

RUN-OFF CLAIMS ADMINISTRATION AGREEMENT

This Run-Off Claims Administration Agreement ("Agreement") is made and entered into by and between **Anaheim Union High School District** ("Client") and Keenan & Associates ("Keenan"). Client and Keenan are also referred to individually as a "party" and collectively as the "parties."

RECITALS

- A. Client has established a Workers' Compensation program for the benefit of its employees ("Program").
- B. Keenan is a specialty insurance services provider with special expertise in the insurance and services needs of California school districts, municipalities, health care providers and their related entities and, as such, is qualified to provide the services described in this Agreement and other services that Client may request from time to time.
- C. Client has requested that Keenan perform claims administration functions for the Program as described herein.

AGREEMENT

The parties agree as follows:

1. **TERM:**

The term of this Agreement is from **October 1, 2008** through **September 30, 2009** ("Term") unless extended or terminated earlier as provided herein.

2. **KEENAN RESPONSIBILITIES AND SCOPE OF SERVICES:**

- A. Keenan shall provide Client with the services described in Exhibit A for claims submitted under the Program that have not been processed to completion prior to commencement of this Agreement by a claims administrator other than Keenan who previously provided claims administration services for Client ("Run-Off Claims").
- B. Keenan shall perform its obligations hereunder as an independent contractor and, except as specifically set forth in this Agreement, shall not be an employee, officer, agent or fiduciary of Client. Keenan shall be responsible for, and pay all of, its operating and personnel expenses.
- C. Keenan's services are limited to the specific obligations described herein. Client shall remain responsible for all other aspects of the Program.
- D. Keenan agrees to comply with all applicable State and Federal Laws that relate to the Program and any other special rules that Client informs Keenan about in writing.



3. **CLIENT'S DUTIES AND RESPONSIBILITIES:**

- A. Keenan is authorized to act on behalf of Client in connection with the Program only as expressly stated in this Agreement. Client shall retain final authority and responsibility for the Program and is responsible for all aspects of the Program.
- B. Client shall provide Keenan with all applicable information in a timely manner so that Keenan can fulfill its obligations under this Agreement. Client certifies that all information provided to Keenan shall be complete, accurate and timely and that Keenan may rely upon such information without further investigation or review. Client understands and agrees that such information has not been audited by Keenan and that Client shall remain liable for its accuracy.
- C. To the extent Keenan requires the assistance of Client's staff or any third parties who are assisting, advising or representing Client to fulfill its obligations hereunder, Client shall have its staff and these third parties assist Keenan.
- D. Client understands that Keenan is not providing any legal, tax or accounting services or advice and agrees to seek the counsel of its own attorney on all legal issues or matters and consult with its own tax and accounting experts on all tax and accounting issues and matters relating to the services.

4. **COMPENSATION:**

Client agrees to pay Keenan for the services as provided in Exhibit B.

5. **CONFIDENTIALITY:**

Keenan shall keep confidential all information concerning Client and its employees possessed by Keenan, regardless of the medium thereof, except information that is generally available to the public. Except as authorized or required by law or in this Agreement, Keenan shall not release any report, any portion thereof, or any result of any investigation it may undertake on behalf of the Client to any person outside of Client's organization without the express written consent of Client.

6. **AUDIT:**

If Keenan is requested to disclose its books, documents or records relating to the services provided under this Agreement, Client shall notify Keenan in writing at least 30 days prior to the inspection and/or disclosure date of the nature and scope of the request and Keenan shall make available all such books, documents or records during Keenan's regular business hours.

7. **FINES & PENALTIES:**

Keenan shall pay any fines and/or penalties levied by regulatory authorities arising from Keenan's fulfillment of its obligations under this Agreement that are Keenan's fault and Client shall pay all other fines and/or penalties relating to the Program or otherwise.

8. **INSURANCE:**

Keenan shall procure and maintain, to the extent available on reasonable terms, the following minimum insurance coverages during the Term and shall provide certificates of insurance to Client upon Client's request:

- (1) Workers' Compensation. Workers' Compensation Insurance in conformance with the laws of the State of California and applicable federal laws.
- (2) Bodily Injury, Death and Property Damage Liability Insurance. General Liability Insurance (including motor vehicle operation) with a One Million Dollar (\$1,000,000) limit of liability for each occurrence and a Two Million Dollar (\$2,000,000) aggregate limit of liability.
- (3) Professional Liability Insurance. Professional Liability Insurance with a One Million Dollar (\$1,000,000) limit of liability for each occurrence and a Two Million Dollar (\$2,000,000) aggregate limit of liability.

9. **INDEMNIFICATION:**

If either party breaches this Agreement, then the breaching party shall defend, indemnify and hold harmless the non-breaching party, its officers, agents and employees against all claims, losses, demands, actions, liabilities, and costs (including, without limitation, reasonable attorneys' fees and expenses) arising from such breach. In addition, if Keenan (i) becomes the subject of a subpoena or is otherwise compelled to testify or (ii) becomes the subject of a claim, demand, action or liability brought or asserted by one of Client's employees, Plan beneficiaries, or Plan vendors ("Third-Party Demand") relating to the Services and such Third-Party Demand is not a direct result of Keenan's gross negligence or willful misconduct, then Client shall defend, indemnify and hold Keenan harmless from all losses, payments, and expenses incurred by Keenan in resolving such Third-Party Demand.

10. **LIMITATION OF LIABILITY:**

Notwithstanding anything to the contrary in this Agreement, in no event shall Keenan be liable for any punitive damages, lost profits or revenues, fines, penalties, taxes or any indirect, incidental, special or consequential damages incurred by Client, its officers, employees, agents, contractors or consultants whether or not foreseeable and whether or not based in contract or tort or otherwise, arising out of or in connection with this Agreement even if advised of the possibility of such damage. Client further agrees that Keenan's liability under this Agreement

shall be limited to, and shall not exceed, the amount of insurance coverage outlined in this Agreement, to the extent that it is available.

11. **DISPUTE RESOLUTION:**

Disputes that may arise out of or relate to this Agreement, other agreements or any other relationship involving Client and Keenan (whether occurring prior to, as part of, or after the signing of this Agreement), shall first be resolved by good faith negotiations between the parties. If either party determines that they are not able to resolve the dispute through negotiation (including non-binding mediation if the parties desire,) then the dispute shall be submitted to, and resolved by, final and binding arbitration in accordance with the Federal Arbitration Act and the Commercial Arbitration Rules of the American Arbitration Association. Negotiation, mediation and arbitration shall be the exclusive means of dispute resolution between Client and Keenan and their respective agents, employees and officers. Arbitration shall be before a single arbitrator in the County of Los Angeles, California. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy under this agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, pending the establishment of the arbitration tribunal (or pending the arbitration tribunal's determination of the merits of the controversy). The Arbitrator shall apply California substantive law and shall accompany the award with a reasoned opinion. The arbitrator shall have no authority to award punitive or other damages not measured by the prevailing party's actual damages. The prevailing party shall be entitled to an award of reasonable attorneys' fees. A judgment of any court having jurisdiction may be entered upon the award.

12. **TERMINATION:**

- A. Either party may terminate this Agreement upon the occurrence of any of the following events:
- (1) Upon 60 days written notice by either party;
 - (2) The breach of this Agreement by either party if the alleged breach is not cured within 30 days of receiving notice of the breach from the non-breaching party;
 - (3) The dissolution or insolvency of either party;
 - (4) The filing of a bankruptcy petition by or against either party (if the petition is not dismissed within 60 days in the case of an involuntary bankruptcy petition); or
 - (5) If either party interprets the application of any applicable law, rule, regulation, or court or administrative decision to prohibit the continuation of this Agreement or cause a penalty to either party if the Agreement is continued.

- B. If Client requests that Keenan continue to provide services under this Agreement after its expiration, Keenan may agree to provide services and the Agreement shall be extended on a month-to-month basis until terminated by either party. In such case and where appropriate, compensation shall be paid to Keenan as agreed between the parties to the Agreement.
- C. Keenan shall return claim files, loss reports, payroll information and other documents and materials relating to the services provided under this Agreement to Client within a reasonable time after termination.
- D. Upon termination of this Agreement, Keenan shall be entitled to payment only for the pro-rata portion of the Term during which services were provided. Any monies paid to Keenan in excess of this pro-rata amount shall be refunded to the Client.

13. **SOLICITATION OF EMPLOYEES:**

During the performance of this Agreement and for one year following its termination, Client agrees not to solicit directly or indirectly (whether as an employee, consultant or otherwise, or for itself or a third party) any of Keenan's employees, contractors or consultants who fulfilled any obligations under this Agreement without Keenan's prior written approval.

14. **MARKETING:**

Keenan may use Client's name in its representative client list. Keenan shall obtain Client's written consent before using Client's name for any other purpose.

15. **OTHER RELATIONSHIPS:**

- A. Client understands that Keenan or its affiliates may provide Client with other services or insurance coverage not provided in this Agreement and receive compensation related to such other services including, without limitation, loss control services, joint powers administration, insurance brokerage services, obtaining other reinsurance coverage for Client, claims administration, investigative services, financial processing and other related services.
- B. Client also understands that Keenan or its affiliates may provide services for others entities that also participate in the Program and that Keenan may be separately compensated for those additional services. Such services may include, without limitation, providing similar services for other members of the Program or providing other services for insurers or reinsurers under the Program.

16. **GENERAL:**

- A. This Agreement and its recitals and related exhibits and amendments (incorporated into this Agreement by this reference) contains the entire understanding between the parties related to the subject matter covered by this Agreement and supersedes all prior and collateral

statements, presentations, communications, reports, agreements or understandings, if any, related to such matters.

- B. All terms of this Agreement (other than Keenan's obligation to perform services and Client's obligation to pay for such services) shall survive the expiration or termination of this Agreement.
- C. Notwithstanding any provision herein to the contrary, this Agreement is made for the benefit of the parties and not for the benefit of any third party. Enforcement of any remedy for breach of this Agreement may only be pursued by the parties to this Agreement.
- D. No modifications or amendments to this Agreement shall be binding unless in writing and signed by authorized representatives from both parties.
- E. Any provision determined by a court of competent jurisdiction to be partially or wholly invalid or unenforceable shall be severed from this Agreement and replaced by a provision that is valid and enforceable and that comes closest to legally expressing the intention of such invalid or unenforceable provision.
- F. Neither party shall be liable or deemed to be in default for any delay or failure in performance under this Agreement resulting, directly or indirectly, from acts of God, civil or military authority, acts of public enemy, war, accidents, fires, explosions, earthquakes, floods, failure of transportation, machinery or supplies, vandalism, strikes, or other work interruptions or any similar or other cause beyond the reasonable control of either party. However, both parties shall make good faith efforts to perform under this Agreement in the event of any such circumstances.
- G. All payments and invoices are due and payable upon presentation by Keenan. In the event Client fails to pay any invoice within thirty days of presentation, Keenan shall be entitled to receive interest on such outstanding invoice from the date of presentation at the rate of (a) 1½ percent per month or (b) the maximum interest rate permitted by applicable law, whichever is lower.
- H. All notices hereunder shall be in writing and shall be deemed to have been duly given upon (1) delivery, or (2) when mailed by registered or certified mail, postage prepaid and properly addressed to the party, or (3) on the second business day after sending by fax and receiving confirmation of fax receipt. Notices shall be sent to the parties at the address or fax number indicated in the signature section below unless written notice of a different address or fax number is previously given. If a notice given to Keenan relates to a legal matter or dispute, a copy should be sent to Keenan's Legal Department at Keenan's main office located at 2355 Crenshaw Blvd., Ste. 200, Torrance, CA 90501, fax (310) 533-0573.

Signature Page Follows This Page

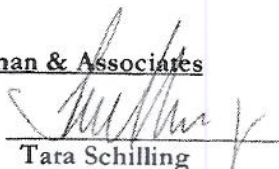
This Agreement may be executed in counterparts and by fax signatures. Each person signing this Agreement on behalf of a party represents and warrants that he or she has the necessary authority to bind such party and that this Agreement is binding on and enforceable against such party.

Anaheim Union High School District

Signature: _____
By: Dianne Poore
Title: Assist. Superintendent, Business
Address: 501 Crescent Way

Anaheim, CA. 92804
Attention: Dianne Poore
Date: _____

Keenan & Associates

Signature: 
By: Tara Schilling
Title: Senior Vice President
Address: 2355 Crenshaw Blvd.
Ste. 200
Torrance, CA 90501
Attention: Greg Trapp
Date: 10-6-08

**EXHIBIT A
SERVICES**

1. Claims administration.
 - A. Determine liability for claimed injuries and illnesses in accordance with California Workers' Compensation Laws.
 - B. Review and process run-off claims in accordance with rules and regulations established by the California Department of Self-Insurance Plans.
 - C. Establish files containing medical and factual information on each reported claim together with complete accounting records and maintain them in accordance with statutory time requirements.
 - D. Compute and pay temporary disability benefits to injured or ill employees based on earnings information and authorized disability periods.
 - E. Determine nature and extent of permanent disability and arrange for informal disability rating whenever possible to avoid Workers' Compensation Appeals Board litigation.
 - F. Explain to and assist employees in completing necessary forms for permanent disability ratings.
 - G. Review, compute and pay informal ratings, findings and awards, life pensions, and compromise and release settlements.
 - H. Maintain and establish reserve estimates for each reported claim.
 - I. Arrange for and supervise necessary investigation to determine eligibility for compensation benefits and/or liability of negligent third parties.
 - J. Handle excess reinsurance claims on Client's behalf, complying with conditions of the reinsurance contract. Submit billings and collect paid losses in excess of self-insurance retention.
 - K. Arrange and supervise rehabilitation services where appropriate.
 - L. Arrange for and set up system to pay benefits and allocated expenses in accordance with Client's needs.
 - M. Use reasonable efforts to maintain the designated claims examiner's claim inventory so it does not exceed 150 active open indemnity files at any given time.

2. Medical administration.

- A. If Client participates in the Medical Provider Network ("MPN"), which the State of California approves, then Keenan will select, with Client's approval, a medical provider panel of general practitioners, specialists, hospitals and emergency treatment facilities to which injured employees should be referred. The panel will be reviewed and updated on at least an annual basis. Keenan will work with Client to formulate medical provider panels in order to derive maximum benefit from legislative (SB 899) medical control changes.
- B. Authorize, review and monitor medical treatment required for injury or illness claims. Audit and pay medical expenses through PRIME, Keenan's medical management and bill review program.
- C. Maintain close contact with Client and/or treating physicians to ensure employees receive proper medical treatment and are returned to full employment at the earliest date.
- D. Arrange for medical-legal opinions in disputed cases and confer with medical examiners, Client and legal counsel when needed.
- E. Consult with Client in cases where an injury residual might involve restriction and/or retirement potential.

3. Legal Administration.

- A. When necessary refer litigated cases to defense counsel recommended by Keenan for purposes of defending Client's interests before Workers' Compensation Appeals Board and courts.
- B. Work closely with counsel in preparing defense of litigated cases.
- C. Work closely with applicants and Client's legal counsel to informally dispose of litigated cases.
- D. Protect and preserve Client's interests in potential subrogation cases.
- E. Attend, when appropriate, Workers' Compensation Appeals Board hearings on behalf of Client.

4. Risk management services.

- A. Review and update Client on Workers' Compensation benefits, rules and regulations, and legislative issues.
- B. Communicate with injured employees telephonically or in writing to assist them in resolving problems that arise from injury or illness claims.

- C. Meet quarterly with Client to review best practice policies and procedures, recommend areas for improvement and assist Client in implementing improvements.
- D. Produce ad hoc reports as needed to provide meaningful loss analysis to aid in risk management program development and tracking.

5. Statistical

- A. Report to Client monthly status of claim payments and reserves on an individual basis and in the aggregate.
- B. Report to Client quarterly loss analysis of claims filed by frequency and severity.
- C. Provide quarterly PRIME (medical management and bill review) reports detailing savings and fees.
- D. Assist in the preparation of all reports required by the State of California or other government agencies relating to Workers' Compensation claims.

**EXHIBIT B
COMPENSATION**

1. Client agrees to pay Keenan for services provided under this Agreement as follows:

\$8,000 is due and payable in full on October 1, 2008.