

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

July 15, 2008

**CHANGE NOTICE NO. 3  
 TO  
 CONTRACT NO. 071B6200183  
 between  
 THE STATE OF MICHIGAN  
 And**

NAME & ADDRESS OF VENDOR  <b>Bartlett Actuarial Group, LTD.          145 King Street, Suite 203          Charleston, SC 29401</b>  andreab@bartlettactuarialgroup.com	TELEPHONE (843) 377-0993 <b>Andrea Bartlett</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 241-1916 <b>Jim Wilson</b>
Contract Administrator: Robert Lamberjack – (517) 335-1746 <b>Pre qualified Actuarial Services Life/Health – DMB/OFIS</b>	
CONTRACT PERIOD: From: <b>February 15, 2006</b> To: <b>September 30, 2009</b>	
TERMS  <b>Net 45 Days</b>	SHIPMENT  <b>30 Days ARO</b>
F.O.B.  <b>Delivered</b>	SHIPPED FROM  <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective immediately, the following rates have been INCREASED:

<b>Actuary – Credentialed</b>	<b>\$250.00/hr</b>
<b>Actuarial Analyst (Four to six actuarial exams)</b>	<b>\$200.00/hr</b>
<b>Actuarial Assistant (One to three actuarial exams)</b>	<b>\$150.00/hr</b>

**NOTE:** The DMB Buyer for this Contract is changed to Jim Wilson. All other terms, conditions and specifications, remain unchanged.

**AUTHORITY/REASON:**

Per request of the vendor (email dated 07/01/08) and Agency agreement (email dated 07/07/08).

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$500,000.00**

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

June 9, 2008

**CHANGE NOTICE NO. 2  
 TO  
 CONTRACT NO. 071B6200183  
 between  
 THE STATE OF MICHIGAN  
 And**

NAME & ADDRESS OF VENDOR  <b>Bartlett Actuarial Group, LTD.          145 King Street, Suite 203          Charleston, SC 29401</b>  andreab@bartlettactuarialgroup.com	TELEPHONE (843) 377- 0993 <b>Andrea Bartlett</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 241-0684 <b>Erica Busick</b>
Contract Administrator: Robert Lamberjack – (517) 335-1746 <b>Pre qualified Actuarial Services Life/Health – DMB/OFIS</b>	
CONTRACT PERIOD: From: <b>February 15, 2006</b> To: <b>September 30, 2009</b>	
TERMS  <b>Net 45 Days</b>	SHIPMENT  <b>30 Days ARO</b>
F.O.B.  <b>Delivered</b>	SHIPPED FROM  <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

Effective immediately, this Contract is hereby EXTENDED through September 30, 2009.  
 All other terms, conditions, specifications, and pricing remain unchanged.

**AUTHORITY/REASON:**

Per request of the DLEG/OFIS (PRF dated 5/27/08) and Vendor Extension Letter signed by Vendor on 06/06/08.

**CURRENT AUTHORIZED SPEND LIMIT REMAINS: \$500,000.00**

**STATE OF MICHIGAN**  
**DEPARTMENT OF MANAGEMENT AND BUDGET**      September 17, 2007  
**PURCHASING OPERATIONS**  
**P.O. BOX 30026, LANSING, MI 48909**  
 OR  
**530 W. ALLEGAN, LANSING, MI 48933**

**CHANGE NOTICE NO. 1**  
**TO**  
**CONTRACT NO. 071B6200183**  
**between**  
**THE STATE OF MICHIGAN**  
**And**

NAME & ADDRESS OF VENDOR  <b>Bartlett Actuarial Group, LTD.</b> <b>145 King Street, Suite 203</b> <b>Charleston, SC 29401</b>	TELEPHONE (843) 377- 0993 <b>Andrea Bartlett, Vice President</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 241-1916 <b>Jim Wilson</b>
Contract Administrator: Robert Lamberjack – (517) 335-1746 <b>Pre qualified Actuarial Services Life/Health – DMB/OFIS</b>	
CONTRACT PERIOD:                      From: <b>February 15, 2006</b> To: <b>September 30, 2008</b>	
TERMS <b>Net 45 Days</b>	SHIPMENT <b>30 Days ARO</b>
F.O.B. <b>Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

**NATURE OF CHANGE(S):**

**Effective immediately, this Contract is hereby EXTENDED through September 30, 2008.**  
**All other terms, conditions, specifications, and pricing remain unchanged.**

**AUTHORITY/REASON:**

**Per request of the DLEG/OFIS (PRF dated 7/24/07) and DMB/Purchasing Operations.**

**TOTAL ESTIMATED CONTRACT VALUE REMAINS:                      \$500,000.00**

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

May 3, 2006

**NOTICE  
 TO  
 CONTRACT NO. 071B6200183  
 between  
 THE STATE OF MICHIGAN  
 And**

NAME & ADDRESS OF VENDOR  <b>Bartlett Actuarial Group, LTD. 145 King Street, Suite 203 Charleston, SC 29401</b>	TELEPHONE (843) 377- 0993 <b>Andrea Bartlett, Vice President</b>
	VENDOR NUMBER/MAIL CODE
	BUYER (517) 335-4804 <b>Douglas Collier, CPPB</b>
Contract Administrator: Robert Lamberjack – (517) 335-1746 <b>Pre qualified Actuarial Services Life/Health – DMB/OFIS</b>	
CONTRACT PERIOD: From: <b>February 15, 2006</b> To: <b>September 30, 2007</b>	
TERMS <b>Net 45 Days</b>	SHIPMENT <b>30 Days ARO</b>
F.O.B. <b>Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>	

The terms and conditions of this Contract are enclosed.

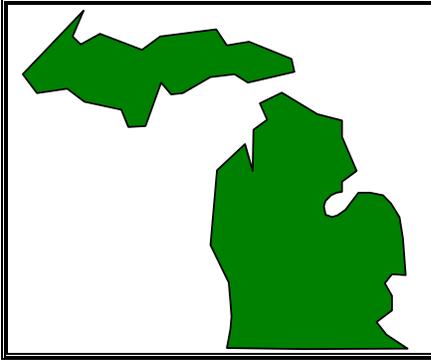
Estimated Contract Value: **\$500,000.00**

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

**CONTRACT NO. 071B6200183  
 between  
 THE STATE OF MICHIGAN  
 And**

NAME & ADDRESS OF VENDOR		TELEPHONE (843) 377- 0993 <b>Andrea Bartlett, Vice President</b>
<b>Bartlett Actuarial Group, LTD. 145 King Street, Suite 203 Charleston, SC 29401</b>		VENDOR NUMBER/MAIL CODE
		BUYER (517) 335-4804 <b>Douglas Collier, CPPB</b>
Contract Administrator: Robert Lamberjack – (517) 335-1746 <b>Pre qualified Actuarial Services Life/Health – DMB/OFIS</b>		
CONTRACT PERIOD:		From: <b>February 15, 2006</b> To: <b>September 30, 2007</b>
TERMS	<b>Net 45 Days</b>	SHIPMENT <b>30 Days ARO</b>
F.O.B.	<b>Delivered</b>	SHIPPED FROM <b>N/A</b>
MINIMUM DELIVERY REQUIREMENTS <b>N/A</b>		
MISCELLANEOUS INFORMATION:  <b>The terms and conditions of this Contract are enclosed.</b>  <b>Estimated Contract Value: \$500,000.00</b>		

<b>FOR THE VENDOR:</b>	<b>FOR THE STATE:</b>
<b>Bartlett Actuarial Group, LTD.</b>	Signature
_____	<b>Douglas Collier, CPPB, Buyer Specialist</b>
Firm Name	_____
Authorized Agent Signature	Name/Title
_____	<b>Services Division, Acquisition Services</b>
Authorized Agent (Print or Type)	Department
_____	_____
Date	Date



**STATE OF MICHIGAN**  
**Department of Management and Budget**  
**Acquisition Services**

Actuarial Services  
CONTRACT #071B6200183

Buyer Name: Doug Collier  
Telephone Number: 517 241-1646  
E-Mail Address: [collierd1@michigan.gov](mailto:collierd1@michigan.gov)



Actuarial Services

**Article 1 – Statement of Work (SOW)** ..... 5

    1.0 Project Identification ..... 5

        1.001 PROJECT REQUEST ..... 5

        1.002 BACKGROUND ..... 5

    1.1 Scope of Work and Deliverables ..... 5

        1.101 IN SCOPE ..... 5

        1.102 OUT OF SCOPE ..... 7

        1.103 TECHNICAL ENVIRONMENT ..... 7

        1.104 WORK AND DELIVERABLE ..... 7

    1.2 Roles and Responsibilities ..... 8

        1.201 CONTRACTOR STAFF, ROLES, AND RESPONSIBILITIES ..... 8

        1.202 STATE STAFF, ROLES, AND RESPONSIBILITIES ..... 8

        1.203 OTHER ROLES AND RESPONSIBILITIES ..... 8

    1.3 Project Plan ..... 8

        1.301 PROJECT PLAN MANAGEMENT ..... 8

        1.302 REPORTS ..... 9

    1.4 Project Management ..... 9

        1.401 ISSUE MANAGEMENT ..... 9

        1.402 RISK MANAGEMENT ..... 9

        1.403 CHANGE MANAGEMENT ..... 9

    1.5 Acceptance ..... 9

        1.501 CRITERIA ..... 9

        1.502 FINAL ACCEPTANCE ..... 9

    1.6 Compensation and Payment ..... 10

    1.7 Additional Terms and Conditions Specific to this SOW ..... 10

**Article 2 – General Terms and Conditions** ..... 11

    2.0 Introduction ..... 11

        2.001 GENERAL PURPOSE ..... 11

        2.002 ISSUING OFFICE AND CONTRACT ADMINISTRATOR ..... 11

        2.003 NOTICE ..... 11

        2.004 CONTRACT TERM ..... 11

        2.005 GOVERNING LAW ..... 12

        2.006 APPLICABLE STATUTES ..... 12

        2.007 RELATIONSHIP OF THE PARTIES ..... 12

        2.008 HEADINGS ..... 13

        2.009 MERGER ..... 13

        2.010 SEVERABILITY ..... 13

        2.011 SURVIVORSHIP ..... 13

        2.012 NO WAIVER OF DEFAULT ..... 13

        2.013 PURCHASE ORDERS ..... 13

    2.1 Vendor/Contractor Obligations ..... 13

        2.101 ACCOUNTING RECORDS ..... 13

        2.102 NOTIFICATION OF OWNERSHIP ..... 13

        2.103 SOFTWARE COMPLIANCE ..... 14

        2.104 IT STANDARDS ..... 14

        2.105 PERFORMANCE AND RELIABILITY EVALUATION (PARE) ..... 14

        2.106 PREVAILING WAGE ..... 14

        2.107 PAYROLL AND BASIC RECORDS ..... 14

        2.108 COMPETITION IN SUB-CONTRACTING ..... 15

        2.109 CALL CENTER DISCLOSURE ..... 15

    2.2 Contract Performance ..... 15

        2.201 TIME IS OF THE ESSENCE ..... 15

        2.202 CONTRACT PAYMENT SCHEDULE ..... 15

        2.203 POSSIBLE PROGRESS PAYMENTS ..... 15

        2.204 POSSIBLE PERFORMANCE-BASED PAYMENTS (Actual performance rendered) ..... 15

        2.205 ELECTRONIC PAYMENT AVAILABILITY ..... 15

        2.206 PERFORMANCE OF WORK BY CONTRACTOR ..... 16



2.3 Contract Rights and Obligations ..... 16

    2.301 INCURRING COSTS ..... 16

    2.302 CONTRACTOR RESPONSIBILITIES..... 16

    2.303 ASSIGNMENT AND DELEGATION ..... 16

    2.304 TAXES ..... 16

    2.305 INDEMNIFICATION..... 17

    2.306 LIMITATION OF LIABILITY ..... 19

    2.307 CONTRACT DISTRIBUTION ..... 19

    2.308 FORM, FUNCTION, AND UTILITY ..... 19

    2.309 ASSIGNMENT OF ANTITRUST CAUSE OF ACTION..... 19

    2.310 LIABILITY INSURANCE ..... 19

    2.311 TRANSITION ASSISTANCE..... 22

    2.312 WORK PRODUCT..... 22

    2.313 PROPRIETARY RIGHTS ..... 22

    2.314 WEBSITE INCORPORATION..... 22

2.4 Contract Review and Evaluation..... 23

    2.401 CONTRACT COMPLIANCE INSPECTOR ..... 23

    2.402 PERFORMANCE REVIEWS..... 23

    2.403 AUDIT OF CONTRACT COMPLIANCE/ RECORDS AND INSPECTIONS..... 23

2.5 Quality and Warranties..... 23

    2.501 PROHIBITED PRODUCTS ..... 23

    2.502 RESERVED ..... 23

    2.503 RESERVED ..... 23

    2.504 GENERAL WARRANTIES (goods)..... 24

    2.505 CONTRACTOR WARRANTIES..... 24

    2.506 STAFF ..... 25

    2.507 SOFTWARE WARRANTIES..... 25

    2.508 EQUIPMENT WARRANTY ..... 25

    2.509 PHYSICAL MEDIA WARRANTY ..... 25

2.6 Breach of Contract ..... 26

    2.601 BREACH DEFINED..... 26

    2.602 NOTICE AND THE RIGHT TO CURE..... 26

    2.603 EXCUSABLE FAILURE ..... 26

2.7 Remedies ..... 27

    2.701 CANCELLATION..... 27

    2.702 RIGHTS UPON CANCELLATION ..... 28

    2.703 LIQUIDATED DAMAGES ..... 30

    2.704 STOP WORK..... 30

    2.705 SUSPENSION OF WORK..... 31

2.8 Changes, Modifications, and Amendments ..... 31

    2.801 APPROVALS..... 31

    2.802 TIME EXTENTIONS ..... 31

    2.803 MODIFICATION..... 32

    2.804 AUDIT AND RECORDS UPON MODIFICATION..... 32

    2.805 CHANGES..... 32

**APPENDICES**

- APPENDIX A STATEMENT OF WORK – P & C
- APPENDIX B STATEMENT OF WORK - LIFE
- APPENDIX C CONTRACTOR'S PROPOSAL



## **Article 1 – Statement of Work (SOW)**

### **1.0 Project Identification**

#### **1.001 PROJECT REQUEST**

The purpose of this Contract is to provide life/health and property/casualty actuarial services and to pre-qualify actuarial service vendors for either one or both services.

Pre-qualified vendor qualifications and availability will be accessed by the Office of Financial and Insurance Services (OFIS) under a second tier, competitive selection process. OFIS may then enter into a work contract with the vendor offering the best overall value for the specific OFIS examination.

#### **1.002 BACKGROUND**

The Office of Financial and Insurance Services (OFIS) regulates a wide range of entities including but not limited to the following:

- Full and single line HMO's
- Blue Cross Blue Shield of Michigan
- Multiple Employer Welfare Arrangements
- Property, Casualty, Life and Health Insurance Companies
- US Branches of Canadian Insurers
- Limited Liability Pools
- Reciprocal Exchanges
- Municipal Pools

Specifically the OFIS is responsible for regulating the financial solvency and compliance with National Association of Insurance Commissioners (NAIC) requirements and the Michigan Insurance Code by the above regulated entities. The OFIS attempts to insure compliance with the regulations and Code through periodic examinations of the regulated entities. The examinations can occur throughout the United States and Canada. The staff of the OFIS conducts the examinations, but the Division has no fully certified actuaries (actuaries who have taken and passed all ten exams) with training or experience in the fields of life, health, property or casualty insurance actuarial science. An analysis and evaluation by a Fellow of the Society of Actuaries/Fellow of the Casualty Society of Actuaries of the adequacy of reserves of regulated entities are critical to the Commissioner's ability to adequately examine the entities and ensure compliance with standards, regulations and Code.

Also, it is imperative that the actuarial firms or individuals assisting the OFIS with specific examinations not be associated, either financially or contractually, with the entity being examined and that there shall be no financial or contractual relationship, either written or oral, for two years prior to, during the life of and for two years after any contract awarded or any subsequent contract work order without the written consent of the OFIS. Failure by the firm to comply with this provision may result in the cancellation of services.

It is because of the concern about conflict of interest that the OFIS feels it is imperative to have a pool of contract actuaries available to assist with examinations. The pool of pre-qualified firms is also required because it is anticipated that there may be 60 or more examinations annually, with many examinations going on simultaneously.

A pool of a minimum of six (maximum of 10) life/health and a minimum of six (maximum of 10) property/casualty actuarial firms will be developed. It is possible for firms to be qualified to provide actuarial services in both the life/health and property/casualty categories as long as the firm can certify to all reserves in both categories.

### **1.1 Scope of Work and Deliverables**

#### **1.101 IN SCOPE**

When specific company examinations require actuarial services, the OFIS Contract Administrator will prepare a written work statement detailing the line items where the State needs an actuary to analyze and opine to the adequacy of the reserves.



The OFIS may also, on occasion, require experience in particular lines of business such as medical malpractice and liquor liability. Also, from time to time, OFIS may have a need for actuarial services to conduct reviews under Section 830(3) of the Michigan Insurance Code regarding requests by domestic insurers for changes in actuarial methodologies. Other actuarial services that may be requested are reviews of mortality tables and reviews of concerns regarding adequacy of reserving. If such experience is required, it will be described in the work statement. Also, there are some examinations where several members within an insurance holding company are being examined at the same time. One property and casualty contractor will be awarded all property and casualty companies within the insurance holding company and one life and health contractor will be awarded all life and health companies within the insurance holding company. When awarding individual contracts, additional consideration may be given firms that can render opinions on all members of an insurance group (both life/health and property/casualty). However, the firm must be one of the pre-qualified firms in both pools. Each statement of work will be initiated by the contract administrator and submitted via e-mail to all pre-qualified firms. Each statement of work will contain the following information:

- Name of company to be analyzed
- The last examination period
- Period to be covered by this examination
- Items needing analysis
- Excerpts from Company's Annual Statement and Actuarial Opinion.

A sample work statement is provided in Appendix A and B. Each category of examination, Life/Health and Property/Casualty, will receive a work Statement.

The pre-qualified vendors will have two weeks to submit via e-mail a work plan in response to the work statement. Pre-qualified vendors will respond to the statement of work with a task proposal by the date specified in the statement of work. In detailing costs, the contractor must not exceed the hourly rate included in their response. Each Task proposal will include the following:

1. Introduction – statement of the assignment
2. End product of the assignment
3. Services to be provided (activities, tasks and individuals assigned to each task or activity)
4. Background information and relevant specific experience of firm and names, experience and resumes of individuals assigned to the project
5. Detail of Costs:
  - Indicating who will be assigned
  - The hours they will be assigned
  - The hourly rate
  - Travel costs\*
  - Total cost

\*Travel costs will be billed at state rates in effect at the time the expense is incurred. Travel costs should include any costs that may be incurred by the contractor during the normal course of the examination. Should the contractor be required to defend their findings at a hearing, the OFIS will reimburse the contractor for any specific travel costs incurred while defending the findings. This reimbursement is in addition to the total cost bid and accepted by the OFIS. Travel costs incurred for defending the contractor's findings will only be reimbursed if prior approval for the travel is received from the Contractor Administrator.

The pre-qualified firm that presents the highest quality proposal, price considered, will be selected to perform the analysis. Whenever possible, the OFIS will ensure that no contractor will be awarded a contract to examine a company that they examined during the last state audit. Persons/firms selected may be expected to begin work one week following the receipt of a contract release. Should none of the contractors offer an acceptable proposal, the State may pursue acquisition of services from other vendors. The OFIS may interview the proposed staff before making a final decision on the award of a contract release.

The average bid price for P&C proposals is approximately \$7,500 and the average bid price for Life proposals is approximately \$25,000. The total cost for very complex examinations often exceeds these averages and the total cost for relatively straight-forward examinations often is less than these averages.

**1.102 OUT OF SCOPE**

*RESERVED*

**1.103 TECHNICAL ENVIRONMENT**

*RESERVED*

**1.104 WORK AND DELIVERABLE**

Contractor shall provide Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

- A. Review and opine on actuarial items in connection with financial examinations of domestic insurance companies, including Canadian and alien insurance companies using Michigan as the state of entry into the United States or other liabilities or assets specifically determined by the OFIS which need to be reviewed by an actuary.
- B. The actuarial items to be reviewed may include but are not limited to, policy reserves, policy holder dividend scales and philosophy, tax liability, product features, risk based capital and surplus requirements, cash flow tests, asset adequacy testing and loss and loss adjustment expense reserves.
- C. The actuary is responsible for reconciling all the data provided by the company back to the annual statement. Specifically, the property and casualty actuary must tie its loss data back to Schedule P, Part I.
- D. The liabilities and assets to be reviewed and certified by the contractor will be determined at the beginning of each examination. The contractor must use, if available, the Company's actuarial opinion, report and work papers to the greatest extent possible without compromising the contractor's responsibility to perform the necessary tests to render his/her opinion on the agreed upon areas as defined in the work statement.
- E. The contractor must work closely with the examiner-in-charge (EIC) and other staff assigned to the examination to ensure the appropriate underlying master file and other data used by the contractor in rendering his opinion is tested for completeness and accuracy by the OFIS staff. The contractor must give the EIC progress reports throughout the examination. These reports can be verbal. The contractor must immediately notify the EIC of any exceptions and important issues.
- F. It is also imperative that the contractor(s) not be associated with (either financially or contractually) the entity regulated by the OFIS to which the contractor is providing services and that such a relationship not be entered into for two years prior to, during the life of and for two years after the contract award without the written consent of the OFIS. Failure by the Contractor(s) to comply with this provision may result in the cancellation of any contract.
- G. The reports and opinions for life and health entities must be signed by a Fellow of the Society of Actuaries (FSA); and reports and opinions for property and casualty entities must be signed by a Fellow of the Casualty Actuarial Society (FCAS). The fellow must play a significant role in the analysis and oversight of the project.
- H. The contractor must be available for meetings with the regulated entity and the OFIS. Also, from time to time, the contractor may be called upon to appear at a place designated by the OFIS, to discuss the issues of an emergency nature on short notice. Further, the contractor is required to be flexible in changing their work efforts to accommodate the concerns of the OFIS. The contractor must be prepared and available to defend the contractor's findings in a hearing. The contractor must be willing to testify as an expert witness and perform other tasks related to the area of expertise as needed.
- I. The contractor may be called upon to help the OFIS analyze complex reinsurance agreements and transactions or any other special assignment, where actuarial assistance may be deemed necessary by the OFIS.



J. From time to time, there may be special projects that may be performed on non-domestic insurers or in areas which may be considered beyond the scope of a routine examination, which the contractor may be asked to provide to the OFIS. The scope of the project or area will be defined by the OFIS and agreed upon with the contractor before the work begins.

K. The actuary should be able to perform most of the analysis from their work location. Due to the nature of the life insurance products, actuaries should plan to make one visit on-site to the company. All visits by the actuary to the company being examined must be coordinated with the approval by the Examiner-in-Charge.

L. The contractor must agree to comply with Section 222(4) of the Michigan Insurance Code regarding the confidentiality of all information and knowledge obtained by the contractor during an examination of an entry under this contract. Section 222(4) states, in part, all work papers, correspondence, memoranda, reports, records and other written or oral information related to an examination report or an investigation shall be withheld from public inspection, shall be confidential, shall not be subject to subpoena, and shall not be divulged to any person, except as provided for in Section 222(4). If the contractor receives a subpoena for any information related to an examination under contract, the contractor must contact the OFIS immediately. The contractor should also be aware of Section 226 of the Michigan Insurance Code that states, in part, a person appointed or acting under this act who discloses any fact or information that is confidential under this act is guilty of a misdemeanor, punishable by a fine of not more than \$1,000, or imprisonment of not more than one (1) year, or both.

M. All of the contractor's work papers are the property of the OFIS and should be sent to the OFIS at the conclusion of the examination.

N. Contractors will not be allowed to bid on a company if the contractor performed the analysis and review for the OFIS during the last examination.

## 1.2 Roles and Responsibilities

### 1.201 CONTRACTOR STAFF, ROLES, AND RESPONSIBILITIES

See Work and Deliverables Section 1.104.

### 1.202 STATE STAFF, ROLES, AND RESPONSIBILITIES

The OFIS will oversee the amount of work to be performed under the contract by making assignments and sending financial statements to the contractor at the beginning of each examination. In all cases, the number and type of tasks will be specified by the OFIS.

### 1.203 OTHER ROLES AND RESPONSIBILITIES

*RESERVED*

## 1.3 Project Plan

### 1.301 PROJECT PLAN MANAGEMENT

*The contractor will carry out this project under the direction and control of:*

Bob Lamberjack, Chief Examiner  
Office of Financial and Insurance Services  
Michigan Department of Labor & Economic Growth  
611 W. Ottawa Street  
P.O. Box 30220  
Lansing, Michigan 48909  
(517) 335-1746  
[bclambe@michigan.gov](mailto:bclambe@michigan.gov)

**1.302 REPORTS**

The contractor must give the EIC progress reports throughout the examination. These reports can be verbal. The contractor must immediately notify the EIC of any exceptions and important issues.

Although there will be continuous liaison with the Contractor team, the OFIS Contract Administrator will meet as needed with the Contractor's project manager for the purpose of receiving progress reports and providing necessary guidance to the Contractor in solving problems which arise.

**1.4 Project Management****1.401 ISSUE MANAGEMENT**

*RESERVED*

**1.402 RISK MANAGEMENT**

*RESERVED*

**1.403 CHANGE MANAGEMENT**

*RESERVED*

**1.5 Acceptance****1.501 CRITERIA**

The following criteria will be used by the State to determine Acceptance of the Services and/or Deliverables provided under this SOW.

The OFIS will require a deliverable work product in the form of an appropriately detailed written report and actuarial opinion for each assignment. The detailed report should adequately support the actuarial opinion. The report should include a discussion of the scope of the work performed and assumptions used, a summary of findings, any recommendations to the company for improving its system, loss developments, the accuracy of the aggregate reserves and other provisions for policy obligations and any other pertinent information used to render the opinion. The actuarial opinion should be in the format of and contain the information required by the NAIC Annual Statement Instructions. The final detailed report and opinion must be delivered to the OFIS prior to the end of the on-site examination by the OFIS staff examiners unless prior consent is given by the OFIS. The contractor will provide four copies of the report. The certification will not be attached or bound with the actuarial report but will be a separate document. The actuarial opinion must be submitted with the actuarial report. The detailed report and supporting work papers will become part of the OFIS work papers which are confidential and are only available to other parties as defined by specific statutes. The regulated entity will also have a copy of the actuarial report supporting the certification. The regulated entity may provide a copy of the actuarial report and opinion to its appointed actuary.

**1.502 FINAL ACCEPTANCE**

Final Acceptance is when the project is completed and functions according to the requirements. Any intermediate acceptance of sub-Deliverables does not complete the requirement of Final Acceptance.



**1.6 Compensation and Payment**

All rates quoted in bidder's response to this CONTRACT will be firm for the duration of the Contract. No price changes will be permitted.

Fees for our services are based on staff hours actually worked. Work performed under this proposal will be billed at \$165 per hour. This hourly rate includes all costs incurred, including administrative, clerical, overhead and profit.

<u>Name of Unit</u>	<u>Dollars/Hr.</u>
Actuarial Services	\$165

This rate will be firm for the period as stated in the RFP. The hourly rate does not include travel, lodging and meals. We understand that these expenses will be reimbursed at State rates in effect at the time of the expense.

This cost and price analysis is submitted in full compliance with the provisions of the paragraph titled 'Independent Price Determination' in Part III of the RFP to which this proposal is a response.

**1.7 Additional Terms and Conditions Specific to this SOW**

*RESERVED*



## Article 2 – General Terms and Conditions

### 2.0 Introduction

#### 2.001 GENERAL PURPOSE

The Contract is for actuarial 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. Bids are due and will be publicly identified at the time noted on the Invitation To Bid (ITB) 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 Office of Financial and Insurance Services, hereinafter known as OFIS. 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 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.

**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: Doug Collier  
2nd Floor, Mason Building  
P.O. Box 30026  
Lansing, Michigan 48909  
(517) 335-4804  
[collierd1@michigan.gov](mailto:collierd1@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 will be for two years 3 months and will commence with the issuance of a Contract. This will be approximately 06/01/05 through 09/30/07.

**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**

*RESERVED*

### **2.104 IT STANDARDS**

*RESERVED*

### **2.105 PERFORMANCE AND RELIABILITY EVALUATION (PARE)**

*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**

All invoices should reflect actual work done. The total amount billed shall not exceed the maximum bid amount. One invoice shall be submitted at the completion of the assignment.

#### **2.203 POSSIBLE PROGRESS PAYMENTS**

*RESERVED*

#### **2.204 POSSIBLE PERFORMANCE-BASED PAYMENTS (Actual performance rendered)**

*RESERVED*

#### **2.205 ELECTRONIC PAYMENT AVAILABILITY**

Electronic transfer of funds is available to State contractors. Vendors must 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](http://www.cpexpress.state.mi.us).



## 2.206 PERFORMANCE OF WORK BY CONTRACTOR

*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**

The Contractor's liability for damages to the State shall be limited to two times the value of the Contract or \$200,000 which ever is higher. The foregoing limitation of liability 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.

The State's liability for damages to the Contractor shall be limited to the value of the 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 LIABILITY 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 coverages provided relative to this Contract/Purchase Order are 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. All policies of insurance required in this Contract shall be issued by companies that have been approved to do business in the State.

See [http://www.mi.gov/cis/0,1607,7-154-10555\\_22535---,00.html](http://www.mi.gov/cis/0,1607,7-154-10555_22535---,00.html).

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 the Contract is signed by both parties 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 coverages 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 the applicable coverage is provided by a self-insurer, 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 (\$5,000,000.00), 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 (\$3,000,000.00) 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 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.

### **2.311 TRANSITION ASSISTANCE**

*RESERVED*

### **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 PROPRIETARY RIGHTS**

*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:

**Bob Lamberjack, Chief Examiner**  
Office of Financial and Insurance Services  
Michigan Department of Labor & Economic Growth  
611 W. Ottawa Street  
P.O. Box 30220  
Lansing, Michigan 48909  
(517) 335-1746  
[bclambe@michigan.gov](mailto:bclambe@michigan.gov)

### 2.402 PERFORMANCE REVIEWS

Acquisition Services in conjunction with the OFIS 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 PROHIBITED PRODUCTS

The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, shall be considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Acquisition Services has approved a change.

### 2.502 RESERVED

### 2.503 RESERVED



#### 2.504 GENERAL WARRANTIES (goods)

*Warranty of Merchantability* – Goods provided by vendor under this agreement shall be merchantable. All goods provided under this contract shall be of good quality within the description given by the State, shall be fit for their ordinary purpose, shall be adequately contained and packaged within the description given by the State, shall conform to the agreed upon specifications, and shall conform to the affirmations of fact made by the vendor or on the container or label.

*Warranty of fitness for a particular purpose* – When vendor has reason to know or knows any particular purpose for which the goods are required, and the State is relying on the vendor's skill or judgment to select or furnish suitable goods, there is a warranty that the goods are fit for such purpose.

*Warranty of title* – Vendor shall, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by vendor shall be delivered free from any security interest, lien, or encumbrance of which the State, at the time of contracting, has no knowledge. Goods provided by vendor, under this agreement, shall be delivered free of any rightful claim of any third person by of infringement or the like.

#### 2.505 CONTRACTOR WARRANTIES

The Contract will contain 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 actuarial 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 actuarial personnel until such time as the key actuarial 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 actuarial personnel is critical and agrees to the continuity of key actuarial personnel. Removal of key actuarial 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 actuarial 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 actuarial personnel's employment.

#### **2.507 SOFTWARE WARRANTIES**

*RESERVED*

#### **2.508 EQUIPMENT WARRANTY**

*RESERVED*

#### **2.509 PHYSICAL MEDIA WARRANTY**

*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

### A. Rights and Obligations Upon Termination

- (1) If this Contract is terminated by the State for any reason, Contractor shall (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) in the event that the Contractor maintains title in equipment and software that is intended to be transferred to the State at the termination of the Contract, Contractor will transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables and other Developed Materials intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which shall be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of such items included compensation to Contractor for the provision of warranty services in respect of such materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.
- (2) In the event the State terminates this Contract prior to its expiration for its own convenience, the State shall pay Contractor for all charges due for Services provided prior to the date of termination and, if applicable, as a separate item of payment pursuant to this Contract, for partially completed Deliverables, on a percentage of completion basis. All completed or partially completed Deliverables prepared by Contractor pursuant to this Contract shall, at the option of the State, become the State's property, and Contractor shall be entitled to receive equitable fair compensation for such Deliverables. Regardless of the basis for the termination, the State shall not be obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.
- (3.) If any such termination by the State is for cause, the State shall have the right to set-off against any amounts due Contractor the amount of any damages for which Contractor is liable to the State under this Contract or pursuant to law or equity.
- (4.) Upon a good faith termination, the State shall have the right to assume, at its option, any and all subcontracts and agreements for services and materials provided under this Contract, and may further pursue completion of the Services under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

### B. Termination Assistance

If the Contract (or any Statement of Work issued under it) is terminated for any reason before completion, Contractor agrees to provide for up to two-hundred seventy (270) calendar days 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 the Contract (notwithstanding its termination) other than any terms or conditions that do not reasonably apply to such termination assistance.



The State shall compensate Contractor for such termination assistance at the same rates and charges set forth in the Contract on a time and materials basis in accordance with the Labor Rates indicated within Contractors pricing section. If the Contract is terminated by Contractor under **Section 20**, then Contractor may condition its provision of termination assistance under this Section on reasonable assurances of payment by the State for such assistance, and any other amounts owed under the Contract.

**C. Reservation of Rights**

Any termination of the Contract or any Statement of Work issued under it by a party shall be with full reservation of, and without prejudice to, any rights or remedies otherwise available to such party with respect to any claims arising prior to or as a result of such termination.

**D. End of Contract Transition**

In the event the Contract is terminated, for convenience or cause, or upon expiration, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. In the event of termination or the expiration of the Contract, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 270 calendar days. These efforts shall include, but are not limited to, the following:

- (1) Personnel - The Contractor shall work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor shall allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by the Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's subcontractors.
- (2) Knowledgeable Personnel. Contractor will make available to the State or a Third Party Provider knowledgeable personnel familiar with the operational processes and procedures used to deliver products and services to the State. The Contractor personnel will work with the State or third party to help develop a mutually agreeable transition plan, work to transition the process of ordering, shipping and invoicing equipment and services to the State.
- (3) Information - The Contractor agrees to provide reasonable detailed specifications for all Services needed by the State, or specified third party, to properly provide the services required under the Contract. The Contractor will also provide any licenses required to perform the Services under the Contract.
- (4) Software. - The Contractor shall reasonably assist the State in the acquisition of any Contractor software required to perform the Services under the Contract. This shall include any documentation being used by the Contractor to perform the Services under the Contract. If the State transfers any software licenses to the Contractor, those licenses shall, upon expiration of the Contract, transfer back to the State at their current revision level.
- (5) Payment - If the transition results from a termination for any reason, reimbursement shall be governed by the termination provisions of the Contract. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after Contract expiration that result from transition operations). The hourly rates or fixed price to be charged will be agreed upon prior to the work commencing.
- (6) Single Point of Contact. Contractor will maintain a Single Point of Contact (SPOC) for the State after termination of the Contract until all product and service obligations have expired.

**E. Transition out of this Contract**

- (1) In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the Contractor agrees to perform the following obligations, and any others upon which the State and the Contractor agree:
  - (i) Cooperating with any contractors, vendors, or other entities with whom the State contracts to meet its telecommunication needs, for at least two hundred and seventy (270) days after the termination of this Contract;
  - (ii) Reserved.
  - (iii) Providing the State with all asset management data generated from the inception of this Contract through the date on which this Contract is terminated, in a comma-delimited format unless otherwise required by the Program Office;
  - (iv) Reconciling all accounts between the State and the Contractor;
  - (v) Allowing the State to request the winding up of any pending or ongoing projects at the price to which the State and the Contractor agreed at the inception of the project;
  - (vi) Freezing all non-critical software changes;
  - (vii) Notifying all of the Contractor's subcontractors of procedures to be followed during the transition out phase;
  - (viii) Assisting with the communications network turnover, if applicable;
  - (ix) Assisting in the execution of a parallel operation until the effective date of termination of this Contract
  - (x) Answering questions regarding post-migration services;
  - (xi) Delivering to the State any remaining owed reports and documentation still in the Contractor's possession.
  
- (2) In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:
  - (i) Reconciling all accounts between the State and the Contractor;
  - (ii) Completing any pending post-project reviews.

**2.703 LIQUIDATED DAMAGES**

**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.



## APPENDIX A

## STATEMENT OF WORK – P&amp;C

We have scheduled an examination of \_\_\_\_\_, a property and casualty insurance company. The scheduled examiner-in-charge is \_\_\_\_\_. The approximate timeframe for the examination is \_\_\_\_\_. We anticipate the actuarial work to commence approximately \_\_\_\_\_. This examination will cover the period from \_\_\_\_\_. Attached electronically is pertinent financial data as of December 31, \_\_\_\_\_. Additional financial information is available electronically on the NAIC's website at www.naic.org.

The Office of Financial and Insurance Services (OFIS) needs a property and casualty actuary to opine to the adequacy of the actuarially determined assets and liabilities of the Company as of December 31, \_\_\_\_\_. The following is a list of the annual statement line items that the NAIC requires actuaries to opine to at a minimum and the balance at December 31, \_\_\_\_\_:

Page 3, line 1	Losses	\$
Page 3, line 3	Loss Adjustment Expenses	

The actuarial firm awarded this contract is responsible for opining on all actuarially determined items in the annual statement.

The certification must be on both gross and net reserves as of \_\_\_\_\_. The certification must meet the standards as set forth by the NAIC. As a point of clarification, the actuarial firm awarded this examination is responsible for reconciling all data used back to schedule P - Part 1.

The Company's independent actuary is \_\_\_\_\_.

The actuarial firm must deliver a draft actuarial report no later than the completion of OFIS on-site fieldwork. At least four copies of the finalized actuarial report and opinion must be delivered to OFIS no later than one week after the actuarial firm receives approval from OFIS to finalize the report and opinion. The actuarial firm that performed the analysis during the last examination is precluded from award of this actuarial work. Please do not submit a proposal if your firm performed the analysis during the last examination.

Please be aware that the scheduling of the examination activity is subject to change. If for some unforeseen reason an examination listed above is rescheduled for next year, the contractor awarded this examination will be given the opportunity to perform the certification for the same price as originally quoted. If the contractor does not want to perform the certification, the examination will be sent out to the entire pool for an opportunity to bid.

Proposal Due Date:

If you have done work for the Company in the previous two years, you cannot be considered for this examination. To bid on this examination, prepare and submit your bid in electronic format (i.e., Microsoft Word, Adobe Acrobat PDF) via e-mail to OFIS by 5 p.m., \_\_\_\_\_. Responses received after this date and time will not be considered.



Proposal Format and Content:

Your proposal should provide a flowchart of the tasks that will be performed, the individual assigned to perform each task and the time that will be spent in completing the task. You must specifically detail previous experience in analyzing companies of similar size and complexity, and the amount of work with similar companies. The proposal should also address how work will be performed and reports prepared in a timely manner if you are awarded the maximum of three contracts in any one round of bidding.

A price bid must provide a breakdown of the total estimated number of hours to complete a project and the total cost of the certification, including travel costs. The travel costs should be provided as a separate amount added to the total cost of certification. Once a contract has been awarded, the bid price will remain firm. Additional funds will not be paid due to cost overruns.



## APPENDIX B

## STATEMENT OF WORK – LIFE

We have scheduled an examination of \_\_\_\_\_, a life and health insurance company. The scheduled examiner-in-charge is \_\_\_\_\_. The approximate timeframe for the examination is \_\_\_\_\_. We anticipate the actuarial work to commence approximately \_\_\_\_\_. This examination will cover the period from \_\_\_\_\_. Attached electronically is pertinent financial data as of December 31, \_\_\_\_\_. Additional financial information is available electronically on the NAIC's website at www.naic.org.

The Office of Financial and Insurance Services (OFIS) needs a life and health actuary to opine to the adequacy of the actuarially determined assets and liabilities the Company as of December 31, \_\_\_\_\_. The following is a list of the annual statement line items that the NAIC requires actuaries to opine to at a minimum and the balance at December 31, \_\_\_\_\_:

Aggregate Reserve for Life Policies and Contracts (Exhibit 5)(Pg 3, Line1)	\$
Aggregate Reserve for Accident and Health Policies (Exhibit 6)(Pg 3, Line 2)	
Liability for Deposit-type Contracts (Exhibit 7)(Pg 3, Line 3)	
Policy and Contract Claims (Exhibit 8)(Pg 3, Line 4)	
Policyholders' Dividends Due and Unpaid (Exhibit 4)(Pg. 3, Line 5)	
Provision for Policyholders' Dividends Payable in Following Year (Pg. 3, Line 6)	
Separate Accounts (Pg. 3, Line 27)	
Net Deferred and Uncollected Premiums (Pg 2, Line 16 &17)	

The actuarial firm awarded this contract is responsible for opining on all actuarial items in Exhibits 4, 5, 6, 7 and 8, and any other actuarially determined items in the annual statement. The certification must meet the standards as set forth by the NAIC.

The Company's independent actuary is \_\_\_\_\_.

As part of the work on this examination, the actuarial firm is expected to review asset/liability cash flow issues. The firm should perform the following, if necessary:

- review propriety of Company procedures to determine that reserves are supported by assets with suitable maturities and cash flows,
- review cash flow projections of the Company and determine the impact on reserves, if any. Factors reviewed shall include, at a minimum:
  1. asset default, credit quality and liquidity risks inherent in the underlying assets (C-1 risk),
  2. profit margin inherent in the book of business (C-2 risk),
  3. degree of asset/liability mismatch (C-3 risk),
  4. degree of conservatism in the valuation basis (really a component of C-2 risk),
  5. the assumed sensitivity of the liabilities to interest rate movements (a component of C-3 risk), and
  5. the strategies utilized for reinvestment and interest crediting.



The actuarial firm must deliver a draft actuarial report no later than the completion of the OFIS on-site fieldwork. At least four copies of the finalized actuarial report and opinion must be delivered to OFIS no later than one week after the actuarial firm receives approval from OFIS to finalize the report and opinion. The actuarial firm that did the analysis on the last exam is precluded from award of this actuarial work. Please do not submit a proposal if your firm performed the analysis during the last examination.

Please be aware that the scheduling of the examination activity is subject to change. If for some unforeseen reason an examination listed above is rescheduled for next year, the contractor awarded this examination will be given the opportunity to perform the certification for the same price as originally quoted. If the contractor does not want to perform the certification, the examination will be sent out to the entire pool for an opportunity to bid.

Proposal Due Date:

If you have done work for the Company in the previous two years, you cannot be considered for this examination. To bid on this examination, prepare and submit your bid in electronic format (i.e., Microsoft Word, Adobe Acrobat PDF) via e-mail to OFIS by 5 p.m., \_\_\_\_\_. Responses received after this date and time will not be considered.

Proposal Format and Content:

Your proposal should provide a flowchart of the tasks that will be performed, the individual assigned to perform each task and the time that will be spent in completing the task. You must specifically detail previous experience in analyzing companies of similar size and complexity, and the amount of work with similar companies. The proposal should also address how work will be performed and reports prepared in a timely manner if you are awarded the maximum of three contracts in any one round of bidding.

A price bid must provide a breakdown of the total estimated number of hours to complete a project and the total cost of the certification, including travel costs. The travel costs should be provided as a separate amount added to the total cost of certification. Once a contract has been awarded, the bid price will remain firm. Additional funds will not be paid due to cost overruns.



# **APPENDIX C**

## **Contractor's Proposal**



**ACTUARIAL SERVICES  
FOR  
THE STATE OF MICHIGAN  
ITB NO. 07114001365**

Prepared by:

**Bartlett Actuarial Group, Ltd.**  
145 King St. Suite 203  
Charleston, SC 29401  
Office: (843) 377 – 0993  
Fax: (843) 377 - 0995



## TABLE OF CONTENTS

### Cover Letter

### Technical Proposal

Capabilities and Qualifications of Organization

Prior Experience

Qualified Personnel/Staffing

Resume – William N. Bartlett

Resume – Brian B. Johnson

Scope of Work and Deliverables

Compensation and Payment



## Cover Letter

May 16, 2005

To: The State of Michigan

We want to thank the State of Michigan for giving us the opportunity to respond to ITB No. 071I400365, Actuarial Services. We are very interested in working with you on this important engagement. Our contact information is below.

We pride ourselves on the personal service we give each of our clients and our ability to be available when needed to respond to requests, answer questions and complete projects within time and cost.

Please feel free to contact us if you have any questions on our proposal.

**Bartlett Actuarial Group, Ltd.**

145 King St. Suite 203  
Charleston, SC 29401  
Office: (843) 377 – 0993  
**Fax: (843) 377 – 0995**

Best Regards,

Andrea Bartlett  
Vice President  
Bartlett Actuarial Group, Ltd.



## ***Capabilities and Qualifications of Organization***

### ***Who We Are***

The Bartlett Actuarial Group, Ltd. is an independent property and casualty actuarial consulting firm incorporated as a Sub Chapter S corporation in January 2002. We provide high quality services to the insurance and risk management services industry. We have offices in Charleston and Hilton Head, SC and provide services to clients nationwide. We are not a publicly traded company, therefore our revenues are not published. However, if we are selected for this engagement we will be happy to share our tax returns for 2002-2004. Our estimated annual revenue for 2005 is between \$300,000 and \$500,000. The goal of our company is to provide 'best in class' property and casualty actuarial services to our clients who require analytical assistance with regard to financial reviews, reserving, ratemaking, or establishing alternative risk transfer programs. Bartlett Actuarial Group has four employees. Our two credentialed actuaries have over 40 years of combined actuarial experience in providing services to governmental entities, regulators, and clients in private industry. In addition Bartlett Actuarial Group has an actuarial analyst and a Project Manger on staff.

The President of the Bartlett Actuarial Group, Ltd. is William N. Bartlett (Bill). Bill is a Fellow in the Casualty Actuarial Society and a Member of the American Academy of Actuaries. Bill has over 30 years of actuarial experience working for major insurance, brokerage and audit firms. His clients have ranged from Fortune 100 companies to midsize industries including construction, transportation, education, real estate and medical groups. He is skilled at determining client needs and offers a portfolio of services to help clients reach their goals.

We are looking forward to the opportunity of providing our services to the State of Michigan.

### ***Mission Statement***

The guiding principle of our firm is to serve our clients with integrity. To utilize all of our experience to provide risk management solutions that will best help our clients meet the serious challenges faced in today's insurance market. To provide thoughtful support which will help our clients make wise choices. To give our best each and every day.

### ***What We Believe***

We are driven by a strong entrepreneurial spirit. We believe we must take advantage of the rapidly changing opportunities and technological advances that our industry provides to deliver the highest quality services specifically relevant to our clients' needs.

### ***Why Us?***

Bartlett Actuarial Group is ideally suited to provide actuarial services for the State of Michigan. We are an independent firm whose only goal is to offer you thorough, thoughtful, and independent advice. There are no conflicts of interest. Between our two credentialed actuaries, there are over forty years of experience. This experience is invaluable when managing the complexities of your program. Our rates are fair and reasonable. We value personal involvement with our clients. Our services will be specifically tailored to meet your needs, and our chief actuary is involved with every project.



### ***Prior Experience***

Currently, our firm participates in financial examinations for the states of Arizona and Pennsylvania for traditional property and casualty insurance companies, as well as risk retention groups for South Carolina. In addition, we review applications for captive insurance companies for the state of Montana.

The following three references are regulatory personnel from three states for which we perform actuarial services. Due to the private and confidential nature of our engagements we have not listed the names of individual entities we have reviewed, nor the size of fees collected.

Dianne Irving  
Compliance Manager  
South Carolina Department of Insurance  
Suite 204  
145 King Street  
Charleston, SC 29401  
(803) 737-6209

John Huth  
Montana State Auditor's Office  
840 Helena Avenue  
Helena, MT 59601  
(406) 444-5438

Alan T. Griffieth  
Chief Financial Examiner  
Kathy Mae Schmidt  
Examination Manager  
Department of Insurance State of Michigan  
2910 North 44<sup>th</sup> Street  
Phoenix, AZ 85018-7256  
(602) 912 8422



## ***Qualified Personnel***

### ***Our Team***

We are a small independent actuarial firm offering superb high quality and personalized service to clients. We will be assigning four people to work with the State of Michigan.

#### ***William Bartlett, FCAS, MAAA***

Our Chief Actuary, Bill Bartlett, will be the primary actuary working on this engagement Bill is a Fellow in the Casualty Actuarial Society and a Member of the American Academy of Actuaries. He has over 30 years experience and has participated in numerous financial condition examinations for several states, including New York, Texas, Arizona, and South Carolina. In addition, Bill has a broad depth of experience in establishing, reviewing and testing the adequacy of loss and loss expense reserves, unearned premium reserves, and other insurance reserves. In particular, five years at a major audit firm (Ernst & Young) allowed opportunities to participate in numerous audits of property and casualty and surety insurance companies for GAAP and statutory financial statements. One of his major engagements during this time involved actuarial consulting for the **New York Metropolitan Transportation Authority**. Please see Bill's resume for a summary of published articles and speaking engagements.

#### ***Brian Johnson, ACAS, MAAA***

Brian is an Associate in the Casualty Actuarial Society and a Member of the American Academy of Actuaries. Brian has ten years of experience in pricing and reserving working for a major rating bureau and very large insurance companies. Particularly relevant to this engagement, Brian has recently completed analyses of the adequacy of insurance reserves in support of financial examinations of risk retention groups domiciled in South Carolina. In addition Brian has recently participated as primary actuarial support for the financial examination of a traditional property and casualty insurance company by the state of Arizona.

#### ***Legare Gresham***

Legare is a graduate in Engineering from Vanderbilt University in Nashville, TN. She recently received her Masters in Statistics from the University of SC where she maintained a 4.0 average. She has started sitting for the casualty actuarial exams, and passed the first one last fall. Legare will support the work of the actuaries by assisting them in the development and operations of their actuarial models.

#### ***Andrea Bartlett***

Andrea has seventeen years of experience in Project Management at AT&T. She has been responsible for the scheduling of programs and commitments to deadlines for all engagements for Bartlett Actuarial Group in the past three years. She will be responsible for scheduling and project flow to ensure our commitments to Michigan are met.



## ***Scope of Work and Deliverables***

Our firm concentrates solely in the field of property and casualty actuarial consulting. Therefore, we propose to provide to the state of Michigan actuarial support of financial examinations of property and casualty insurance companies, self-insured pools, municipal pools, reciprocal exchanges, and other similar operations that would involve exposures to insurable losses typically assigned to the property and casualty discipline.

### ***Planning***

The objective of Bartlett Actuarial Group will be to perform comprehensive and targeted analyses that will directly address the needs of the Michigan Department of Insurance. We believe that the efficiency and effectiveness of our analysis is primarily dependent on the thoroughness of the planning process. It would be our desire to coordinate on an individual assignment basis closely with the Department of Insurance with regard to the establishment of our schedules and the extent of our engagement participation. We value close cooperation with the chief examiner on each engagement.

### ***Breadth of Services***

Michigan has requested that we provide a description of the scope of services we can offer in support of Insurance Financial Condition Examinations. To that end we can provide the following services as required.

#### **1. Review of Data and Compliance Filings**

We will review insurance data underlying results included in financial statements submitted by insurance companies, or other associations, for any property and casualty or surety line at the request of the Department of Insurance. Initially our analysis would concentrate on a detailed audit of all data to verify its authenticity and relationship to information previously supplied to Michigan in statutory financial reports. As a senior consultant with an independent audit firm, our chief actuary has acquired extensive experience reviewing data included in financial statements and regulatory filings. In addition he has had extensive experience establishing reserves and opining as to the adequacy of loss and loss expense reserves for insurance companies writing all property and casualty lines of business.

#### **2. Examination of Reserves and Other Liabilities**

Review of the adequacy of loss and loss expense reserves can involve several different levels of involvement. If requested, we will review the workpapers and models of company loss analyst and appointed actuaries who have already completed reserve adequacy testing procedures. Depending upon the lines of business and the organization involved, we will then proceed to devise procedures to test the adequacy of posted insurance reserves. For example, we can perform independent testing of the adequacy of reserves for the major lines of business that the target company writes. Or, we can test the adequacy of reserves for all lines of coverage.

To properly address the needs and requirements of each assignment project, it is essential that we develop an understanding of the unique aspects of the operations, organization and products of the company we are reviewing. Further, we must develop an understanding of internal and external factors affecting the company such as new acquisition(s), changes in key management, pending litigation, changes in the manner in which the company conducts business, industry conditions, competition, other social and economic changes, etc.



### 3. Other Consulting Services

We are prepared to offer other consulting services to the Department of Insurance. Our senior actuary has over 30 years experience in the property and casualty insurance industry. This breadth of experience will be an invaluable asset to the Department of Insurance. The nature and extent of such services will be determined on an individual basis. For example, we are available to assist the Department in reviewing and testing targeted reinsurance contracts and transactions to ensure compliance with accounting and regulatory standards. Key to such services will be comprehensive communication and discussion between our firm and the Department to establish the breadth and scope of such services

#### ***Analysis***

Models employed in our analysis will be designed to address the particular needs of the target organization. Our basic approach is to employ procedures and statistical models consistent with professional standards of the Casualty Actuarial Society. Unless unique circumstances require elaborate analyses, our models will conform to industry standards. If the engagement requires testing or establishing necessary accruals on client's financial statements, estimates will be derived in accordance with accounting standards established by the Financial Accounting Standards Board and will conform to requirements of the National Association of Insurance Commissioners.

Our senior actuary has a broad depth of experience in establishing, reviewing and testing the adequacy of loss and loss expense reserves, unearned premium reserves, and other insurance reserves. In particular, five years at a major audit firm allowed opportunities to participate in numerous audits of property and casualty and surety insurance companies for GAAP and statutory financial statements. In addition, he participated in numerous financial and rate examinations of insurance companies by state insurance departments.

#### **Reporting**

Our work product will include written reports that will clearly and concisely present results of our analyses in a logical, easy to follow format. If warranted we are available to discuss our reports with the Department of Insurance and we encourage such dialog. A key goal of this engagement is to insure that the Department has a full and complete understanding of the assumptions driving our models and the implications of the results of our analyses.

All reports of our findings will be in compliance with NAIC guidelines, and will conform to standards and procedures of the American Academy of Actuaries, the Casualty Actuarial Society and the American Institute of Certified Public Accountants.

Throughout our analyses, we will regularly communicate with the Department with respect to our progress, particularly concerning any issues that might arise.



### **Conflicts of Interest**

Our firm strictly adheres to principles promulgated by the Actuarial Standards Board of the American Academy of Actuaries. In particular, we intend to follow closely guidelines of the revised Actuarial Standards of Practice No. 21, "Responding to or Assisting Auditors or Examiners in Connection with Financial Statements". To this regard, we will decline to participate in any engagement which directly involves a client for which we have provided actuarial services in the last three years. Finally, without explicit approval from the State, we will not attempt to contract with any organization involved in an examination for which we have been retained as actuarial support.

### ***Confidentiality***

Our firm agrees that all Confidential Information obtained from or regarding any engagement in which we assist the state of Michigan will be accepted in good faith and held in the strictest confidence. We will not, without the prior written consent of the State of Michigan, disclose to others, in whole or in part, any Confidential Information obtained in the course of our engagements.

Further, we agree that we will not reveal the Confidential Information, obtained in the course of our engagements, to others, except to the extent that it is necessary to disclose such information to representatives having a need to know such information for the sole purpose of the mutual work to be performed, or carrying out mutually agreed upon activities between our firm and the State. No other use or disclosure of Confidential Information shall be made by our firm without the prior written consent of the State.

We agree to return all Confidential Information and all documents and things connected with or related to our engagements. All proprietary models and concepts employed or developed by this firm in the course of our engagements with the State of Michigan will remain the sole property of Bartlett Actuarial Group. All reasonable precautions shall be taken by Bartlett Actuarial Group to insure compliance with the conditions described above.



## ***Compensation and Schedule***

### ***Schedule***

It is our desire to provide Michigan with quality service in a timely fashion. Accordingly, we commit to completing our engagement in time frames mutually agreed to by Michigan and our firm. The end product of each engagement will be a written report presented to the Department of Insurance and personal presentation if the Department of Insurance wishes.

### ***Fees***

Due to the definitions of the scopes of these engagements and the flexible nature of the project designs, our fees are best expressed as hourly rates. Our firm has two experienced actuaries committed to this engagement. We value establishing a strong relationship with Michigan. To demonstrate to you that we want to be the casualty actuarial team that you choose, we commit to the following competitive rates:

<u>Individual</u>	<u>Hourly Rate</u>
Bill Bartlett (FCAS)	\$200.
Brian Johnson (ACAS)	\$200
Legare Gresham (Technical Support)	\$100
Andrea Bartlett (Project Management)	\$100

All ancillary travel and related expenses will be billed separately per instructions outlined in RFP.