CITY OF RAPID CITY
RAPID CITY, SOUTH DAKOTA 57701-5035

City Finance Office
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TO: L&F Committee
FROM: Jim Preston
SUBJECT: Worker's Compensation TPA
DATE: December 30, 2008

The City of Rapid City went out for proposals for a Third Party Administer (TPA) to handle the City's worker's compensation claims. Attached is a comparison of the costs based on a five-year history and the proposed fees for the four TPAs that submitted a proposal.

The City Insurance Committee is recommending renewal of the Berkley Risk Administrators contract for TPA services for the City of Rapid City.

On January 1, 1994, the City of Rapid City left the SD Public Assurance Alliance work comp pool and became self funded. The City Council agreed to set aside approximately $975,000 per year for ten years to fund the account. After the fifth year, an actuary evaluated the fund and recommended a reduction in funding because of excellent lost history results. After seven years, the actuary recommended further reducing funding to the current level. Currently, the City is paying approximately $540,000, inclusive of direct medical and indemnity payments and expenses for third party claims administration. Our best estimate is that we would be paying approximately $1,500,000 under the Work Comp pool a fully funded service. On average, we believe the City is saving almost $1,000,000 by being self funded.

Although Claims Associates, Inc, (CAI) has an overall lower projected administrative cost for 2009, the Insurance Committee is recommending renewal with Berkley. The primary consideration in selecting a TPA is not just cost, but one must also consider service, coverage and working relationship. Berkley has become an extension of the City's work comp program and a key player in keeping work comp costs down. We believe that our excellent loss history is a direct result of the positive working relationship we have with Berkley.

Cc: Mayor Hanks, Pauline, Keith, Rich Maguire