

# Mayor and Council Communication

**DATE:** 05/05/20

**M&C FILE NUMBER:** M&C 20-0280

**LOG NAME:** 14WORKERSCOMPPAYMENT2

## **SUBJECT**

Authorize Continued Payments of Approximately \$100,000.00 per year for 2020, 2021 & 2022 to Continental Casualty Company/Continental Loss Adjusting Services, Inc., for Payment of Workers' Compensation Claims for Policy Years 1983, 1995, 1996 & 1997 for City Secretary Contract No. 21071 and Amendment to City Secretary Contract No. 22322 (ALL COUNCIL DISTRICTS)

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## **RECOMMENDATION:**

It is recommended that the City Council authorize continued payments of up to approximately \$100,000.00 per year for 2020, 2021 & 2022 to a Workers' Compensation insurance claims administrator, Continental Casualty Company, who did business as Continental Loss Adjusting Services Inc., for the administration of open workers' claims for policy years 1983, 1995, 1996 & 1997 as authorized under City Secretary Contract No. 21071 and Amendment to City Secretary Contract No. 22322.

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## **DISCUSSION:**

The City's Workers' Compensation Insurance claims that remain for policy years 1984 through 1997 are currently being handled by Continental Casualty Company d/b/a CNA financial Corporation. The initial contract with the City was with Underwriting Adjusting Services (UAS) effective January 1, 1984 (City Secretary Contract No. 13620). In 1990, UAS's name changed to Continental Loss Adjusting Services (CLAS) (City Secretary Contract No. 18177). In 1990, the parent company of CLAS, a corporation known as CNA Financial Corporation (CNA), assumed responsibility for CLAS claims handling and claims adjusting activities (Reference: Affidavit by CNA Financial Corporation dated January 9, 1998).

Per City Secretary Contract No. 21071, CLAS agreed to the following statement: "Upon termination of the contract, any claim(s) or loss(s) reported or unreported pending on the date of the contract termination will be handled and adjusted to conclusion by CLAS consistent with the terms of the contract".

Since CNA assumed responsibility for all UAC/CLAS claims, this contract language effectively made CNA liable for all future claims handling and claims adjusting activities on all workers' compensation claims with dates of injury 1/1/1984 through 1/1/1998. This is referred to in the workers' compensation insurance industry as a "life of file contract". Due to the nature of workers' compensation claims, medical benefits are payable long after the date of injury as long as the medical treatments/services are related to the compensable injury. CNA is responsible for paying these benefits for the lifetime of the injured employee under the terms of these City Secretary Contracts renewals/extensions. The current annual expenditure with this vendor is \$100,000.00 with approximately 50 percent of this cost being reimbursed by the City's workers' compensation excess carrier.

Therefore, CNA continues to provide claims adjusting services to current and retired City of Fort Worth employees who sustained injuries during the periods 1/1/1984 through 1/1/1998. CNA sends to HR Risk Management a quarterly statement/invoice for any claims adjusting activities occurring in the quarter prior to the invoice date. HR Risk Management reimburses CNA from the Risk Financing Fund for any benefits payable on each claim.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

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## **FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that funds are available in the current operating budget, as previously appropriated, and that upon adoption of future Fiscal Years' Budgets by the City Council funds will be available, as appropriated, in the Risk Financing Fund to support the approval of the above recommendation and continuation of payments. Prior to any expenditure being incurred, the Human Resources Department has the responsibility to validate the availability of funds.

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