Board Agenda Item 50

DATE: June 10, 2025

TO: Board of Supervisors

SUBMITTED BY: Hollis Magill, Director of Human Resources

SUBJECT: Agreement with George Hills Company, Inc.

RECOMMENDED ACTION(S):

1. **Under Administrative Policy No. 34 for competitive bids or requests for proposals (AP 34) determine that an exception to the competitive bidding requirement under AP 34 is satisfied and a suspension of competition is warranted due to unusual or extraordinary circumstances, as George Hills Company, Inc. has over 30 years of experience in handling California public entity tort claims and has acted as the third-party administrator for comparable counties, for the solicitation of a third-party administrator for the County's General Liability Program; and**
2. **Approve and authorize the Chairman to execute an Agreement with George Hills Company, Inc. for general liability and third-party claims administration effective July 1, 2025, not to exceed five years, which includes a three-year base contract, and two optional one-year extensions, total not to exceed $1,565,579.**

There is no additional Net County Cost associated with the recommended actions, which will provide for Third-Party Administration (TPA) of the County's General Liability Program. The recommended Agreement is for a three-year base period and may be extended for two additional one-year periods. The cost of this Agreement will be part of program costs recovered through the Risk Management general liability rates. This item is countywide.

ALTERNATIVE ACTION(S):

The Board can reject the recommended TPA; however, this would result in a loss of historical knowledge of the County's most critical liability claims and the inability to leverage the experience of experienced claims adjusters, for which the County does not have a classification.

SUSPENSION OF COMPETITION/SOLE SOURCE CONTRACT:

It is requested that the County find under AP 34 that an exception to the bidding requirement is satisfied and a suspension of competition is warranted due to unusual or extraordinary circumstances as this will allow Risk Management to leverage the demonstrated expertise in claims and to maintain continuity of claims handling through established relationships with defense counsel, department stakeholders, and other relevant parties, as well as the intricate knowledge of complex litigated claims already assigned. The General Services Department - Purchasing concurs with the Department's assessment that this satisfies the exception to the competitive bidding process required by AP 34.

FISCAL IMPACT:

There is no increase to Net County Cost associated with the recommended actions. Sufficient appropriations for this agreement have been included with the Human Resources Risk Management Org. 8925 FY 2025-26 Recommended Budget. The cost of the Agreement will be part of program costs recovered through Risk Management Internal Services Fund (ISF) general liability rates.

DISCUSSION:

The Risk Management Division in the Department of Human Resources has historically self-administered the County's General Liability Program; however, it has never had a County job classification for claims adjusters, and instead has been using Human Resources Analysts to adjust claims and lawsuits. In 2020, the County's Risk Management Program underwent a comprehensive risk assessment by Management Strategies Group of Sloan, Sakai, Yueng, and Wong, and it was recommended that the County contract with a TPA to bridge the experience gap to ensure that claims and lawsuits were handled in a fiscally responsible manner.

On September 12, 2021, GSD-Purchasing approved Procurement Agreement number 21-366 to obtain the services of George Hills Company, Inc (George Hills). George Hills has over 30 years of experience in handling California public entity tort claims and has acted as the TPA for comparable counties across the state. With this Agreement, George Hills began administering a maximum of 75 general liability tort claims, to include up to 10 litigated claims, and up to 10 first-party property claims on behalf of the County. Following an audit of the claims files and an evaluation of the performance of George Hills, it was determined that it would be most beneficial to the County to extend the Agreement to include the administration of all litigation claims, which present the highest liability to the County and are more complex and require specialized experience to adjust properly. On September 5, 2022, your Board approved Agreement 22-393 which expanded George Hill's role by including the administration of all the County's litigated claims.

Effective management of general liability claims is essential for maintaining financial stability, operational efficiency, and legal compliance, particularly in the current litigation environment where social inflation and nuclear verdicts are threatening the financial security of California public entities and are putting pressure on an already hard insurance market. Given the complexity of liability claims, including property damage, bodily injury, and litigation exposure, there continues to be a critical need for specialized expertise in claims administration. The demands of managing claims currently exceeds the available resources within Risk Management, which could result in potential inefficiencies, delays, and increases liability risks. This Agreement will allow for George Hill's full administration of the County's general liability program.

Through bi-annual audits performed by the County's excess insurer, George Hills has demonstrated that they possess the specialized knowledge in evaluating, processing and settling liability claims, which has reduced claim processing errors, effectively mitigating risk exposure. By fully administering the general liability program, George Hills will administer claims from receipt to resolution, which will help to reduce unnecessary payouts and litigation costs through reliable claim processing and cost-containment strategies. This will also alleviate the administrative burden on internal staff, allowing Human Resource Analysts to focus on proactive initiatives to reduce liabilities to the County. The program will be administrated internally like the County's Worker's Compensation where the Analyst assigned to the program will serve as a liaison between George Hills and County Departments to facilitate the timely processing of claims for damages and lawsuits.

REFERENCE MATERIAL:

BAI #31, September 6, 2022

ATTACHMENTS INCLUDED AND/OR ON FILE:

Suspension of Competition Acquisition Request Form
On file with Clerk - Agreement with George Hills Company

CAO ANALYST:

Sevag Tateosian