential Information for its own benefit or for the benefit of any third party, other than for performance of this Agreement, and not to release or disclose it to any other party either during the term or after the termination of this agreement. Each party to this Agreement shall be solely responsible for maintaining the security of such Confidential Information and for complying with all federal, state and local laws, regulations, or other' requirements governing the privacy and disclosure of such information.

The foregoing obligations shall not apply to any information which: a) is or becomes known publicly through no fault of the receiving party; or b) is learned by the receiving party from a third party entitled to disclose it; or c) is already known to the receiving party before receipt from the disclosing party as shown by the receiving party's written records; or d) is independently developed by the receiving party, as shown by the receiving party's written records; or e) must be disclosed by law.

6. WARRANTY AND CAPACITY TO EXECUTE

Each individual executing this Agreement represents and warrants that he or she has the authority to execute this Agreement by and on behalf of the party for whom he or she is signing and to so bind such party.

7. INDEMNIFICATION

Penser agrees to indemnify, defend, and hold harmless the City and their employees and agents from any penalties, claims/losses, costs, and expenses, including but not limited to attorney's fees, arising out of any errors, omissions, intentional torts, or other negligence on the part of Penser or its employees and agents. Penser shall have no duty to indemnify, defend, and hold harmless the City or its employees and agents from claims arising out of (i) actions of Penser or its authorized employees and agents taken at the specific direction of the City or its employees and agents, or (ii) the negligence or fault of the City or its employees and agents.

The City agrees to indemnify, defend, and hold harmless Penser and its employees and agents, from any penalties, claims, losses, and expenses, including but not limited to attorney's fees, arising out of (i) actions of Penser or its employees, taken at the specific direction of the City or its agents, or (ii) the negligence or fault of the City or its employees and agents.

8. TERMINATION

Either party may terminate this Agreement by providing ninety (90) days' prior written notice of its intent to terminate. In the event this Agreement terminates, claims open or reopened after contract termination will either be transferred to the new Third Party Administrator or self-insured employer, or be handled by Penser for an additional annual or per claim fee. Additional post termination claims handling fees and terms will be negotiated upon notice of termination and will be based on the claims volume and scope of services requested. If such terms are not agreeable, Penser will provide the client's claim data to the new Third Party Administrator, or the City, along with physical claim files.

In the event this Agreement is terminated, Penser agrees to cooperate with the City and assist in the transition of claims to a replacement Third Party-Administrator and to assist said replacement to the extent necessary to protect the interests of the City. All costs associated with data conversion or transfer to another third party administrator, insurer, or directly to the City or any other party will be at the City's cost. The parties will negotiate what costs, if any Penser shall share associated with the transfer of the electronic data.

9. INSURANCE COVERAGE

During the term of this Agreement, Penser shall maintain the following insurance coverage:

a. Before this Contract is fully executed by the parties, Penser shall provide the City with a certificate of insurance as evidence of Professional Errors and Omissions Liability Insurance with coverage of at least Two Million Dollars (\$2,000,000.00) per occurrence and an annual aggregate limit of at least Two Million Dollars (\$2,000,000.00). The certificate shall clearly state who the provider is, the amount of coverage, the policy number, and when the policy and provisions provided are in effect. The insurance shall be with an insurance company or companies rated A-VII or higher in Best's Guide. If the policy is on a claims made basis, the

retroactive date of the insurance policy shall be on or before the inception date of the Contract. The insurance coverage shall remain in effect during the term of this Contract and for a minimum of three (3) years following the termination of this Contract.

b. Before this Contract is fully executed by the parties, Penser shall provide the City with a certificate of insurance as proof of commercial liability insurance with a minimum liability limit of One Million Dollars (\$1,000,000.00) per occurrence combined single limit bodily injury and property damage, and Two Million Dollars (\$2,000,000.00) general aggregate. If Penser carries higher coverage the City of Yakima, its elected officials, officers, agents and employees shall be named as additional insureds for such higher limits. The certificate shall clearly state who the provider is, the coverage amount, the policy number, and when the policy and provisions provided are in effect. Said policy shall be in effect for the duration of this Contract. The policy shall name the City of Yakima, its elected officials, officers, agents, and employees as additional insureds, and shall contain a clause that the insurer will not cancel or change the insurance without first giving the City thirty (30) calendar days prior written notice. The insurance shall be with an insurance company or companies rated A-VII or higher in Best's Guide and admitted in the State of Washington.

c. **Cyber Liability with Privacy Injury & Network Security Insurance.** Before this Contract is fully executed by the parties, Contractor shall provide the City with a certificate of insurance as proof of Cyber Liability with Privacy Injury & Network Security Insurance with coverage of at least Three Million Dollars (\$3,000,000.00). If Contractor carries higher coverage limits, such limits shall be shown on the Certificate of Insurance and Endorsements. The certificate shall clearly state who the provider is, the amount of coverage, the policy number, and when the policy and provisions provided are in effect. The insurance coverage shall remain in effect for the duration of this Contract.

d. **Workers' compensation coverage and employers liability insurance,** as required by the laws of Washington State, covering persons employed by Penser.

e. A Fidelity Bond in the amount of \$1,000,000 shall be maintained by Penser to cover it in the performance of its obligations under this Agreement.

f. Automobile liability insurance for all owned, non-owned, and hired automobiles in the amount of \$1,000,000 combined single limit.

10. MISCELLANEOUS

10.1 **Governing Law and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. The venue for any action to enforce or interpret this Agreement shall lie in the State and Federal courts located in Yakima, Washington.

10.2 **Notice.** Any notice to be given hereunder shall be in writing and shall either be served upon a party personally, or served by registered or certified mail, return receipt requested, directed to the party to be served at the address of the party set forth on the signature page of this Agreement. A party wishing to change its designated address shall do so by notice in writing to the other party. Notice served by mail shall be deemed complete when deposited in the United States Mail. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice.

10.3 No Waiver. The failure of either party to insist upon a strict performance of the terms of this Agreement or to exercise any right, remedy or election set forth herein or permitted by law shall not constitute nor be construed as a waiver or relinquishment of such term, condition, right, remedy or election.

10.4 Assignment. This Agreement may not be assigned or subcontracted by Penser without the written consent of the City.

10.5 Captions. The captions are for convenience and in no way define, limit or enlarge the scope of this Agreement or any of its sections.

10.6 Severability. Invalidity of any term of this Agreement, in whole or in part, will not affect the validity of any other term. The parties further agree that in the event such provision is an essential part of the Agreement, they will immediately begin negotiations for a suitable replacement provision.

10.7 Advertising. Penser may only use such advertising pertaining to the business underwritten by the City as has been approved in writing by the City in advance of its use.

10.8 The Americans with Disabilities Act. Penser agrees to comply with the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq. (ADA), and its implementing regulations, and Washington State's anti-discrimination law as contained in RCW Chapter 49.60 and its implementing regulations. The ADA provides comprehensive civil rights to individuals with disabilities in the area of employment, public accommodations, state and local government services, and telecommunications.

10.9 Compliance with Law. Penser agrees to perform those services under and pursuant to this Agreement in full compliance with any and all applicable laws, rules and regulations adopted or promulgated by any governmental agency or regulatory body, whether federal, state, local or otherwise.

11. ENTIRE AGREEMENT

This Agreement executed by both parties, and its Amendments constitute the entire Agreement between the parties and supersede any and all previous representations, understandings, discussions or agreements between the City and Penser as to the subject matter hereof. An instrument in writing signed by the City and Penser may only amend this Agreement.

Address for Notices:
City Manager
The City of Yakima
129 N. Second Street
Yakima, WA 98901

Address for Notices:
Penser NorthAmerica, Inc.
700 Sleater-Kinney Road SE, Suite B, #170
Lacey, WA 98503

Human Resources Director
The City of Yakima
129 N. Second Street
Yakima, WA 98901

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by the persons authorized to act in their respective names.

CITY OF YAKIMA

PENSER NORTHAMERICA, INC.



Robert Harrison, City Manager

By: Phil Valderris, President

Dated: _____

Dated: 4-5-22

ATTEST:

Sonya Claar Tee, City Clerk

EXHIBIT A

I. Adjusting Specifications

a. Early Intervention

Upon receipt of the claim form, Penser initiates the following early intervention steps:

- *Timely claim entry
- *Supervisory review of all new claims upon receipt
- *Identify "red flag" problem claims
- *Develop plan of action
- *Need for investigation determined
- *Evaluate return-to-work program
- *Reserve recommendations made
- *Assignment of file to claim representative

Priority contact within 24 hours of receipt of claim and communication with the following:

- *Employer
- *Employee (when there is lost time)
- *Attending physician

b. Initial File Workup

After the supervisor has reviewed the file, made recommendations, and the initial "three-point" contact has been made, the claim representative proceeds with the following steps:

Claim Investigation

Claim investigation is an integral part of Pensers' claim management service. Our claim representatives do an internal investigation on all claims. The depth of each claim investigation is case specific. When appropriate, our claim representatives request recorded statements from injured workers and witnesses, do on-site inspections, and gather photographs. If the possibility of third party involvement exists, claim investigation is vital to the subrogation process and recovery of applicable claim expenses. Surveillance, when appropriate and client-approved, is conducted by an outside expert.

Early Return to Work Addressed

Returning injured workers back to regular or modified duty as quickly as possible is one of the most effective elements in controlling costs. Through our initial "three point" contact, and subsequent medical and job offer

documentation (when appropriate), Penser quickly assists workers back into the workplace whenever possible. We work very closely with our clients to assist in the creation and utilization of modified duty work.

Plan of Action Development

Once the file is reviewed, and the initial contacts made, the claim representative formulates their plan to bring the claim to closure. This plan is a step-by-step outline of the issues that need to be addressed (and the action to address the issues) to bring the claim to a successful resolution.

Initial File Reserve Established

Reserves are established and entered into our computer system within 72 hours of receipt of the first report of injury. These reserves reflect exposures commensurate with the injury, degree of disability, and any appropriate subject factors. Each file contains a reserve calculation sheet and/or comments in the computer system. The City of Yakima will play an integral part in the reserve philosophy and establishment and in the ongoing review of reserves.

Initial Claim Action Taken

Once a claim is analyzed, the initial calls made, reserves set, and the plan of action formulated, the claim representative takes the necessary steps to move the claim forward to the next step of resolution. Whether it be a custom letter to the attending physician, scheduling an early second opinion, or a vendor assignment, action is taken early in the claim process and then documented in the system.

Diary Set for Next Action Step

Once the initial workup is complete, a diary is set for the next review. Adherence to the diary system is critical for success in claim management. The length of time before the next review depends on the individual claim. The diary maybe set for 30 days or it may be within 24 hours. The length of diary is set by the claim representative in conjunction with the input of the claim supervisor. Our claim management software alerts the claim representative on a daily basis of what files are due to be reviewed. This tracking system along with supervisory reviews ensure that all claims are kept up to date and reviewed appropriately.

c. Ongoing Claim Management

After the initial workup of the file, the claim representative works within the diary system; the claim representatives are also prepared to take action prior

to the scheduled diary date, if necessary. This phase of the claim process can be characterized by the following elements:

Medical Management

Penser's claim representatives are qualified to manage almost all medical aspects of a claim. Because of this experience we do not have to send each file out for a nurse review or an Independent Medical Examination (IME). We aggressively work with the attending physicians on return to work, treatment, and rating issues. We use nurse consultants in very serious cases, or cases where a particular specialty is needed. IMEs are also used, but we are careful not to overuse this resource. When our claim representatives schedule independent medical examinations, they do so with thoughtful consideration, and often they schedule directly with a physician's office and not an IME panel. This saves thousands of dollars for our clients over the course of a policy year.

Penser utilizes substantial "stacked" network for bill review re-pricing, and PPO medical reductions.

Litigation Management

Our claim staff works very closely with the injured workers to respond to their needs and provide timely benefits. However, despite our best efforts, occasionally workers seek legal counsel to assist them through the claim and appeal processes. When this occurs, we will advise the employer to obtain legal counsel, or in some instances we can work with your organization to provide a defense. If a case requires legal counsel, we assign the case to an attorney (with the client's approval) and actively monitor and manage the legal process to resolution.

Vocational Rehabilitation Management

Penser works aggressively in the modified duty return-to-work process. We do not assign vocational counselors to assist us; we take extra steps to eliminate the need for an outside vendor. However, when return to work is not possible with the employer at the time of injury, our claim representatives work closely with qualified vocational consultants. Our experience and understanding of the vocational process has enabled us to be successful in limiting the dollars and time spent in this very expensive aspect of claim management.

Claim Management

We write custom letters to doctors' offices when appropriate, communicate with physicians' offices for light duty release, or call the

injured worker to ensure treatment is progressing. Penser gets immediate, same-day response from most attending physicians. We proactively manage the entire claim from the time we receive it to closure. Our claim representatives maintain a strict diary system to ensure every claim is moving toward closure.

d. Claim Status Meetings

A critical part of ensuring all claims are progressing toward closure is to have monthly and/or quarterly status meetings with the employer. These meetings maintain the focus of the program and are brainstorming sessions on difficult cases. Also, by having regular status meetings, there are no surprises on claim costs or outstanding reserves.

e. Loss Control Services

Penser uses a two-pronged approach to minimize workers' compensation costs. Our loss control services are available to assist your organization in preventing accidents while our claim department works to contain the cost of injuries. Penser will provide twenty (20) hours of loss control consulting services each policy year which is included in the base service fee. Additional loss control hours (over and above the 20 hours) each policy year can be negotiated at discounted rates.

When utilized, the mission of our loss control service is to aid in preventing accidents, meeting safety regulations, and assisting with special problems. We accomplish these goals through a consultant-type approach to loss control. We begin by meeting with management, examining types and frequency of accidents, and reviewing safety programs; then we customize our service to your organization.

Elements of Loss Control Service Program

- Safety Program Management
- Program Compliance Audits
- Regulatory Compliance
- Education and Training
- Safety Inspections
- Accident Investigations
- Troubleshooting
- Claim Analysis
- Industrial Hygiene
- Ergonomics

f. Safety Program Management

Successful accident prevention is essential for achieving high productivity and low costs long term. Penser's loss control consultant can help your organization identify the systems errors that lead to accidents, offer controlling strategies, and help design measuring and accountability systems. Our loss control consultant can assist in determining achievable organizational goals and the means to achieve them. Your assigned consultant will review and analyze the loss history and existing programs and meet with key people in your organization.

This consultative approach will identify important areas where we may be able to reduce accidents and improve your safety management program.

g. Program Compliance Audits

The Department of Labor and industries (L & I) audits self-insured employers on a random basis. These audits include a review of your safety program to ensure compliance with state regulations. Our loss control consultant is experienced with these audits and will provide you with the latest compliance information and L & I's current focus to help prepare for a successful audit.

h. Regulatory Compliance

Our consultant can assist with meeting the myriad of L & I's safety regulations and other safety program needs. Some of the safety programs and topics that we provide consultation for include:

- Accident Investigations
- Back Injury Prevention
- New Employee Orientation
- Effective Safety Committees
- Job Safety Analysis
- Accident Repeater Programs
- Behavior Based Safety
- Hearing Conservation
- Lockout Tag-out
- Electrical Safety
- Forklift Driver Safety
- Fleet Safety

i. Education and Training

Ongoing safety education is an important element to any successful safety program. Our loss control consultant is an experienced educator and trainer. His experience and depth of resources make it possible to customize training and educational programs for staff, trainers, supervisors, and key employees. The topics of training are diverse to meet your general and specific needs.

j. Safety Inspections

Our loss control consultant stays abreast of pertinent regulatory developments and will provide updates on changes. We follow proposed regulations closely and are able to add regulatory input and attend important public hearings.

If your facilities are subjected to a WISHA inspection, we may be able to protect your interests during the inspection process, review the citation for validity, suggest abatement strategies, and guide your organization through the appeal process before the Board of Industrial Insurance Appeals.

k. Accident Investigations

We assist in the investigation of serious accidents, including the following very important areas:

- Follow Up Accident Guidance
- Reporting Requirements
- Assistance During WISHA Investigations
- Conduct Interviews and Gather Statements
- Determine Contributing Causes
- Safeguards to Prevent Reoccurrences

l. Troubleshooting

Recognizing that every organization has special and sometimes unpredictable safety needs, we developed our loss control service program to specialize in addressing unique safety concerns. Our consultant possesses extensive knowledge in occupational safety and health. We also have working relationships with established laboratories and specialty consultants, if the need arises.

m. Claim Analysis

The monthly loss analysis report we provide contains useful statistical information that will help you focus your accident prevention resources. The loss analysis breaks down your claims by location, department, length of service, month, day of the week, hour of the day, activity, injury type, and body type. Your designated loss control consultant will review the loss analysis to track costs per claim, loss trends, and other information that will assist you in targeting accident prevention efforts.

n. Industrial Hygiene

Unlike physical safety hazards, industrial health exposures may be especially difficult to discover. Our consultant is trained in industrial hygiene. We offer

our clients a wide variety of bulk, air and liquid sampling services to determine occupational exposure to hazardous chemicals. Your designated consultant will provide ideas to help you prevent noise induced hearing loss and evaluate compliance with state hearing conservation program requirements.

o. Ergonomics

Cumulative trauma disorders are increasingly found in the workplace. Ergonomic hazards can be found in the office or in the field environment. Our staff can evaluate workstation ergonomic exposures and assist in developing solutions to prevent these costly injuries.

p. Information Management

Penser utilizes a state-of-the-art claim management computer system. This system is not only user friendly for our claim adjusters and clients, it provides a complete analysis of an employer's losses and consequently allows for a unique tool in which to analyze workers' compensation claims and to develop programs for reducing associated expenses.

Highlights of Penser M.I.S.

- Standard reports
- Custom reports
- On-line capabilities

Standard Reports

Standard to Penser's service is a variety of customer reports, including weekly check lists, monthly check registers, and a monthly loss analysis. The standard report package will detail the most current information on your account's activity and the status of each open claim. Injuries and costs are summarized for all specific locations, and cumulative totals for the entire company are also summarized. These reports include medical and indemnity payments and estimated future costs, thus, allowing for an accurate accounting of your workers' compensation program.

Other Reports

Complete for the City the State annual, quarterly, and supplemental benefit reports. Provide other information as necessary to the City to maintain compliance with any applicable laws including, but not limited to, filing IRS Form 1099 annually.

Capture and maintain all data necessary to comply with the requirements of section 111 of the Medicare, Medicaid, and SCHIP Extension Act of 2007

(MMSEA), and report to Medicare as required by MMSEA. Penser will indemnify and hold harmless City from any penalties imposed under MMSEA that are related to a claim administered by Penser under this Agreement.

Custom Reports

Our computer system provides flexibility on the information reported. As a result, we can run reports on almost any type of information in the database. For example, we can run multiple claim lists, injury specific reports, over dollar amount (claims that exceed a set dollar amount), claim logs, and many more.

On-line Capabilities

With our on-line capability our clients have access to all of their claim information in real time. The on-line access allows you to view the same information the adjuster is viewing. This includes claim notes, payment detail, reserve history, etc.

q. Client Services

Penser recognizes there are additional services important to operating a self-insurance program that were not mentioned previously. Our client services program compiles these additional needs to ensure your program is unique to your organization. Some of these additional services include:

- Technical Support
- Training and program orientation
- Audit assistance
- Excess insurance reporting
- Accounting services

Technical Support

Penser provides technical support to incorporate your account into our computer system. We will work together to decipher reports and develop tracking systems that work for you. We provide assistance and special reports that help with the completion of quarterly and annual reports. Penser also provides customized claim forms.

Training and Program Orientation

Orienting your management and supervisory personnel is vital to the success of your workers' compensation program. Penser is absolutely committed to getting our relationship off to a great start.

We provide training seminars explaining claim form processing, filing procedures, and reporting requirements. We also keep you apprised and provide counsel on governmental issues and concerns. Our assistance also includes working with you through the takeover process.

Audit Assistance

Compliance with L & I guidelines is extremely important. Our staff has years of experience in the audit process. We work with you to ensure the program is in compliance and ready for inspection at any time.

Excess Insurance Reporting

Penser works with you and your insurance carrier to assist in the renewal of your policy. We provide the reports to assist in the underwriting process. Also, we monitor our claim department to guarantee we meet each carrier's claim reporting requirements.

r. Accounting Services

Penser will establish a specific checking account from which we will issue your workers' compensation checks. There are two primary account types: a Regular Checking Account, requiring a balance at all times, or a Zero Balance Account. Whichever account is selected, Penser prints customized checks with your company name, address, and signature authority. We will establish security and cash management checks and balances on your account (i.e., dollar amount second signatures are required, dollar amount a phone call or note to you is required before a check). If you prefer to issue checks from your location, Penser will enter the data into our system for record keeping and reporting purposes.

s. Subrogation

Every claim involving potential subrogation must be investigated. Before pursuing a subrogation recovery, the assigned adjuster will obtain the approval of the City. The city may have valid reasons for not wishing to pursue a third party recovery. Once a decision is made to pursue a third party subrogation recovery, notice letter must be sent by the adjuster to the appropriate third party, insurance carrier, and/or attorney. In addition, the injured worker must be advised that you are subrogated to their rights of recovery and are pursuing a claim as well.

Adjusters must recognize the appropriate Statue of Limitations on subrogation. Approval to refer cases to outside investigators or legal counsel for review must be obtained from the City. No settlement or lien compromise is made without City approval. Penser Adjusters do not sign third party releases, they are forwarded to the City for consideration.

II. Procedures of Issuance of Checks and Account Reconciliation

A checking account will be maintained and adequately funded by the City of Yakima on a regular and ongoing basis during the period of the Agreement. This checking account will be used to pay all workers' compensation benefits and expenses related to the City of Yakima's Washington self-insured workers' compensation claims. Penser will issue and sign checks on behalf of the City of Yakima. Penser will make timely payment of benefits due in accordance with statutory requirements or administrative or judicial orders.

Penser will provide the City of Yakima with check register information to reimburse and/or audit the payments made from the account.

Checks will be issued, signed and disbursed by Penser.

The City of Yakima will be responsible to fund the account on a regular basis to ensure funds are available to pay the related claims payments, expenses and costs. The City of Yakima is responsible for any fees and costs associated with the checking account.

Exhibit B

Service Fees

Fees include all claims handling fees and administrative services associated with both the existing open take-over claims and all newly incurred losses beginning upon execution of this contract.

- One time transition fee \$10,000 (this includes data conversion, tape transfer, management of future reopened claims, and assumption of all claims incurred prior to the transition date).
- A flat fee of \$3,750 per month for ongoing administration services.

Ongoing Administration Services Include:

- Services outlined in Exhibit A
- Management information services (including online access)
- Client services
- E-mail access
- Monthly loss report
- Annual report

Cost containment services used by outside vendors are billed to their respective claim files and are not part of the flat monthly fee.