

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
 P.O. BOX 30026, LANSING, MI 48909
 OR
 530 W. ALLEGAN, LANSING, MI 48933

February 13, 2008

CHANGE NOTICE NO. 1
OF
CONTRACT NO. 071B5200137
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR Marsh, Inc. 600 Renaissance Center, Suite 2100 Detroit, MI 48243 <p style="text-align: right;">joe@marsh.com</p>	TELEPHONE: Joe Golusha (313) 393-6800
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 Melissa Castro
Contract Compliance Inspector: Ken Swisher Risk and Disability Management Consulting Services - OSE	
CONTRACT PERIOD: From: January 1, 2005 To: December 31, 2008	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

NATURE OF CHANGE(S):

Effective immediately, this Contract is hereby **EXTENDED** through **December 31, 2008**.
 All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per agency request and DMB/Purchasing Operations' approval.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$275,000.00

**STATE OF MICHIGAN
 DEPARTMENT OF MANAGEMENT AND BUDGET
 ACQUISITION SERVICES
 P.O. BOX 30026, LANSING, MI 48909
 OR
 530 W. ALLEGAN, LANSING, MI 48933**

February 7, 2005

**NOTICE
 OF
 CONTRACT NO. 071B5200137
 between
 THE STATE OF MICHIGAN
 and**

NAME & ADDRESS OF VENDOR Marsh, Inc. 600 Renaissance Center, Suite 2100 Detroit, MI 48243	TELEPHONE: Joe Golusha (313) 393-6800
	VENDOR NUMBER/MAIL CODE (2) 38-0793355 (002)
	BUYER/CA (517) 373-1080 Melissa Castro
Contract Compliance Inspector: Ken Swisher Risk and Disability Management Consulting Services - OSE	
CONTRACT PERIOD: From: January 1, 2005 To: December 31, 2007	
TERMS <p style="text-align: center;">N/A</p>	SHIPMENT <p style="text-align: center;">N/A</p>
F.O.B. <p style="text-align: center;">N/A</p>	SHIPPED FROM <p style="text-align: center;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

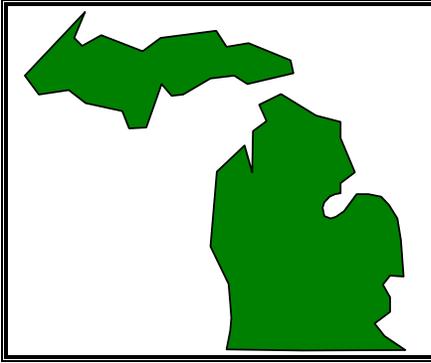
Estimated Contract Value: \$275,000.00

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES
 P.O. BOX 30026, LANSING, MI 48909
 OR
 530 W. ALLEGAN, LANSING, MI 48933

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MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	
MISCELLANEOUS INFORMATION: Estimated Contract Value: \$275,000.00	

FOR THE VENDOR: <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> Marsh, Inc. Firm Name </div> <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> Authorized Agent Signature </div> <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> Authorized Agent (Print or Type) </div> <div style="text-align: center; border-bottom: 1px solid black;"> Date </div>	FOR THE STATE: <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> Signature Melissa Castro, CPPB </div> <div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> Name Strategic Business Development, Acquisition Services </div> <div style="text-align: center; border-bottom: 1px solid black;"> Title </div> <div style="text-align: center; border-bottom: 1px solid black;"> Date </div>
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STATE OF MICHIGAN
Department of Management and Budget
Acquisition Services

[Risk and Disability Management Consulting Services](#)

Buyer Name: [Melissa Castro](#)
Telephone Number: [517-373-1080](#)
E-Mail Address: castrom@michigan.gov



Risk and Disability Management Consulting Services

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Article 1 – Statement of Work (SOW)

1.0 Project Identification **1.001 PROJECT REQUEST**

The purpose of this Contract is to obtain risk and disability management related consulting services.

1.002 BACKGROUND

The State of Michigan is seeking to continue to assist in the development of a variety of risk and disability management programs for the state. In some instances, resources to accomplish these tasks are limited due to expertise in some particular specialty fields. The Contractor will provide, through a wide range of resources, the necessary expertise to assist the state in virtually all of the projects that the Employee Health Management Division chooses to undertake. Some of these projects may be of an ongoing nature, however, most will be more of a one-time, short duration. The Contractor should have sufficient qualified staff available to respond to the state's specific needs on any given occasion in a cost effective, proficient and timely manner.

1.1 Scope of Work and Deliverables **1.101 IN SCOPE**

The Contractor is expected to provide, on a continuing basis, expertise necessary to provide consulting and technical assistance in the design and administration of Risk Management and Disability Management related programs, as well as other relevant programs currently consolidated in Employee Health Management. The services may include safety and health systems development, actuarial studies, financial and performance audits, disability management program development and implementation, best practice study development and presentation, marketing and promotional programs, data management and development services, and other related risk and disability benefit consulting services.

This agreement is not considered an exclusive agreement between the Contractor and the State. For each project the State chooses to initiate, the Contractor will be provided a short proposal describing the specific services to be delivered and an approximate time frame for the project to be completed. The Contractor will prepare a response to the specific project including detailed time frames, phases, and maximum dollar amounts to be charged for the services described. If the State chooses to proceed, the State will notify the Contractor in writing to proceed with the project. If the State believes that the proposal is inadequate or otherwise unacceptable, the State may negotiate alternatives to the proposal response with the Contractor, or utilize the State's Office of Acquisition Services to solicit bids from other bidders to provide the proposed service.



There are specific initiatives that the Employee Health Management (EHM) Division is pursuing where the Contractor may be asked to assist. These initiatives may, but not necessarily, include:

- Transitional Employment Program development.
- Safety and Health System development.
- Actuarial Studies for self-insured workers' compensation and long-term disability programs.
- Risk and Disability Data System development.
- Best Practice Studies in all areas involving EHM's responsibilities.
- Audits of third-party administrators for workers' compensation and long-term disability.
- Other special projects as identified by EHM.

1.102 OUT OF SCOPE

This contract is restricted to the Employee Health Management Division.

1.103 RESERVED

1.104 WORK AND DELIVERABLE

The following is a preliminary listing of possible major tasks involved for developing the end product of this project. In addition, while all of the tasks listed below may be required of the Contractor, the state is not precluded from limiting Contractor participation in any given project to fewer, or more, tasks than those described below.

• Transitional Employment:

1. Perform peer review of existing T.E. policies procedures and roles, along with providing written feedback for any potential process improvements.
2. Review, evaluate and participate in educational programs and presentations to departments and agencies as needed in the development and roll out of T.E. pilot programs as requested by the Disability Manager.
3. Meet with individual supervisors to identify the various tasks needed by the respective area and develop functional requirements relative to each task.
4. Combine all of the relevant tasks into a functional T.E. assignment that meets the needs of specific disabilities, taking into consideration similar assignments from other existing T.E. programs throughout the state.
5. Provide extensive documentation to support the development of the T.E. program including, but not limited to, an assignment matrix, appropriate employee and physician letters, policies, procedures
6. Provide 3-4 T.E. manuals to support the T.E. process at each pilot site as selected by EHM and assure that each manual is in a format agreed to with the EHM Disability Manager.
7. Develop a T.E. database that provides for an interactive utilization of various tasks and assignments throughout the state in such a way that the state may begin to perform its own assignment development activities.



8. Assist EHM in developing a supportable return on investment formula that appropriately takes into consideration all factors that will reflect the true savings associated with the T.E. program.
9. Reporting will include, at a minimum, periodic progress reports, problem issue reports, a report identifying the work plan for accomplishing each pilot site, a report forecasting activities planned for the next 30-60 days, reports that reflect deviations from the accepted plan. All reports will be specified by the state's Disability Manager and agreed to with the contractor.

- **Safety and Health:**

1. Meet with EHM to review safety objectives, the status of the current Safety & Health Model System, and the status of the current pilot implementations.
2. Review and report on alternative approaches to safety management and how these can be adapted to the current approach.
3. Recommend any needed additions or revisions to the current Model Departmental Safety System and the Manual.
4. Develop a safety and health manual for the department or agency for which the risk assessment was conducted. Write a set of specific occupational safety and health programs. The programs must include at a minimum; purpose, scope, definitions, responsibilities for management and employees, MIOSHA standard requirements, references, appendices, and responsibility checklists. The programs wording must revise the MIOSHA standard in to understandable and easy to use language.
5. Conduct risk assessments in each location where a safety system pilot is being developed. Assessments will include an analysis of each job classification within the facility being evaluated and will include all hazards, MIOSHA standards, personal protective equipment requirements, training needs, and certification requirements associated with the specific job classification.
6. Develop a matrix that assigns a relative weight or importance to each hazard identified above. The matrix will consider such variables as loss history, size of the department, geographic spread and the severity of risk, in establishing the required resources. Identification training resources will be included that validates the level and needed amount of training resources.
7. Create and or conduct S&H training as requested.
8. Conduct S&H "Best Practices" and employee surveys as requested.
9. Develop and conduct, as requested, safety team and other related safety training consistent with the needs of each department or agency.
10. Create S&H excellence recognition programs and awareness promotions.

- **Actuarial Studies:**

1. Working with the State of Michigan and the state's third-party administrators to secure an efficient way of transmitting initial, and possibly periodic claim data.
2. Reconciling the current liability projections.
3. Setting actuarial assumptions for the upcoming fiscal year, and providing claim and reserve projections for the two years beyond the current fiscal year.
4. Reviewing the State's reporting needs so that our valuation model produces the data the state needs in a timely manner.



5. The valuation process will enable the state to better manage the respective program by identifying experience trends in advance of the year-end projections, and allow the state to anticipate future year activity.
 6. Functionally, each valuation will be conducted through the following steps:
 - a. Analyze and manipulate the census and claims data provided. Follow up with the state or with vendors as necessary.
 - b. A review of actuarial assumptions with periodic updates based on experience and/or external factors
 - c. Calculate the liabilities including reconciliation of valuation amounts to previous estimates and determine liabilities in a way that is consistent with appropriate federal standards, as well as generally accepted actuarial standards.
 - d. Summarize all findings in a report that will be presented to the State of Michigan.
 - e. Conduct follow-up discussions as necessary.
- **Data System Development:**
 - a. Meet with EHM to discuss scope of analysis and most desirable metrics.
 - b. Identifying specific data elements, sources and availability.
 - c. Examine existing data for integrity and reliability.
 - d. Develop a methodology to collect the necessary data.
 - e. Develop a methodology to measure data and related cost savings.
 - f. Construct a reporting format and data base format.
 - g. Meet with EHM to review data findings and proposed methodology.
 - h. Provide data base, related user guides and formats to EHM.
 - **Best Practice Analysis:**
 - a. Review current practices of State of Michigan programs.
 - b. Research and evaluate best practice patterns of other organizations across the country.
 - c. Analyze alternative best practice approaches.
 - d. Prepare a report identifying best practice trends and how those trends and practices can be instituted within the State of Michigan framework.
 - e. Assist the state in developing best practice approaches and in marketing those approaches throughout the state.
 - **Financial and Performance Audits:**
 - a. Review audit project with EHM project manager.
 - b. Review data sources and verify validity of data.
 - c. Meet with audit source and verify contacts and related information.
 - d. Conduct audit as agreed with EHM project manager.
 - e. Complete audit report within established time frames and provide draft report to EHM project manager.
 - f. After review and comment by EHM project manager, provide draft to audit subject.
 - g. After input from audit subject, finalize audit report and present audit findings and report, if requested, to EHM.



- **Sample Special Projects:**

- a. Analyze workers' compensation losses within a large department of state government. Determine related causal factors that may contribute to selected losses. Develop an action plan to address those causal factors. Assist the department in implementing that action plan.
- b. Audit the third-party administrator for the statewide drug and alcohol-testing program.
- c. Review the existing long-term disability plan design. Recommend those modifications to the plan that would create the most significant savings for the state. Evaluate and measure the magnitude of the savings. Provide a report to the state with specific details on the findings.
- d. Evaluate the state's existing EHM programs and develop a sound approach to market those programs both within and external to state government. This approach should include marketing to all employee levels including senior management. Preparation of draft materials to accomplish the promotion will be presented to EHM. Special care should be taken to assure that the internal approaches recommended take into consideration the unique nature of state government.

1.2 Roles and Responsibilities

1.201 CONTRACTOR STAFF, ROLES, AND RESPONSIBILITIES

Contractor staff will provide requested consulting services on an as-needed basis.

1.202 RESERVED

1.203 RESERVED

1.3 Project Plan

1.301 PROJECT PLAN MANAGEMENT

The Contractor will carry out this project under the direction and control of the Director, Employee Health Management Division.

1.302 REPORTS

Although there will be continuous liaison with the Contractor team, the client agency's project director will meet monthly as a minimum, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.

The Contractor will submit brief written quarterly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the client agency's project director; and notification of any significant deviation from previously agreed-upon work plans.



1.4 RESERVED

1.5 Acceptance

1.501 RESERVED

1.502 FINAL ACCEPTANCE

Deliverables will not be considered complete until the Agency Project Manager has formally accepted them.

1.6 Compensation and Payment

Hourly rates are quoted in per Appendix A.

Prices quoted in this Contract will be firm for the duration of the Contract. No price changes shall be permitted.

1.7 RESERVED



Article 2 – General Terms and Conditions

2.0 Introduction

2.001 GENERAL PURPOSE

The Contract is for Risk and Disability Management consulting services for the State of Michigan. Orders will be issued directly to the Contractor by various State Agencies on the Purchase Order Contract Release Form.

2.002 ISSUING OFFICE AND CONTRACT ADMINISTRATOR

The Contract is issued by Acquisition Services, State of Michigan, Department of Management and Budget, hereinafter known as Acquisition Services, for the Employee Health Management-Office of the State Employer, hereinafter known as Employee Health Management-Office of the State Employer. Where actions are a combination of those of Acquisition Services and the State agencies, the authority will be known as the State.

Acquisition Services is the sole point of contact in the State with regard to all procurement and contractual matters relating to the commodities and/or services described herein. Acquisition Services is the only office authorized to negotiate, change, modify, amend, alter, clarify, etc., the specifications, terms, and conditions of the Contract. Acquisition Services will remain the SOLE POINT OF CONTACT throughout the procurement process.

Contractor proceeds at its own risk if it takes negotiation, changes, modification, alterations, amendments, clarification, etc., of the specifications, terms, or conditions of the contract from any individual or office other than Acquisition Services and the listed contract administrator

All communications covering this procurement must be addressed to contract administrator indicated below:

Department of Management and Budget
Acquisition Services
Attn: Melissa Castro
2nd Floor, Mason Building
P.O. Box 30026
Lansing, Michigan 48909
(517) 373-1080
castrom@michigan.gov

2.003 NOTICE

Any notice given to a party under this Contract must be written and shall be deemed effective, if addressed to such party as addressed below upon (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this section; (iii) the third (3rd) Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.



2.004 CONTRACT TERM

The term of this Contract is for three (3) years and will commence with the issuance of a Contract. This term is from January 1, 2005 through December 31, 2007.

Option. The State reserves the right to exercise two (2) one-year options, at the sole option of the State. Contractor performance, quality of products, price, cost savings, and the contractor's ability to deliver on time are some of the criteria that will be used as a basis for any decision by Acquisition Services to exercise an option year.

Extension. At the sole option of the State, the contract may also be extended. Contractor performance, quality of products, price, cost savings, and the contractor's ability to deliver on time are some of the criteria that will be used as a basis for any decision by Acquisition Services to exercise an option year.

Written notice will be provided to the Contractor within 30 days, provided that the State gives the Contractor a preliminary written notice of its intent to extend at least 60 days before the contract expires. The preliminary notice does not commit the Government to an extension. If the Government exercises this option, the extended contract shall be considered to include this option clause.

2.005 GOVERNING LAW

The Contract shall in all respects be governed by, and construed in accordance with, the laws of the State of Michigan. By signing this agreement, vendor consents to personal jurisdiction in the state of Michigan. Any dispute arising herein shall be resolved in the State of Michigan.

2.006 APPLICABLE STATUTES

The following statutes, rules, and laws are applicable to the performance of this contract; some statutes are reflected in the clauses of this contract. This list is NOT exhaustive.

MI Uniform Commercial Code (MIUCC) MCL 440. (All sections unless otherwise altered by agreement)
MI OSHA MCL §§ 408.1001 – 408.1094
Freedom of Information Act (FIOA) MCL §§ 15.231, et seq.
Natural Resources and Environmental Protection Act MCL §§ 324.101, et seq.
MI Consumer Protection Act MCL §§ 445.901 – 445.922
Laws relating to wages, payments of wages, and fringe benefits on state projects
MCL §§ 408.551 – 408.558, 408.471 – 408.490, 1965 PA 390.
Department of Civil Service Rules and regulations
Elliot Larsen Civil Rights Act MCL §§ 37.2201, et seq.
Persons with disabilities Civil Rights Act MCL §§ 37.1101, et seq.
MCL §§ 423.321, et seq.
MCL § 18.1264 (law regarding debarment)
Davis-Bacon Act (DBA) 40 USCU §§ 276(a), et seq.
Contract Work Hours and Safety Standards Act (CWHSSA) 40 USCS § 327, et seq.



Business Opportunity Act for Persons with Disabilities MCL §§ 450.791 – 450.795
Rules and regulations of the Environmental Protection Agency
Internal Revenue Code
Rules and regulations of the Equal Employment Opportunity Commission (EEOC)
The Civil Rights Act of 1964, USCS Chapter 42
Title VII, 42 USCS §§ 2000e et seq.
The Americans with Disabilities Act (ADA), 42 USCS §§ 12101 et seq.
The Age Discrimination in Employment Act of 1967 (ADEA), 29 USCS §§ 621, 623 et seq.
The Old Workers Benefit and Protection Act of 1990 (OWBPA), 29 USCS §§ 626, et seq.
The Family Medical Leave Act of 1993 (FMLA), 29 USC §§ 651 et seq.
The Fair Labor Standards Act (FLSA), 29 USC §§ 201 et seq.
Pollution Prevention Act of 1990 (PPA) 42 U.S.C. §13106
Sherman Act, 15 U.S.C.S. § 1 et seq.
Robinson-Patman Act, 15 U.S.C.S. § 13 et. seq.
Clayton Act, 15 U.S.C.S. § 14 et seq.

2.007 RELATIONSHIP OF THE PARTIES

The relationship between the State and the Contractor is that of client and independent Contractor. No agent, employee, or servant of the Contractor or any of its subcontractors shall be or shall be deemed to be an employee, agent, or servant of the State for any reason. The Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and subcontractors during the performance of this Contract.

2.008 HEADINGS

Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of this Contract.

2.009 MERGER

This document constitutes the complete, final, and exclusive agreement between the parties. All other prior writings and negotiations are ineffective.

2.010 SEVERABILITY

Each provision of the Contract shall be deemed to be severable from all other provisions of the Contract and, if one or more of the provisions of the Contract shall be declared invalid, the remaining provisions of the Contract shall remain in full force and effect.

2.011 SURVIVORSHIP

Any provisions of the Contract that impose continuing obligations on the parties including, but not limited to the Contractor's indemnity and other obligations shall survive the expiration or cancellation of the Contract for any reason.



2.012 NO WAIVER OF DEFAULT

The failure of a party to insist upon strict adherence to any term of the Contract shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term or any other term of the Contract.

2.013 PURCHASE ORDERS

Orders for delivery of commodities and/or services may be issued directly by the State Departments through the issuance of a Purchase Order Form referencing this Contract (Blanket Purchase Order) agreement and the terms and conditions contained herein. Contractor is asked to reference the Purchase Order Number on all invoices for payment.

2.1 Vendor/Contractor Obligations

2.101 ACCOUNTING RECORDS

The Contractor and all subcontractors shall maintain all pertinent financial and accounting records and evidence pertaining to the Contract in accordance with generally accepted principles of accounting and other procedures specified by the State of Michigan. Financial and accounting records shall be made available, upon request, to the State of Michigan, its designees, or the Michigan Auditor General at any time during the Contract period and any extension thereof, and for three years from expiration date and final payment on the Contract or extension thereof.

2.102 NOTIFICATION OF OWNERSHIP

The Contractor shall make the following notifications in writing:

1. When the Contractor becomes aware that a change in its ownership or officers has occurred, or is certain to occur, that could result in changes in the valuation of its capitalized assets in the accounting records, the Contractor shall notify Acquisition Services within 30 days.
2. The Contractor shall also notify the Acquisition Services within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

The Contractor shall:

1. Maintain current, accurate, and complete inventory records of assets and their costs;
2. Provide Acquisition Services or designated representative ready access to the records upon request;
3. Ensure that all individual and grouped assets, their capitalized values, accumulated depreciation or amortization, and remaining useful lives are identified accurately before and after each of the Contractor's ownership or officer changes; and



4. Retain and continue to maintain depreciation and amortization schedules based on the asset records maintained before each Contractor ownership or officer change.

2.103 SOFTWARE COMPLIANCE

The vendor warrants that all software for which the vendor either sells or licenses to the State of Michigan and used by the State prior to, during or after the calendar year 2000, includes or shall include, at no added cost to the State, design and performance so the State shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing, in the operation of the business of the State of Michigan.

The software design, to insure year 2000 compatibility, shall include, but is not limited to: data structures (databases, data files, etc.) that provide 4-digit date century; stored data that contain date century recognition, including, but not limited to, data stored in databases and hardware device internal system dates; calculations and program logic (e.g., sort algorithms, calendar generation, event recognition, and all processing actions that use or produce date values) that accommodates same century and multi-century formulas and date values; interfaces that supply data to and receive data from other systems or organizations that prevent non-compliant dates and data from entering any State system; user interfaces (i.e., screens, reports, etc.) that accurately show 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

2.104 IT STANDARDS

1. EXISTING TECHNOLOGY STANDARDS. The Contractor will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at <http://michigan.gov/dit>.
2. PM METHODOLOGY STANDARDS. The State has adopted a standard documented Project Management Methodology (PMM) for use on all Information Technology (IT) based projects. This policy is referenced in the document titled "Project Management Methodology" – DMB Administrative Guide Procedure 1380.02 issued June 2000. Vendors may obtain a copy of this procedure, as well as the State of Michigan Project Management Methodology, from the Department of Information Technology's website at <http://www.michigan.gov/projectmanagement>.

The contractor shall use the State's PPM to manage State of Michigan Information Technology (IT) based projects. The Requesting agency will provide the applicable documentation and internal agency processes for the methodology. If the vendor requires training on the methodology, those costs shall be the responsibility of the vendor, unless otherwise stated.

3. ADHERENCE TO PORTAL TECHNOLOGY TOOLS. The State of Michigan, Department of Information Technology, has adopted the following tools as its Portal Technology development efforts:
 - Vignette Content Management and personalization Tool



- Inktomi Search Engine
- E-Pay Payment Processing Module
- Websphere Commerce Suite for e-Store applications

Vendors must use the Portal Technology Tools to implement web content management and deployment efforts for agencies. Tools used for web-based application development must work in conjunction with Vignette and Inktomi. The interaction with Vignette and Inktomi must be coordinated with the Department of Information Technology, Enterprise Application Services Office, e-Michigan Web Development team.

Under special circumstances vendors that are compelled to use alternate tools must submit an exception request to the Department of Information Technology, Enterprise Application Services Office, e-Michigan Web Development team, for evaluation and approval of each alternate tool prior to proposal evaluation by the State.

2.105 RESERVED

2.106 PREVAILING WAGE

The rates of wages and fringe benefits to be paid each class of individuals employed by the Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this contract in privity of contract with the Contractor shall not be less than the wage rates and fringe benefits established by the Michigan Department of Consumer and Industry Service, Bureau of Safety and Regulation, Wage/Hour Division schedule of occupational classification and wage rates and fringe benefits for the local where the work is to be performed. The term Contractor shall include all general contractors, prime contractors, project managers, trade contractors, and all of their contractors or subcontractors and persons in privity of contract with them.

The Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this contract in privity of contract with the Contractor shall keep posted on the work site, in a conspicuous place, a copy of all wage rates and fringe benefits as prescribed in the contract. You must also post, in a conspicuous place, the address and telephone number of the Michigan Department of Consumer and Industry Services, the office responsible for enforcement of the wage rates and fringe benefits. You shall keep an accurate record showing the name and occupation of the actual wage and benefits paid to each individual employed in connection with this contract. This record shall be available to the State upon request for reasonable inspection.

If any trade is omitted from the list of wage rates and fringe benefits to be paid to each class of individuals by the Contractor, it is understood that the trades omitted shall also be paid not less than the wage rate and fringe benefits prevailing in the local where the work is to be performed.



2.107 PAYROLL AND BASIC RECORDS

Payrolls and basic records relating to the performance of this contract shall be maintained by the Contractor during the course of the work and preserved for a period of 3 years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made, and actual wages paid. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.

The Contractor shall submit a copy of all payrolls to the Contract Administrator upon request. The payrolls submitted shall set out accurately and completely all of the information required to be maintained as indicated above.

The Prime Contractor is responsible for the submission of copies of payrolls by all subcontractors upon request from the Contract Administrator

The Contractor or subcontractor shall permit the Contract Administrator or representatives of the Contract Administrator or the State of Michigan to interview employees during working hours on the job.

If the Contractor or subcontractor fails to submit required records or to make them available, the Contract Administrator may, after written notice to the Contractor, take such action as may be necessary to cause the suspension of any further payment. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment.

2.108 COMPETITION IN SUB-CONTRACTING

The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the contract.

2.109 CALL CENTER DISCLOSURE

Vendor and/or all subcontractors involved in the performance of this contract providing call or contact center services to the State of Michigan must disclose the location of its call or contact center services to inbound callers. Failure to disclose this information shall be a material breach of this agreement.



2.2 Contract Performance

2.201 TIME IS OF THE ESSENCE

Contractor/Vendor is on notice that time is of the essence in the performance of this contract. Late performance will be considered a material breach of this contract, giving the State a right to invoke all remedies available to it under this contract.

2.202 CONTRACT PAYMENT SCHEDULE

The specific payment schedule for any Contract(s) entered into, as the State and the Contractor(s) will mutually agree upon the result of this RFP. The schedule should show payment amount and should reflect actual work done by the payment dates, less any penalty cost charges accrued by those dates. As a general policy statements shall be forwarded to the designated representative by the 15th day of the following month.

2.203 RESERVED

The Government may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.204 RESERVED

2.205 ELECTRONIC PAYMENT AVAILABILITY

Electronic transfer of funds is available to State contractors. Vendors are encouraged to register with the State of Michigan Office of Financial Management so the State can make payments related to this Contract electronically at www.cpexpress.state.mi.us.

2.206 RESERVED

2.3 Contract Rights and Obligations

2.301 INCURRING COSTS

The State of Michigan is not liable for any cost incurred by the Contractor prior to signing of the Contract. The State fiscal year is October 1st through September 30th. The Contractor(s) should realize that payments in any given fiscal year are contingent upon enactment of legislative appropriations. Total liability of the State is limited to terms and conditions of the Contract.

2.302 CONTRACTOR RESPONSIBILITIES

The Contractor will be required to assume responsibility for all contractual activities, whether or not that Contractor performs them. Further, the State will consider the Contractor to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the anticipated Contract. If any part of the work is to be subcontracted, the Contract must include a list of subcontractors, including



firm name and address, contact person and a complete description of work to be subcontracted. The State reserves the right to approve subcontractors and to require the Contractor to replace subcontractors found to be unacceptable. The Contractor is totally responsible for adherence by the subcontractor to all provisions of the Contract. Any change in subcontractors must be approved by the State, in writing, prior to such change.

2.303 ASSIGNMENT AND DELEGATION

The Contractor shall not have the right to assign this Contract, to assign its rights under this contract, or delegate any of its duties or obligations under the Contract to any other party (whether by operation of law or otherwise), without the prior written consent of the State. Any purported assignment in violation of this Section shall be null and void. Further, the Contractor may not assign the right to receive money due under the Contract without the prior written consent of the Director of Acquisition Services.

The Contractor shall not delegate any duties or obligations under the Contract to a subcontractor other than a subcontractor named and approved in the bid unless the Director of Acquisition Services has given written consent to the delegation.

Bidder must obtain the approval of the Director of Acquisition Services before using a place of performance that is different from the address that bidder provided in the bid.

2.304 TAXES

Sales Tax: For purchases made directly by the State of Michigan, the State is exempt from State and Local Sales Tax. Prices shall not include such taxes. Exemption Certificates for State Sales Tax will be furnished upon request.

Federal Excise Tax: The State of Michigan may be exempt for Federal Excise Tax, or such taxes may be reimbursable, if articles purchased under this Contract are used for the State's exclusive use. Certificates exclusive use for the purposes of substantiating a tax-free, or tax-reimbursable sale will be sent to the Contractor upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices shall not include the Federal Excise Tax.

The State's Tax Exempt Certification is available for vendor viewing upon request to the Contract Administrator.

2.305 INDEMNIFICATION

General Indemnification

To the fullest extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State, its departments, divisions, agencies, sections, commissions, officers, employees and agents, from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:



1. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from (1) the product provided or (2) performance of the work, duties, responsibilities, actions or omissions of the Contractor or any of its subcontractors under this Contract.
2. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from a breach by the Contractor of any representation or warranty made by the Contractor in the Contract;
3. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or related to occurrences that the Contractor is required to insure against as provided for in this Contract;
4. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from the death or bodily injury of any person, or the damage, loss or destruction of any real or tangible personal property, in connection with the performance of services by the Contractor, by any of its subcontractors, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable; provided, however, that this indemnification obligation shall not apply to the extent, if any, that such death, bodily injury or property damage is caused solely by the negligence or reckless or intentional wrongful conduct of the State;
5. Any claim, demand, action, citation or legal proceeding against the State, its employees and agents which results from an act or omission of the Contractor or any of its subcontractors in its or their capacity as an employer of a person.

Patent/Copyright Infringement Indemnification

To the fullest extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State, its employees and agents from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States. In addition, should the equipment, software, commodity, or service, or the operation thereof, become or in the Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor shall at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to the Contractor, (ii) replace or modify the same with equipment, software, commodity or service of equivalent function and performance so that it becomes



non-infringing, or, if such option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Code Indemnification

To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.

Indemnification Obligation Not Limited

In any and all claims against the State of Michigan, or any of its agents or employees, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract shall not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its subcontractors under worker's disability compensation acts, disability benefits acts, or other employee benefits acts. This indemnification clause is intended to be comprehensive. Any overlap in sub clauses, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other sub clause.

Continuation of Indemnification Obligation

The duty to indemnify will continue in full force and affect notwithstanding the expiration or early termination of the Contract with respect to any claims based on facts or conditions, which occurred prior to termination.

Indemnification Procedures

The procedures set forth below shall apply to all indemnity obligations under this Contract.

- (a) After receipt by the State of notice of the action or proceeding involving a claim in respect of which it will seek indemnification, the State shall promptly notify Contractor of such claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to so notify Contractor shall relieve Contractor of its indemnification obligations except to the extent that Contractor can demonstrate damages attributable to such failure. Within ten (10) days following receipt of written notice from the State relating to any claim, Contractor shall notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and prior to the State receiving Contractor's Notice of Election, the State shall be entitled to defend against the claim, at Contractor's expense, and Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during such period.



- (b) If Contractor delivers a Notice of Election relating to any claim: (i) the State shall be entitled to participate in the defense of such claim and to employ counsel at its own expense to assist in the handling of such claim and to monitor and advise the State about the status and progress of the Defense; (ii) Contractor shall, at the request of the State, demonstrate to the reasonable satisfaction of the State, Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) Contractor shall periodically advise the State about the status and progress of the defense and shall obtain the prior written approval of the State before entering into any settlement of such claim or ceasing to defend against such claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State shall have the right, at its own expense, to control the defense of that portion of such claim involving the principles of Michigan governmental or public law. Notwithstanding the foregoing, the State may retain control of the defense and settlement of a claim by written notice to Contractor given within ten (10) days after the State's receipt of Contractor's information requested by the State pursuant to clause (ii) of this paragraph if the State determines that Contractor has failed to demonstrate to the reasonable satisfaction of the State Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State of Michigan, or any of its subdivisions pursuant to this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State pursuant to this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.
- (c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State shall have the right to defend the claim in such manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor shall promptly reimburse the State for all such reasonable costs and expenses.

2.306 LIMITATION OF LIABILITY

Except as set forth herein, neither the Contractor nor the State shall be liable to the other party for indirect or consequential damages, even if such party has been advised of the possibility of such damages. Such limitation as to indirect or consequential damages shall not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; to Contractor's indemnification obligations (2.305); or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.



2.307 CONTRACT DISTRIBUTION

Acquisition Services shall retain the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Acquisition Services.

2.308 FORM, FUNCTION, AND UTILITY

If the Contract is for use of more than one State agency and if the good or service provided under this Contract do not meet the form, function, and utility required by a State agency, that agency may, subject to State purchasing policies, procure the good or service from another source.

2.309 ASSIGNMENT OF ANTITRUST CAUSE OF ACTION

For and in consideration of the opportunity to submit a quotation and other good and valuable consideration, the bidder hereby assigns, sells and transfers to the State of Michigan all rights, title and interest in and to all causes of action it may have under the antitrust laws of the United States or this State for price fixing, which causes of action have accrued prior to the date of payment and which relate solely to the particular goods, commodities, or services purchased or procured by this State pursuant to this transaction.

2.310 RESERVED

2.311 TRANSITION ASSISTANCE

If this Contract is not renewed at the end of this term, or is canceled prior to its expiration, for any reason, the Contractor must provide for up to *120 days* after the expiration or cancellation of this Contract, all reasonable transition assistance requested by the State, to allow for the expired or canceled portion of the Services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the State or its designees. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of this Contract, (notwithstanding this expiration or cancellation) except for those Contract terms or conditions that do not reasonably apply to such transition assistance. The State shall pay the Contractor for any resources utilized in performing such transition assistance at the most current rates provided by the Contract for Contract performance.

2.312 WORK PRODUCT

Work Products shall be considered works made by the Contractor for hire by the State and shall belong exclusively to the State and its designees, unless specifically provided otherwise by mutual agreement of the Contractor and the State. If by operation of law any of the Work Product, including all related intellectual property rights, is not owned in its entirety by the State automatically upon creation thereof, the Contractor agrees to assign, and hereby assigns to the State and its designees the ownership of such Work Product, including all related intellectual property rights. The Contractor agrees to provide, at no additional charge, any assistance and to execute any action reasonably required for the



State to perfect its intellectual property rights with respect to the aforementioned Work Product.

Notwithstanding any provision of this Contract to the contrary, any preexisting work or materials including, but not limited to, any routines, libraries, tools, methodologies, processes or technologies (collectively, the "Development Tools") created, adapted or used by the Contractor in its business generally, including any and all associated intellectual property rights, shall be and remain the sole property of the Contractor, and the State shall have no interest in or claim to such preexisting work, materials or Development Tools, except as necessary to exercise its rights in the Work Product. Such rights belonging to the State shall include, but not be limited to, the right to use, execute, reproduce, display, perform and distribute copies of and prepare derivative works based upon the Work Product, and the right to authorize others to do any of the foregoing, irrespective of the existence therein of preexisting work, materials and Development Tools, except as specifically limited herein.

The Contractor and its subcontractors shall be free to use and employ their general skills, knowledge and expertise, and to use, disclose, and employ any generalized ideas, concepts, knowledge, methods, techniques or skills gained or learned during the course of performing the services under this Contract, so long as the Contractor or its subcontractors acquire and apply such information without disclosure of any confidential or proprietary information of the State, and without any unauthorized use or disclosure of any Work Product resulting from this Contract.

2.313 RESERVED

2.314 WEBSITE INCORPORATION

State expressly states that it will not be bound by any content on the Contractor's website, even if the Contractor's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of such content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representation of the State.

2.4 Contract Review and Evaluation

2.401 CONTRACT COMPLIANCE INSPECTOR

Upon receipt at Acquisition Services of the properly executed Contract Agreement(s), the person named below will be allowed to oversee the Contract performance on a day-to-day basis during the term of the Contract. However, overseeing the Contract implies **no authority to negotiate, change, modify, clarify, amend, or otherwise alter the terms, conditions, and specifications of such Contract(s). That authority is retained by Acquisition Services.** The Contract Compliance Inspector for this project is:

Kenneth R. Swisher
Office of the State Employer
Employee Health Management Division
P.O. Box 30026, Lansing, Michigan 48909
swisherk@michigan.gov, 517-373-0438



2.402 PERFORMANCE REVIEWS

Acquisition Services in conjunction with the Office of State Employer may review with the Contractor their performance under the Contract. Performance reviews shall be conducted quarterly, semi-annually or annually depending on Contractor's past performance with the State. Performance reviews shall include, but not limited to, quality of products/services being delivered and provided, timeliness of delivery, percentage of completion of orders, the amount of back orders, status of such orders, accuracy of billings, customer service, completion and submission of required paperwork, the number of substitutions and the reasons for substitutions, and other requirements of the Contract.

Upon a finding of poor performance, which has been documented by Acquisition Services, the Contractor shall be given an opportunity to respond and take corrective action. If corrective action is not taken in a reasonable amount of time as determined by Acquisition Services, the Contract may be canceled for default. Delivery by the Contractor of unsafe and/or adulterated or off-condition products to any State agency is considered a material breach of Contract subject to the cancellation provisions contained herein.

2.403 AUDIT OF CONTRACT COMPLIANCE/ RECORDS AND INSPECTIONS

The Contractor agrees that the State may, upon 24-hour notice, perform an audit at Contractor's location(s) to determine if the Contractor is complying with the requirements of the Contract. The Contractor agrees to cooperate with the State during the audit and produce all records and documentation that verifies compliance with the Contract requirements.

2.5 Quality and Warranties

2.501 RESERVED

2.502 RESERVED

2.503 RESERVED

2.504 RESERVED

2.505 CONTRACTOR WARRANTIES

The Contract contains customary representations and warranties by the Contractor, including, without limitation, the following:

1. The Contractor will perform all services in accordance with high professional standards in the industry;
2. The Contractor will use adequate numbers of qualified individuals with suitable training, education, experience and skill to perform the services;
3. The Contractor will use its best efforts to use efficiently any resources or services necessary to provide the services that are separately chargeable to the State;



4. The Contractor will use its best efforts to perform the services in the most cost effective manner consistent with the required level of quality and performance;
5. The Contractor will perform the services in a manner that does not infringe the proprietary rights of any third party;
6. The Contractor will perform the services in a manner that complies with all applicable laws and regulations;
7. The Contractor has duly authorized the execution, delivery and performance of the Contract;
8. The Contractor is capable in all respects of fulfilling and shall fulfill all of its obligations under this contract.
9. The contract appendices, attachments, and exhibits identify all equipment and software services necessary for the deliverable(s) to perform and operate in compliance with the contract's requirements.
10. The Contractor is the lawful owner or licensee of any Deliverable licensed or sold to the state by Contractor or developed by Contractor under this contract, and Contractor has all of the rights necessary to convey to the state the ownership rights or license use, as applicable, of any and all Deliverables.
11. If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to such items as set forth in this Contract, Contractor shall assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.
12. The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter this contract, on behalf of Contractor.
13. The Contractor is qualified and registered to transact business in all locations where required.
14. Neither the Contractor nor any Affiliates, nor any employee of either, has, shall have, or shall acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor shall notify the State within two (2) days of any such interest that may be incompatible with the interests of the State.
15. All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the ITB or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial



condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by such financial statements, reports, other information. Since the respective dates or periods covered by such financial statements, reports, or other information, there have been no material adverse changes in the business, properties, financial condition, or results of operations of Contractor. All written information furnished to the State by or behalf of Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make such information not misleading.

2.506 STAFF

The State reserves the right to approve the Contractor's assignment of Key Personnel to this project and to recommend reassignment of personnel deemed unsatisfactory by the State.

The Contractor shall not remove or reassign, without the State's prior written approval any of the Key Personnel until such time as the Key Personnel have completed all of their planned and assigned responsibilities in connection with performance of the Contractor's obligations under this Contract. The Contractor agrees that the continuity of Key Personnel is critical and agrees to the continuity of Key Personnel. Removal of Key Personnel without the written consent of the State may be considered by the State to be a material breach of this Contract. The prohibition against removal or reassignment shall not apply where Key Personnel must be replaced for reasons beyond the reasonable control of the Contractor including but not limited to illness, disability, resignation or termination of the Key Personnel's employment.

The State and the Contractor agree that the following personnel are Key Personnel for purposes of this Contract: Account Manager, Project Manager, Chief Actuary, Staff Actuaries, Project Specialists.

2.507 RESERVED

2.508 RESERVED

2.509 RESERVED

2.6 Breach of Contract

2.601 BREACH DEFINED

Failure to comply with articles, sections, or subsections of this agreement, or making any false statement in this agreement will be considered a material breach of this agreement giving the state authority to invoke any and all remedies available to it under this agreement.

In addition to any remedies available in law and by the terms of this contract, if the Contractor breaches Sections 2.508, 2.509, or 2.510, such a breach may be considered as a default in the performance of a material obligation of this contract.



2.602 NOTICE AND THE RIGHT TO CURE

In the event of a curable breach by the Contractor, the State shall provide the Contractor written notice of the breach and a time period to cure said breach described in the notice. This section requiring notice and an opportunity to cure shall not be applicable in the event of successive or repeated breaches of the same nature or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage or destruction of any real or tangible personal property.

2.603 EXCUSABLE FAILURE

1. Neither party shall be liable for any default or delay in the performance of its obligations under the Contract if and to the extent such default or delay is caused, directly or indirectly, by: fire, flood, earthquake, elements of nature or acts of God; riots, civil disorders, rebellions or revolutions in any country; the failure of the other party to perform its material responsibilities under the Contract (either itself or through another contractor); injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of such party; provided the non-performing party and its subcontractors are without fault in causing such default or delay, and such default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans. In such event, the non-performing party will be excused from any further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such party continues to use its best efforts to recommence performance or observance whenever and to whatever extent possible without delay provided such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.
2. If any of the above enumerated circumstances substantially prevent, hinder, or delay performance of the services necessary for the performance of the State's functions for more than 14 consecutive days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected services from an alternate source, and the State shall not be liable for payments for the unperformed services under the Contract for so long as the delay in performance shall continue; (b) the State may cancel any portions of the Contract so affected and the charges payable hereunder shall be equitably adjusted to reflect those services canceled; or (c) the Contract will be canceled without liability of the State to the Contractor as of the date specified by the State in a written notice of cancellation to the Contractor. The Contractor will not have the right to any additional payments from the State as a result of any excusable failure occurrence or to payments for services not rendered as a result of the excusable failure condition. Defaults or delays in performance by the Contractor which are caused by acts or omissions of its subcontractors will not relieve the Contractor of its obligations under the Contract except to the extent that a subcontractor is itself subject to any excusable failure condition described above and the Contractor cannot reasonably



circumvent the effect of the subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

2.7 Remedies

2.701 CANCELLATION

The State may cancel this Contract without further liability or penalty to the State, its departments, divisions, agencies, offices, commissions, officers, agents, and employees for any of the following reasons:

1. Material Breach by the Contractor. In the event that the Contractor breaches any of its material duties or obligations under the Contract, which are either not capable of or subject to being cured, or are not cured within the time period specified in the written notice of breach provided by the State, or pose a serious and imminent threat to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of cancellation to the Contractor, cancel this Contract in whole or in part, for cause, as of the date specified in the notice of cancellation.

In the event that this Contract is cancelled for cause, in addition to any legal remedies otherwise available to the State by law or equity, the Contractor shall be responsible for all costs incurred by the State in canceling the Contract, including but not limited to, State administrative costs, attorneys fees and court costs, and any additional costs the State may incur to procure the services required by this Contract from other sources. All excess re-procurement costs and damages shall not be considered by the parties to be consequential, indirect or incidental, and shall not be excluded by any other terms otherwise included in the Contract.

In the event the State chooses to partially cancel this Contract for cause charges payable under this Contract will be equitably adjusted to reflect those services that are cancelled.

In the event this Contract is cancelled for cause pursuant to this section, and it is therefore determined, for any reason, that the Contractor was not in breach of contract pursuant to the provisions of this section, that cancellation for cause shall be deemed to have been a cancellation for convenience, effective as of the same date, and the rights and obligations of the parties shall be limited to that otherwise provided in the Contract for a cancellation for convenience.

2. Cancellation For Convenience By the State. The State may cancel this Contract for its convenience, in whole or part, if the State determines that such a cancellation is in the State's best interest. Reasons for such cancellation shall be left to the sole discretion of the State and may include, but not limited to (a) the State no longer needs the services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Contract services no longer practical or feasible, and (c) unacceptable prices for additional services requested by the State. The State may cancel the Contract for its convenience, in whole or in part, by giving the Contractor written notice 30 days prior to the date of cancellation. If the State chooses to cancel this Contract in part, the



charges payable under this Contract shall be equitably adjusted to reflect those services that are cancelled.

3. Non-Appropriation. In the event that funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available. The Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this project. If funds are not appropriated or otherwise made available, the State shall have the right to cancel this Contract at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of cancellation to the Contractor. The State shall give the Contractor written notice of such non-appropriation or unavailability within 30 days after it receives notice of such non-appropriation or unavailability.
4. Criminal Conviction. In the event the Contractor, an officer of the Contractor, or an owner of a 25% or greater share of the Contractor, is convicted of a criminal offense incident to the application for or performance of a State, public or private Contract or subcontract; or convicted of a criminal offense including but not limited to any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State, reflects upon the Contractor's business integrity.
5. Approvals Rescinded. The State may terminate this Contract without further liability or penalty in the event any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services pursuant to Constitution 1963, Article 11, section 5, and Civil Service Rule 7. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in such written notice.

2.702 RIGHTS UPON CANCELLATION

Termination Assistance. If this Contract (or any Statement of Work issued under it) is terminated for any reason prior to completion, Contractor agrees to provide for up to six (6) months after the termination all reasonable termination assistance requested by the State to facilitate the orderly transfer of such Services to the State or its designees in a manner designed to minimize interruption and adverse effect. Such termination assistance will be deemed by the parties to be governed by the terms and conditions of this Contract (notwithstanding its termination) other than any terms or conditions that do not reasonably apply to such termination assistance. Such termination assistance shall be at no additional charge to the State if the termination is for Contractor's Default pursuant to Section 2.602; otherwise the State shall compensate Contractor for such termination assistance on a time and materials basis in accordance with the Amendment Labor Rates identified within this Contract agreement.

2.703 RESERVED



2.704 STOP WORK

1. The State may, at any time, by written stop work order to the Contractor, require that the Contractor stop all, or any part, of the work called for by this Contract for a period of up to 90 days after the stop work order is delivered to the Contractor, and for any further period to which the parties may agree. The stop work order shall be specifically identified as such and shall indicate that it is issued under this section. Upon receipt of the stop work order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State shall either:
 - a) Cancel the stop work order; or
 - b) Cancel the work covered by the stop work order as provided in the cancellation section of this Contract.
2. If a stop work order issued under this section is canceled or the period of the stop work order or any extension thereof expires, the Contractor shall resume work. The State shall make an equitable adjustment in the delivery schedule, the contract price, or both, and the Contract shall be modified, in writing, accordingly, if:
 - a) The stop work order results in an increase in the time required for, or in the Contractor's costs properly allocable to the performance of any part of this Contract; and
 - b) The Contractor asserts its right to an equitable adjustment within 30 days after the end of the period of work stoppage; provided, that if the State decides the facts justify the action, the State may receive and act upon a proposal submitted at any time before final payment under this Contract.
3. If the stop work order is not canceled and the work covered by the stop work order is canceled for reasons other than material breach, the State shall allow reasonable costs resulting from the stop work order in arriving at the cancellation settlement.
4. If a stop work order is not canceled and the work covered by the stop work order is canceled for material breach, the State shall not allow, by equitable adjustment or otherwise, reasonable costs resulting from the stop work order.

An appropriate equitable adjustment may be made in any related contract of the Contractor that provides for adjustment and is affected by any stop work order under this section. The State shall not be liable to the Contractor for loss of profits because of a stop work order issued under this section.

2.705 SUSPENSION OF WORK

The Contract Administrator may order the Contractor, in writing, to suspend, delay, or interrupt all or any part of the work of this contract for the period of time that the Contract Administrator determines appropriate for the convenience of the Government.



If the performance of all or any part of the work is, for an unreasonable period of time, suspended, delayed, or interrupted (1) by an act of the Contract Administrator in the administration of this contract, or (2) by the Contract Administrator's failure to act within the time specified in this contract (or within a reasonable time if not specified), an adjustment shall be made for any increase in the cost of performance of this contract (excluding profit) necessarily caused by the unreasonable suspension, delay, or interruption, and the contract modified in writing accordingly. However, no adjustment shall be made under this clause for any suspension, delay, or interruption to the extent that performance would have been so suspended, delayed, or interrupted by any other cause, including the fault or negligence of the Contractor, or for which an equitable adjustment is provided for or excluded under any other term or condition of this contract.

A claim under this clause shall not be allowed:

- (1) For any costs incurred more than 20 days before the Contractor shall have notified the Contract Administrator in writing of the act or failure to act involved (but this requirement shall not apply as to a claim resulting from a suspension order); and
- (2) Unless the claim, in an amount stated, is asserted in writing as soon as practicable after the termination of the suspension, delay, or interruption, but not later than the date of final payment under the contract.

2.8 Changes, Modifications, and Amendments

2.801 APPROVALS

The Contract may not be modified, amended, extended, or augmented except by a writing executed by the parties hereto, and any breach or default by a party shall not be waived or released other than in writing signed by the other party.

2.802 TIME EXTENTIONS

Time extensions for contract changes will depend upon the extent, if any, by which the changes cause delay in the completion of the various elements of performance as described in the statement of work. The change order granting the time extension may provide that the contract completion date will be extended only for those specific elements related to the changed work and that the remaining contract completion dates for all other portions of the work will not be altered. The change order also may provide an equitable readjustment of liquidated damages under the new completion schedule.

2.803 MODIFICATION

Acquisition Services reserves the right to modify this contract at any time during the contract term. Such modification may include changing the locations to be serviced, additional locations to be serviced, method or manner of performance of the work, number of days service is to be performed, addition or deletion of tasks to be performed, addition or deletion of items, and/or any other modifications deemed necessary. Any changes in pricing proposed by the Contractor resulting from the proposed changes are subject to acceptance by the State. Changes may be increases or decreases. **IN THE EVENT PRICES ARE NOT ACCEPTABLE TO THE STATE, THE CONTRACT SHALL BE SUBJECT TO COMPETITIVE BIDDING BASED UPON THE NEW SPECIFICATION.**



The State reserves the right to add an item(s) that is not described on the item listing and is available from the Contract vendor. The item(s) may be included on the Contract, only if prior written approval has been granted by Acquisition Services.

2.804 AUDIT AND RECORDS UPON MODIFICATION

DEFINITION: records includes books, documents, accounting procedures and practices, and other data, regardless of whether such items are in written form, electronic form, or in any other form

Contractor shall be required to submit cost or pricing data with the pricing of any modification of this contract to the Contract Administrator in Acquisition Services. Data may include accounting records, payroll records, employee time sheets, and other information the state deems necessary to perform a fair evaluation of the modification proposal. Contract Administrator or authorized representative of the state shall have the right to examine and audit all of the contractor's records, including computations and projections, related to:

1. The proposal for modification;
2. The discussions conducted on the proposal, including those related to negotiation;
3. Pricing of the modification; or
4. Performance of the modification.

Contractor shall make available at its office at all reasonable times the materials described in the paragraphs above.

If this contract is completely or partially terminated, the records relating to the work terminated shall be made available for 3 years after any resulting final termination settlement.

2.805 CHANGES

- (a) The Contract Administrator may, at any time, without notice to the sureties, if any, by written order designated or indicated to be a change order, make changes in the work within the general scope of the contract, including changes:
 - (1) In the specifications (including drawings and designs);
 - (2) In the method or manner of performance of the work;
 - (3) In the Government-furnished facilities, equipment, materials, services, or site; or
 - (4) Directing acceleration in the performance of the work.
- (a) Any other written or oral order (which, as used in this paragraph (b), includes direction, instruction, interpretation, or determination) from the Contract Administrator that causes a change shall be treated as a change order under this clause; Provided, that the Contractor gives the Contract Administrator written notice stating:
 - (1) The date, circumstances, and source of the order; and
 - (2) That the Contractor regards the order as a change order.
- (b) Except as provided in this clause, no order, statement, or conduct of the Contract Administrator shall be treated as a change under this clause or entitle the Contractor to an equitable adjustment.



Article 3 – Certifications and Representations

3.1 Disclosure Issues

3.101 CONFIDENTIALITY

Contractor and the State each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it. As used in this Section, “Confidential Information” of Contractor shall mean all non-public proprietary information of Contractor (other than Confidential Information of the State as defined below) that is marked confidential, restricted, proprietary, or with a similar designation. “Confidential Information” of the State shall mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State pursuant to applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State pursuant to its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. In the case of information of either Contractor or the State “Confidential Information” shall exclude any information (including this Contract) that is publicly available pursuant to the Michigan FOIA.

Protection of Confidential Information

The State and Contractor will each use at least the same degree of care to prevent is closing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party will limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access thereto in order to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) such disclosure is necessary or otherwise naturally occurs in connection with work that is within such Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect such Confidential Information from unauthorized use or disclosure.



News releases

News releases (including promotional literature and commercial advertisements) pertaining to the ITB and Contract or project to which it relates shall not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with the ITB and Contract are to be released without prior written approval of the State and then only to persons designated.

Exclusions

Notwithstanding the foregoing, the provisions of this Section will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose such information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of this Section will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose such Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of such disclosure as reasonably requested by the furnishing party.

No Implied Rights

Nothing contained in this Section shall be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

Remedies

Each party acknowledges that, if it breaches (or attempts or threatens to breach) its obligations under this Section, the other party may be irreparably harmed. Accordingly, if a court of competent jurisdiction should find that a party has breached (or attempted or threatened to breach) any such obligations, the non-breaching party shall be entitled to seek an injunction preventing such breach (or attempted or threatened breach).

Survival

The parties' respective obligations under this Section shall survive the termination or expiration of this Contract for any reason.



Destruction of Confidential Information

Promptly upon termination or cancellation of the Contract for any reason, Contractor shall certify to the State that Contractor has destroyed all State Confidential Information.

3.102 FREEDOM OF INFORMATION ACT

All information in a bidder's proposal and the Contract is subject to the provisions of the Freedom of Information Act. 1976 Public Act No. 442, as amended, MCL 15.231, et seq

3.103 DISCLOSURE OF LITIGATION

The Contractor shall notify the State in its bid proposal, if it, or any of its subcontractors, or their officers, directors, or key personnel under this Contract, have ever been convicted of a felony, or any crime involving moral turpitude, including, but not limited to fraud, misappropriation or deception. Contractor shall promptly notify the State of any criminal litigation, investigations or proceeding which may have arisen or may arise involving the Contractor or any of the Contractor's subcontractor, or any of the foregoing entities' then current officers or directors during the term of this Contract and three years thereafter.

The Contractor shall notify the State in its bid proposal, and promptly thereafter as otherwise applicable, of any civil litigation, arbitration, proceeding, or judgments that may have arisen against it or its subcontractors during the five years proceeding its bid proposal, or which may occur during the term of this Contract or three years thereafter, which involve (1) products or services similar to those provided to the State under this Contract and which either involve a claim in excess of \$250,000 or which otherwise may affect the viability or financial stability of the Contractor, or (2) a claim or written allegation of fraud by the Contractor or any subcontractor hereunder, arising out of their business activities, or (3) a claim or written allegation that the Contractor or any subcontractor hereunder violated any federal, state or local statute, regulation or ordinance. Multiple lawsuits and or judgments against the Contractor or subcontractor, in any an amount less than \$250,000 shall be disclosed to the State to the extent they affect the financial solvency and integrity of the Contractor or subcontractor.

All notices under subsection 1 and 2 herein shall be provided in writing to the State within fifteen business days after the Contractor learns about any such criminal or civil investigations and within fifteen days after the commencement of any proceeding, litigation, or arbitration, as otherwise applicable. Details of settlements, which are prevented from disclosure by the terms of the settlement, shall be annotated as such. Semi-annually, during the term of the Contract, and thereafter for three years, Contractor shall certify that it is in compliance with this Section. Contractor may rely on similar good faith certifications of its subcontractors, which certifications shall be available for inspection at the option of the State.

Assurances - In the event that such investigation, litigation, arbitration or other proceedings disclosed to the State pursuant to this Section, or of which the State



otherwise becomes aware, during the term of this Contract, causes the State to be reasonably concerned about:

- a. The ability of the Contractor or its subcontractor to continue to perform this Contract in accordance with its terms and conditions, or
- b. Whether the Contractor or its subcontractor in performing services is engaged in conduct which is similar in nature to conduct alleged in such investigation, litigation, arbitration or other proceedings, which conduct would constitute a breach of this Contract or violation of Michigan or Federal law, regulation or public policy, then

The Contractor shall be required to provide the State all reasonable assurances requested by the State to demonstrate that: (a) the Contractor or its subcontractors hereunder will be able to continue to perform this Contract in accordance with its terms and conditions, (b) the Contractor or its subcontractors will not engage in conduct in performing services under this Contract which is similar in nature to the conduct alleged in any such litigation, arbitration or other proceedings.

*** The Contractor's failure to fully and timely comply with the terms of this section, including providing reasonable assurances satisfactory to the State, may constitute a material breach of this Contract.

3.2 Vendor/Contractor Compliance with Laws

3.201 GENERALLY

Contractor/vendor shall keep informed of federal, state, and local laws, ordinances, rules, regulations, orders, and decrees of bodies or tribunals having any jurisdiction/authority that in any manner affects those engaged in or employed on the work done under this agreement or that in any manner affects the conduct of the work done under this agreement. Contractor shall observe and comply with such laws, ordinances, rules, regulations, orders, and decrees. Contractor shall indemnify the state for any civil claim or liabilities arising from a violation of such laws, ordinances, rules, regulations, orders, or decrees, whether by itself or its employees, even if wholly or in part caused by a violation of such laws, ordinances, rules, regulations, orders, or decrees by the state or its agents or representatives.

3.303 WORKPLACE DISCRIMINATION

The Contractor represents and warrants that in performing services for the State pursuant to this Contract, the Contractor agrees not to discriminate against any employee or applicant for employment, with respect to their hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental handicap or disability. The Contractor further agrees that every subcontract entered into for the performance of any Contract or purchase order resulting here from will contain a provision requiring non-discrimination in employment, as herein specified, binding upon each subcontractor. This covenant is required pursuant to the Elliot Larsen Civil Rights Act, 1976 Public Act 453, as amended, MCL 37.2201, et seq., and the Persons With Disabilities Civil Rights Act, 1976 Public Act 220, as amended,



MCL 37.1101, et seq., and any breach thereof may be regarded as a material breach of the Contract or purchase order.

Vendor hereby represents that in performing this contract it will not violate The Civil Rights Act of 1964, USCS Chapter 42, including, but not limited to, Title VII, 42 USCS §§ 2000e et seq.; the Americans with Disabilities Act (ADA), 42 USCS §§ 12101 et seq.; or The Age Discrimination in Employment Act of 1967 (ADEA), 29 USCS §§ 621, 623 et seq.; the Old Workers Benefit and Protection Act of 1990 (OWBPA), 29 USCS §§ 626 et seq.; the Family Medical Leave Act of 1993 (FMLA), 29 USC §§ 651 et seq.; or the Fair Labor Standards Act (FLSA), 29 USC §§ 201 et seq.

3.304 LABOR RELATIONS

Pursuant to 1980 Public Act 278, as amended, MCL 423.231, et seq., the State shall not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an **unfair labor practice** compiled pursuant to Section 2 of the Act. A Contractor of the State, in relation to the Contract, shall not enter into a Contract with a subcontractor, manufacturer, or supplier whose name appears in this register. Pursuant to Section 4 of 1980 Public Act 278, MCL 423.324, the State may void any Contract if, subsequent to award of the Contract, the name of the Contractor as an employer, or the name of the subcontractor, manufacturer or supplier of the Contractor appears in the register.

The Contractor represents and warrants that the company does not appear in the current register of employers failing to correct an unfair labor practice.

3.307 LIABILITY INSURANCE

A. Insurance

The Contractor is required to provide proof of the minimum levels of insurance coverage as indicated below. The purpose of this coverage shall be to protect the State from claims which may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether such services are performed by the Contractor, or by any subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain pursuant to this Contract.

All insurance coverage provided relative to this Contract/Purchase Order is PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The insurance shall be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.



The insurers selected by Contractor shall have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if such ratings are no longer available, with a comparable rating from a recognized insurance rating agency. Companies that have been approved to do business in the State shall issue all policies of insurance required in this Contract.

See www.michigan.gov/cis

Where specific limits are shown, they are the minimum acceptable limits. If Contractor’s policy contains higher limits, the State shall be entitled to coverage to the extent of such higher limits.

Before both parties sign the Contract or before the purchase order is issued by the State, the Contractor must furnish to the Director of Acquisition Services, certificate(s) of insurance verifying insurance coverage (“Certificates”). The Certificate must be on the standard “accord” form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) shall contain a provision indicating that coverage afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without THIRTY (30) days prior written notice, except for ten (10) days for non-payment of premium, having been given to the Director of Acquisition Services, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected and be mailed to: Director, Acquisition Services, Department of Management and Budget, P.O. Box 30026, Lansing, Michigan 48909. Failure to provide evidence of coverage, may, at the State’s sole option, result in this Contract’s termination.

The Contractor is required to pay for and provide the type and amount of insurance checked **below**:

- 1. Commercial General Liability with the following minimum coverage:
 - \$2,000,000 General Aggregate Limit other than Products/Completed Operations
 - \$2,000,000 Products/Completed Operations Aggregate Limit
 - \$1,000,000 Personal & Advertising Injury Limit
 - \$1,000,000 Each Occurrence Limit
 - \$500,000 Fire Damage Limit (any one fire)

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as **ADDITIONAL INSUREDS** on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

- 2. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any auto including



owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

- 3. Workers' compensation coverage must be provided in accordance with applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If a self-insurer provides the applicable coverage, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision shall not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

- 4. Employers liability insurance with the following minimum limits:
 - \$100,000 each accident
 - \$100,000 each employee by disease
 - \$500,000 aggregate disease
- 5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars (\$1,000,000.00) with a maximum deductible of fifty thousand dollars (\$50,000.00).
- 6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which shall apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.
- 7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars (\$1,000,000.00) each occurrence and three million dollars (\$3,000,000.00) annual aggregate.
- 8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the



equipment, software and other contents of such office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to the replacement value thereof, where such office space and its contents are under the care, custody and control of Contractor. Such policy shall cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State shall be endorsed on the policy as a loss payee as its interests appear.

B. Subcontractors

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor shall require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) shall fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

C. Certificates of Insurance and Other Requirements

Contractor shall furnish to the Office of Acquisition Services certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor shall provide evidence that the State and its agents, officers and employees are listed as additional insureds, but only to the extent of liabilities assumed by Contractor as set forth in Indemnification Section of this Contract, under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

Contractor shall maintain all required insurance coverage throughout the term of the Contract and any extensions thereto and, in the case of claims-made Commercial General Liability policies, shall secure tail coverage for at least three (3) years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and shall not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor shall be responsible for all deductibles with regard to such insurance. If Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, at the State's election (but without any obligation to do so) after the State has given Contractor at least thirty (30) days written notice, the State may pay such premium or procure similar insurance coverage from another company or companies; and at the State's election, the State may deduct the entire cost (or part thereof) from any payment due Contractor, or Contractor shall pay the entire cost (or any part thereof) upon demand by the State.



APPENDIX A, PRICE PROPOSAL

Technician, Data Entry and Analysis	\$ 75.00 per hour
Associate Consultant	\$ 100.00 per hour
Administrative Assistant, production and distribution	\$ 50.00 per hour
Consultant, system design and record keeping	\$ 135.00 per hour
Consultant, assistant project manager and manager of/coordinator of externally purchased services	\$ 175.00 per hour
Principle Consultant, project manager and state liaison	\$ 250.00 per hour



APPENDIX B, CONTRACTOR PROPOSAL

4.301 CAPABILITIES AND QUALIFICATIONS OF ORGANIZATION

State the full name and address of your organization and, if applicable, the branch office or other subordinate elements that will perform, or assist in performing, the work hereunder. Indicate whether it operates as an individual, partnership, or corporation, include the State in which it is incorporated. If applicable, state whether it is licensed or registered to operate in the State of Michigan. Bidders shall demonstrate their ability to handle a Contract of this size and scope. In addition, please indicate the following:

- a) How long has the company been in business – Since 1871**
 - b) Company sales volumes for the last five (5) years. – See Below**
Risk & Insurance Services – 2003 \$6.8 billion; 2002 \$5.9 billion; 2001 \$5.1 billion; 2000 \$4.7 billion; 1999 \$4.5 billion
 - c) Size and location of facilities that will be involved in servicing the Contract**
Marsh will be utilizing employees from Detroit, MI, Grand Rapids, MI, Chicago, IL, and employees from Mercer (Marsh's sister company) from Hartford, CT. The size of all of these locations exceed 200 employees except for our Grand Rapids, MI office which exceeds 50 employees.
- Marsh has been operating locally for well over 85 Years.
 - The core team of several professionals we have assigned to State of Michigan's Service team have over 100+ years of experience combined.
 - The Marsh Detroit office is managed by: Gregory Stanbury, Managing Director
 - Our office is located at: 600 Renaissance Center, Suite 2100, Detroit, MI 48243
 - Marsh Detroit's Public Entity premium volume is in excess of \$13,000,000 and consists of 10 public entities (who we write major lines of coverage for). Marsh globally has more Public Entity premium volume than any other broker. Our premium volume is highest in the area of General Liability and Public Officials package programs. The premium is not quoted by line of coverage and therefore not available.
 - The average size of an account in premium is \$1,300,000
 - There are 2 account managers that are dedicated solely to the service needs of the Public Entity Group of clients - Nancy Jarvis and Cheryl Smith. There are also other account managers that handle a mix of Public Entity and Private Sector clients. In addition, Marsh has a National Practice Group to support the Detroit Team and the State of Michigan's needs.



Proposed Marsh/Mercer Service Team for the State of Michigan

Joe Galusha, Practice Leader
Nancy Jarvis, Public Entity Leader

Safety

Ken Smith, Manager
Rich McLonis, Assistant Vice President
Christine Bredhold, Associate Consultant
Janet Dobryden, Consultant
Teresa Fisk, Consultant

Transitional Employment

Kathlen Dopkeen, Senior Consultant
Meg Novy, Assistant Vice President
R. Duane Pifer, Assistant Vice President
Julie Covert, Consultant

Actuarial

Jeff Gavlick, Principal
Richard Fuerstenberg, Principal
Israel Rubin, Consultant

Data System Development

Steven miller, President, Steven Miller & Associates

Best Practices

Kathleen Dopkeen, Senior Consultant
Melodie Langford, Consultant
Rich McLonis, Assistant Vice President

Audits

Terry Smith, Consultant
Chuck Lamonica, Consultant
Chris McCarthy, Consultant



4.304 SCOPE OF WORK AND DELIVERABLES

1. In Scope - All projects which EHM approaches Marsh to submit proposals on will have a mutually agreed upon scope defined by both parties at the time of the submission of the proposals.

Transitional Employment

- **Perform peer review of existing Transitional Employment policies, procedures and roles, along with providing written feedback for any potential process improvements.**
 - ▲ Marsh has consulted with EHM regarding its T.E. program for approximately the past three years. Project activities included a review of existing policies, procedures and roles, and no major gaps were found. Because it has been in place for some time, we would provide an updated review of the program to determine if it is consistent with current best practices. We would recommend that a process improvement review also include solicitation of feedback from program users (i.e. injured employees) and administrators (i.e., local facility program coordinators) to determine what is working and what may need to be modified for maximum effectiveness. We would then work with the Disability Manager to prioritize our recommendations for program modification and to develop an action plan.
 - ▲ In addition to work with the State of Michigan, Marsh consultants have extensive experience working with companies and organizations in the public and private sector. We have developed Transitional Employment programs for both work and non-work-related injuries and illnesses. We have used focus groups and surveys to solicit feedback on the effectiveness and ease of administration of workers' compensation cost control programs, including Return-to-Work.
- **Review, evaluate and participate in educational programs and presentations to departments and agencies as needed in the development and roll-out of T.E. pilot programs as requested by the Disability Manager.**
 - ▲ From our previous work with EHM, we are familiar with the presentations to educate management to solicit their support and participation in T.E. program development. We are prepared to recommend changes to the presentations based on any feedback from users and administrators (see discussion in response to the first bullet above) or any updates/changes to policies and procedures. We are also prepared to participate in any presentations related to Transitional Employment requested by the Disability Manager.
 - ▲ Our consultants have extensive experience in developing training and education programs covering workers' compensation cost control programs, including return-to-work, as well as, presenting to management and union and non-union employees in the private and public sector. In addition, one of our consultants (see Pifer bio) assigned to this team adds further value through his adult education background.



- **Meet with individual supervisors to identify the various tasks needed by the respective area and develop functional requirements relative to each task.**
 - ▲ We believe that the most effective way to solicit the greatest number of task ideas is through an initial “brainstorming” session with supervisors at each facility. For our previous work, we followed-up with onsite one-on-one interviews to gather more detailed descriptions and discuss additional ideas. We then collected the information such as weights and measures needed to determine the associated physical demands. Assuming no significant change in the expected deliverable, we recommend that the initial few facilities for each new department be approached in the same manner. However, as we gain experience with a particular department, it may be possible, following the brainstorming session, to minimize project costs by interviewing supervisors via telephone. We would then follow up with an onsite visit of shorter duration for weights and measures and miscellaneous data gathering.
 - ▲ The primary skills needed for this task are the ability to:
 - communicate – listen and probe to get the necessary information and facilitate creative thinking through open-ended questions and feedback regarding the purpose of the program and tasks used at similar facilities.
 - organize – to efficiently gather complete information in a timely way.
 - analyze tasks – to understand physical requirements associated with specific tasks.

Our engagements routinely require the first two skills. Consultants who also have expertise and experience in physical rehabilitation, safety, or ergonomics, and thus a keen sense of physical requirements, would be assigned to this task.
- **Combine all of the relevant tasks into a functional T.E. assignment that meets the needs of specific disabilities, taking into consideration similar assignments from other existing T.E. programs throughout the state.**
 - ▲ Organization skills and knowledge of physical demands required by specific tasks is also of primary importance for this activity, and consultants with these skills would be assigned. Because of our prior work we are familiar with the tools and database currently used by the State of Michigan and would be prepared to train additional Marsh colleagues, which would provide the state with back-up resources.
 - ▲ Experience with a specific State of Michigan Department is the most effective way to build on and take into consideration “similar assignments from other existing T.E. programs.” Therefore, we would recommend that the same consultant(s) are assigned to the same Departments so that the EHM may benefit from our previous relationship and experience. The consultant previously involved with this work (see Dopkeen bio) would manage and provide feedback to newly assigned consultants as necessary.



- ▲ It may be possible to design additional tools to make this task more efficient. At EHM's request, Marsh consultants with experience in data analysis and relevant software (Microsoft Access and Excel) could evaluate current tools for the purpose of recommending and designing enhancements to increase efficiency of this step,
- **Provide extensive documentation to support the development of the T.E. program including, but not limited to, an assignment matrix, appropriate employee and physician letters, policies, procedures.**
- **Provide 3-4 T.E. manuals to support the T.E. process at each pilot site as selected by EHM and assure that each manual is in a format agreed to with the EHM Disability Manager.**
- ▲ We recommend that review and redesign of program documents and the program manuals be done in conjunction with review of policies and procedures as described under the first bullet of this section. Our extensive experience with Return-to-Work Program evaluation and design has made available to us samples of a variety of similar documentation used by a variety of employers. As necessary to support program improvement, we would provide relevant samples to EHM.
- ▲ We are prepared to provide the necessary administrative support to produce a master and 3-4 copies of the T.E. manual in an agreed upon format.
- **Develop a T.E. database that provides for an interactive utilization of various tasks and assignments throughout the state in such a way that the state may begin to perform its own assignment development activities.**
- ▲ Assignment development is currently part manual, whereby tasks are combined based on a number of factors including location, shift, duration, physical demands, prerequisite experience, etc. We could work with EHM to train State personnel to analyze the task descriptions, judge their compatibility and combine them into feasible assignments.
- ▲ We worked with EHM to develop the Access database currently used. Our consultants with experience in using Access are able to evaluate the current design of the database and determine if modification might enhance its usability. Alternatively, we would work with a software development company to design a more sophisticated program, if EHM is interested in further functionality not possible or realistic with an Access database.
- ▲ If Departments are given access, State personnel could search the current database to automatically identify assignments for employees with specific restrictions in lieu of using the assignment matrix, which is a manual process.



- **Assist EHM in developing a supportable return on investment formula that appropriately takes into consideration all factors that will reflect the true savings associated with the T.E. program.**
 - △ We would work with EHM to develop a methodology to measure the direct cost impact of its transitional employment program. The methodology will be based on available, readily extracted, hard-coded data. If applicable, we can also discuss potential approaches to measuring indirect replacement labor costs that impact absence. Our approach generally consists of the following:
 - Meeting to discuss scope of analysis and most desirable metrics
 - Identifying specific captured data elements, sources and availability (e.g., diagnoses, days of absence, modified duty days, cost of absence)
 - Examining existing data for integrity and reliability
 - Developing a methodology to measure cost savings
 - Developing a methodology to collect the necessary data
 - Constructing a reporting format
 - Meeting to review data findings and proposed
 - △ Our consultants have worked with a number of public and private sector clients to develop ROI formulas, to justify development of a Transitional Employment program as well as to measure its impact.
- **Reporting will include, at a minimum, periodic progress reports, problem issue reports, a report identifying the work plan for accomplishing each pilot site, a report forecasting activities planned for the next 30-60 days, reports that reflect deviations from the accepted plan. All reports must be specified by the state's Disability Manager and agreed to with the contractor.**
 - △ Marsh is prepared to provide the reports requested.



Safety and Health

- **Meet with EHM to review safety objectives, the status of the current Safety & Health Model System, and the status of the current pilot implementations.**
 - ▲ Marsh Risk Control consultants are expert technical advisors who are effective and efficient at posing critical questions and assisting in analyzing current situations, past trends and appropriate actions in order to secure sustainable improvement in workplace health and safety.
 - ▲ Marsh consultants have a wealth of experience working with public and private sector organizations including: city and county governments, public schools, transportation authorities, road commissions, hospitals, retail stores and manufacturing plants. This uniquely positions our consultants with a perspective on how best to partner with our clients to provide the best solutions to worker health and safety issues.
 - ▲ Marsh already has a relationship with some understanding of EHM based on a prior service program to provide health and safety consulting. Marsh met frequently with the EHM staff to assess, brainstorm, plan, and implement needed safety systems and initiatives.
- **Review and report on alternative approaches to safety management and how these can be adapted to the current approach.**
 - ▲ Marsh Risk Control Consultants can explore interactive approaches with EHM through identified best practices and behavior based systems.
 - ▲ During the EHM-Marsh contract, between August 2001 and April 2004, this initiative was discussed at length with EHM for potential addition to the list of services.
- **Recommend any needed additions or revisions to the current Model Departmental Safety System and the Manual.**
 - ▲ Marsh consulting staff understands the importance of a formal written safety system. When designed properly this system is flexible and incorporates a continuous improvement component to ensure that the system components are periodically measured (if applicable), reviewed and updated (regulatory requirements, organizational and operations changes).
 - ▲ During our recent contract with EHM, Marsh provided suggestions for additions and changes to the safety system and manual. These suggestions include needed additions for new pilots of State departments.
- **Develop a safety and health manual for the department or agency for which the risk assessment was conducted. Write a set of specific occupational safety and health programs. The programs must include at a minimum; purpose, scope, definitions, responsibilities for management and employees,**



MIOSHA standard requirements, references, appendices, and responsibility checklists. The programs wording must revise the MIOSHA standard into understandable and easy to use language.

- ▲ Marsh's consulting staff has the experience and ability to create complete safety and health systems and the corresponding manuals, as well as individual policies, and procedures as stated.
- ▲ Manuals and corresponding procedures will reflect both the operations they are developed to protect, and the regulations and standards that require their development.
- ▲ The manuals will be provided in the appropriate number of hard copies, and also in electronic format and delivered to the parties as agreed upon with EHM. Hard copies will be on two-sided, recycled paper, in hard-cover three-ring binders unless otherwise specified.
- **Conduct risk assessments in each location where a safety system pilot is being developed. Assessments will include an analysis of each job classification within the facility being evaluated and will include all hazards, MIOSHA standards, personal protective equipment requirements, training needs, and certification requirements associated with the specific job classification.**
 - ▲ Marsh consultants have the experience and ability to perform all forms of risk assessment. Marsh has developed numerous risk assessments to fit the forms of risk being evaluated. Marsh also will work with EHM to develop new risk assessment tools to fit specific needs and to produce meaningful and useful data and summary reports.
 - ▲ Marsh worked with EHM to develop a tool that provided an assessment identifying all regulatory-based health and safety risks for each job or task. In addition, the tool was later modified to include risks for worker health and safety that were based on other regulations or standard industry practices. This risk assessment tool quantified risk through an assessment of each risk's severity of potential outcome, frequency of worker exposure, and history of prior incidents.
- **Develop a matrix that assigns a relative weight or importance to each hazard identified above. The matrix will consider such variables as loss history, size of the department, geographic spread and the severity of risk, in establishing the required resources. Identification of training resources will be included that validates the level and needed amount of training resources.**
 - ▲ Marsh worked with EHM to develop a tool that provided an assessment identifying all regulatory-based health and safety risks for each job or task. This tool was in a matrix format, which not only identified and quantified the risks in each job task, but also identified where written programs, training, licensing, certification and personal protective equipment were needed. In addition, the tool



was later modified to include risks for worker health and safety that were based on other regulations or standard industry practices. The risk assessment tool quantified risk through an assessment of each risk's severity of potential outcome, frequency of worker exposure, and history of prior incidents.

- ▲ If desired, Marsh will modify the risk assessment quantification method or create a new method based on the stated criteria.
- **Create and or conduct S&H training as requested.**
 - ▲ Marsh will conduct training for employees and train-the-trainer for supervisors. The training modules used will be delivered to EHM upon completion of the training. These may be in electronic form or hard copy or both, at the direction of EHM.
 - ▲ During the August 2001 to April 2004 contract, training was provided on several topics and to different audiences in the State of Michigan on various occasions. For example, Marsh participated with UAW Trainers to develop and deliver Safety Committee Training to safety committees at several Department of Corrections facilities. Training on Mold and Indoor Air Quality Awareness was also conducted.
- **Conduct S&H "Best Practices" and employee surveys as requested.**
 - ▲ Marsh has experience in designing, conducting, analyzing and summarizing results of employee surveys. Output and desired format will be to EHM's specifications.
- **Develop and conduct, as requested, safety team and other related safety training consistent with the needs of each department or agency.**
 - ▲ Marsh will develop training for the specific safety needs of the identified group, department or agency. All training modules used will be delivered to EHM upon completion of the training for approval and input. These may be in electronic form or hard copy or both, at the direction of EHM.
 - ▲ Marsh has direct experience working with EHM on the development of several training programs to different groups in the State of Michigan. For example, Marsh participated with UAW Trainers to develop and deliver Safety Committee Training to safety committees at several Department of Corrections facilities. Training on Mold and Indoor Air Quality Awareness was also conducted.
- **Create S&H excellence recognition programs and awareness promotions.**
 - ▲ Marsh will assist EHM in establishing the primary purpose of the program, determining how employees will be involved, the length of the program, and identify the current organizational culture and where positive change is needed.



- ▲ The program will be designed with the State of Michigan's unique culture in mind. It will be results-based, and activity-based and involve every level of the organization to ensure a greater measure of success.
 - ▲ Performance metrics will be discussed and agreed upon and results will be documented.
 - ▲ Success and participation in the program will be widely 'advertised' and communicated within the organization, and where applicable externally.
2. Out of Scope - All projects will have a defined scope which is mutually decided by both EHM and Marsh prior to commencement of the work. Since the nature of the projects are highly variable, defining the scope and success criteria must be done for each Statement of Work. Changes or out of scope activities will need to be agreed upon by both parties, documented and may require a new Statement of Work.
 3. Work and Deliverables - As with the scope, the detail of what work will be performed, how it will be performed and the final deliverables or products of each project will be discussed in detail prior to submission of a Statement of Work.

4.305 WORK PLAN

1. Project Plan/Timeline – Please see above in section 4.304 (Scope Of Work and Deliverables) for general information on Project Plans. These address Marsh's experience, expertise, ability and possible approach to performing the potential projects discussed in Section 1.104. Timelines for the completion of each phase of the various projects will be determined by EHM and Marsh.
2. Reports – The type and format for reports on projects will be as requested by EHM for each project. All reporting will include the following periodic progress reports, problem issue reports, a report identifying the work plan for accomplishing each pilot site, a report forecasting activities planned for the next 30-60 days, reports that reflect deviations from the accepted plan. All reports will be specified by the State's Disability Manager and agreed upon by Marsh.



Actuarial Studies

Mercer has extensive experience in performing these types of analyses of disability programs and is familiar with all the steps involved. We would first draw up a list of data needs, including census, salary, plan design and claim payment information, and provide a suggested electronic format, along with acceptable alternatives. We would agree with the State on a mutually acceptable form for electronic data transfer. Additionally we would maintain contact with the State and its vendor data providers to keep data current, accurate and usable, to the extent possible.

In performing any actuarial calculation, we would have discussions with the State to confirm the purpose of the calculations and specific results desired.

The setting of actuarial assumptions, including morbidity and interest rates, will be based on current accepted actuarial standards and will be discussed and mutually agreed upon with the State. We would also adjust these assumptions for actual State of Michigan experience, if available and as appropriate. For purposes of liability projection, we would need to discuss future expected changes anticipated by the State over a 24 month period.

Using the data received and the assumptions made, we would calculate the results using our proprietary Mercer disability pricing and reserving models. These models would allow us to calculate liability estimates and projections consistent with appropriate federal standards, and to reconcile to current liability estimates and projections. If required, the models can also be used to calculate State-specific disability incidence or termination rate experience adjustment factors to use in these liability calculations. We would communicate the results in report or letter form, but we will also be available to discuss our conclusions by phone or in person.

Sample Special Projects (c)

Mercer has extensive experience calculating liabilities associated with long term disability plans. As with Actuarial Studies discussed earlier, we will use data and plan design information in conjunction with mutually agreed upon actuarial assumptions to calculate long term disability costs using our proprietary Mercer actuarial liability and pricing models.

We would perform calculations on the State of Michigan data under current and alternative plan design scenarios, to assess the impact of various plan changes. The alternative scenarios would be chosen based on the State's financial and employee attraction and retention goals, with an eye on comparisons to widely used benchmarks. In this regard, we can draw on information from our Mercer surveys, which contains a wealth of information as to the prevalence of various disability plan design benefits, features and parameters.

Our results will enable the State of Michigan to make informed decisions, with a proper weighting of financial and employee attraction and retention objectives against cost-saving goals.



Data Systems Development

1. Meet with EHM to Discuss Scope of Analysis and Most Desirable Metrics

Marsh will provide a dedicated consultant devoted to the development of data systems as related to the various consulting projects provided to the State of Michigan. The team leader, Mr. Steve Miller, an independent contractor and partner with Marsh, will meet with the respective State of Michigan representatives to determine the specific scope of the program, as well as the desirable metrics.

2. Identifying Specific Data Elements, Sources and Availability

During the initial planning meeting between Marsh and the State of Michigan, details specific to the project will be identified along with the development of an analysis tool that will aid the State in prioritizing issues and allocating resources and outlining availability of those resources.

3. Examine Existing Data for Integrity and Reliability

As part of our Marsh Data Systems team function, Mr. Miller will review existing State of Michigan data systems and evaluate the technical content, as well as, the proficiency of such programs. As part of the evaluation, we shall cross reference the integral matrix of the system especially as it relates to the ongoing Marsh/State of Michigan projects.

4. Develop a Methodology to Collect the Necessary Data

5. Develop a Methodology to Measure Data and Related Cost Savings (Combined Answer)

In order to evaluate existing and newly developed programs, we recommend the Data Systems team develop a specific methodology to collect, store and report data that identifies and prioritizes the data using an agreed upon metric to ultimately measure the related cost savings. Additional possibilities of the information system development could include:

- Specify risk management goals, objectives and priorities, as well as EHM;
- Inventory current information systems that support objectives;
- Evaluate system strengths, weaknesses and gaps;
- Develop a prioritized plan for improvement that is based upon need, feasibility and cost.

6. Construct a Reporting Format and Data Base Format

Another function of the Data Systems team is to define the reporting mechanisms and specific data formats along with detailed timelines and distribution lists. Reports may vary from program depending upon the specific needs of an identified department.

7. Meet with EHM to Review Data Findings and Proposed Methodology

8. Provide Data Base, Related User Guides and Formats to EHM (Combined Answer)



Marsh will meet with EHM to review and revise the existing database to support the State's Transitional Employment Program. Specifically, the update by Marsh and the State will achieve the following:

- a. Combine all of the relevant tasks into a functional T.E. assignment that meets the needs of specific disabilities, taking into consideration similar assignments from other existing T.E. programs throughout the State.
- b. Update the T.E. manuals to support the T.E. process at each site as selected by EHM and assure that each manual is in a format agreed to with the EHM Disability Manager.
- c. Develop a T.E. database that provides for an interactive utilization of various tasks and assignments throughout the State in such a way that the State may begin to perform its own assignment development activities.
- d. Assist the State to select and manage a third party software development firm, who will develop and maintain the database systems on a start up and ongoing basis.



Best Practice Analysis

1. Review Current Practices of the State of Michigan's Programs

Marsh has an identified team of trained individuals that can and has evaluated the State of Michigan's programs against industry Best Practices. Marsh uses a very scientific approach that has been developed solely for this purpose. The review process includes a team of trained individuals that not only provide an evaluation, but also identify and prioritize opportunities for risk improvement.

2. Research and Evaluate Best Practice Patterns of Other Organizations Across the Country

As a leader in the area of risk consulting, Marsh has dedicated significant resources in the development and perfection of our Best Practice consulting capabilities. In the process, Marsh has researched data and information of various industries across the country. This information has been stored in a well-designed database that very logically sorts and evaluates the information. As Marsh continues to collect the most up-to-date information, we now have built a strong well-diverse database from dozens of organizations.

3. Analyze Alternative Best Practice Approaches

In order to provide clients with the most objective and proficient Best Practice program possible, Marsh organized collected data and developed what we describe as the Gap Analysis (Workers' Compensation Gap Analysis, Fleet Gap Analysis, OSHA and Safety Gap Analysis...). The written Gap Analysis is designed to do exactly what the name implies: to scientifically analyze the collected data and benchmark against the industry Best Practice Standards in order to identify the gap (and extent thereof) of opportunity between the current practices and Best Practices. This information is logically organized and prioritized to articulate the most proficient approaches for risk improvement.

4. Prepare a Report Identifying Best Practice Trends and How Those Trends and Practices can be Instituted within the State of Michigan Framework.

Once a Best Practice Gap Analysis has been completed and the data has been analyzed, Marsh will provide a report to the State of Michigan that is customized to the State's affected areas and/or programs. In order to provide the State of Michigan with a report that best communicates benchmark information, Marsh uses a customized software program called Trendtracker (see information pamphlet in Appendix 1). Trendtracker was developed by Marsh as the vehicle used to sort, score, evaluate and trend collected data. Trendtracker is customizable to the specific Gap Analysis being performed by using the industry Best Practice Standards combined with the client specific information. The final Trendtracker report uses a well developed matrix to identify the greatest opportunities for risk improvement. However, the best designed report should take into consideration the defined parameters of the organization. Over the past few years, Marsh has worked closely with the State of Michigan and has developed a considerable understanding of the State's internal programs. Therefore, Marsh can develop reports that utilizes objective data that is communicated in a professional manner that can best be instituted within the State of Michigan's framework.



5. Assist the State in developing Best Practice Approaches and in Marketing those Approaches throughout the State.

Marsh will work closely with EHM to develop methods to best market the identified Best Practice programs. The methods utilized may vary from area to area depending upon the information and/or action anticipated from the target group. Marsh will utilize various technologies to define the best approach