CLAIMS SERVICE AGREEMENT

Contract Number 01-01290

THIS CLAIMS SERVICE AGREEMENT is made and entered into this **1st day of October, 2010,** by and between **F. A. Richard & Associates, Inc.** of Mandeville, Louisiana, hereinafter referred to as **FARA**, and, **City of Lake Worth** hereinafter referred to as **Client**.

In consideration of the mutual covenants and promises of the parties, **FARA** agrees to furnish and **Client** agrees to accept those certain claims handling services as defined in this instrument on the following terms and conditions:

ARTICLE 1 – TERM

1.1 The term of this Claims Service Agreement shall commence on **October 1st, 2010** and shall remain in effect continuously until terminated in accordance with the provisions of Article 10 or Exhibit A.

ARTICLE 2 – DEFINITIONS

As used herein and in the performance of services by **FARA** for **Client**, the following terms shall have the meanings described below:

2.1 Adjust or Adjustment: The process of handling and disposing of claims involving injury, death, damage or loss, in accordance and consistent with generally accepted claim handling standards.

2.2 Administrative Agencies: Any state, federal or local governmental agency which supervises or regulates the handling of claims, including but not limited to, industrial commissions, workers' compensation bureaus, commissions, state insurance departments or boards.

2.3 Allocated Loss Expense:

A. Except as provided in subparagraph B below, those expenses arising out of or connected with the handling and disposition of claims by **FARA**, including but not limited to:

1. Fees of attorneys for claims in suit and for representation at hearings or pretrial conferences;
2. Fees of court reporters;
3. All court costs, court fees, and court expenses;
4. Interest paid as a result of litigation;
5. Fees for service of process;
6. Costs of undercover operative and detective services;
7. Costs for employing experts for the preparation of maps, professional photographs, accounting, chemical or physical analysis, diagrams;
8. Costs for employing experts for the advice, opinions or testimony concerning claims under investigation or in litigation or for which a declaratory judgment is sought;
9. Costs for independent medical examination and/or evaluation for rehabilitation and/or to determine the extent of **Client**'s liability;
10. Costs of legal transcripts of testimony taken at coroner's inquests, criminal or civil proceedings;
11. Costs for copies of any public records and/or medical records;
12. Costs of depositions and court reported and/or recorded statements;
13. Costs and expenses of subrogation;
14. Costs of engineers, handwriting experts and/or any other type of expert used in the preparation of litigation and/or used on a one-time basis to resolve disputes;
15. Fees and costs for attendance at trials or hearings;
16. Witness fees and travel expenses;
17. Costs of photographs and photocopy services;

18. Costs of appraisal fees and expenses;

19. Vocational Rehabilitation, Medical Case Management and Utilization Review;

20. Computerized Medical Bill Review services;

21. Cost of Preferred Provider Organization fees or other similar cost containment programs;

22. Litigation Management and any related additional services required of **FARA**;

23. Electronic Index Bureau filing fees;

24. Services performed outside **FARA**'s normal geographic regions;

25. Cost to provide notification, reports or other services to excess insurers;

26. Out of pocket expenses incurred in connection with an individual claim or required meeting with **Client**;

27. Cost of MMSEA reporting as set forth on Exhibit B;

28. Any other services performed by **FARA** at **Client**'s request;

29. Any other similar cost, fee or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a claim or loss or to the protection or perfection of the subrogation rights of **Client**.

B. Allocated Loss Expense shall not include any of the fees, costs, or expenses, which are included in the claims service fees agreed to herein, or any payment of expenses for actual medical or hospital treatment involving a claimant.

2.4 A. Claim: Any single exposure of liability involving any actual or potential injury, death, loss or damage reported by **Client** to **FARA** which might result in any payment being made on behalf of **Client** and for which **FARA** establishes a claim file.

B. Medical Only Claim: Each separate claim for medical payments only with a pay value of less than $2,500. Any claim for medical payments, which include indemnity, wage loss benefits, or investigation, which may lead to the denial of such payments, shall not be deemed a medical only claim.

C. Indemnity Claim: Each separate claim where the injuries suffered will or are likely to result in an indemnity or wage loss benefit or have a reserved or paid value of $2,500 or more. Any indemnity claim or medical only claim, which has been opened for a period of six months, shall be deemed an indemnity claim for fee purposes.

D. Incident Report: Any claim where no reserve of any kind is established.

E. Claim Suffixes: The identifying suffix for individual claims arising out of an accident, event or occurrence, i.e., bodily injury, property damage, etc.

F. Multiple Claim Suffixes: Those suffixes used when separate type claims arise out of the same occurrence or event.

2.5 Claim Adjustment File: Documentation of the claim adjustment process arising from any single incident involving one or more claimants and containing all relevant activity records including notices, investigations, evaluations and payments.

2.6 Authority Limit: That sum of money set forth in this Agreement for which **FARA** shall have full and sole discretion and authority to adjust and make payments on behalf of **Client**.

2.7 Reserve: The monetary evaluation by **FARA** of the estimated financial exposure of the **Client** on any claim.

2.8 Services: Those services described in Article 3 and Exhibit A which are furnished by **FARA** to **Client** in accordance with the terms of this Agreement, any applicable insurance policy, or in compliance with the laws of any state having jurisdiction over the claim.

2.9 Third Party: Any person, firm, partnership, corporation or other legal entity except **FARA**, **FARA**'s employees, **Client**, **Client**'s employees or any other persons claiming or eligible to claim workers' compensation benefits from **Client** or insurers of **Client**.

2.10 Report Date of Claim: The date when **FARA** first establishes the Claim Adjustment File.

2.11 Date of Accident: The date of event as reported by **Client** or later revised by **FARA** as the more appropriate date of occurrence.

ARTICLE 3 – REPORTING OF CLAIMS AND SERVICES PROVIDED

3.1 **Client** agrees that during the term of this Agreement, **Client** will report all claims, including all incident reports to **FARA**. **Client** shall not administer any new claims or forward or assign notice of new claims to any claims administrator or person other than **FARA**. **FARA** shall have

the right to review the books and records of **Client** for the sole purpose of verifying total number and type of claims. Any such review or audit shall be conducted by **FARA** personnel.

3.2 **FARA** shall provide the following claims adjustment services:

A. Review all **Client**'s claims and loss reports for losses occurring during the term of this Agreement;

B. Establish an incident or suspense file for any circumstance or event where no injury or property damage has been reported and/or is anticipated and/or being claimed;

C. Establish and reserve a file for each claim and code such claim in accordance with **FARA**'s standard statistical data requirements.

D. Conduct an investigation of each claim and document the claim file in accordance with the standards which have been agreed upon and are attached as Exhibit A. The claim file will be available for review by the **Client** on a reasonable basis.

E. Perform all administrative and clerical work in connection with qualified claims including the preparation of checks drawn on the loss fund established herein;

F. Respond immediately to any inquiry, complaint or request received from an Insurance Department, other regulatory agency, **Client**, Claimant, Agent, Broker, or other interested party;

G. Process each claim in accordance with rules, regulations, restrictions, and laws of each state or province involved;

H. Monitor the treatment programs recommended for Claimant by physicians, specialists and other health care providers by reviewing all reports prepared by them and performing all investigative activities as may be appropriate.

I. Utilize cost containment methods available by referring bills to computerized bill review, employing medical case management specialists, and utilization of Preferred Provider Organizations. **FARA** will utilize its in-house cost containment units wherever possible and only utilize other vendors where necessary. Payment for these services is not included in **FARA**'s service fees.

J. Adjust, resist and/or settle claims in accordance with authority levels granted in Exhibit A.

K. Pay all claims and allocated loss adjustment expenses in accordance with the authority granted and applicable statutes or regulations;

L. Maintain finalized claim files in accordance with Exhibit A.

3.3 Claims Fund: The payment of Claims and Allocated Loss Expenses shall be made by **FARA** from a claims payment account (The Account set forth in Article 5) funded by **Client**.

3.4 **FARA** shall file on a prompt basis, proper forms and reports as may be required by any governmental agency which regulates the handling of workers' compensation insurance claims or other insurance claims, including but not limited to, industrial commissions, workers' compensation offices, bureaus, state insurance departments or boards for all claims which are the subject of this Agreement.

3.5 1099 Filings: **FARA** shall collect, process and report data in the manner required by the Internal Revenue Service for the purpose of preparing **Client** 1099 Miscellaneous Income filing for the claims payments which are the subject of this Agreement.

ARTICLE 4 – PAYMENT OF CLAIMS & DISCRETIONARY SETTLEMENT AUTHORITY LIMIT

4.1 **FARA** shall have authority to make payments on any claim handled by them pursuant to the terms of this Agreement.

4.2 **FARA** shall have the authority to pay on behalf of **Client** any claims related services falling within the definition of Allocated Loss Expenses.

4.3 **FARA** shall make no single payment in excess of their stated payment authority indicated above without the approval of **Client**.

4.4 **FARA** shall have the full and sole discretion to finally adjust or settle any claim in an amount equal to or less than the authority limit indicated in Exhibit A, without supervision or direction from **Client** and such adjustment or settlement shall be binding upon **Client**.

4.5 **FARA** reserves the right, on any particular claim, to disregard the authority granted in this Article 4 and treat said claim as requiring **Client** approval prior to final disposition. **Client** reserves the right, on any particular claim, and upon written notice to **FARA**, to revoke the authority granted in this Article 4 and treat said claim as requiring **Client**'s approval prior to final disposition.

ARTICLE 5 – CLAIMS FUND

5.1 To facilitate the payment of Claims and Allocated Loss Expenses, the parties agree to the use of a claims fund account ("Account"). The method of funding and responsibilities of the parties in connection with the account are outlined in Exhibit A.

ARTICLE 6 – PROPRIETARY INTEREST

6.1 Ownership of Systems: All systems created or utilized by **FARA** in performance of activities under this Claims Service Agreement shall belong to, and remain as property of, **FARA**; **Client** having no ownership interest therein. Systems as used herein shall include, but are not limited to, computer programs, computer equipment, formats, risk data report formats, procedures, documentation and internal reports of **FARA**, but shall not include claim adjustment files.

6.2 Ownership of Files: **FARA** shall be entitled to full and complete possession of all files and materials prepared by **FARA** in the course of investigating or administering any claim under this Agreement until this Agreement is canceled and all outstanding sums due **FARA** are paid by **Client**. After termination of this Agreement and payment of all fees due **FARA**, **Client** shall be entitled to a return of the files after **FARA** has made a copy of all files. Clerical and copying costs of files to be returned shall be at the expense of the **Client**, who agrees to pay **FARA**'s reasonable fees in connection with such copying.

6.3 Protection of Data: **FARA** shall make all reasonable efforts to ensure the availability of the computer loss data and the operation of the computer hardware. In the event of damage to or malfunction of the computer hardware, **FARA** will use all reasonable efforts to obtain replacement alternative computer hardware to restore the service to an acceptable level in a timely manner. In the event that the computer risk data is not available for use by the computer system utilized by **FARA**, **FARA** will attempt to reconstruct or recover that data from computer data files stored at remote locations and from source records to restore the service to an acceptable level in a timely manner.

6.4 Privacy of Data: **FARA** will make reasonable efforts to maintain the confidentiality of all data supplied to and used by **FARA** in the performance of this Claims Service Agreement. **FARA** will not disclose this data nor the contents of the data files without the consent of **Client**. Notwithstanding the foregoing, **Client** agrees that **FARA** shall have the right to use such data for the purpose of preparing and disseminating analytical reports inclusive of the collective **Client** data, provided such use in no way specifically identifies **Client**, its operations or expenses.

ARTICLE 7 – INDEPENDENT CONTRACTOR STATUS

7.1 **FARA**, at all times, shall be an independent contractor, and employees of **FARA** shall in no event be considered employees of **Client**. Except as expressly provided for herein, no agency relationship between **FARA** and **Client** shall exist as a result of the execution of this Claims Service Agreement of the performance by **FARA** thereunder; **FARA** reserves the right, at its sole discretion and at its own expense, to assign performance of activities under this Claims Service Agreement to any of its personnel and to subcontract to third parties any part or all of **FARA**'s duties without the necessity of **Client**'s approval, provided, however, that any subcontracting by **FARA** shall not relieve **FARA** of its obligations to **Client** under this Claims Service Agreement.

ARTICLE 8 – INDEMNIFICATION

8.1 a. **FARA** hereby agrees to defend, indemnify and hold **Client** harmless from and against all claims, actions, causes of action, liability or loss which results from the sole negligence or willful acts, or errors or omissions of **FARA** in the performance or breach of duties under this Agreement. Included are all damages, costs, expenses, attorney fees and other legal fees, penalties, fines, direct or consequential damages, assessments, verdicts (including punitive damages to the extent permissible by law) and any other expense or expenditure incurred by **Client** as a result of **FARA**'s sole negligence or willful misconduct.

b. The parties acknowledge the waiver of sovereign immunity for liability in tort contained in Florida Statutes Section 768.28, the State of Florida's partial waiver of sovereign immunity, and acknowledge that such statute permits actions at law to recover damages in tort for money damages up to the limits set forth in such statute for death, personal injury or damage to property caused by the negligent or wrongful acts or omissions of **Client** or its employee acting within the scope of the employee's office of employment. The **Client** agrees to be responsible for all such claims and damages, to the extent and limits provided in Florida Statutes Section 768.28, arising from the actions of its own employees, however, this does not constitute any admission of liability in such cases. Without waiver of limitation as provided for in Section 768.28, Florida Statutes, as maybe amended from time to time, and to the extent permitted by law, the **Client** agrees to indemnify and hold **FARA** harmless from and against any claims, actions, losses, demands or cause of action of whatsoever kind or nature that the **FARA** may or could sustain as a result of or emanating out of the performance or breach of the terms and conditions contained in this Agreement that result from the **Client**'s negligence, errors or omissions or willful misconduct. Included are all damages, costs, expenses, attorney fees, and other legal fees, penalties, fines, direct or consequential damages, assessments, verdicts (including punitive damages to the extent permissible by law) and any other expense or expenditure incurred by **FARA** as a result of **Client**'s sole negligence or willful misconduct or lack of performance under the terms of this Agreement.

8.2 Insurance Coverage: **FARA** agrees to maintain General Liability, Automobile Liability, Workers' Compensation, Fidelity Bond and Professional Liability coverage. **FARA** shall submit certificates evidencing proof of said insurance to **Client** upon written request.

ARTICLE 9 – COMPENSATION

9.1 Except as otherwise provided in this Claims Service Agreement, **FARA** shall be compensated by **Client** in accordance with the terms of Exhibit A.

9.2 The compensation payable to **FARA** under this Article 9 shall in no way include or affect the separate payment obligations of **Client** as respects the claims fund described in Article 5 or the direct payment for other services rendered by **FARA**.

9.3 All sums due **FARA** are due and payable within 20 days of receipt of billing by **FARA**. **Client**'s failure to pay timely shall subject **Client** to late payment charges, interest on unpaid balances at the rate of 1% per month. Should outside collection be needed, **Client** shall bear the cost including reasonable attorney and collection costs and fees.

ARTICLE 10 – TERMINATION

10.1 The Claims Service Agreement may be terminated in its entirety by either party (provided that such party not be in default under this contract) upon written notice to the other party provided such notice specifies an effective date for cancellation or non-renewal not less than thirty (30) days from the date of such notice.

10.2 In the event of any termination of this Claims Service Agreement by either party hereto pursuant to the terms of Article 10.1, **FARA** shall be entitled to all fees earned or incurred prior to the effective date of termination without offset or reduction, and 100% of **FARA**'s administrative fee will be deemed fully earned. Any and all open claims and unresolved recovery activities pending on the date of termination of this contract shall either:

A. Continue to be handled by **FARA** until the expiration of the period in which **Client** has paid the Service Fee, and thereafter at a time and expense basis at **FARA**'s prevailing hourly rate and expense method of billing when time and expenses are incurred; or

B. A monthly fee as may be agreed upon; or

C. Thereafter be assumed and handled by **Client** or delegated by **Client** to some third party.

Client shall inform **FARA** prior to the termination date of the contract in writing of the selected option. Should **Client** fail to inform **FARA** or should agreement not be reached between **FARA** and **Client** for the continued handling of the open claims, then **FARA**, on the termination date, shall suspend all activity on **Client**'s files and **FARA** shall thereafter have no responsibility for the proper disposition of such matters. Should **FARA** continue to produce loss runs, loss fund management or on-line access, **Client** will be invoiced and shall pay a portion of their annual administration fee.

10.3 In addition to all other rights and remedies available to **FARA** under this Claims Service Agreement and at law, **FARA** may cancel this Service Agreement and discontinue claims adjustment services immediately upon notice to **Client** if:

A. **Client** fails to maintain sufficient balances in The Account to properly and adequately fund daily maintenance and indemnity needs, as well as settlement of claims and allocated loss expenses. At no time shall **FARA** be liable or obligated to make any payments of any type of character on behalf of **Client** out of its own funds;

B. **Client** dissolves, liquidates a substantial part or all of its business, or is the subject of voluntary or involuntary bankruptcy proceeding or other reorganization;

C. **Client** threatens insolvency or has a receiver or trustee appointed on its behalf;

D. **Client** is acquired by merger with any other entity unless this Claims Service Agreement is assumed in writing by the other entity and such assumption is agreed to by **FARA**.

E. **Client** has failed to pay **FARA** its compensation as provided for in Article 9. In the event **FARA** chooses to exercise this provision of the contract, it shall give **Client** notice of its intent to do so and **Client** shall have 10 days from the date of notice of such deficiency to cure the default.

ARTICLE 11 – CONDITIONS AND LIMITATIONS

11.1 **FARA** does not act as an insurer for **Client**, and this Claims Service Agreement shall not be construed as an insurance policy or any contract or agreement of indemnity; it being specifically understood that **FARA** is in no event financially responsible for payment of satisfaction of claims, lawsuits, or cause of action against **Client**. The establishment by **FARA** of any claims account to pay claims pursuant to Article 5 of this Claims Service Agreement shall not be considered an undertaking by **FARA** to be financially responsible for payment of funds into any such account.

11.2 **FARA**'s responsibility for the performance of activities as specified in Article 3 and Exhibit A is conditioned upon **Client**'s cooperation with **FARA** in all reasonable manners with respect to the activities of **FARA**, including but not limited to, responding to **FARA**'s requests for information promptly, meeting with **FARA** and/or third parties, as may be needed, and making decisions on matters which, as required by this Claims Service Agreement, or in the professional opinion of **FARA**, should be made by **Client**, the payment of funds into the claims fund referred to in Article 5, as required by the terms of such Article, and performance by **Client** of all other obligations of this Claims Service Agreement.

11.3 The services to be provided by **FARA** are not of a legal nature and **FARA** shall in no event give, or be required to give any legal opinion or provide any legal representation to **Client**, nor may any communication prepared by **FARA** be relied upon by **Client** as a legal opinion or interpretation. **FARA** shall in no event be considered as engaged in the practice of law. **FARA** may, but under no duty, recommend counsel to **Client**. **Client**, at all times, has full and sole discretion to select legal representative and counsel of its own choosing, and any selection of such representation of counsel shall be by separate agreement between **Client** and such counsel.

11.4 As respects the services provided by **FARA** under this Claims Service Agreement, any reports rendered to **Client** may be relied upon only to the extent of the express purpose of such reports, as such purpose may be from time to time set forth in writing by **FARA**.

11.5 In no event shall **FARA** be liable to **Client** for any consequential damages, punitive damages or damages of a similar nature that may be incurred by **Client** as a result of the services provided herein by **FARA** or its employees.

11.6 This Claims Service Agreement applies only to the activities expressly referred to herein and shall not include any other relationship **FARA** may have with **Client** involving insured or self-insurance programs.

11.7 **Client** shall have the right to inspect and audit the records of **FARA** regarding any matter covered by this Claims Service Agreement. Any such inspection or audit shall be conducted in a manner so as to not unnecessarily interfere with the business of **FARA**. These rights of audit shall survive the termination of this Claims Service Agreement. Attendance at audits at the request of **Client** is not included in **FARA**'s service fees.

11.8 **Client** has the right to take over the handling of any claim and to direct the handling of any claim at any time during the life of the contract and the life of the claim. **Client** also retains the right to take over the handling of all claims at its discretion, but with no expense or reduction in claim service fees or allocated claim expense incurred by **FARA** with respect to such claims.

11.9 Neither this Claims Service Agreement nor any rights thereunder shall be assigned by either party without the prior written consent of the other party first having been obtained. This provision shall not prohibit **FARA**, pursuant to Article 7, from assigning or subcontracting for any of the activities to be performed by **FARA**.

11.10 **Client** shall not offer employment to any **FARA** employee and agrees not to employ any of **FARA**'s employees for at least a period of twelve (12) months following termination of employment with **FARA**. Any violation of this Agreement shall result in immediate payment of one and one-half times the annual salary of the employee or employees involved by **Client** to **FARA**. Payment to be due and payable within 10 days of discovery of this breach of Agreement.

11.11 The terms of this Claims Service Agreement between **FARA** and **Client** shall be governed by the laws of the State of Florida. Any adjudication by any court of competent jurisdiction, which invalidates any part of this Claims Service Agreement, shall not act to invalidate any other part thereof.

11.12 In the event of any conflict or ambiguity between the terms and provisions of this Agreement and any exhibit attached hereto, the terms and provisions of the exhibit shall govern.

11.13 This Claims Service Agreement constitutes the entire understanding and agreement between the parties hereto, and supersedes all prior and contemporaneous agreements or understandings, written or oral, of the parties hereto. This Claims Service Agreement may be amended only in writing executed by both parties. No waiver of one or more provisions of this Claims Service Agreement shall constitute waiver of any other provision hereto. This Claims Service Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legatees, representatives, successors and assigns. This Claims Service Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

11.14 All notices to be given pursuant to this Claims Service Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or if mailed by United States First Class mail, postage prepaid, within five (5) days of deposit in the mail, notices shall be delivered or mailed to the following addresses:

If to **Client**:
City of Lake Worth
Attn: Diane Clark,
Human Resources Director
7 N. Dixie Highway
Lake Worth, FL 33460

With a **copy** to:
City of Lake Worth
Attn: Steven Carr,
Finance Director
7 N. Dixie Highway
Lake Worth, FL 33460

If to **FARA**:
F. A. Richard & Associates, Inc.
Attn: Client Services Department
1625 W. Causeway Approach
Mandeville, LA 70471

IN WITNESS WHEREOF, the parties have executed this Claims Service Agreement on the day and year first above written.

Accepted and agreed to this 1 day of Nov., 2010.

BY: City of Lake Worth

(Signature)

René Varela
(Printed Name)
Date: 11-1-10

F.A. Richard & Associates, Inc.

(Signature)

M. Todd Richard, President, CEO

Date: Oct. 25, 2010

EXHIBIT A

Policy Period: 10/01/10 to 09/30/13
Lines of Business: Workers' Compensation, Auto Liability, General Liability, Property, EMT Liability

Applicable to Contract Number 01-1290

This exhibit is part of the Claims Service Agreement between F. A. Richard & Associates, Inc., hereinafter referred to as **FARA**, and **City of Lake Worth**, hereinafter referred to as **Client**, and is applicable to service period of three years **10/01/10 (beginning service date) through 09/30/13, (concluding service date)**, both dates inclusive. If **FARA** and **Client** are unable to agree upon the terms and conditions under which service shall be continued beyond the termination of the date of the service indicated in the preceding sentence, the Claims Service Agreement shall be deemed terminated in accordance with the terms of Article 10.2 of the referenced Claims Service Agreement.

Service Fees

In consideration of all the provisions of this contract, **Client** agrees to pay **FARA** in accordance with the Claims Administration Service Fee Proposal included in this Exhibit.

Banking/Checking fee is per check issued at our prevailing rate, regardless of when claim occurred.

Index Bureau reporting charges at our prevailing rate to be borne by **Client.**

All litigation claims convert to time and expense billing in addition to the service fees. All service fees connected with the claim will be fully earned at the time of conversion.

Service fees quoted include full Claims Administration handling for a period of twelve (12) months from the day the claim is reported to FARA and further handling beyond that date shall earn FARA an additional fee of $55 per month until the month following the claims conclusion.

Any claim occurring during the contract period and reported to FARA more than (3) months following the close of the contract period will be handled by FARA at its then prevailing rates and expense method of billing.

All field investigation preformed by FARA shall be handled at its then prevailing time and expense method of billing.

All subrogation or salvage activities on behalf of **Client** will be handled on a time and expense basis by **FARA** at its then prevailing hourly rate and expense method of billing.

Any occurrence involving five or more declared or potential claimants shall be handled on a time and expense basis by **FARA** at its then prevailing time and expense method of billing.

Quoted per claim fees are on a per claim/per claimant basis, not on an occurrence basis.

Any Gross Receipt Tax or Sales Tax imposed by governmental entities in those states where levied, shall be in addition to the Service Fee.

The following services are not included in the fixed service fees outlined above and will be priced according to **FARA**'s fee schedules or time and expense at **FARA**'s then prevailing hourly rate and expense method of billing:

1. Litigation Management.
2. Subcontracted investigation or outside field investigation required in areas outside of the geographical areas serviced by existing **FARA** offices.
3. Medical Management Services.
4. Rehabilitation Services.
5. Automated bill review services.
6. Accidents occurring outside the continental United States.
7. Attendance at file audits at **Client**'s request or associated copying, handling and postage/shipping fees for file shipment to audit locations.
8. Appearance at any legal proceeding.
9. Disease and cumulative trauma claims.
10. Any requirement that **FARA** assume the handling to conclusion of existing claims handled by the **Client** or another Administrator.
11. All allocated loss expenses.
12. Environmental damage or pollution claims of any kind.
13. Special projects to gather information for **Client**.
14. Promulgation of experience modifiers and/or state and federal required statistical reporting shall be on a time and expense basis or a prior agreed negotiated fee basis.
15. Appraisal Fees.
16. Narrative Full-Captioned Reports.
17. MMSEA Reporting pursuant to Exhibit B.

If sufficient funds are not appropriated or allocated by the Lake Worth City Commission for payment of **FARA**'s service fees under this Agreement for any future fiscal period, then **Client** may, at its option, terminate this Agreement upon thirty (30) days prior written notice to **FARA**, without future obligations, liabilities or penalties, except that the **Client** shall remain liable for amounts due up to the time of termination.

Discretionary Settlement Authority

The above pricing contemplates **FARA** being granted a $0.00 settlement authority level by the client.

Material Changes

Client agrees to review and adjust, as appropriate, with **FARA** the fee charges shown above if, within the contract period, changes in **Client**'s business take place which materially change the scope of service contemplated at contract inception.

Client also agrees to review and adjust as appropriate with **FARA** the fee charges shown above if, within the contract period, governmental laws or regulations go into effect which materially increase **FARA**'s work effort which was not contemplated at contract inception.

Adjuster Reports

The pricing above contemplates no required adjuster reporting within the discretionary authority levels granted to **FARA**. The pricing also contemplates **Client** shall be on-line with **FARA**'s computer system and will glean required information from the adjuster's electronic notes to the file. Any special reporting requirements of **Client** will be handled on a time and expense basis at **FARA**'s then prevailing time and expense method of billing.

Storage of Files

FARA will print a copy of the file notes and the file will be stored at the time of closing for a period of twenty-four (24) months following the contracted year of service in which the claim was reported to **FARA** by **Client**. Further storage shall be at **Client**'s expense in accordance with **FARA**'s current pricing schedule for the period of storage. Where permitted under state law, **Client** may elect to have **FARA** ship the files to **Client**, at **Client**'s expense, for further storage or disposal as **Client** sees fit, and thereafter **FARA** shall have no further obligations of storage or delivery of files to any party.

Claims Expert / Loss Runs

FARA will store **Client**'s reported claims data electronically to consist of claim file data, payment record data, and adjuster's notes for as long as open claims exist in the contracted year of service and **Client** renews with **FARA** for the current contract year. Should **Client** not renew with **FARA**, only open claims, which **FARA** is required to handle, shall remain in electronic storage. Any other storage, reload of data or special requests to be handled on an agreed price basis before **FARA** provides.

FARA will provide **Client** with software to allow **Client** to interface with **FARA**'s computer system using **Client**'s personal computer and modem with **Client** bearing all telephone charges. Interface will allow **Client** to view claims payment records and adjuster notes.

FARA will provide **Client** a report showing the status of each claim assigned, the total reserved amount, the total payments made, and the unspent reserves on each claim. In addition, **FARA** will furnish a single set of loss analysis reports at no additional cost, along with a checks issued register. The information will be furnished either on diskette or printed copy as per agreement with **Client**. **FARA** shall make all normal efforts and take reasonable measures to forward such report to **Client** by the 25th day of the following month.

Any additional data manipulation requests or analysis reports requested by **Client** will be furnished in accordance with **FARA**'s ability to produce the report in a reasonable time period at an additional charge in accordance with **FARA**'s published report schedules or if special programming is required, on an agreed cost basis in advance of preparation and delivery of the report.

LOSS FUND AGREEMENT-BUDGETED FUNDING

FARA shall prepare and promptly furnish **Client** a projected budgeted funding plan based on **Client**'s loss history information which plan shall include **FARA**'s determination of the initial deposit required for the Loss Fund. **Client** shall, upon receiving the funding plan, immediately forward to **FARA** its check in the amount of the initial deposit payable to "F. A. Richard & Associates, Inc. Loss Fund on behalf of **City of Lake Worth**". Thereafter, **Client** shall make payments to the Loss Fund on a monthly basis in accordance with the budgeted funding plan schedule. In addition, **Client** shall, upon receiving notice from **FARA**, make additional payment to the Loss Fund as may be required to pay **Client**'s claims.

FARA shall from time to time as necessary, review the adequacy of the funding plan. Should additional funding be deemed necessary, **FARA** shall request said additional funding and **Client** shall promptly pay into the Loss Fund the additional funding requested by **FARA**. If **FARA** finds any excess funding, **FARA** shall advise **Client** of the amount of the excess and **FARA** and **Client** will agree on the manner in which proper funding shall be reached. The projected future fund budgeting shall be reviewed by **FARA** on at least a semi-annual basis or on an as-needed basis.

FARA shall establish a separate banking account for **Client**, which shall be denominated as "Loss Fund Account on behalf of **City of Lake Worth**". **Client** shall be responsible for all banking charges and related fees. If any interest is earned on the account, said interest shall be used to offset any banking charges. In consideration of and as an additional charge for its services in handling the account, **FARA** shall be entitled to any excess of interest over charges. **FARA** shall not be responsible for **Client**'s loss of funds due to the failure of any banking institution where the funds are deposited.

FARA will utilize the **Client**'s Loss Fund Account to pay **Client** claims and related claims expenses solely for **Client**'s claims. **FARA** shall refrain from making payments to **FARA** out of the **Client**'s loss funds without prior written approval of **Client** with specific exception of allocated loss expense items.

FARA shall establish and maintain sufficient and complete audit trails so as to allow the auditor appointed by **Client** to audit the Loss Fund Account at all times.

FARA agrees to return any excess funds to **Client** and to return the balance of the Loss Fund Account to **Client** when there are no longer any claims payments to be made from the fund.

Accepted and agreed to this 1 day of November, 2010.

BY:

City of Lake Worth

(Signature)

René Varela

(Printed Name)

Date: 11-1-10

F.A. Richard & Associates, Inc.

(Signature)

M. Todd Richard, President, CEO

Date: Oct. 25, 2010

EXHIBIT B

Policy Period: 10/01/10 to 09/30/13
Lines of Business: Workers' Compensation, Auto Liability, General Liability, Property, EMT Liability

Applicable to Contract Number 01-01290

This exhibit is part of the Claims Service Agreement between F. A. Richard & Associates, Inc., hereinafter referred to as **FARA**, and **City of Lake Worth**, hereinafter referred to as **Client**, and is applicable to service period of three years **10/01/10 (beginning service date) through 09/30/13, (concluding service date),** both dates inclusive. If **FARA** and **Client** are unable to agree upon the terms and conditions under which service shall be continued beyond the termination of the date of the service indicated in the preceding sentence, the Claims Service Agreement shall be deemed terminated in accordance with the terms of Article 10.2 of the referenced Claims Service Agreement.

Article 1 – Definitions

All capitalized terms used herein shall have the meanings ascribed to them in the MMSEA Section 111 Medicare Secondary Payer Mandatory Reporting, Liability Insurance (Including Self-Insurance), No-Fault Insurance, and Workers' Compensation USER GUIDE, Version 2.0 dated July 31, 2009, as subsequently updated, amended or restated (the "User Guide") unless otherwise defined herein.

Article 2 – MMSEA Services

2.1 FARA's Services as Reporting Agent

a. For each RRE ID number that is provided by Client to FARA, FARA shall act as the Reporting Agent and shall appoint an employee, initially David Richard, VP of Information Technology, to be the Account Manager for such RRE ID. FARA shall have the right to change the Account Manager during the Term hereof upon the provision of prior notice to Client.

b. Client authorizes FARA to appoint as many Account Designees as FARA, in its sole discretion, determines are necessary to properly provide its services under this Exhibit B.

c. FARA further agrees to:

1. Appoint the Account Manager and Account Designees as necessary.

2. Perform the Account Setup.

3. For those Claims that FARA administers on behalf of Client under the Claims Service Agreement or for those Claims that Client self-administers but either enters directly into FARA's electronic claims system known as iClaimsExpert ("ICE") or reports the data to FARA and FARA enters into ICE ("Report Only Claims"), FARA shall run monthly Query Input Files against the database provided by CMS through its COBC to determine each Claimant's status as a Medicare Beneficiary on the date of a TPOC or, for an ORM, continuously test such Claimant's Medicare status on a monthly basis until such time as the ORM is terminated.

4. From and after April 1, 2010, for all Claimants who are Medicare Beneficiaries and whose Claims exceed the threshold amounts set forth in the User Guide, send a Claim Input File to the COBC in the RRE's designated week each quarter containing all TPOCs, and the assumption and termination of ORM that occurred within 135 days prior to the first day of such reporting period.

5. To the extent that FARA receives any error codes or compliance flags on a Query Response File or a Claim Response File, FARA agrees to take commercially reasonable steps to identify and resolve any reporting or transmission errors or compliance issues within the timeframes set forth in the User Guide.

6. Provide Client with reports containing all relevant summary information regarding their Query Files and Claim Input Files sufficient for Client to validate the query data and reporting data.

In the performance of all Services, FARA shall adhere to the standards and act within the timeframes mandated in the User Guide.

2.2 FARA's Services When Party Other than FARA is Reporting Agent

a. At the Client's election, FARA will, rather than act as a reporting agent under Section 2.1 hereof, send the monthly Query Files and the quarterly Claim Input Files to a third party (the "Third Party Option") that is acting as the reporting agent on behalf of the Client.

b. If the Client elects the Third Party Option, FARA shall have no other obligation to Client to provide any of the other services set forth in Section 2.1 except to export the data to the reporting agent. Additionally, if Client elects the Third Party Option, FARA shall not have any obligation to indemnify Client pursuant to Article 5 below.

2.3 Client's Obligations

a. Client agrees to:

1. Register to obtain RRE ID and associated PIN.

2. Designate the Authorized Representative.

3. Upon receipt, immediately provide RRE ID and associated PIN to FARA.

4. Assist FARA in obtaining the correct social security number, first initial, last name, date of birth and gender of each Claimant and gathering any additional data elements necessary for reporting compliance.

5. Immediately provide FARA with all communications that Client receives from any source with respect to its reporting obligations under the MMSEA including those from CMS, the COBC or the MSPRC.

6. Immediately report to FARA notice of a new Claim regardless of whether liability has been determined or accepted.

Article 3-Post-Termination Obligation

3.1 FARA's Post-Termination Obligation

Unless the parties mutually agree otherwise, within 10 business days of termination of the Claims Services Agreement, FARA will provide an electronic export of the transactional history of the MMSEA services provided hereunder to Client and FARA shall have no further obligations under this Exhibit B to the Claims Service Agreement.

Article 4 – Payment

4.1 Fee

Client agrees to pay to FARA a one-time fee of eight dollars and 75/100 dollars ($8.75) per individual Claim per Claimant (the "Fee") included on a Query Test File or included on a Claim Input File sent to the COBC or a third party reporting agent. The Fee is a one-time charge per Claim per Claimant regardless of how many Query Test Files or Claim Input Files the Claim or Claimant is included on. For purposes hereof, a Claim shall mean a demand for payment by a third party against an Applicable Plan of the Client, for which FARA provides third party administrative services under the Claims Service Agreement or a Report Only Claim.

4.2 Method of Payment of Fee

For each Claim per Claimant for whom a Fee is owed to FARA, the Fee shall be treated as an Allocated Loss Expense under the Claims Service Agreement.

Article 5 – Indemnification

With respect to the MMSEA services provided pursuant to this Exhibit B, FARA agrees to indemnify and hold harmless Client, its parent, subsidiaries and affiliates and their respective officers, directors, employees and agents from and against any and all liabilities, claims, suits, actions, demands, settlements, losses, judgments, costs, damages, expenses (including reasonable attorneys' fees), fines, penalties, and all costs of defense (collectively "Losses") which are proven by clear and convincing evidence and which are arising out of or resulting from, in whole or in part: (i) any negligent act or omission, by FARA or its officers, directors, agents or employees, related to or arising out of the MMSEA services set forth in this Exhibit B; or (ii) a breach by FARA of any of its representations, warranties or covenants contained in this Exhibit B (including, without limitation, any failure of FARA to comply with applicable local, state or federal regulations applicable to the performance of services hereunder) all of which are proven by clear and convincing evidence.

With respect to the MMSEA services provided pursuant to this Exhibit B, the parties acknowledge the waiver of sovereign immunity for liability in tort contained in Florida Statutes Section 768.28, the State of Florida's partial waiver of sovereign immunity, and acknowledge that such statute permits actions at law to recover damages in tort for money damages up to the limits set forth in such statute for death, personal injury or damage to property caused by the negligent or wrongful acts or omissions of **Client** or its employee acting within the scope of the employee's office of employment. The **Client** agrees to be responsible for all such claims and damages, to the extent and limits provided in Florida Statutes Section 768.28, arising from the actions of its own employees, however, this does not constitute any admission of liability in such cases. Without waiver of limitation as provided for in Section 768.28, Florida Statutes, as maybe amended from time to time, and to the extent permitted by law, the **Client** agrees to indemnify and hold harmless **FARA**, its parent, subsidiaries and affiliates and their respective officers, directors, employees and agents from and against any and all Losses that the **FARA** may or could sustain arising out of or resulting from, in whole or in part: (i) any negligent act or omission, by **Client** or its officers, directors, agents or employees, related to or arising out of its obligations under this Exhibit B; or (ii) a breach by **Client** of any of its representations, warranties or covenants contained in this Exhibit B.

Accepted and agreed to this 1 day of November, 2010.

BY:

City of Lake Worth

(Signature)

René Varela

(Printed Name)

Date: 11-1-10

F.A. Richard & Associates, Inc.

(Signature)

M. Todd Richard, President, CEO

Date: Oct. 25, 2010