

STATE OF MICHIGAN CENTRAL PROCUREMENT SERVICES

Department of Technology, Management, and Budget
525 W. ALLEGAN ST., LANSING, MICHIGAN 48913
P.O. BOX 30026 LANSING, MICHIGAN 48909



CONTRACT CHANGE NOTICE

Change Notice Number 2

to

Contract Number 071B6600060

CONTRACTOR	INS REGULATORY INSURANCE SERVICES, INC.
	419 S. 2nd Street; New Market , Suite 206
	Philadelphia, PA 19147
	Alan Shaw
	215-625-9877
	ashaw@insris.com
	CV0007508

STATE	Program Manager	Matthew Torok	DIFS
		517-284-8680	
		torokm@michigan.gov	
	Contract Administrator	Joy Nakfoor	DTMB
		(517) 249-0481	
		nakfoorj@michigan.gov	

CONTRACT SUMMARY

FINANCIAL EXAMINATION & ANALYSIS SERVICE

INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE
April 5, 2016	April 4, 2019	2 - 1 Year	April 4, 2021
PAYMENT TERMS		DELIVERY TIMEFRAME	
3% NET 15 OR NET 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> PRC <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

MINIMUM DELIVERY REQUIREMENTS

N/A

DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		April 4, 2021
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$555,555.55	\$0.00	\$555,555.55		

DESCRIPTION

Effective June 11, 2019, please note the Program Manager for the State has been changed to Matthew Torok (torokm@michigan.gov, 517-284-8680).

All other terms, conditions, specifications and pricing remain the same. Per contractor and agency agreement, and DTMB Procurement approval.



STATE OF MICHIGAN
CENTRAL PROCUREMENT SERVICES
 Department of Technology, Management, and Budget
 525 W. ALLEGAN ST., LANSING, MICHIGAN 48913
 P.O. BOX 30026 LANSING, MICHIGAN 48909

CONTRACT CHANGE NOTICE

Change Notice Number **1**

to

Contract Number **071B6600060**

CONTRACTOR	INS REGULATORY INSURANCE SERVICES, INC.
	419 S. 2nd Street; New Market , Suite 206
	Philadelphia, PA 19147
	Alan Shaw
	215-625-9877
	ashaw@insris.com
	CV0007508

STATE	Program Manager	Darcie Payne	DIFS
		517-248-8674	
		payned3@michigan.gov	
	Contract Administrator	Joy Nakfoor	DTMB
		(517) 249-0481	
		nakfoorj@michigan.gov	

CONTRACT SUMMARY

DIFS - FINANCIAL EXAMINATION & ANALYSIS SERVICES PREQUALIFICATION			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE
April 5, 2016	April 4, 2019	2 - 1 Year	April 4, 2019
PAYMENT TERMS		DELIVERY TIMEFRAME	
3% NET 15 or NET 45		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> PRC <input type="checkbox"/> Other			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			

DESCRIPTION OF CHANGE NOTICE

OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input checked="" type="checkbox"/>	2 years	<input type="checkbox"/>		April 4, 2021
CURRENT VALUE		VALUE OF CHANGE NOTICE		ESTIMATED AGGREGATE CONTRACT VALUE
\$555,555.55		\$0.00		\$555,555.55

DESCRIPTION

Effective 2/26/2019, the following changes are implemented:

- 1.) the 2 - 1 year options available on this contract are hereby exercised. The revised contract expiration date is 4/4/2021.
- 2.) the Program Manager has been changed to Darcie Payne (payned3@michigan.gov, 517-248-8674), and
- 3.) the Contract Administrator has been changed to Joy Nakfoor (nakfoorj@michigan.gov, 517-249-0481).

All other terms, conditions, specifications, and pricing remain the same. Per contractor and agency agreement, DTMB Procurement approval, and State Administrative Board approval on 2/26/2019.

STATE OF MICHIGAN
 DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
 PROCUREMENT

525 W. ALLEGAN STREET
 LANSING, MI 48933

P.O. BOX 30026
 LANSING, MI 48909

NOTICE OF CONTRACT NO. 071B6600060

between

THE STATE OF MICHIGAN

and

NAME & ADDRESS OF CONTRACTOR	PRIMARY CONTACT	EMAIL
INS Regulatory Insurance Services, Inc. 419 S. 2nd Street; New Market, Suite 206 Philadelphia, PA 19147	Alan E. Shaw	AShaw@insris.com
	PHONE	VENDOR TAX ID # (LAST FOUR DIGITS ONLY)
	(215) 625-9877	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
PROGRAM MANAGER	DIFS	Bob Lamberjack	(517) 335-1746	lamberjackr@michigan.gov
CONTRACT ADMINISTRATOR	DTMB	Joshua Wilson	(517) 284-7027	Wilsonj31@michigan.gov

CONTRACT SUMMARY

DESCRIPTION:
 Department of Insurance and Financial Services (DIFS) - Financial Examination and Analysis Services Prequalification Program.

INITIAL TERM	EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS
3 Years	April 5, 2016	April 4, 2019	2, 1-year
PAYMENT TERMS	F.O.B.	SHIPPED TO	
3% NET 15 or NET 45	N/A	N/A	

ALTERNATE PAYMENT OPTIONS	EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Direct Voucher (DV) <input type="checkbox"/> Other	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

MINIMUM DELIVERY REQUIREMENTS

N/A

MISCELLANEOUS INFORMATION

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing RFP No. 007116B0006684. Orders for delivery will be issued directly by Departments through the issuance of a Purchase Order Form.

ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION	\$555,555.55
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For the Contractor:

_____,
Contract Administrator

Date

For the State:

Tom Falik,
Services Division Director
State of Michigan

Date



STATE OF MICHIGAN

STANDARD CONTRACT TERMS

This STANDARD CONTRACT (“**Contract**”) is agreed to between the State of Michigan (the “**State**”) and INS Regulatory Insurance Services, Inc. (“**Contractor**”), a Delaware corporation. This Contract is effective on April 5, 2016 (“**Effective Date**”), and unless terminated, expires on April 4, 2019.

The Contract may be renewed in writing by mutual agreement of the parties. The Contract may be renewed for up to two (2) additional one (1) year periods.

The parties agree as follows:

1. **Duties of Contractor.** Contractor must perform the services and provide the deliverables described in **Exhibit A – Statement of Work** (the “**Contract Activities**”). An obligation to provide delivery of any commodity is considered a service and is a Contract Activity.

Contractor must furnish all labor, equipment, materials, and supplies necessary for the performance of the Contract Activities, and meet operational standards, unless otherwise specified in Exhibit A.

Contractor must: (a) perform the Contract Activities in a timely, professional, safe, and workmanlike manner consistent with standards in the trade, profession, or industry; (b) meet or exceed the performance and operational standards, and specifications of the Contract; (c) provide all Contract Activities in good quality, with no material defects; (d) not interfere with the State’s operations; (e) obtain and maintain all necessary licenses, permits or other authorizations necessary for the performance of the Contract; (f) cooperate with the State, including the State’s quality assurance personnel, and any third party to achieve the objectives of the Contract; (g) return to the State any State-furnished equipment or other resources in the same condition as when provided when no longer required for the Contract; (h) not make any media releases without prior written authorization from the State; (i) assign to the State any claims resulting from state or federal antitrust violations to the extent that those violations concern materials or services supplied by third parties toward fulfillment of the Contract; (j) comply with all State physical and IT security policies and standards which will be made available upon request; and (k) provide the State priority in performance of the Contract except as mandated by federal disaster response requirements. Any breach under this paragraph is considered a material breach.

Contractor must also be clearly identifiable while on State property by wearing identification issued by the State, and clearly identify themselves whenever making contact with the State.

2. **Notices.** All notices and other communications required or permitted under this Contract must be in writing and will be considered given and received: (a) when verified by written receipt if sent by courier; (b) when actually received if sent by mail without verification of receipt; or (c) when verified by automated receipt or electronic logs if sent by facsimile or email.

<p>If to State: Joshua Wilson Constitution Hall, 1st Floor, NE 525 West Allegan St. Lansing, MI 48909 (517) 284-7027 WilsonJ31@michigan.gov</p>	<p>If to Contractor: Alan E. Shaw, ASA, MAAA 419 S. 2nd Street New Market, Suite 206 Philadelphia, PA 19147 (215) 625-9877 AShaw@insris.com</p>
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3. **Contract Administrator.** The Contract Administrator for each party is the only person authorized to modify any terms of this Contract, and approve and execute any change under this Contract (each a “**Contract Administrator**”):

If to State:	If to Contractor:
Joshua Wilson Constitution Hall, 1 st Floor, NE 525 West Allegan St. Lansing, MI 48909 (517) 284-7027 WilsonJ31@michigan.gov	Alan E. Shaw, ASA, MAAA 419 S. 2 nd Street New Market, Suite 206 Philadelphia, PA 19147 (215) 625-9877 AShaw@insris.com

4. **Program Manager.** The Program Manager for each party will monitor and coordinate the day-to-day activities of the Contract (each a “**Program Manager**”):

State:	Contractor:
Bob Lamberjack, Chief Examiner Department of Insurance and Financial Services 611 W. Ottawa Street P.O. Box 30220 Lansing, MI 48909 (517) 335-1746 lamberjackr@michigan.gov	Alan E. Shaw, ASA, MAAA 419 S. 2 nd Street New Market, Suite 206 Philadelphia, PA 19147 (215) 625-9877 AShaw@insris.com

5. **Performance Guarantee.** Contractor must at all times have financial resources sufficient, in the opinion of the State, to ensure performance of the Contract and must provide proof upon request. The State may require a performance bond (as specified in Exhibit A) if, in the opinion of the State, it will ensure performance of the Contract.
6. **Insurance Requirements.** Contractor must maintain the insurances identified below and is responsible for all deductibles. All required insurance must: (a) protect the State from claims that may arise out of, are alleged to arise out of, or result from Contractor's or a subcontractor's performance; (b) be primary and non-contributing to any comparable liability insurance (including self-insurance) carried by the State; and (c) be provided by a company with an A.M. Best rating of "A" or better, and a financial size of VII or better.

Required Limits	Additional Requirements
Commercial General Liability Insurance	
<u>Minimal Limits:</u> \$1,000,000 Each Occurrence Limit \$1,000,000 Personal & Advertising Injury Limit \$2,000,000 General Aggregate Limit \$2,000,000 Products/Completed Operations <u>Deductible Maximum:</u> \$50,000 Each Occurrence	Contractor must have their policy endorsed to add “the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents” as additional insureds using endorsement CG 20 10 11 85, or both CG 2010 07 04 and CG 2037 07 0.
Umbrella or Excess Liability Insurance	
<u>Minimal Limits:</u> \$5,000,000 General Aggregate	Contractor must have their policy endorsed to add “the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents” as additional insureds.



Automobile Liability Insurance	
<p><u>Minimal Limits:</u> \$1,000,000 Per Occurrence</p>	<p>Contractor must have their policy: (1) endorsed to add “the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents” as additional insureds; and (2) include Hired and Non-Owned Automobile coverage.</p>
Workers' Compensation Insurance	
<p><u>Minimal Limits:</u> Coverage according to applicable laws governing work activities.</p>	<p>Waiver of subrogation, except where waiver is prohibited by law.</p>
Employers Liability Insurance	
<p><u>Minimal Limits:</u> \$500,000 Each Accident \$500,000 Each Employee by Disease \$500,000 Aggregate Disease.</p>	
Privacy and Security Liability (Cyber Liability) Insurance	
<p><u>Minimal Limits:</u> \$1,000,000 Each Occurrence \$1,000,000 Annual Aggregate</p>	<p>Contractor must have their policy: (1) endorsed to add “the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents” as additional insureds; and (2) cover information security and privacy liability, privacy notification costs, regulatory defense and penalties, and website media content liability.</p>
Professional Liability (Errors and Omissions) Insurance	
<p><u>Minimal Limits:</u> \$1,000,000 Each Occurrence \$1,000,000 Annual Aggregate</p> <p><u>Deductible Maximum:</u> \$50,000 Per Loss</p>	

If any of the required policies provide **claims-made** coverage, the Contractor must: (a) provide coverage with a retroactive date before the effective date of the contract or the beginning of Contract Activities; (b) maintain coverage and provide evidence of coverage for at least three (3) years after completion of the Contract Activities; and (c) if coverage is canceled or not renewed, and not replaced with another claims-made policy form with a retroactive date prior to the contract effective date, Contractor must purchase extended reporting coverage for a minimum of three (3) years after completion of work.

Contractor must: (a) provide insurance certificates to the Contract Administrator, containing the agreement or purchase order number, at Contract formation and within 20 calendar days of the expiration date of the applicable policies; (b) require that subcontractors maintain the required insurances contained in this Section; (c) notify the Contract Administrator within 5 business days if any insurance is cancelled; and (d) waive all rights against the State for damages covered by insurance. Failure to maintain the required insurance does not limit this waiver.

This Section is not intended to and is not be construed in any manner as waiving, restricting or limiting the liability of either party for any obligations under this Contract (including any provisions hereof requiring Contractor to indemnify, defend and hold harmless the State).



7. **Administrative Fee and Reporting.** Contractor must pay an administrative fee of 1% on all payments made to Contractor under the Contract including transactions with the State (including its departments, divisions, agencies, offices, and commissions), MiDEAL members, and other states (including governmental subdivisions and authorized entities). Administrative fee payments must be made by check payable to the State of Michigan and mailed to:

Department of Technology, Management and Budget
Financial Services – Cashier Unit
Lewis Cass Building
320 South Walnut St.
P.O. Box 30681
Lansing, MI 48909

Contractor must submit an itemized purchasing activity report, which includes at a minimum, the name of the purchasing entity and the total dollar volume in sales. Reports should be mailed to DTMB-Procurement.

The administrative fee and purchasing activity report are due within 30 calendar days from the last day of each calendar quarter.

8. **Extended Purchasing Program.** This Contract is extended to MiDEAL members. MiDEAL members include local units of government, school districts, universities, community colleges, and nonprofit hospitals. A current list of MiDEAL members is available at www.michigan.gov/mideal. Upon written agreement between the State and Contractor, this Contract may also be extended to: (a) State of Michigan employees and (b) other states (including governmental subdivisions and authorized entities).

If extended, Contractor must supply all Contract Activities at the established Contract prices and terms. The State reserves the right to impose an administrative fee and negotiate additional discounts based on any increased volume generated by such extensions.

Contractor must submit invoices to, and receive payment from, extended purchasing program members on a direct and individual basis.

9. **Independent Contractor.** Contractor is an independent contractor and assumes all rights, obligations and liabilities set forth in this Contract. Contractor, its employees, and agents will not be considered employees of the State. No partnership or joint venture relationship is created by virtue of this Contract. Contractor, and not the State, is responsible for the payment of wages, benefits and taxes of Contractor's employees and any subcontractors. Prior performance does not modify Contractor's status as an independent contractor. Contractor hereby acknowledges that the State is and will be the sole and exclusive owner of all right, title, and interest in the Contract Activities and all associated intellectual property rights, if any. Such Contract Activities are works made for hire as defined in Section 101 of the Copyright Act of 1976. To the extent any Contract Activities and related intellectual property do not qualify as works made for hire under the Copyright Act, Contractor will, and hereby does, immediately on its creation, assign, transfer and otherwise convey to the State, irrevocably and in perpetuity, throughout the universe, all right, title and interest in and to the Contract Activities, including all intellectual property rights therein.

10. **Subcontracting.** Contractor may not delegate any of its obligations under the Contract without the prior written approval of the State. Contractor must notify the State at least 90 calendar days before the proposed delegation, and provide the State any information it requests to determine whether the delegation is in its best interest. If approved, Contractor must: (a) be the sole point of contact regarding all contractual matters, including payment and charges for all Contract Activities; (b) make all payments to the subcontractor; and (c) incorporate the terms and conditions contained in this Contract in any subcontract with a subcontractor. Contractor remains responsible for the completion of the Contract Activities, compliance with the terms of this Contract, and the acts and omissions of the subcontractor. The State, in its sole discretion, may require the replacement of any subcontractor.



11. **Staffing.** The State's Contract Administrator may require Contractor to remove or reassign personnel by providing a notice to Contractor.
12. **Background Checks.** Upon request, Contractor must perform background checks on all employees and subcontractors and its employees prior to their assignment. The scope is at the discretion of the State and documentation must be provided as requested. Contractor is responsible for all costs associated with the requested background checks. The State, in its sole discretion, may also perform background checks.
13. **Assignment.** Contractor may not assign this Contract to any other party without the prior approval of the State. Upon notice to Contractor, the State, in its sole discretion, may assign in whole or in part, its rights or responsibilities under this Contract to any other party. If the State determines that a novation of the Contract to a third party is necessary, Contractor will agree to the novation and provide all necessary documentation and signatures.
14. **Change of Control.** Contractor will notify, at least 90 calendar days before the effective date, the State of a change in Contractor's organizational structure or ownership. For purposes of this Contract, a change in control means any of the following: (a) a sale of more than 50% of Contractor's stock; (b) a sale of substantially all of Contractor's assets; (c) a change in a majority of Contractor's board members; (d) consummation of a merger or consolidation of Contractor with any other entity; (e) a change in ownership through a transaction or series of transactions; (f) or the board (or the stockholders) approves a plan of complete liquidation. A change of control does not include any consolidation or merger effected exclusively to change the domicile of Contractor, or any transaction or series of transactions principally for bona fide equity financing purposes.

In the event of a change of control, Contractor must require the successor to assume this Contract and all of its obligations under this Contract.

15. **Ordering.** Contractor is not authorized to begin performance until receipt of authorization as identified in Exhibit A.
16. **Acceptance.** Contract Activities are subject to inspection and testing by the State within 30 calendar days of the State's receipt of them ("**State Review Period**"), unless otherwise provided in Exhibit A. If the Contract Activities are not fully accepted by the State, the State will notify Contractor by the end of the State Review Period that either: (a) the Contract Activities are accepted, but noted deficiencies must be corrected; or (b) the Contract Activities are rejected. If the State finds material deficiencies, it may: (i) reject the Contract Activities without performing any further inspections; (ii) demand performance at no additional cost; or (iii) terminate this Contract in accordance with Section **Error! Reference source not found.**, Termination for Cause.

Within 10 business days from the date of Contractor's receipt of notification of acceptance with deficiencies or rejection of any Contract Activities, Contractor must cure, at no additional cost, the deficiency and deliver unequivocally acceptable Contract Activities to the State. If acceptance with deficiencies or rejection of the Contract Activities impacts the content or delivery of other non-completed Contract Activities, the parties' respective Program Managers must determine an agreed to number of days for re-submission that minimizes the overall impact to the Contract. However, nothing herein affects, alters, or relieves Contractor of its obligations to correct deficiencies in accordance with the time response standards set forth in this Contract.

If Contractor is unable or refuses to correct the deficiency within the time response standards set forth in this Contract, the State may cancel the order in whole or in part. The State, or a third party identified by the State, may perform the Contract Activities and recover the difference between the cost to cure and the Contract price plus an additional 10% administrative fee.

17. **Reserved.**
18. **Reserved.**



19. **Reserved.**

20. **Terms of Payment.** Invoices must conform to the requirements communicated from time-to-time by the State. All undisputed amounts are payable within 45 days of the State's receipt. Contractor may only charge for Contract Activities performed as specified in Exhibit A. Invoices must include an itemized statement of all charges. The State is exempt from State sales tax for direct purchases and may be exempt from federal excise tax, if Services purchased under this Agreement are for the State's exclusive use. Notwithstanding the foregoing, all prices are inclusive of taxes, and Contractor is responsible for all sales, use and excise taxes, and any other similar taxes, duties and charges of any kind imposed by any federal, state, or local governmental entity on any amounts payable by the State under this Contract.

The State has the right to withhold payment of any disputed amounts until the parties agree as to the validity of the disputed amount. The State will notify Contractor of any dispute within a reasonable time. Payment by the State will not constitute a waiver of any rights as to Contractor's continuing obligations, including claims for deficiencies or substandard Contract Activities. Contractor's acceptance of final payment by the State constitutes a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still disputed.

The State will only disburse payments under this Contract through Electronic Funds Transfer (EFT). Contractor must register with the State at <http://www.michigan.gov/cpexpress> to receive electronic fund transfer payments. If Contractor does not register, the State is not liable for failure to provide payment.

Without prejudice to any other right or remedy it may have, the State reserves the right to set off at any time any amount then due and owing to it by Contractor against any amount payable by the State to Contractor under this Contract.

21. **Reserved.**

22. **Stop Work Order.** The State may suspend any or all activities under the Contract at any time. The State will provide Contractor a written stop work order detailing the suspension. Contractor must comply with the stop work order upon receipt. Within 90 calendar days, or any longer period agreed to by Contractor, the State will either: (a) issue a notice authorizing Contractor to resume work, or (b) terminate the Contract or purchase order. The State will not pay for Contract Activities, Contractor's lost profits, or any additional compensation during a stop work period.

23. **Termination for Cause.** The State may terminate this Contract for cause, in whole or in part, if Contractor, as determined by the State: (a) endangers the value, integrity, or security of any location, data, or personnel; (b) becomes insolvent, petitions for bankruptcy court proceedings, or has an involuntary bankruptcy proceeding filed against it by any creditor; (c) engages in any conduct that may expose the State to liability; (d) breaches any of its material duties or obligations; or (e) fails to cure a breach within the time stated in a notice of breach. Any reference to specific breaches being material breaches within this Contract will not be construed to mean that other breaches are not material.

If the State terminates this Contract under this Section, the State will issue a termination notice specifying whether Contractor must: (a) cease performance immediately, or (b) continue to perform for a specified period. If it is later determined that Contractor was not in breach of the Contract, the termination will be deemed to have been a Termination for Convenience, effective as of the same date, and the rights and obligations of the parties will be limited to those provided in Section 24, Termination for Convenience.

The State will only pay for amounts due to Contractor for Contract Activities accepted by the State on or before the date of termination, subject to the State's right to set off any amounts owed by the Contractor for the State's reasonable costs in terminating this Contract. The Contractor must pay all reasonable costs incurred by the State in terminating this Contract for cause, including administrative costs, attorneys' fees,



court costs, transition costs, and any costs the State incurs to procure the Contract Activities from other sources.

24. **Termination for Convenience.** The State may immediately terminate this Contract in whole or in part without penalty and for any reason, including but not limited to, appropriation or budget shortfalls. The termination notice will specify whether Contractor must: (a) cease performance of the Contract Activities immediately, or (b) continue to perform the Contract Activities in accordance with Section **Error! Reference source not found.**, Transition Responsibilities. If the State terminates this Contract for convenience, the State will pay all reasonable costs, as determined by the State, for State approved Transition Responsibilities.
25. **Transition Responsibilities.** Upon termination or expiration of this Contract for any reason, Contractor must, for a period of time specified by the State (not to exceed 90 calendar days), provide all reasonable transition assistance requested by the State, to allow for the expired or terminated portion of the Contract Activities to continue without interruption or adverse effect, and to facilitate the orderly transfer of such Contract Activities to the State or its designees. Such transition assistance may include, but is not limited to: (a) continuing to perform the Contract Activities at the established Contract rates; (b) taking all reasonable and necessary measures to transition performance of the work, including all applicable Contract Activities, training, equipment, software, leases, reports and other documentation, to the State or the State's designee; (c) taking all necessary and appropriate steps, or such other action as the State may direct, to preserve, maintain, protect, or return to the State all materials, data, property, and confidential information provided directly or indirectly to Contractor by any entity, agent, vendor, or employee of the State; (d) transferring title in and delivering to the State, at the State's discretion, all completed or partially completed deliverables prepared under this Contract as of the Contract termination date; and (e) preparing an accurate accounting from which the State and Contractor may reconcile all outstanding accounts (collectively, "**Transition Responsibilities**"). This Contract will automatically be extended through the end of the transition period.
26. **General Indemnification.** Contractor must defend, indemnify and hold the State, its departments, divisions, agencies, offices, commissions, officers, and employees harmless, without limitation, from and against any and all actions, claims, losses, liabilities, damages, costs, attorney fees, and expenses (including those required to establish the right to indemnification), arising out of or relating to: (a) any breach by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable) of any of the promises, agreements, representations, warranties, or insurance requirements contained in this Contract; (b) any infringement, misappropriation, or other violation of any intellectual property right or other right of any third party; (c) any bodily injury, death, or damage to real or tangible personal property occurring wholly or in part due to action or inaction by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable); and (d) any acts or omissions of Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable).

The State will notify Contractor in writing if indemnification is sought; however, failure to do so will not relieve Contractor, except to the extent that Contractor is materially prejudiced. Contractor must, to the satisfaction of the State, demonstrate its financial ability to carry out these obligations.

The State is entitled to: (i) regular updates on proceeding status; (ii) participate in the defense of the proceeding; (iii) employ its own counsel; and to (iv) retain control of the defense if the State deems necessary. Contractor will not, without the State's written consent (not to be unreasonably withheld), settle, compromise, or consent to the entry of any judgment in or otherwise seek to terminate any claim, action, or proceeding. To the extent that any State employee, official, or law may be involved or challenged, the State may, at its own expense, control the defense of that portion of the claim.

Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. An attorney designated to represent the State may not do so until approved by the Michigan Attorney General and appointed as a Special Assistant Attorney General.



27. **Infringement Remedies.** If, in either party's opinion, any piece of equipment, software, commodity, or service supplied by Contractor or its subcontractors, or its operation, use or reproduction, is likely to become the subject of a copyright, patent, trademark, or trade secret infringement claim, Contractor must, at its expense: (a) procure for the State the right to continue using the equipment, software, commodity, or service, or if this option is not reasonably available to Contractor, (b) replace or modify the same so that it becomes non-infringing; or (c) accept its return by the State with appropriate credits to the State against 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.
28. **Limitation of Liability.** The State is not liable for consequential, incidental, indirect, or special damages, regardless of the nature of the action.
29. **Disclosure of Litigation, or Other Proceeding.** Contractor must notify the State within 14 calendar days of receiving notice of any litigation, investigation, arbitration, or other proceeding (collectively, "**Proceeding**") involving Contractor, a subcontractor, or an officer or director of Contractor or subcontractor, that arises during the term of the Contract, including: (a) a criminal Proceeding; (b) a parole or probation Proceeding; (c) a Proceeding under the Sarbanes-Oxley Act; (d) a civil Proceeding involving: (1) a claim that might reasonably be expected to adversely affect Contractor's viability or financial stability; or (2) a governmental or public entity's claim or written allegation of fraud; or (e) a Proceeding involving any license that Contractor is required to possess in order to perform under this Contract.
30. **Reserved.**
31. **State Data.**
- a. Ownership. The State's data ("**State Data**," which will be treated by Contractor as Confidential Information) includes: (a) the State's data collected, used, processed, stored, or generated as the result of the Contract Activities; (b) personally identifiable information ("**PII**") collected, used, processed, stored, or generated as the result of the Contract Activities, including, without limitation, any information that identifies an individual, such as an individual's social security number or other government-issued identification number, date of birth, address, telephone number, biometric data, mother's maiden name, email address, credit card information, or an individual's name in combination with any other of the elements here listed; and, (c) personal health information ("**PHI**") collected, used, processed, stored, or generated as the result of the Contract Activities, which is defined under the Health Insurance Portability and Accountability Act (HIPAA) and its related rules and regulations. State Data is and will remain the sole and exclusive property of the State and all right, title, and interest in the same is reserved by the State. This Section survives the termination of this Contract.
 - b. Contractor Use of State Data. Contractor is provided a limited license to State Data for the sole and exclusive purpose of providing the Contract Activities, including a license to collect, process, store, generate, and display State Data only to the extent necessary in the provision of the Contract Activities. Contractor must: (a) keep and maintain State Data in strict confidence, using such degree of care as is appropriate and consistent with its obligations as further described in this Contract and applicable law to avoid unauthorized access, use, disclosure, or loss; (b) use and disclose State Data solely and exclusively for the purpose of providing the Contract Activities, such use and disclosure being in accordance with this Contract, any applicable Statement of Work, and applicable law; and (c) not use, sell, rent, transfer, distribute, or otherwise disclose or make available State Data for Contractor's own purposes or for the benefit of anyone other than the State without the State's prior written consent. This Section survives the termination of this Contract.
 - c. Extraction of State Data. Contractor must, within five (5) business days of the State's request, provide the State, without charge and without any conditions or contingencies whatsoever (including but not limited to the payment of any fees due to Contractor), an extract of the State Data in the format specified by the State.



- d. Backup and Recovery of State Data. Unless otherwise specified in Exhibit A, Contractor is responsible for maintaining a backup of State Data and for an orderly and timely recovery of such data. Unless otherwise described in Exhibit A, Contractor must maintain a contemporaneous backup of State Data that can be recovered within two (2) hours at any point in time.
- e. Loss of Data. In the event of any act, error or omission, negligence, misconduct, or breach that compromises or is suspected to compromise the security, confidentiality, or integrity of State Data or the physical, technical, administrative, or organizational safeguards put in place by Contractor that relate to the protection of the security, confidentiality, or integrity of State Data, Contractor must, as applicable: (a) notify the State as soon as practicable but no later than twenty-four (24) hours of becoming aware of such occurrence; (b) cooperate with the State in investigating the occurrence, including making available all relevant records, logs, files, data reporting, and other materials required to comply with applicable law or as otherwise required by the State; (c) in the case of PII or PHI, at the State's sole election, (i) notify the affected individuals who comprise the PII or PHI as soon as practicable but no later than is required to comply with applicable law, or, in the absence of any legally required notification period, within 5 calendar days of the occurrence; or (ii) reimburse the State for any costs in notifying the affected individuals; (d) in the case of PII, provide third-party credit and identity monitoring services to each of the affected individuals who comprise the PII for the period required to comply with applicable law, or, in the absence of any legally required monitoring services, for no less than twenty-four (24) months following the date of notification to such individuals; (e) perform or take any other actions required to comply with applicable law as a result of the occurrence; (f) without limiting Contractor's obligations of indemnification as further described in this Contract, indemnify, defend, and hold harmless the State for any and all claims, including reasonable attorneys' fees, costs, and expenses incidental thereto, which may be suffered by, accrued against, charged to, or recoverable from the State in connection with the occurrence; (g) be responsible for recreating lost State Data in the manner and on the schedule set by the State without charge to the State; and, (h) provide to the State a detailed plan within 10 calendar days of the occurrence describing the measures Contractor will undertake to prevent a future occurrence. Notification to affected individuals, as described above, must comply with applicable law, be written in plain language, and contain, at a minimum: name and contact information of Contractor's representative; a description of the nature of the loss; a list of the types of data involved; the known or approximate date of the loss; how such loss may affect the affected individual; what steps Contractor has taken to protect the affected individual; what steps the affected individual can take to protect himself or herself; contact information for major credit card reporting agencies; and, information regarding the credit and identity monitoring services to be provided by Contractor. This Section survives the termination of this Contract.
32. **Non-Disclosure of Confidential Information**. The parties acknowledge that each party may be exposed to or acquire communication or data of the other party that is confidential, privileged communication not intended to be disclosed to third parties. The provisions of this Section survive the termination of this Contract.
- a. Meaning of Confidential Information. For the purposes of this Contract, the term "**Confidential Information**" means all information and documentation of a party that: (a) has been marked "confidential" or with words of similar meaning, at the time of disclosure by such party; (b) if disclosed orally or not marked "confidential" or with words of similar meaning, was subsequently summarized in writing by the disclosing party and marked "confidential" or with words of similar meaning; and, (c) should reasonably be recognized as confidential information of the disclosing party. The term "Confidential Information" does not include any information or documentation that was: (a) subject to disclosure under the Michigan Freedom of Information Act (FOIA); (b) already in the possession of the receiving party without an obligation of confidentiality; (c) developed independently by the receiving party, as demonstrated by the receiving party, without violating the disclosing party's proprietary rights; (d) obtained from a source other than the disclosing party without an obligation of confidentiality; or, (e) publicly available when received, or thereafter became publicly available (other



than through any unauthorized disclosure by, through, or on behalf of, the receiving party). For purposes of this Contract, in all cases and for all matters, State Data is deemed to be Confidential Information.

- b. Obligation of Confidentiality. The parties agree to hold all Confidential Information in strict confidence and not to copy, reproduce, sell, transfer, or otherwise dispose of, give or disclose such Confidential Information to third parties other than employees, agents, or subcontractors of a party who have a need to know in connection with this Contract or to use such Confidential Information for any purposes whatsoever other than the performance of this Contract. The parties agree to advise and require their respective employees, agents, and subcontractors of their obligations to keep all Confidential Information confidential. Disclosure to a subcontractor is permissible where: (a) use of a subcontractor is authorized under this Contract; (b) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the subcontractor's responsibilities; and (c) Contractor obligates the subcontractor in a written contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor or any subcontractor may be required to execute a separate agreement to be bound by the provisions of this Section.
- c. Cooperation to Prevent Disclosure of Confidential Information. Each party must use its best efforts to assist the other party in identifying and preventing any unauthorized use or disclosure of any Confidential Information. Without limiting the foregoing, each party must advise the other party immediately in the event either party learns or has reason to believe that any person who has had access to Confidential Information has violated or intends to violate the terms of this Contract and each party will cooperate with the other party in seeking injunctive or other equitable relief against any such person.
- d. Remedies for Breach of Obligation of Confidentiality. Each party acknowledges that breach of its obligation of confidentiality may give rise to irreparable injury to the other party, which damage may be inadequately compensable in the form of monetary damages. Accordingly, a party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies which may be available, to include, in the case of the State, at the sole election of the State, the immediate termination, without liability to the State, of this Contract or any Statement of Work corresponding to the breach or threatened breach.
- e. Surrender of Confidential Information upon Termination. Upon termination of this Contract or a Statement of Work, in whole or in part, each party must, within 5 calendar days from the date of termination, return to the other party any and all Confidential Information received from the other party, or created or received by a party on behalf of the other party, which are in such party's possession, custody, or control; provided, however, that Contractor must return State Data to the State following the timeframe and procedure described further in this Contract. Should Contractor or the State determine that the return of any Confidential Information is not feasible, such party must destroy the Confidential Information and must certify the same in writing within 5 calendar days from the date of termination to the other party.

33. **Data Privacy and Information Security.**

- a. Undertaking by Contractor. Without limiting Contractor's obligation of confidentiality as further described, Contractor is responsible for establishing and maintaining a data privacy and information security program, including physical, technical, administrative, and organizational safeguards, that is designed to: (a) ensure the security and confidentiality of the State Data; (b) protect against any anticipated threats or hazards to the security or integrity of the State Data; (c) protect against unauthorized disclosure, access to, or use of the State Data; (d) ensure the proper disposal of State Data; and (e) ensure that all employees, agents, and subcontractors of Contractor, if any, comply with all of the foregoing. In no case will the safeguards of Contractor's data privacy and information security program be less stringent than the safeguards used by the State, and Contractor must at all



times comply with all applicable State IT policies and standards, which are available to Contractor upon request.

- b. Audit by Contractor. No less than annually, Contractor must conduct a comprehensive independent third-party audit of its data privacy and information security program and provide such audit findings to the State.
- c. Right of Audit by the State. Without limiting any other audit rights of the State, the State has the right to review Contractor's data privacy and information security program prior to the commencement of Contract Activities and from time to time during the term of this Contract. During the providing of the Contract Activities, on an ongoing basis from time to time and without notice, the State, at its own expense, is entitled to perform, or to have performed, an on-site audit of Contractor's data privacy and information security program. In lieu of an on-site audit, upon request by the State, Contractor agrees to complete, within 45 calendar days of receipt, an audit questionnaire provided by the State regarding Contractor's data privacy and information security program.
- d. Audit Findings. Contractor must implement any required safeguards as identified by the State or by any audit of Contractor's data privacy and information security program.
- e. State's Right to Termination for Deficiencies. The State reserves the right, at its sole election, to immediately terminate this Contract or a Statement of Work without limitation and without liability if the State determines that Contractor fails or has failed to meet its obligations under this Section.

34. **Reserved.**

35. **Reserved.**

36. **Records Maintenance, Inspection, Examination, and Audit.** The State or its designee may audit Contractor to verify compliance with this Contract. Contractor must retain, and provide to the State or its designee and the auditor general upon request, all financial and accounting records related to the Contract through the term of the Contract and for 4 years after the latter of termination, expiration, or final payment under this Contract or any extension ("**Audit Period**"). If an audit, litigation, or other action involving the records is initiated before the end of the Audit Period, Contractor must retain the records until all issues are resolved.

Within 10 calendar days of providing notice, the State and its authorized representatives or designees have the right to enter and inspect Contractor's premises or any other places where Contract Activities are being performed, and examine, copy, and audit all records related to this Contract. Contractor must cooperate and provide reasonable assistance. If any financial errors are revealed, the amount in error must be reflected as a credit or debit on subsequent invoices until the amount is paid or refunded. Any remaining balance at the end of the Contract must be paid or refunded within 45 calendar days.

This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.

37. **Warranties and Representations.** Contractor represents and warrants: (a) Contractor is the owner or licensee of any Contract Activities that it licenses, sells, or develops and Contractor has the rights necessary to convey title, ownership rights, or licensed use; (b) all Contract Activities are delivered free from any security interest, lien, or encumbrance and will continue in that respect; (c) the Contract Activities will not infringe the patent, trademark, copyright, trade secret, or other proprietary rights of any third party; (d) Contractor must assign or otherwise transfer to the State or its designee any manufacturer's warranty for the Contract Activities; (e) the Contract Activities are merchantable and fit for the specific purposes identified in the Contract; (f) the Contract signatory has the authority to enter into this Contract; (g) all information furnished by Contractor in connection with the Contract fairly and accurately represents Contractor's business, properties, finances, and operations as of the dates covered by the information, and Contractor will inform the State of any material adverse changes; and (h) all information furnished and representations made in connection with the award of this Contract is true, accurate, and complete, and contains no false statements



or omits any fact that would make the information misleading. A breach of this Section is considered a material breach of this Contract, which entitles the State to terminate this Contract under Section **Error! Reference source not found.**, Termination for Cause.

38. **Conflicts and Ethics.** Contractor will uphold high ethical standards and is prohibited from: (a) holding or acquiring an interest that would conflict with this Contract; (b) doing anything that creates an appearance of impropriety with respect to the award or performance of the Contract; (c) attempting to influence or appearing to influence any State employee by the direct or indirect offer of anything of value; or (d) paying or agreeing to pay any person, other than employees and consultants working for Contractor, any consideration contingent upon the award of the Contract. Contractor must immediately notify the State of any violation or potential violation of these standards. This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.
39. **Compliance with Laws.** Contractor must comply with all federal, state and local laws, rules and regulations.
40. **Reserved.**
41. **State Printing.** All printing in Michigan must be performed by a business that meets *one* of the following: (a) have authorized use of the Allied Printing Trades Council union label in the locality in which the printing services will be performed; (b) have on file with the Michigan Secretary of State, a sworn statement indicating that employees producing the printing are receiving prevailing wages and are working under conditions prevalent in the locality in which the printing services will be performed; or (c) have a collective bargaining agreement in effect and the employees are represented by an operations that is not influenced or controlled by management.
42. **Nondiscrimination.** Under the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, Contractor and its subcontractors agree not to discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment, or a matter directly or indirectly related to employment, because of race, color, religion, national origin, age, sex, height, weight, marital status, or mental or physical disability. Breach of this covenant is a material breach of this Contract.
43. **Unfair Labor Practice.** Under MCL 423.324, the State may void any Contract with a Contractor or subcontractor who appears on the Unfair Labor Practice register compiled under MCL 423.322.
44. **Governing Law.** This Contract is governed, construed, and enforced in accordance with Michigan law, excluding choice-of-law principles, and all claims relating to or arising out of this Contract are governed by Michigan law, excluding choice-of-law principles. Any dispute arising from this Contract must be resolved in Michigan Court of Claims. Contractor consents to venue in Ingham County, and waives any objections, such as lack of personal jurisdiction or *forum non conveniens*. Contractor must appoint agents in Michigan to receive service of process.
45. **Non-Exclusivity.** Nothing contained in this Contract is intended nor will be construed as creating any requirements contract with Contractor. This Contract does not restrict the State or its agencies from acquiring similar, equal, or like Contract Activities from other sources.
46. **Force Majeure.** Neither party will be in breach of this Contract because of any failure arising from any disaster or acts of god that are beyond their control and without their fault or negligence. Each party will use commercially reasonable efforts to resume performance. Contractor will not be relieved of a breach or delay caused by its subcontractors. If immediate performance is necessary to ensure public health and safety, the State may immediately contract with a third party.
47. **Dispute Resolution.** The parties will endeavor to resolve any Contract dispute in accordance with this provision. The dispute will be referred to the parties' respective Contract Administrators or Program Managers. Such referral must include a description of the issues and all supporting documentation. The



parties must submit the dispute to a senior executive if unable to resolve the dispute within 15 business days. The parties will continue performing while a dispute is being resolved, unless the dispute precludes performance. A dispute involving payment does not preclude performance.

Litigation to resolve the dispute will not be instituted until after the dispute has been elevated to the parties' senior executive and either concludes that resolution is unlikely, or fails to respond within 15 business days. The parties are not prohibited from instituting formal proceedings: (a) to avoid the expiration of statute of limitations period; (b) to preserve a superior position with respect to creditors; or (c) where a party makes a determination that a temporary restraining order or other injunctive relief is the only adequate remedy. This Section does not limit the State's right to terminate the Contract.

48. **Media Releases.** News releases (including promotional literature and commercial advertisements) pertaining to the Contract or project to which it relates must not be made without prior written State approval, and then only in accordance with the explicit written instructions of the State.
49. **Website Incorporation.** The State is not bound by any content on Contractor's website unless expressly incorporated directly into this Contract.
50. **Order of Precedence.** In the event of a conflict between the terms and conditions of the Contract, the exhibits, a purchase order, or an amendment, the order of precedence is: (a) the purchase order; (b) the amendment; (c) Exhibit A; (d) any other exhibits; and (e) the Contract.
51. **Severability.** If any part of this Contract is held invalid or unenforceable, by any court of competent jurisdiction, that part will be deemed deleted from this Contract and the severed part will be replaced by agreed upon language that achieves the same or similar objectives. The remaining Contract will continue in full force and effect.
52. **Waiver.** Failure to enforce any provision of this Contract will not constitute a waiver.
53. **Survival.** The provisions of this Contract that impose continuing obligations, including warranties and representations, termination, transition, insurance coverage, indemnification, and confidentiality, will survive the expiration or termination of this Contract.
54. **Entire Contract and Modification.** This Contract is the entire agreement and replaces all previous agreements between the parties for the Contract Activities. This Contract may not be amended except by signed agreement between the parties (a "**Contract Change Notice**").



STATE OF MICHIGAN
Contract No. 071B6600060
Financial Examination/Analysis Services – Pre-Qualification

EXHIBIT A
STATEMENT OF WORK
CONTRACT ACTIVITIES

Project Request

This is a Contract for financial examination and analysis services (esp. of insurance companies) for the Department of Insurance and Financial Services (DIFS) to meet the responsibilities listed in Section 1.0 Requirements, other State Departments and MiDEAL Members (authorized local units of government).

The Contractor will be required to submit a proposal per project that DIFS issues through a second tier Request for Proposal (RFP) by email. The scope of work will cover financial examinations or analysis for companies doing business in the State of Michigan, potentially including companies that are located outside the State of Michigan. Financial examinations and analysis could include completing the entire examination or just completing certain tests on information or data maintained in another state. Additionally, insurance companies that are currently located in Michigan may possibly move their books and records out of state and may need examinations (the determination of whether to assign these examinations will be made on a case by case basis).

Background

DIFS regulates a wide range of entities including, but not limited to, the following:

- Full and single line Health Maintenance Organizations (HMOs).
- Blue Cross and Blue Shield of Michigan.
- Multiple Employer Welfare Arrangements (MEWAs).
- Property, Casualty, Life and Health Insurance Companies.
- United States Branches of Canadian Insurers.
- Limited Liability Pools.
- Reciprocal Exchanges.
- Municipal Pools.
- Legislatively Created Entities.

Specifically, DIFS is responsible for regulating the financial solvency and compliance with Michigan insurance laws, regulations, bulletins and NAIC requirements.

A. DIFS Program Objective:

A primary program objective for DIFS is to ensure that insurance companies doing business in the State of Michigan remain solvent and able to fulfill their contractual obligations to policyholders.

DIFS's regulatory responsibilities include ensuring company solvency and policyholder protection and maintaining National Association of Insurance Commissioners (NAIC) accreditation standards. To accomplish this, DIFS must review insurance companies' financial statements in a timely manner and examine each company at least every three (3) years and more frequently for problematic companies and is mandated by Michigan law to examine companies at least once every five (5) years and every three (3) years upon a company's request. Other states require examination reports every three (3) years, and some domestic companies in Michigan write business in these states and therefore need an examination every three (3) years. DIFS must remain in a position to accommodate domestic multi-state licensees with at least a triennial examination. In addition to regularly performing the analysis on the financial statements, DIFS must be able to review and analyze new applications, re-qualification applications, and other requests such as requests for additional authority in a timely manner to not hinder competition in the insurance marketplace.



In addition, to maintain NAIC accreditation DIFS must meet required periods for monitoring and analyzing financial statements and to ensure compliance with Michigan regulations.

B. Level / Volume of Service:

DIFS is responsible for monitoring and analyzing the financial statements of approximately 1,400 Michigan based insurance companies, including approximately 170 domestic insurance companies or insurance related entities. Currently, approximately 20 of these insurance companies do business in the State of Michigan but maintain books and records outside Michigan. During the past five (5) years, DIFS has requested 24 out of state examinations to be completed. The exact number of examinations will vary each year.

1.0 Requirements

1.1 In Scope

Contractor must perform insurance company examinations and analysis as required by individual DIFS second tier RFPs to determine solvency, compliance with Michigan insurance laws, regulations, bulletins and National Association of Insurance Commissioners (NAIC) requirements. Contractor must travel to company sites as necessary to complete examinations and analysis.

1.2 Work and Deliverable

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

A. Second Tier Project Assignment:

DIFS will prepare a written RFP that details the company involved and the work to be performed by the Contractor.

Some project assignments will include several members within an insurance holding company that must be examined at the same time. Each second tier RFP will be submitted to all pre-qualified Contractors by email. Each second tier RFP from DIFS will include the following information:

1. Cover Sheet:

- a. Contractor work statement due date.
- b. Name of company or companies to be analyzed/examined.
- c. Period of company operation time to be reviewed by this analysis/examination.
- d. Expected end work product, i.e., agreed-upon procedures.
- e. Criteria for determining acceptance of deliverables and final acceptance criteria.

2. Excerpts from Company's Annual Statement or Quarterly Statement if Annual Statement is not available:

- a. Appointments can be made to review the entire annual statement or quarterly statements or other documents that are available to the public by contacting DIFS.

B. Second Tier Contractor Proposal:

The Contractor will have approximately three (3) weeks from the date the second tier RFP is received to submit a proposal in response to an RFP. The Contractor must respond to the second tier RFP with a quotation and a project plan. (In detailing costs, the Contractor must not exceed the hourly rates included in Exhibit C.)

1. Responses to second tier RFPs must include the following:

- a. Assignment Scope: Statement of the project assignment.
- b. Dates by which analysis/examination of the company will begin and be completed.



- c. Description of the services, including:
- 1) Contractor's approach to completing the financial analysis or completing a statutory examination of the company identified in the second tier RFP (to include a history of the company, particular industry considerations, any significant issues raised by DIFS, etc.).
 - 2) Technical project plan.
 - 3) End product of the assignment (e.g. all examination work-papers, including a finalized examination report, following NAIC guidelines, etc.).
 - 4) Individual staff assigned to project.
- d. Assigned staff information:
- 1) Name and title.
 - 2) Background and credentials.
 - 3) Total amount of experience relevant to completing financial examinations.
 - 4) Specific experience relevant to the type of company being examined.
(Not necessary to include individual resumes, if included in Contractor's proposal under which this Agreement was awarded.).

NOTE: It is imperative that Contractor staff who perform these examinations not be affiliated or associated (either financially or contractually) with an entity being examined and that there be no financial or contractual relationship, either written or oral, with an entity being examined and this Contractor, during the life of this Agreement. Failure by the firm to comply with this provision will result in the cancellation of this Contract.

- e. Detail of costs:
- 1) Staff assigned to project.
 - 2) Estimated hours assigned for each of the project-staff members.
 - 3) The hourly rate per staff person. The hourly rate must also include travel costs.*
 - 4) Total projected cost for examination.

*Hourly rates must be inclusive of travel costs that may be incurred by the Contractor during the normal course of an individual project. Should the Contractor be required to defend their findings at a hearing, DIFS 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 DIFS in response to a second tier RFP. Travel costs incurred to attend hearings must be approved by DIFS prior to incurring and only be incurred to defend the Contractor's findings, pursuant to the State of Michigan Travel policy, as listed on the travel Web site. Travel costs cannot exceed those established by the Department of Civil Service for employee reimbursement; see: http://www.michigan.gov/dmb/0,1607,7-150-9141_13132---,00.html

2. FINANCIAL EXAMINATIONS – Proposal responses to a second tier RFP for Financial Examinations must include the following:
- a. The Contractor must develop a specific examination plan for the Company using the NAIC Examiners Handbook process, which must be jointly approved by the Contractor's partner and manager, Examiner-in-Charge, and its Chief Examiner. The Contractor's examination plan must include:
- 1) A description of the standard examination tests which the Contractor will use to determine the solvency of the company.
 - 2) A description of tests which the Contractor will use to determine compliance with Michigan laws, regulations and bulletins and an elapsed time and worker-hours budget.
 - 3) The specific examination dates, from start date to completion date, without any delays or gaps.



- 5) All the individual staff assigned to the examination, the areas each individual will be assigned to the examination, and the estimated number of hours each individual will participate in the examination. (Note that this description **must** reflect that the examination's senior level auditor is scheduled on-site continuously throughout the entire examination and that the senior auditor must have previous experience in auditing insurance companies).

C. Service Requirements

1. Financial Examinations

If awarded the financial examination (project) assignment, Contractor must carry out this project under the direction and control of DIFS, and must:

- a. Perform specific examination tests identified in the initial examination plan and other examination tests as deemed necessary throughout the course of the examination to determine solvency and compliance with Michigan insurance laws, regulations and bulletins. The Contractor must review the tests performed and the results found with a DIFS examiner on request.
- b. Meet the NAIC accreditation standards and other standards of the NAIC for using outside firms to perform examinations. [NAIC requires the use of a CPA on an examination, where the insurer is licensed in more than one (1) state, and other additional requirements will vary by examination and according to each state's circumstances. While there exists many different levels of service that a CPA may provide an insurance department, the use of a CPA in an examination is typically accomplished through an "agreed-upon procedures engagement."] Therefore, in order to comply with NAIC standards many of the examinations conducted under this Contract will be completed using agreed-upon procedures. DIFS will make the final determination whether agreed-upon procedures are necessary and acceptable.
- c. Work in conjunction with DIFS consulting actuary firms. The Contractor will be responsible for testing the underlying data used by the consulting actuary for accuracy and completeness.
- d. Use, if available, the company's independent certified public accountant (CPA) work-papers to the greatest extent possible without compromising the Contractor's responsibility to perform the necessary tests as defined in the work statement and approved examination plan.
- e. Document all work performed and examination findings in examination work-papers, ensuring all work-papers generated during the examination meet its firm's work-paper quality standards, the NAIC Examiners Handbook standards, and DIFS work-paper standards (all work-papers will be reviewed and must be approved by the Examiner-in-Charge (EIC) and Chief Examiner). These work-papers shall become the property of DIFS after the examination.
- f. Be responsible for bringing own supplies and equipment. The only items DIFS will request of the company being examined are access to a telephone, facsimile, and a photocopier (as the telephone may or may not have a dedicated line for use with computers).
- g. **Not** contact the company prior to the on-site examination without written authorization from DIFS, even though it is DIFS's practice to give companies at least 30 days' notice prior to beginning an on-site examination.
- h. Assign staffs who are certified public accountants familiar with Michigan insurance laws, regulations, bulletins and NAIC requirements supervising the examination. When performing an examination of Canadian insurers, the Contractor may assign chartered accountants as staff from its Canadian office(s).



- i. Identify any items of noncompliance with State statutes and regulations, whether financial or non-financial, which become apparent during the examination. Also, the Contractor must identify any findings, again whether financial or non-financial, where the company could improve its operations, controls or reporting. DIFS will make the final determination about which items should then be discussed with the company and then whether that item should be included in the final report or management letter.
- j. Work with, and under the direction of the EIC, to prepare a draft copy of the examination report and management letter on the company. The management letter must include all findings that are not material to the company's financial solvency or code violations, but are areas where the company could improve its operations, controls or reporting.
- k. Submit examination findings and work-papers to DIFS within 10 calendar days following the completion of the on-site examination of the company unless otherwise agreed to by DIFS. If the Contractor prepares a draft report and management letter, then the report and management letter must conform to reporting guidelines, as published by the NAIC, and DIFS policies and procedures.
- l. Make changes to the report as agreed to, following discussions with DIFS.
- m. Hold a meeting with DIFS and the company being examined to discuss any findings or comments arising from the examination. After the meeting, adjust the draft report and management letter based on the meeting and subsequent information received by DIFS and submit the final draft report and management letter to DIFS within 10 calendar days of approval of the draft by the EIC.
- n. Attend final exit conference meetings at the DIFS office, if regulated entities accept DIFS's offer for one (1) final exit conference. The cost of travel and hourly rate must be included in the overall cost proposed by the Contractor.
- o. Remain available to answer any inquiries or clarify test-work and findings found during the examination until the next examination of the Company is completed. This is normally a three (3)-year period. Also, the Contractor must assist DIFS during any administrative or court proceedings involving the examination reports, the examinations or any matter related to the Contractor's work under this Contract.
- p. Upon notice by DIFS, appear or be available to appear for testimony in any administrative or court proceedings involving the examination reports, the examinations or any matter related to the Contractor's work under this Contract. DIFS will pay for this type of service outside the cost proposed under the Contract. However, DIFS will only pay the individual hourly rates agreed to within this Contract. These services will only be provided at the request of the Program Manager and a total agreed price will be determined before any services are rendered. No additional costs will be provided above the amount agreed to by the Program Manager.
- q. Remain available to participate in Chapter 81 processes. During the course of an examination, it may become necessary for DIFS to take a Chapter 81 action, such as seizure of the assets or rehabilitation. If these services are above the normal course of the examination, a separate arrangement will be negotiated with the Contractor. DIFS will make the final determination whether the services are above the normal course of the examination. Once a Chapter 81 action is taken, the Director of the Receivership Division, DIFS, may take responsibility for the examination.
- r. Remain available to participate in review by the NAIC if necessary. DIFS will go through at least one (1) on-site review by the NAIC accreditation team during this Contract period. The Contractor's anticipated participation would include answering questions about its work-papers and the oversight by DIFS during the examination. DIFS will pay for this type of service outside the cost proposed under the Contract. The rate charged by the Contractor for these services must be the hourly rates agreed to in the Contract. These services will only be provided at the request of the Program



Manager and a total agreed price will be determined before any services are rendered. No additional costs will be provided above the amount agreed to by the Program Manager.

- s. Remain available to answer any questions or provide any additional documentation requested by the auditor general's office if DIFS is audited during this Contract period by the auditor general's office. DIFS is also audited by the State of Michigan Legislature's Office of the Auditor General. The Auditor General may review the Contractor's work-papers. DIFS will pay for this type service outside the cost proposed under the Contract. The rate charged by the Contractor for these services must be the hourly rates agreed to in the Contract. These services will only be provided at the request of the Program Manager and a total agreed price will be determined before any services are rendered.

NOTE: No additional costs will be provided above the amount agreed to by the Program Manager.

From time to time, zone examiners may participate on these examinations. DIFS may receive little or no advance notice of their participation. These examiners will be assigned specific line items by DIFS to complete and may also want to participate in the planning process. In addition, these examiners will also sign the report so that they will also have the right to review any work-papers produced from the exam; if they (individually or from their zone) report any specific concerns, DIFS may be involved in investigating them.

- t. Within ten (10) working days from the beginning of the examination, unless otherwise agreed upon, the Contractor will submit a project plan to the EIC and Chief Examiner for final approval. This final project plan or agreed upon procedures will be finalized after the examination planning has been completed jointly by the Contractor and DIFS. This final implementation plan must be in agreement with the Contractor's accepted and approved quotation and must include the following:
 - i. The Contractor's project organizational structure.
 - ii. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.
 - iii. The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.
 - iv. The time-phased plan in the form of a graphic display, showing each event, task, and decision point in the Contractor's project plan.

2. Financial Analysis

If awarded the financial analysis (project) assignment, the Contractor must carry out this project under the direction and control of DIFS, and must:

- a. Execute a cursory review on all assigned companies' financial statements in accordance with NAIC Guidelines and DIFS policies and procedures within 10 working days of the assignment. Prepare a listing of all companies assigned and make recommendations commensurate with findings. This listing and recommendation will be submitted and reviewed by DIFS.
- b. Execute an in-depth review and worksheet of the all assigned companies' financial statements in accordance with DIFS policies and procedures.
- c. Complete each separate worksheet within three (3) days from the start date of the review, unless as otherwise agreed to by DIFS. This worksheet will be reviewed and approved by DIFS.

DIFS may also have comments or concerns that will require additional review, follow up, and documentation by the Contractor.



- d. Complete any other tasks required to execute a financial analysis within NAIC Guidelines for the assigned project, as determined by DIFS.
- e. Submit concise written biweekly progress reports to DIFS indicating the work and reviews completed during the two (2) weeks, work in progress, problems real or anticipated, estimated date of completion for all.
- f. Meet the NAIC accreditation standards and other standards of the NAIC for using outside firms to perform examinations. [NAIC requires the use of a CPA on an examination, where the insurer is licensed in more than one state, and other additional requirements will vary by examination and according to each state’s circumstances. While there exists many different levels of service that a CPA may provide an insurance department, the use of a CPA in an examination is typically accomplished through an “agreed-upon procedures engagement.”] Therefore, in order to comply with NAIC standards many of the examinations conducted under this Contract will be completed using agreed-upon procedures. DIFS will make the final determination whether agreed-upon procedures are necessary and acceptable.
- g. Meet at least monthly with DIFS, or whenever requested by DIFS, with the Contractor’s Project Manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.

D. Second Tier RFP Evaluation

1. Each second tier RFP response will be evaluated utilizing the following criteria:

- Description of Examination Services:
 - Examination Plan (per NAIC guidelines)
 - Service Description (per NAIC guidelines)
- Resource Allocation:
 - Appropriate supervisory-staff time allocated (per NAIC guidelines)
 - Computer specialist allocated to evaluate IT (per NAIC guidelines)
 - Examination’s senior level auditor is scheduled on-site continuously throughout the entire examination
 - Senior auditor has previous experience in auditing insurance companies
 - Total project staff hours for completion of examination
- Time:
 - Complete within 180 days or less from date assigned
 - Estimated Date of Completion
- Total Price

2. Acceptance

2.1 Acceptance, Inspection and Testing

The State will use the following criteria to determine acceptance of the Contract Activities:

Once DIFS staff has determined that the Contractor’s master work-papers (supporting papers and final report) have been completed within NAIC guidelines and the Contractor has provided all deliverables required of the individual second tier RFPs, DIFS will authorize final payment.

3. Staffing

3.1 Contractor Representative

The Contractor must appoint one individual, specifically assigned to State of Michigan accounts, that will respond to State inquiries regarding the Contract Activities, answering questions related to ordering and delivery, etc. (the “Contractor Representative”).

Contractor’s Representative:



Alan E. Shaw, ASA, MAAA
President
419 S. 2nd Street
New Market, Suite 206
Philadelphia, PA 19147
Tel: (215) 625-9877
AShaw@insris.com

The Contractor must notify the Contract Administrator at least 10 calendar days before removing or assigning a new Contractor Representative.

3.2 Work Hours

The Contractor must provide Contract Activities during the State's normal working hours Monday – Friday 7:00 a.m. to 6:00 p.m. EST, and possible night and weekend hours depending on the requirements of the project.

3.3 Key Personnel

The Contractor must appoint one individual who will be directly responsible for the day-to-day operations of the Contract (“Key Personnel”). Key Personnel must be specifically assigned to the State account, be knowledgeable on the contractual requirements, and respond to State inquiries within 24 hours.

Contractor's Key Personnel must be on-site or available at during the following times: Monday – Friday 7:00 a.m. to 6:00 p.m. EST.

The State has the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, introduce the individual to the State's Project Manager, and provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection. The State may require a 30-calendar day training period for replacement personnel.

Contractor will not remove any Key Personnel from their assigned roles on this Contract without the prior written consent of the State. The Contractor's removal of Key Personnel without the prior written consent of the State is an unauthorized removal (“**Unauthorized Removal**”). An Unauthorized Removal does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation, or for cause termination of the Key Personnel's employment. Any Unauthorized Removal may be considered by the State to be a material breach of this Contract, in respect of which the State may elect to terminate this Contract for cause under Termination for Cause in the Standard Terms.

It is further acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of this Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under Termination for Cause, Contractor will issue to the State the corresponding credits set forth below (each, an “Unauthorized Removal Credit”):

(i) For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the credit amount will be \$25,000.00 per individual if Contractor identifies a replacement approved by the State and assigns the replacement to shadow the Key Personnel who is leaving for a period of at least 30 calendar days before the Key Personnel's removal.



(ii) If Contractor fails to assign a replacement to shadow the removed Key Personnel for at least 30 calendar days, in addition to the \$25,000.00 credit specified above, Contractor will credit the State \$833.33 per calendar day for each day of the 30 calendar-day shadow period that the replacement Key Personnel does not shadow the removed Key Personnel, up to \$25,000.00 maximum per individual. The total Unauthorized Removal Credits that may be assessed per Unauthorized Removal and failure to provide 30 calendar days of shadowing will not exceed \$50,000.00 per individual.

Contractor acknowledges and agrees that each of the Unauthorized Removal Credits assessed above: (i) is a reasonable estimate of and compensation for the anticipated or actual harm to the State that may arise from the Unauthorized Removal, which would be impossible or very difficult to accurately estimate; and (ii) may, at the State's option, be credited or set off against any fees or other charges payable to Contractor under this Contract.

Contractor Key Personnel follows:

Alan E. Shaw, ASA, MAAA

215-625-9877

Ashaw@insris.com

Mr. Shaw is the President of The INS Companies and has been serving insurance regulators exclusively for more than 28 years. Mr. Shaw's responsibilities include the direction, management, and oversight of all projects undertaken by INS Regulatory Insurance Services, Inc. (InsRis). Prior to founding The INS Companies, Mr. Shaw was the Chief Actuary of the Bureau of Examinations of the Pennsylvania Insurance Department. Mr. Shaw was also instrumental in the development and reorganization of the Delaware Insurance Department. Mr. Shaw will have ultimate responsibility for the services provided under this contract.

Lawrence Lentini, CPA, CITP, CRISC, CGMA

215-625-9877

Larry.Lentini@insservices.org

Mr. Lentini is the President of INS Services, Inc., and has been serving insurance regulators exclusively for more than 17 years. Mr. Lentini responsibilities include the direction, management and oversight of all IT projects undertaken by INS services. Prior to founding INS, Mr. Lentini was a partner of Pannell Kerr Forster, an international Public Accounting and Consulting firm for 15 years. Mr. Lentini will have ultimate responsibility for all information technology services provided under this contract.

Michael B. Kogut, CPA, MBA

215-625-9877

Mkogut@insris.com

Mr. Kogut is the Chief Operating Officer of InsRis, where he has been serving the regulatory community exclusively for twelve years. Primary responsibilities include operational & administrative oversight, marketing, relationship management, contract compliance, issue resolution and project coordination. Prior to joining InsRis, Mr. Kogut was Business Development Manager for the consulting firm of Jefferson Wells International where he specialized in the areas of internal audit, accounting, finance, technology, and tax. Mr. Kogut conducted insurance company audits while at the international certified public accounting firm of Pannell Kerr Forster. He was also Assistant Vice President at First Credit Card Services, LLC; and Global Operations Manager at ARCO Chemical Company. Mr. Kogut will function as primary liaison for DIFS and will address all administrative and customer service related items.

Barry Armstrong, CFE, CPA

215-625-9877

Barmstrong@insris.com

Mr. Armstrong is the Director of Financial Regulation for InsRis. Mr. Armstrong has been with InsRis since 1994 and is responsible for all aspects of the firm's financial examination oversight and management, including monitoring all current projects to ensure that quality control standards are being maintained, engagements are within budget and completed on time, and that all insurance department needs and expectations are being met or exceeded. As a supervising insurance examiner and examiner-in-charge, Mr.



Armstrong has managed some of the largest multi-state coordinated examinations in the United States, including the CNA Group, which in 2004 included the concurrent examinations of thirty-one (31) companies and the combined efforts of eleven (11) states, and the AIG/Chartis Commercial Pool examination in 2006 and 2011, which was conducted in coordination with six (6) states and which received intense interest from many other regulatory bodies due to the high-profile nature of these examinations in the wake of AIG's highly publicized troubles in 2004-2005 and again in 2008-2011. Mr. Armstrong will be responsible for staffing examinations, supervising field managers and ensuring all examinations meet NAIC accreditation standards.

Annette Knief, CFE, CPA, FLMI, ARA, AIRC

215-625-9877

Aknief@insris.com

Annette Knief currently serves as a Director of Special Projects for InsRis. She is based in Kansas City and is involved in various special projects for the firm. Annette has over 20 years of financial services advisory experience with over 18 of those years dedicated to insurance. Prior to joining InsRis, Annette was a Partner at Risk and Regulatory Consulting, Inc. (a former business segment of RSM McGladrey). Annette was also employed from 1999 to 2005 at the National Association of Insurance Commissioners (NAIC). Prior to joining the NAIC, Annette worked for Deloitte as an auditor in the Kansas City and Chicago offices. Annette is a graduate of the University of Illinois at Urbana-Champaign with a B.S. in Accountancy and is a CPA. Additionally, Annette earned a MBA from Northern Illinois University. Annette is currently a member of the AICPA and SOFE. She holds the following industry designations: Fellow, Life Management Institute (FLMI), Associate, Reinsurance Administration (ARA), Associate, Insurance Regulatory Compliance (AIRC), and Certified Financial Examiner (CFE). Annette's role will be to assist in the research and resolution of technical accounting/reporting issues.

Donald Carbone, CFE, CIE, ARe, AIAF, ARC, MCM

215-625-9877

Dcarbone@insris.com

Mr. Carbone is a field manager for The INS Companies. Mr. Carbone is a former Principal Insurance Examiner with the New York State Insurance Department. During his tenure with the Department, he supervised statutory financial examinations of insurance companies and HMO's. While at the Department he also participated in the development of examination standards and procedures. In addition, he conducted many examinations and special projects. Mr. Carbone has a wealth of understanding of the insurance industry, especially in the area of reinsurance. Don represented the New York State Insurance Department at the NAIC on various committees, task forces and working groups. Of note was his contribution to the work performed by the NAIC's Financial Analysis Working Group, where he served as a member for twelve (12) years. Mr. Carbone has provided risk surveillance training to SOFE, IRES, state Chapters of SOFE, and to numerous state insurance departments. Don's role will be supervision, work paper review and quality control of field examination staff.

Patricia Casey Davis, CFE, CPA, CMA, CIA, CRMA, CICA

215-625-9877

Pcasey@insris.com

Ms. Casey Davis is a field manager for The INS Companies. She has earned both a Bachelor's and a Master's degree in accounting from the University of Florida. Patricia has been involved in insurance regulation for more than twenty (20) years and has been with The INS Companies since 1998. During that time, she has functioned as a staff examiner, examiner-in-charge, supervising insurance examiner, and field manager. Ms. Davis has completed projects for numerous jurisdictions which include the risk focused surveillance examinations of life/health, property/casualty, HMOs, and title insurance companies. Pat's role will be supervision, work paper review and quality control of field examination staff.

Donald Sirois, CPA, CFE

215-625-9877

Dsirois@insris.com



Mr. Sirois is currently a subject matter expert and examination manager with InsRis, and is a member of the NAIC Accreditation Review Team. He has more than thirty (30) years of insurance industry experience, including fifteen (15) years as a regulator with the state of Maine. As Director of Financial Affairs and Solvency for the Maine Bureau of Insurance (MBOI), he oversaw essentially every aspect of insurance solvency regulation including financial examination, financial analysis and supervision of troubled companies. He represented the MBOI at the NAIC on numerous committees such as the Codification of Statutory Accounting Working Group and Financial Analysis Working Group. He also was responsible for attaining and maintaining the financial portion of the NAIC accreditation for the MBOI. His non-regulatory experience includes overseeing financial reporting, reinsurance, loss reserving, investment activity and regulator relationships as Chief Financial Officer, Vice President and Treasurer with Patriot Insurance Company. He also served as Vice President of Internal Audit and Chief Compliance Officer with Anthem Blue Cross Blue Shield of Maine where his responsibilities included improving risk management and internal controls. Don is a member of SOFE, past state chairman for the Maine Chapter of SOFE, a member of the Maine Society of Certified Public Accountants and the American Institute of Certified Public Accountants. Don's role will be supervision, work paper review and quality control of field examination staff, as well as subject matter expert to ensure all examinations meet accreditation standards.

Joseph Fritsch, CFE, AIAF, Are

215-625-9877

Jfritsch@insris.com

Mr. Fritsch is currently Director of Emerging Markets for InsRis. Joe's responsibilities include ORSA, International Accounting and Solvency Standards and Statutory Accounting. Joe brings a wealth of knowledge to INS based on over 30 years of regulatory experience and leadership as Deputy Superintendent at NY DFS, the NAIC, and internationally at the International Association of Insurance Supervisors. His significant accomplishments and experience include serving as the Chair of the NAIC Statutory Accounting Principles Working Group (2004 to 2012) which included adopting SSAP 86 and corresponding issue paper; serving as the Chair of the NAIC Property and Casualty Reinsurance Working Group that adopted additional disclosures, CEO attestation, and accounting guidance for finite reinsurance; and leading the effort at the New York Department and NAIC Reinsurance Task Force, he worked with the former New Jersey Superintendent to adopt the NAIC credit for reinsurance to meet international standards by reducing collateral to well capitalized reinsurers based on their financial strength. As Deputy Superintendent, he advised the NY Superintendent and First Deputy on accounting and solvency policy on all lines of business including Life and Health. He was also responsible at NY DFS for coordination with regulators in other states, the National Association of Insurance Commissioners, and officials from other countries on the Department's solvency and accounting policies and global issues. Joe's role will be subject matter expert on technical accounting issues.

Jerry Link, MCSC+Security, CCA

215-625-9877

Jerry.Link@insservices.org

The INS Company Director of Information Technology, Jerry Link, is a former Senior Citrix Engineer and TeamMate IT administrator for the Commonwealth of Pennsylvania, and his innovative designs have been implemented in several states for greater IT efficiencies. He is a member of several Commonwealth of Pennsylvania and national IT committees including the NAIC IT Audit Working Group where he led the group's efforts in providing guidance in standardizing the use and implementation of audit software and is regarded as the industry's TeamMate Champion. He is also a member of CCH's Beta Test team where he works directly with the TeamMate research and development department to test, recommend, and guide the applications use in the insurance regulatory industry. Over the years, Jerry has also helped the NAIC troubleshoot and resolve TeamMate and Citrix issues to ensure a higher efficiency return on coordinated examinations between states. Jerry's role will be oversight of technology infrastructure and TeamMate trouble shooting.

Paul Berkebile, CISA, CSFA, CRISC

215-625-9877

Paul.Berkebile@insservices.org



Mr. Berkebile currently functions as a Senior IT Examination Manager for the INS Companies where his primary responsibilities include managing Exhibit C reviews. Prior to joining the INS Companies, in 1998 Mr. Berkebile worked for CoreStates Financial Corp where he functioned as an Auditor for 20 years and Compliance Manager for 5 years. His significant examination accomplishments and experience include serving as one of the Information Technology (Exhibit C) Examination Managers, responsible for coordinating our firm's information technology reviews for states of Delaware, Illinois, Pennsylvania, Puerto Rico, South Dakota and Utah. He also has responsibility for coordinating/providing oversight for the Illinois Department of Insurance information technology examination staff. He has also been the Exhibit C Manager for a significant number of large/complex organizations and Exhibit C reviews for lead state examinations. Supervisory experience includes overall management and of Exhibit C reviews, including the direction of the staff assigned for the INS Companies. He also provides oversight of the Exhibit C work performed by Illinois Department of Insurance IT Examiner's. Prior to joining INS he was the Audit Director/Chief Auditor for a \$2 Billion bank for eleven years, Vice President and Auditor for the parent Company for an additional nine years and ultimately he directed the corporate compliance function for the holding company of a \$25 Billion bank holding company for three years. Mr. Berkebile will provide quality control review over any large company information technology examinations under this contract.

Claude Granese, CPA

215-625-9877

Claude.Granese@insservices.org

Mr. Granese currently functions as Director of Quality Assurance, and as a Lead Manager for information technology examinations of small companies, captives and RRGs. Prior to joining the INS Companies, Mr. Granese worked for Elko and Associates, CPAs, where he was Director of Assurance and Attest Services. Mr. Granese will provide quality control review over any small company information technology examinations under this contract.

Jorge Arana, CFE

215-625-9877

Jarana@insris.com

Mr. Arana currently functions as a Financial Examiner for the INS Companies where his primary responsibilities include all aspects of planning and conducting financial examinations on behalf of various state insurance departments for financial condition examinations of insurance companies. Prior to joining the INS Companies, Mr. Arana worked as an insurance company financial examiner, on a contract basis, for Latta, Langster and Dyer, where he represented the state of Mississippi. Also, Mr. Arana was employed by the state of Illinois Department of Insurance as a staff examiner, Examiner-in-Charge, and Supervising Examiner. As Examiner-in-Charge and Supervising Examiner, Mr. Arana was responsible for planning and conducting examinations, writing of reports, supervising the on-site examination staff and the training of new employees.

Lewis Bivona, AFE, CPA

215-625-9877

Lbivona@insris.com

Mr. Bivona has over 29 years of experience in the healthcare industry, 26 of which are in managed care. The depth of his experience has been garnered from high-level positions within the HMO, consulting and hospital industries as well as a period in HMO regulation. Lew was a member and manager of the team servicing the NJDOBI on the Examinations of AmeriChoice of New Jersey, Inc., Aetna Health Inc. of New Jersey, American Preferred Provider Plan, Health Net of New Jersey, Cigna Healthcare of New Jersey, United Healthcare of New Jersey, Horizon Health Plan, CURE of NJ, Horizon Healthcare Services, Horizon Health Plan and Oxford Health Plan. He managed the limited scope examination of Palisades Insurance Company for the Department. Lew is also responsible for coordinating both on and off examination training of service team members in NAIC/NJDOBI accepted examination techniques and practices. He also leads audits of ERISA based health plans for employers concerned with both costs and their fiduciary responsibilities.

Peter Bliss, CFE

215-625-9877

Pbliss@insris.com

Mr. Peter Bliss currently provides various examination functions for the INS Companies where his primary responsibilities include complex and large coordinated examinations. He has significant experience in providing a broad range of regulatory functions for seventeen states and the Commonwealth of Puerto Rico. Prior to joining the INS Companies, Mr. Bliss previously worked for the Union Mutual Fire Insurance Company where he functioned as Financial Officer and performed the management of all accounting functions and systems.

Alvin Burrell, CFE, AIE, MCM

215-625-9877

Aburrell@insris.com

Mr. Burrell currently functions as a senior financial examiner for the INS Companies where his primary responsibility is performing field work procedures for risk-focused, financial examinations. His insurance examination experience includes over 23 years in which he has worked for the states of Georgia, Alabama, Florida, Tennessee, South Carolina, Mississippi, Indiana, Nebraska, New Mexico, New York, Pennsylvania, Maryland, West Virginia and Delaware. He has worked on examinations of Life, Health, HMO and P&C Companies. Additionally, he has over a year experience in the examinations of Risk Retention Groups. Prior to joining the INS Companies, Mr. Burrell worked for Huff, Thomas & Co. where he functioned as a senior examiner and Examiner-in-Charge, performing both Financial and Market Conduct Examinations as well as working on industry consultations. The majority of the assignments on which Mr. Burrell has worked were multi-state and coordinated. He has worked equally well in both the lead and participating state capacities.

David Carter, CFE, CIE, FLMI

215-625-9877

Dcarter@insris.com

Mr. Carter has worked in insurance regulation for over forty years, serving as both a direct employee of the Commonwealth of Massachusetts and Vermont Insurance Departments, as well as a contractor for the Delaware Insurance Department and independent contractor for INS. Since joining INS in 1990, David has functioned in both technical and supervisory capacities, filing roles of Supervisory Examiner, Examiner-in-Charge, subject matter expert (risk focused examinations), and key activity team leader on multi-state examinations. Industries include life, health and property and casualty. David is fully competent in NAIC accreditation standards and risk focused examination requirements, and has performed contract work for nine (9) different states. While David's primary experience is risk focused financial examinations, he also holds the professional market conduct designations of Certified Insurance Examiner and Market Conduct Management.

Donna Ciszewski, CFE, FLMI

215-625-9877

Dciszewski@insris.com

Ms. Ciszewski currently functions as financial examiner for the INS Companies where her primary responsibilities include assistance with phase one procedures, and in particular, all phases of the life and health reserves key functional activities. Her significant examination accomplishments and experience include participation in large company and multi-state examinations for the state of Illinois such as the CNA Group and Allstate. Prior to joining the INS Companies, Ms. Ciszewski worked for the Illinois Department of Insurance for nearly 34 years, where she functioned primarily as a life actuarial examiner, participating in financial examinations of Illinois life and health domestic companies.

John Clark, CFE, CPA, CPCU

215-625-9877

Jclark@insris.com

Mr. Clark currently functions as an Examiner-in-Charge for the INS Companies where his primary responsibilities include planning and managing financial examinations and examining key activities in conjunction with an overall financial examination. Prior to joining the INS Companies, John worked in the



industry in various senior positions, usually in the position of President and CEO, of a number of regional and national insurance companies, and as a regulator in senior positions at the Illinois Department of Insurance and the National Association of Insurance Commissioners.

His significant examination accomplishments and experience include:

- Coordinating and executing targeted examinations
- Coordinated examination experience
- Multi state examination experience
- Large Company/Complex transaction experience
- Special project experience

Natalie Davis, AFE

215-625-9877

Ndavis@insris.com

Ms. Davis currently functions as Examiner-In-Charge (EIC) for the INS Companies where her primary responsibilities include conducting risk-focused financial examinations of insurance companies and agreed upon procedures for financial examinations of Non-Risk Retention Group (Non-RRG's) captive insurers. Her significant examination accomplishments and experience include EIC and Staff Examiner experience for the states of California, Delaware, Illinois, Maryland, Massachusetts, Nevada and the U.S. territory of Puerto Rico. Prior to joining the INS Companies, Ms. Davis worked for RSM McGladrey, formerly, now Regulatory Risk and Consulting where she functioned as a Senior Associate and performed an operational review and financial risk-focused examinations of insurance companies.

Rick Doran, CFE, CIE

215-625-9877

Rdoran@insris.com

Mr. Doran currently functions as an Examiner in Charge for the INS Companies where his primary responsibilities include representing client insurance departments on financial examinations of regulated insurance companies. Recent significant examination accomplishments and experience include, Lead State representation on NAIC Coordinated Examinations for the states of Colorado, Illinois and Commonwealth of Pennsylvania. Prior to joining the INS Companies, Mr. Doran worked for the Commonwealth of Massachusetts Division of Insurance where he functioned as a Financial Analyst having responsibility for the initiation and supervision of special or target examinations including regulatory actions involving restrictions, terminations, amendments, approvals or denials for authority of licensee.

Tom Dudek, CPA, CFE (Fraud)

215-625-9877

Tdudek@insris.com

Mr. Dudek currently functions as Staff Examiner for The INS Companies where his primary responsibilities include performing financial examination of property/casualty insurance companies. Mr. Dudek has significant knowledge and experience in the key functional activity areas of holding company, investments, claim review and reserve analysis, fraud investigations and anti-money laundering requirements. Prior to joining the INS Companies, Mr. Dudek was the Anti-Money Laundering Compliance Officer at TIAA-CREF and a Senior Internal Auditor prior to that. Mr. Dudek was a Principal Insurance Examiner with the New York Insurance Department (now Department of Financial Services). He supervised financial and compliance examinations of property/casualty companies as well as health insurance companies throughout the US. Mr. Dudek has more than 27 years of insurance experience.

Joe Evans, CFE

215-625-9877

Jevans@insris.com

Mr. Evans currently functions as an Examiner-In-Charge and Senior Examiner for the INS Companies where his primary responsibilities include managing and performing financial examinations in accordance with the NAIC Financial Condition Examiners Handbook. He is an expert in TeamMate and has supervised and trained staff throughout his career. Specific to risk focused surveillance, Mr. Evans has experience in conducting C-



Level and “process flow” interviews, risk and control identification and evaluation, and has subject matter expertise in the areas of premiums, underwriting, reinsurance, claims, reserves, related parties, capital and surplus and taxes.

Bill Fedak, CFE

215-625-9877

Bfedak@insris.com

Mr. Fedak currently functions as a Manager for the INS Companies where his primary responsibilities include supervision and quality control. Mr. Fedak has 25 years of regulatory experience and has been involved in and has had significant experience in all facets of the examination process in property and casualty, life and health, HMOs, health plans and fraternal insurance companies. His examination accomplishments and experience include leading the examination of several of Pennsylvania's largest property and casualty insurance companies which were multi-state coordinated examinations. Mr. Fedak was also integral to Pennsylvania's accreditation success. Prior to joining the INS Companies, Mr. Fedak worked for the Pennsylvania Insurance Department where, during the last 10 years of his 25 year career, he functioned as an Examination Manager and performed the coordination and supervision over the insurance company examinations assigned the northeast region of Pennsylvania.

Don Gaskill, CFE

215-625-9877

Dgaskill@insris.com

Mr. Gaskill currently functions as Examiner-in-Charge and an Examiner on Risk Focused Surveillance examinations for the INS Companies where his primary responsibilities include 1) planning, preparation and examination of the Company utilizing a full risk focused financial examination approach and 2) providing instruction and guidance to various state insurance department examination staff during Risk Focused Surveillance examinations. His significant examination accomplishments and experience include participating on Risk Focused Surveillance examinations as an examiner to Examiner-In-Charge for the states of Connecticut, Florida, Kansas, Nebraska, New York, North Dakota, Nevada, Puerto Rico, Utah, and West Virginia. Prior to joining the INS Companies, Mr. Gaskill worked for the Kansas Insurance Department where he functioned in various capacities from financial condition examiner to the Director of the Financial Surveillance Division.

Neeraj Gupta, CFE

215-625-9877

Ngupta@insris.com

Mr. Gupta has worked in insurance regulation for thirty (30) years. During that time he has functioned in a wide range of positions from Staff Examiner through Examination Manager and has experience in all key functional activities covered in financial examinations. Companies examined/managed include life, health, HMOs, property and casualty, and title insurance companies. Neeraj is also intimately familiar with NAIC accreditation standards and examination requirements. Neeraj joined the INS Companies in 2011. For approximately three years, he has functioned as an examiner-in-charge conducting examinations and the related work products for a variety of states.

James Hatzis, CFE

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Mr. Hatzis currently functions as a Financial Examiner or Examiner-in-Charge for the INS Companies where his/her primary responsibilities include planning and conducting examinations, preparation of the Examination Planning Memorandum and Draft Examination Report. Prior to joining the INS Companies, Mr. Hatzis worked for the Illinois Department of Insurance as a field staff examiner, Examiner-in-Charge, and Supervising Examiner. As Examiner-in-Charge and Supervising Examiner, Mr. Hatzis was responsible for planning and conducting examinations, writing of reports, supervising the on-site examination staff and the training of new employees.

Bill Holmes, CFE

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Mr. Bill W. Holmes currently functions as an Examiner-in-Charge and Senior Examiner for the INS Companies where his primary responsibilities include planning, directing and assisting in risk focus financial examinations. His significant examination accomplishments and experience include serving as the Examiner-in-Charge on national significant examinations of such companies as State Farm Insurance Companies, CNA Life Insurance Companies, Golden Rule Insurance Company and various Health Maintenance Organization for the states of Illinois and West Virginia. Prior to joining the INS Companies, Mr. Holmes worked for the West Virginia Insurance Commissioner where he functioned as Supervising Examiner responsible for planning examination activities and directing the work of the financial examination staff. In addition to his duties as Supervising Financial Examiner, Mr. Holmes worked with the West Virginia Insurance Commissioner in facilitating the passage of new laws and regulations governing the insurance industry in the State of West Virginia.

Craig Jackson, CFE, CPA

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Mr. Jackson currently functions as an Examiner-in-Charge and Senior Examiner for the INS Companies where his primary responsibilities include oversight, coordination and review functions designed to ensure completion of statutory financial examinations. His significant examination accomplishments and experience include operating as Examiner-in-charge for the states of IL, PA, DE, MD and NC. Prior to joining the INS Companies, Mr. Jackson worked for East Carolina University where he functioned as the General Manager for the University Transit System.

Richard Kramer, CFE, AIE, FLMI

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Mr. Kramer currently functions as an examiner for The INS Companies where his primary responsibilities include financial condition examinations. His significant examination accomplishments and experience include financial and market conduct examinations for various states such as Arizona, Colorado, Delaware, Florida, Georgia, Indiana, Michigan, New Mexico, New York, Oklahoma, Texas and Utah. He has participated in coordinated multi-state examinations with California and New York. Prior to joining the INS Companies, Mr. Kramer worked as an independent contractor where he functioned as Examiner-in-Charge.

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Ms. Letterio currently functions as a Financial Examiner for the INS Companies where her primary responsibilities include Examiner-In-Charge or Senior Insurance Examiner of support staff for statutory financial examinations, including risk-focused examinations, for property and casualty insurance companies, life and health insurance companies, captive insurance companies and risk retention groups. Her significant examination accomplishments and experience include coordinated examination experience, multi-state examination experience, insurance company liquidation experience, large company/complex transaction experience and experience in testimony at hearings that support documented examination findings, for the states of California, Colorado, District of Columbia, Delaware, Florida, Georgia, Indiana, Nevada, New Jersey, New Mexico, New York, and Pennsylvania. Prior to joining the INS Companies, Ms. Letterio worked for Huff Thomas & Company and Florida Office of Insurance Regulation where she functioned as an Examiner-In-Charge and performed statutory financial examinations of insurance companies, including risk-focused examinations.

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Mr. Lupus currently functions as a Senior Financial Examiner for the INS Companies where his primary responsibilities include managing and performing financial examinations in accordance with the National Association of Insurance Commissioners' (NAIC) Financial Condition Examiners Handbook. Prior to joining the INS Companies, Mr. Lupus worked for Invotex Group where he functioned as a Manager and provided accounting, financial and regulatory consulting services. On numerous occasions, Barry managed projects of varying sizes in areas such as reorganization of accounting functions for troubled-entities, training and supervision of staff, forensic accounting, fraud investigations and internal controls consulting.

Charles McMorrow, CFE, CPA, CPCU, CIA

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Mr. McMorrow currently functions as an Examiner In-Charge for the INS Companies where his primary responsibilities include participating in examinations of Property/Casualty, Life, Accident and Health, and Reinsurance Companies. He is a subject matter expert in reinsurance and has significant knowledge and experience in the key functional activity areas of reinsurance and all property/casualty lines of business. Prior to joining the INS Companies, Mr. Mc Morrow worked for Clarendon Insurance Group, General Reinsurance Group, Munich Reinsurance Group, and American Reinsurance Group where he functioned as AVP and Manger of the External Audit Department and performed audits on General Agencies, Third Party administrators, and ceding companies of the various firms.

John V. Normile, CFE

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Mr. Normile currently a financial examiner for the INS Companies where his primary responsibilities include financial examinations of life, health, property and casualty and reinsurance companies in either a staff examiner or examiner-in-charge capacity. Mr. Normile has established a reputation for conducting risk-focused examinations on small to mid-size companies, with limited corporate governance and control environments, in an efficient and effective manner which both adheres to NAIC guidelines as well as limited timeframes and budgets. His ability to streamline the risk-focused examination process and customize the approach to adapt to the unique challenges and issues presented by small to mid-size companies has made him a valued examiner-in-charge.

Mary Packard, CFE, CPA

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Ms. Packard currently functions as a financial examiner for the INS Companies where her primary responsibilities include financial examinations on Life, Health, Property and Casualty and Reinsurance Companies in a staff examiner capacity. Ms. Packard has significant knowledge and experience in the key functional activity areas of Investments, Reserves, Premium, Claims, Financial Reporting, and Corporate Governance for Life, Property and Casualty, and Health Companies. Prior to joining the INS Companies, Ms. Packard worked for 15 years with the Alabama Department of Insurance where her primary responsibility was to be the examiner in charge on financial and market conduct examinations.

James M. Perkins, CFE

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Mr. Perkins currently functions as a financial examiner for the INS Companies where his primary responsibilities include working as an Examiner-In-Charge and senior financial examiner conducting examinations in accordance with the risk-focused surveillance approach to examinations utilizing guidance from the Financial Condition Examiners' Handbook (FCEH). Prior to joining the INS Companies, Mr. Perkins worked for the Ohio Department of Insurance (ODI) where he became certified as a financial examiner in 2004 and assisted in applying the new risk-focused surveillance approach to Ohio domiciled companies from 2001–2006.

August John Plozizka, CFE, CPA

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Mr. Plozizka currently functions as a Financial Examiner for the INS Companies where his primary responsibilities include planning and executing the financial examinations of property/casualty and life/health insurance companies. Mr. Plozizka has key functional area experience and is proficient in the following activities: Entity Level Financial Reporting, Investments/Treasury, Premiums and Agency Commissions, policyholder benefits, reinsurance, related party transactions and taxes. Prior to joining the INS Companies, Mr. Plozizka worked for as a contract financial examiner for the California Department of Insurance where he functioned as an Examiner-In-Charge on property/casualty and life/health insurance companies and planned, coordinated and executed the examinations of California domestic insurance companies. Mr. Plozizka has also worked as a contract examiner for the state of Arizona. Mr. Plozizka began his career as a state employee field examiner for the Illinois Department of Insurance in 1977 and has 37 years of examining experience.

Cheryl B. Plozizka, CFE

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Mrs. Plozizka currently functions as a financial examiner for the INS Companies where her primary responsibilities include serving as examiner-in-charge for life, health and property and casualty company examinations. Prior to joining the INS Companies, Mrs. Plozizka worked for McCoy, Hillard & Parks, CPAs, PA where she functioned as audit and tax manager. Since implementation of risk-focused examination methodologies, she has been instrumental in mentoring staff examiners and supervisors for the Illinois Department of Insurance in areas of multi-state coordination and examination methodology. She has assisted the Illinois Department in development of standardized examination workpapers for specific examination efforts such as risk identification and control evaluation. Mrs. Plozizka has developed and presented formal training programs to the states of Delaware, New Jersey and Illinois and to the Society of Financial Examiners on topics related to accounting for federal income taxes and risk-focused examination methodology.

Richard Randour, CFE, CPA

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Mr. Richard Randour currently functions an Examiner-In-Charge for The INS Companies where his primary responsibilities include planning and performing financial examination of property/casualty reciprocal exchanges, and life/health insurance companies. Prior to joining The INS Companies, Mr. Randour was a senior examiner for the New Jersey Department of Insurance, where he was the Examiner-In-Charge responsible for planning, coordinating and executing the examinations of domestic insurance companies. Mr. Randour has more than 35 years of insurance regulatory experience. His significant examination accomplishments and experience include working as an Examiner-In-Charge and Senior Examiner for the states of Pennsylvania, Delaware, Connecticut, New York and Illinois. As part of his duties Mr. Randour was responsible for coordinating examination activities with other states on Multi-State Examinations and reviewing and analyzing complex transactions within multi-national insurance entities.

Mary Rodack, CPA, CPCU, CFE

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Ms. Rodack currently functions as an EIC/lead examiner for the INS Companies where her primary responsibilities include conducting, troubleshooting and overseeing examinations as well as providing training to the examination staff in the current Risk Focused Surveillance approach. Ms. Rodack began her insurance career as an Assistant Controller for Sentry Insurance Company, and then joined the Arizona Department of Insurance where she was a Supervising Examiner until joining InsRis in 2002. Having worked as both a company contact and a financial examiner, Ms. Rodack brings a unique perspective to the regulation of the companies she oversees.

Robert Rodack, CFE

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Mr. Rodack currently functions as an Examiner-in-Charge for the INS Companies where his primary responsibilities include conducting and overseeing all phases of the examination and the training of state examination staff in current Risk Focused Surveillance Approach. Prior to joining the INS Companies, Mr. Rodack worked as a contractor for the Arizona Department of Insurance where he functioned as the Examination Division Manager and was responsible for the scheduling, coordination, execution and oversight of all examinations performed on their behalf. His significant examination accomplishments and experience include participation in the development and training of the Risk Focused Examination approach used by the INS Companies and the examination of large multi-state property and casualty insurance companies and pools. While in Arizona Mr. Rodack conducted examinations of troubled companies, administered several companies placed in receivership and was an integral member of the team responsible for attaining initial accreditation.

April Spevak, CFE

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Ms. Spevak currently functions as a Financial Examiner for the INS Companies where her primary responsibilities include all aspects of planning and conducting financial examinations on behalf of various state insurance departments for financial condition examinations of insurance companies. Prior to joining the INS Companies, Ms. Spevak worked as an insurance examiner for the Pennsylvania Insurance Department.

Hails Taylor, CFE, CIE

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Mr. Taylor functions as Insurance Examiner for the INS Companies where his primary responsibilities include performing insurance company examinations. Prior to joining the INS Companies, Mr. Taylor contracted with the State of Georgia where he functioned as Insurance Senior Examiner and performed insurance company examinations.

Gregory Taylor, CFE

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Mr. Taylor currently functions as Senior Examiner for the INS Companies where his primary responsibilities include the examination of insurance companies in accordance with the NAIC Risk Focused exam approach. Prior to joining the INS Companies, Mr. Taylor worked for the Alabama Department of Insurance where he functioned as Examiner in charge in the performance of insurance company financial condition examinations, participating in all areas of the examination process. He has significant knowledge and experience in all key functional activity areas for life and property and casualty insurance companies. He has technical subject matter expertise in statutory principles, investments, reinsurance, premiums, underwriting and separate accounts. He is experience in multi-state coordinated examination process and the NAIC Risk Focus exam process.

LuAnn Therrell, CFE

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Ms. Therrell is an Examiner in Charge for INS Companies and Regulatory Insurance Services, Inc. She formerly worked for the South Carolina Department of Insurance for ten years with her last position being Supervising Examiner. Ms. Therrell has been with INS/Companies and Regulatory Insurance Services, Inc. since 1994. She has been involved in the examination of insurance companies for thirty years. Her experience includes all aspects of planning and conducting examinations of life, accident/health, and property/casualty companies. Her significant examination accomplishments and experience include coordinated examination experience, multi-state examination experience, large company/complex transaction



experience, and special project experience, including liquidation and supervision of insurance companies. Ms. Therrell has been involved in the examination of insurance companies for numerous states including Delaware, Illinois, New York, Pennsylvania, Iowa, Texas, Colorado and South Carolina.

Patrick R. White, CFE

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Mr. White currently functions as an Examiner in Charge for the INS Companies where his primary responsibility includes managing financial examinations. Prior to joining the INS Companies, Mr. White worked for Anheuser-Busch, Inc. where he functioned in a variety of roles in the engineering and plant operations areas. Mr. White started as a construction project cost accountant and progressed through the organization to plant operations, where he eventually held the position of Plant Manager.

His significant examination accomplishments and experience include:

- Successfully managed the two separate examinations of AIU Japan and American Home Assurance Company on behalf of the New York Insurance Department, which included site work in Tokyo, Japan.
- Assisted the Delaware Department of Insurance , Financial Analysis Section pass accreditation in 2000;
- Assisted the Puerto Rico Insurance Department pass accreditation in 2012;
- Assisted the Delaware Department of Insurance pass a NAIC pre-accreditation review in 2013.
- Participated on several, successful multi-state examinations as the Examiner in Charge, representing the states of Illinois and New York.
- Participated on a special project involving the operational review of the California State Compensation Insurance Fund.

Kelly Willison, CPA, CFE

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Mr. Willison currently functions as a financial examiner for the INS Companies where his primary responsibilities include financial examinations on Life, Health, Property and Casualty and Reinsurance Companies in both a staff examiner and examiner in charge capacity. Prior to joining the INS Companies, Mr. Willison worked for 15 years in public accounting where his primary responsibilities were audits and reviews, corporate and partnership taxation, litigation support and regulatory financial examinations He has significant examination accomplishments and experience including performing financial examinations and limited scope examinations on more than 75 insurance companies for the States of Delaware, Texas, New Mexico, West Virginia, Massachusetts, Rhode Island, South Carolina, Florida, Connecticut, New York, New Jersey and Maryland, as well as Puerto Rico. Mr. Willison has significant knowledge and experience in the key functional activity areas of Investments, Treasury, Premium, Claims, Financial Reporting, and Taxes for Life, Property and Casualty, Health, and Reinsurance Companies.

George Lentini, CISA

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Mr. Lentini currently functions as specialist for the INS Companies with skillsets targeting project coordination, developing tools for understanding and examining operationally complex areas of insurance companies, and examination training. Prior to joining the INS Companies, Mr. Lentini worked for a medical facility where he managed a group of primary care practitioners, developed and performed quality control audits, introduced protocols for more efficient operations, and expanded staff expertise with training for additional professional certifications. Prior to that Mr. Lentini worked in information technology.

Rachel B. Jenerett, CISA

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Ms. Jenerett currently functions as an IT Audit Supervisor for The INS Companies where her primary responsibilities include supervising Exhibit C exams. Her significant examination accomplishments and experience include supervising IT general controls examinations in accordance with Exhibit C of the NAIC Financial Condition Examiners Handbook. Her responsibilities for Exhibit C examinations are all-inclusive



ranging from initial notification through issue of the final report; investigating and documenting critical business processes and related IT systems; coordinating multi-state and multiple legal entity exams; and supervising and training of IT Audit staff.

James M. Coyle, CISA

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Mr. Coyle currently functions as Supervising IT Examiner for INS Services where his primary responsibilities include overseeing and performing examinations of IT General Controls. Prior to joining INS Services, Mr. Coyle worked for Arco Chemical Company where he functioned as Project Leader, Systems Analyst, Developer, and ISO 9000 Auditor.

Joseph Dobias, CISA

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Mr. Dobias currently functions as an IT Senior Examiner for the INS Companies where his primary responsibilities include performing NAIC Exhibit C examinations. Prior to joining the INS Companies, Mr. Dobias worked for Lyondell Chemical Company where he functioned as a project manager and performed a transition to SAP financials and implemented help desk software and an outbound MSDS system. His significant examination accomplishments and experience include both small and large company experience for the states of CT, DE, IA, IL, NY, PA, and PR. Supervisory experience includes PA examinations, training new personnel as supervisors, and providing technical guidance to staff examiners.

Robert Ficken, CPA, CIA, CISA, CFE, AES

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Ficken currently functions as Senior IT Examiner for the INS Companies where his primary responsibilities include exhibit C - IT General Controls examinations. Prior to joining the INS Companies, Mr. Ficken worked for the Massachusetts Division of Insurance where he functioned as EIC and IT Examination Specialist and performed financial and exhibit C examinations for insurers domiciled in Massachusetts. Prior to becoming an examiner, he served for 12 years at Commercial Union Insurance Co. as a Senior Accounting Specialist in statutory reporting and Senior Internal Auditor. Mr. Ficken's significant examination accomplishments and experience include over 40 financial and IT examinations for the states of MI, DE, MA, CT, NJ, NH, IL, RI, CT, NY, UT, PR, PA, FL and MT. He has examined property-casualty, life, health and reinsurance companies.

David Gordon, MBA, CISA, CIA, CFE (fraud)

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Mr. David Gordon currently functions as Supervising IT Examiner for the INS Companies where his primary responsibilities include conducting information technology (Exhibit C) reviews for financial examinations. Prior to joining The INS Companies, Mr. Gordon worked for MaxQualData where he was the President/Founder and performed information technology audits, data analysis and information security reviews. He holds profession certifications as a Certified Information Systems Auditor (CISA), Certified Internal Auditor (CIA) and Certified Fraud Examiner (CFE). His significant examination accomplishments and experience include participating and/or leading information technology reviews for the states of Iowa, Illinois, Tennessee, Pennsylvania, Delaware, Florida, and Nebraska, as well as Puerto Rico.

Terry Ryals, CISA, CDFE, AES

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Mr. Ryals currently functions as the IT Forensics Manager for INS Services, Inc., overseeing forensic and cybersecurity engagements. In this role, Mr. Ryals is responsible for understanding client concerns and tailoring the engagement approach to successfully meet the client's needs. He has been instrumental in assisting with the integration of IT audit procedures into traditional market regulation examinations to ensure the validity of data sources and protection of electronic personal health information (ePHI). Terry has



conducted and led engagements including whistle-blower allegations, wire fraud, money laundering, financial statement fraud, misappropriation and general regulatory concerns of misconduct. His experience also includes assisting insurance receivers in various capacities with interim management over IT, vulnerability assessments, data center relocations and reconciliation of IT assets for liquidation orders. Prior to joining the INS Companies, Mr. Ryals was an Operations Manager where he was responsible for operational efficiencies and compliance. He has extensive knowledge and experience of planning and conducting audits including: Operational, Back Office, Physical Assets, IT System, Data Integrity, Customer Privacy, Equal Employment Opportunity (EEO), Office of Federal Contract Compliance Program (OFCCP), Affirmative Action Plan, and coordinating SOX compliance reviews with external auditors. In addition to his audit experience Mr. Ryals is skilled at Revenue Forecasting, Budgeting, Labor Forecasting, P&L Management, Performance Management, and Strategic Planning.

Purushotam B. Shrestha, AFE

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Mr. Shrestha currently functions in multiple capacities for The INS Companies as Senior IT Examiner, ACL Expert, IT Forensic Examiner, and TeamMate Champion. Prior to joining The INS Companies, Mr. Shrestha worked for Maryland Insurance Administration (MIA), where he was Senior IT Examiner and Premium Tax Supervisor. Mr. Shrestha's significant and diversified experience includes:

- Lead examiner in Maryland domiciled insurance companies' IT general and application control examinations
- Examiner in Maryland domiciled insurance companies' financial compliance examinations
- Expert in ACL to conduct numerous substantive and attribute tests for multiple exams
- TeamMate Champion for MIA that included setting up projects, creating TeamStores, TeamMate Templates, TeamMate DBMS, and other facets of TeamMate administration
- Premium Tax supervision to ensure accuracy and completeness of the Premium Tax filing and that refunds/invoices are prepared correctly and in timely manner
- Lead in many special projects warranted by the Maryland General Assembly that had direct impact on the citizens of Maryland, i.e., Medical Malpractice crisis and claim payment issues in the aftermath of Hurricane Katrina
- Developed and modified many examination procedures to reduce or eliminate redundancy in both the examination and analysis side of MIA

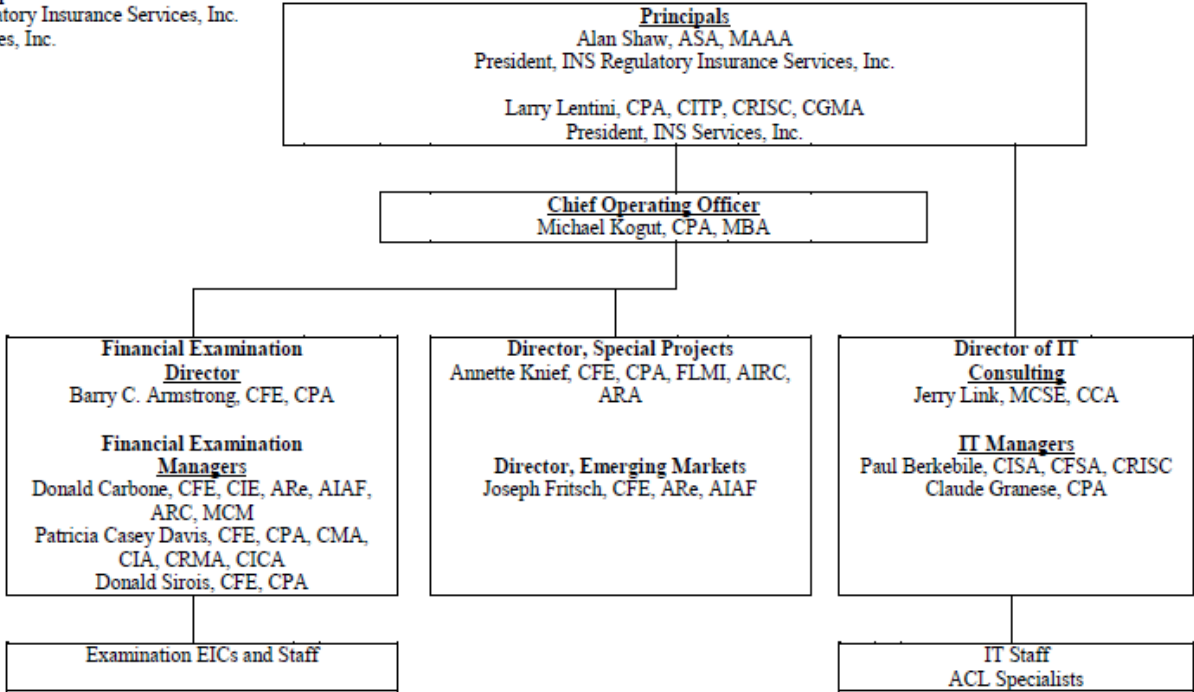


3.4 Organizational Chart

INS Regulatory Insurance Services, Inc.
Key Management Personnel

The INS Companies

INS Regulatory Insurance Services, Inc.
INS Services, Inc.



3.5 Disclosure of Subcontractors

If the Contractor intends to utilize subcontractors, the Contractor must disclose the following: The legal business name; address; telephone number; a description of subcontractor's organization and the services it will provide; and information concerning subcontractor's ability to provide the Contract Activities.

The relationship of the subcontractor to the Contractor.

Whether the Contractor has a previous working experience with the subcontractor. If yes, provide the details of that previous relationship.

A complete description of the Contract Activities that will be performed or provided by the subcontractor. Of the total Contract, the price of the subcontractor's work.

3.6 Security

The Contractor will be subject the following security procedures:

The Contractor's staff may be required to make deliveries to or enter State facilities. The Contractor must: (a) ensure the security of State facilities, and (b) perform background checks. The State may require the Contractor's personnel to wear State issued identification badges.

4. Project Management

4.1 Project Plan

- 1. Contractor's sample project plan with proposal including details in sections 1.2.B and 1.2.C.1.t is as follows:

Contractor's project plan is tailored to meet the needs of each company being examined, and our examiners will ensure that DIFS' requirements are met.



Phase 1: Understand the Company and Identify Key Functional Activities to be reviewed: In Phase 1, key activities and sub-activities are identified and confirmed using background information gathered on the company from various sources. The risk focused surveillance process promotes the use of a “top-down” approach to identify activities. Key functional activities are considered to be key business processes or business units within a company. Once these are identified, the key sub-activities of these units can be identified. This process continues until the examiner has obtained the level of detail necessary for understanding an activity within a particular company. Previously completed Insurer Profile Summaries and the assessed prioritization will be useful starting points to this process. In addition, this phase includes the assessment of the company’s general control environments, both from a corporate governance perspective, and from a review of the company’s general IT control environment based upon using Exhibit C of the NAIC Examiners Handbook. We will also meet with the in-house Bureau analysts to understand the present state of the insurer.

Additionally, we will meet with the insurer and Bureau personnel, evaluate the prior examination report, review the historical financial statements, and meet with the insurer’s internal and external auditors to discuss audit issues and perform a review of their work to determine the level of reliance that can be placed on their work. If applicable, we will discuss the internal auditors’ audit plan in place and any related reports that have been performed during the period under examination.

It is during this phase that The INS Companies stand out among our peers because our team of professionals has an average of over 20 years’ experience as regulators and/or former insurance industry executives, with specialized skills. This experience is invaluable to the RFS process, which focuses heavily on the operational and prospective risks that an insurance company faces which can potentially lead to solvency problems in the near-term and/or long-term. For instance, the assessment of a company’s corporate governance and enterprise risk management structures can often be a daunting task for regulators with little or no practical experience in the insurance industry. However, our team includes a number of former insurance executives with the experience to properly assess how a company identifies, manages, and controls its key business risks. Our team also includes an Enterprise Risk Management specialist who is currently the Executive Director of the Academy of Risk Management and Insurance at a major university in Philadelphia, PA. These specialized skills are also important in the identification of key operational and prospective risks for insurance companies that have complex organizational structures, insurance products, investment portfolios, and/or reinsurance strategies. We pride ourselves on having the necessary expertise that state insurance regulators can use to help them effectively regulate their insurance companies under the risk focused surveillance process.

Phase 2: Identify and Assess Inherent Risk in Activities: In Phase 2, the examiner, with the assistance of the analysis staff, identifies and documents the inherent risks of the insurer being examined. The examiner may identify risks from the insurer’s own risk assessment (including work performed in support of model audit rule (MAR) requirements), internal and external audit risk assessments, filing requirements of the securities and exchange commission (SEC) and the Sarbanes-Oxley Act (SOX) of 2002, interviews with management, and any other source. Per the NAIC, one of the goals of a risk-focused examination is to focus on the most critical financial solvency risks facing an insurer. To assist the examination team in meeting this goal, a list of critical risk categories has been developed for consideration in reviewing the adequacy of risk statements developed for each examination. The initial identification of risks in Phase 2 will utilize the understanding of the company gained in Phase 1, as well as a consideration of branded risk categories, examination assertions, etc. The critical risk categories are then used at the end of Phase 2 to ensure that the risks identified through this process cover some of the most commonly identified solvency risks identified by insurance regulators. The expectation is that each critical risk category will be addressed by at least one risk statement on a key activity matrix (or Exhibit V). Alternately, if the examination team determines that a particular category is not applicable or critical to the company being examined an explanation will be provided within the Examination Planning Memorandum. The critical risk categories take into consideration both financial reporting and other than financial reporting risks common to most insurers, and the typical impact of a risk category on the current and prospective financial solvency of an insurer. Additional risks beyond the critical risk categories are expected to be identified



and reviewed through the examination process at the discretion of each examination team as described in Section 2 of the Handbook. Once the primary risks are identified within the key functional activities/business units, the examiner utilizes professional judgment to assess the inherent risk by determining the likelihood of occurrence and magnitude of impact to obtain the overall inherent risk assessment. These risks are documented on the risk matrix. Some risks may be prospective in nature. These risks will be linked to a risk classification and then scored based upon Examiners Handbook guidance. The risks will be evaluated based on their likelihood of occurrence and magnitude of impact. The planning memorandum and scoping documents will then be updated and presented to DIFS for approval and required sign off.

Our experienced team of examiners provides invaluable help to our clients in both the identification of key inherent risks that are customized to each particular insurance company, and the appropriate assessment of those risks. Due to the significant amount of reliance on an examiner's judgment that is required under the RFS approach, it is critical that the examination team possess the requisite knowledge and experience to adequately and effectively identify and assess critical risks.

Phase 3: Identify and Evaluate Risk Mitigation Strategies & Controls: Phase 3 requires the examiner to identify and evaluate controls and strategies in place to mitigate inherent risk. The internal controls should be assessed by how well they mitigate identified inherent risks. Risk mitigation strategies/controls generally consist of: (1) management oversight, (2) policies and procedures, (3) risk measurement, (4) control monitoring and (5) compliance with laws and regulations. The overall assessment reflects the examiner's determination on how well the controls mitigate inherent risk. Under both SOX and MAR, corporate management is clearly responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. Under SOX, the external auditor must also attest and provide an opinion on the reliability of management's assertion of the adequacy of the financial reporting controls. Information prepared to comply with either of these requirements, when available, can assist the examiner in identifying and assessing risk mitigation strategies/controls.

We will review the company's documented risk management strategies, review the work performed by others (external CPAs, internal audit, SOX/MAR work papers, SSAE 16), and consider the risk mitigation strategies/controls associated with Exhibit C (IT). At this point, we perform control testing of key risk mitigation strategies/controls, assess the strength of the risk mitigation strategies/controls, determine where controls are manual or automatic, preventive or detective and their frequency, and conclude on the design and operating effectiveness of the risk mitigation strategies/controls. Finally, we will make an assessment that reflects whether the controls that are in place are strong, moderate or weak based upon the Handbook guidance.

This is another key phase wherein our firm's professionals are well equipped to identify and assess an insurer's risk mitigation strategies and controls over their key risks. This is particularly critical in evaluating risk mitigation strategies and controls over operational and prospective risks, which are not required to be documented and tested by the company or its independent certified public accountants (CPAs) under the Sarbanes-Oxley Act and often require a great deal of professional judgment to assess their effectiveness.

Phase 4: Determine Residual Risk: Phase 4 requires the examiner to determine, for the individual risks identified, an overall residual risk. This assessment is made by determining how well controls reduce the level of inherent risk for each risk identified. Once a calculated residual risk is determined, our EIC will analyze where examiner judgment should be applied to the calculated residual risk in order to reach the final overall residual risk assessment. If the EIC judgmentally alters any calculated residual risk, an explanation will be provided in the examination work papers and applicable risk matrix. Assessing residual risk is the key to determining where the risks exist in the insurer's business. Once the riskier activities are identified, the examiner may use these results to determine where to focus examiner or analyst resources most efficiently and to determine the nature and extent of examination procedures.



Phase 5: Establish & Conduct Detail Examination Procedures: After completion of the residual risk assessment for an activity, the nature and extent of examination procedures can be determined and performed. We establish examination procedures for those areas of residual risk where additional testing has been determined to be necessary based upon our previous assessments. We will use the Examiners Handbook risk focused templates and our practical examination experience to develop these procedures. Any additions to the planning memorandum or other scoping documents will be made and then presented to DIFS for approval before the detailed substantive procedures are performed.

Phase 6: Update Prioritization and Supervisory Plan: Phase 6 requires relevant material findings from the risk assessment effort and any other examination activities to be utilized and incorporated into determining or validating the assessed prioritization of the insurer as well as establishing the ongoing supervisory plan.

As part of our value-added services, the Contractor examination team will not only identify and report on relevant material findings and issues for DIFS, but will also assist DIFS in developing appropriate ongoing surveillance plans for addressing these issues based on the knowledge we've gained during our examination. Our contribution to the ongoing supervisory plan for each insurer will include suggestions as to what specific steps we would recommend that DIFS may want to consider; from targeted examinations, to development of agendas for suggested company presentations to DIFS, to specific reports that DIFS may require from the company. We will also assist DIFS with any updates to its insurer profile template or other related analysis tools. In addition, we will hold a post examination follow up meeting with any Bureau personnel outside of the financial examination section of DIFS such as analysts and actuaries.

Phase 7: Draft Examination Report and Management Letter based upon Findings: Phase 7 requires the examination report to contain the findings related to the scope of the examination. The management letter may contain results and observations noted during the examination that should not be contained in the public report. This letter serves as a vehicle for ongoing dialogue between the regulator and the insurer and should be shared with those states in which an insurer is licensed, if it remains confidential. We will meet with DIFS personnel to discuss findings and determine their desire to report findings in the examination report and/or management letter. The report of examination will be drafted in compliance with template report standards found in the Handbook.

We have also demonstrated our experience in using the Examiners Handbook on examinations by providing RFS examination training to numerous state insurance departments. Since 2004, Contractor has provided RFS examination training to SOFE, the Insurance Regulatory Examiner Society (IRES), and to the following state insurance departments: Alabama, California, Colorado, Connecticut, Delaware, Florida, Illinois, Maryland, Mississippi, Nebraska, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, South Dakota, Utah, Vermont, and West Virginia. Contractor has also provided ongoing comment to the Risk Assessment Working Group (RAWG) and the Risk Focused Surveillance Working Group, and contributed to several exposure items for the Examiners Handbook.

In addition to The INS Companies' participation in training and developing the NAIC RFS approach, we have also been instrumental in contributing to several best practices with respect to the conduct of RFS examinations. Summaries of these best practices are as follows:

- C-level interviews are scheduled after an initial understanding of the company has been obtained in order to prepare better questions for key management and more accurately assess responses.
- The Supervisory Plan has been developed to not only highlight key issues for DIFS to consider for future monitoring, but to also provide suggested monitoring actions based on specific information that the field examination staff has reviewed during their examination. This provides DIFS's analysis staff with better information with which to follow-up on key issues.



- Key prospective risks related to holding company activities are identified that could impact the operations of the insurance companies in the holding company system.
- The inclusion of DIFS's analysis section in the planning phase, particularly in C-level interviews and key meetings to understand company operations, has been a hallmark of examinations performed by Contractor. In addition, our firm takes great care to keep the assigned financial analyst involved and engaged throughout the examination process.
- The examining actuary's role in all phases of the examination and the identification of key touch-points between the financial examination staff and the examining actuary throughout the examination have been developed as a result of The INS Companies' significant input with our clients and with the NAIC.
- Contractor has encouraged all of our clients to have constructive and meaningful discussions at the conclusion of each financial examination between the field examination team and DIFS's analysis team.
- The INS Companies have helped many clients develop best practices for structuring TeamMate project templates and documentation protocols for their financial examinations.
- We will partner with DIFS to develop many examination templates and best practices that can be incorporated into all Bureau financial examinations.

As part of our value added services, Contractor systematically manages all of its projects through a robust quality control review and project oversight process that ensures that the engagement will be completed professionally, efficiently, effectively, and within budgeted guidelines. For all projects, Contractor assigns a dedicated field manager to monitor and review key aspects of each specialist's assignment. Important examination deliverables (such as planning memos, risk assessment matrices, examination report write-ups, management letter write-ups and Supervisory Plan narratives) are reviewed by the field manager and put through a rigorous quality control process to ensure the quality, accuracy, and completeness of these key documents. In addition to the Contractor's field manager, the Contractor's Director of Financial Regulation monitors all current projects to ensure that our quality control standards are being maintained, engagements are on budget and on time, and that all client needs and expectations are being met.

The key to effective management of a financial examination project is to have processes in place to encourage open and honest communication between the examiners, specialists, management, and the client. Project progress is documented through bi-weekly status reports from the examination staff to the client, field manager, and Director of Financial Regulation. These status reports include budget-to-actual comparisons, estimated project completeness percentages, any issues that have been encountered and the status or resolution of each issue, and any other relevant information that contributes to the successful completion of the engagement. Furthermore, the field manager and Director of Financial Regulation proactively engage in communications with the client on a regular basis in order to provide a forum for feedback and discussion on the project and react immediately to any issues that the client raises.

As the requirements for state regulation of insurance companies continues to evolve under the risk focused surveillance approach, the need for experienced, professional, and knowledgeable individuals with a wide-range of insurance-related backgrounds will continue to increase and The INS Companies are well positioned to provide DIFS with that team of professionals.

Reinsurance Services Approach/Methodology

Contractor will provide assistance in the review and evaluation of reinsurance treaties, contracts, transactions, certifications and programs including interpretation of contractual language and cash flow analyses to determine risk transfer and assess accounting treatment. Our reinsurance specialists will begin their evaluation by meeting with appropriate Bureau personnel to discuss key issues or risks that DIFS would like to have addressed as part of the examination. Next, our specialists interview key



insurance company personnel, particularly a company's Chief Reinsurance Officer or similar management member, in order to gain an understanding of the company's reinsurance process and identify the key risks (both financial reporting risks and other than financial reporting risks) and corresponding controls associated with that process. Our specialists will also evaluate the design and operating effectiveness of the company's controls over its key reinsurance risks and assess the strength of the company's controls to mitigate its risks to an acceptable level. In instances where it is determined that the company's controls and risk mitigation strategies do not reduce its risks to an acceptable level, our specialist will design detail tests to gain such assurance.

Key risk areas that will be reviewed by the reinsurance professionals include the following:

- Risk associated with whether the insurer's reinsurance program is appropriately aligned with the company's documented risk appetite.
- Risks over whether reinsurance agreements effectively transfer risk.
- Risks related to whether the company and its reinsurers are complying with the terms of the reinsurance treaties and agreements.
- Risks associated with reinsurance related financial transactions including, but not limited to, recoverability of reinsurance receivables, accuracy and completeness of reinsurance transactions and adequacy of reinsurance related collateral.
- Risks associated with whether reinsurance disclosures and exhibits are in compliance with applicable laws and regulations and NAIC guidelines.

If after the specialist has completed his review of the company's risks and determined that there are still unmitigated risks remaining, the specialist will draft findings and recommendations for further action by DIFS in the form of Examination Report write-ups, Management Letter comments, Supervisory Plan items and/or updates to the Insurer Profile.

Information Technology Services Approach/Methodology

Our information technology (IT) professionals are extremely experienced in conducting general and security software control reviews and in performing computer assisted audit techniques utilizing ACL software. The following paragraphs detail how we approach a typical IT control review in accordance with the Examiners Handbook and Accounting Practices and Procedures Manual; Information Systems Audit and Control Association (ISACA) Control Objectives for Information and Related Technology (CobIT); applicable laws and regulations; and AICPA and PCAOB standards, to the extent applicable. We believe that this tried and true, tested, consistent approach, allows us to manage the project efficiently, ensure its completion, and accomplish the required examination objectives.

Our IT assessment approach considers the information technology utilized by the specific company. Our process incorporates the seven steps identified in the Examiners Handbook, Exhibit C guidance. These steps are designed to leverage the work performed by other professionals to the maximum extent possible. Steps 1–5 encompass the assessment of the IT control environment, governance and general control activities and are performed in conjunction with the planning of the overall financial examination in Phases 1 and 2. Step 6 assists financial examiners in the identification and assessment of automated application controls in the insurer's critical processes, integrating reliance on the IT general controls with the assessment of those IT-related (automated and hybrid) controls, and will be performed in conjunction with the critical control assessment and testing performed by the financial examination team in Phases 3 and 4. Step 7 assists the financial examiners in conducting substantive procedures related to data analysis, including the use of ACL software.



The following documents the Examiners Handbook Exhibit C process we will follow:

Step 1: Gather Necessary IT Planning Information: Our first step in performing an IT general control review of an insurance company is to gather the information needed to plan that review. At this time, we obtain a copy of the completed Information Technology Planning Questionnaire (ITPQ), included in Exhibit C – Part One, to assist in the planning process. Where applicable, we also request prior examination work papers; CPA IT work papers in connection with their most recent audit of the insurer's financial statements; internal audits of IT controls; Service Organization Controls (SOC) 1 and 2, Type 2 reports, work papers prepared by any other state for a regulatory examination of any other affiliated insurance entity in the insurer's holding company, and information maintained by DIFS's financial analysts. In addition, we inquire about the availability of IT-related SOX or MAR internal control documentation. We also request that the company complete the IT Tech Tool available on I-Site to ensure that all critical process application systems are included in the scope of the IT assessment.

Step 2: Review Information Gathered: After gathering the necessary IT planning information, including the ITPQ and IT Tech Tool, we review the information obtained to assist in planning and scoping the assessment of the IT control environment, governance and general control activities and the areas of risk requiring more in-depth consideration. Some of the factors we consider as part of this process include:

- Complexity of the insurer's information systems and IT risk mitigation strategies;
- Length of time existing systems have been in place and any significant changes to systems;
- Types of subsystems being used and how data is shared among systems;
- Hardware and software being used and whether the software was internally or externally developed;
- Extent to which the insurer outsources its IT functions;
- Issues the insurer may have had with its systems;
- Answers provided from the insurer via the ITPQ;
- Reliability of documentation available from other sources, including SOC 1 and 2, Type 2 reports and external and internal auditors, and SOX/MAR documentation so as to reduce the scope of work that might otherwise be required; and
- Insurer's participation in electronic business and electronic data interchange.

We consider which risks included on the Evaluation of Controls in Information Technology (IT) Work Program (Exhibit C – Part Two) are applicable to the insurer and determine if there are additional IT strategic and operational risks that should be reviewed. We will also consider the extent to which reliance will be placed on the insurer's IT risk mitigation strategies during the financial examination.

We believe that gathering the right information and asking the right questions in these first two steps are crucial because they lead to a more effective and efficient IT examination carried out in the succeeding steps.

Step 3: Request Control Information and Complete IT Planning Memorandum: After we have gathered and reviewed the initial planning information, the Evaluation of Controls in Information Technology (IT) Work Program (Exhibit C – Part Two) will be utilized as a basis for customizing an examination work program that will include only those IT strategic and operational risks that are of concern to the financial examination team. We also consult the EIC to identify the applications/systems critical to the overall financial examination objectives.



After the work program has been finalized, we document the plan and scope of work necessary to complete the assessment of the insurer's IT control environment, governance and general control activities and submit that plan to the EIC for review and approval.

Step 4: Conduct IT Assessment Fieldwork: We schedule examination fieldwork, with the initial fieldwork to include conducting interviews of key IT staff. This fieldwork is coordinated with the financial examination team's assessment of the insurer's insurance processes serving key functional activities to maximize the efficiency of the overall examination and to ensure that the overall objectives of the financial examination are effectively attained.

Step 5: Document Results of IT Assessment and Complete IT Summary Memorandum: At the conclusion of the fieldwork for the assessment of the IT control environment, governance and general control activities (in coordination with the planning of the financial examination process), the IT specialist completes the work program supported by documentation and testing as deemed applicable. In addition, an IT Summary Memorandum is prepared and delivered to the EIC that includes all findings regarding the insurer's IT control environment and its IT governance and general control activities. This IT Summary Memorandum includes an outline of the insurer's IT operations, and a listing of the IT applications/systems included in the scope of the IT governance and general control assessment field work performed.

Step 6: Documentation of Automated Process and Application Controls: Concurrent with Steps 1-5 above, if requested, we assist the financial examiners in identifying the automated process and application controls embedded in the financially significant and operationally significant applications/systems utilized by the insurer within its key functional activities. The objective of this work is to identify the specific application (automated and/or hybrid) controls designed to mitigate inherent process risks in the insurer's key functional activities. Our assessment of the reliability of the insurer's IT governance and general control activities will be related to the identified application controls to determine the extent to which the financial examination team can potentially rely on those application controls.

A summary of the insurer's process risks and an evaluation of the effectiveness of the insurer's application (automated and/or hybrid) controls in mitigating those process risks will be developed in coordination with the financial examination team in Phase 3 of the examination. The IT specialist will provide assistance, as requested, to the financial examination team in testing application (automated and/or hybrid) controls in Phase 3 of the examination.

Step 7: Assist on Financial Examination: Following the completion of the assessment of the insurer's IT control environment, governance and general control activities and the identification and assessment of application controls, the IT specialists remain available to assist the financial examination team in completion of Phase 5-7 procedures, as requested by the EIC. Such assistance may include assisting in the implementation of computer-assisted audit techniques (CAATs) in substantive testing procedures related to residual risks (i.e., data gathering and ACL testing), clarification of work performed during the IT review, and assistance in completing the report of examination and management letter.

Our approach typically results in the following deliverables for a specific examination assignment:

- The IT specialist participates in pertinent senior management interviews.
- The IT specialist submits an IT Planning Memorandum, in compliance with the format specified by the NAIC, to the supervising examiner and EIC of the financial examination. This memorandum includes a preliminary assessment of the insurer's IT organization and operations; a summary of the proposed work program; and a preliminary listing of in-scope systems and applications based on discussion of critical processes with the supervising examiner and EIC.



- The IT specialist submits an IT Summary Memorandum, in compliance with the format specified by the NAIC, to the supervising examiner and EIC of the financial examination. This memorandum includes a summary of the insurer's IT operations and a listing of specific systems and applications included in the scope of the IT general control assessment; a summary of findings regarding the insurer's IT control environment, governance and general control activities; an explanation of the IT review work performed; and an assessment of the degree of reliance that the financial examination should place on IT general controls in evaluating critical process application (automated and hybrid) controls.
- The IT specialist provides work papers supporting the assessment of the insurer's IT control environment, governance and general control activities.
- Any other work papers prepared by the IT specialist in assisting the financial examination in evaluating application controls will be provided. This may also include work performed for data analysis related to substantive procedures.
- The IT specialist provides all other documents required by DIFS.

We pride ourselves on our ability to conduct all aspects of a risk focused surveillance examination, from financial examination services to IT general control risk assessments, in accordance with Examiners Handbook guidelines, while at the same time offering the level of value-added professional services that only our firm can provide.

2. The Contractor will carry out this project under the direction and control of the Program Manager.
3. Within five (5) business days of a Second Tier proposal award, the Contractor must submit to the Program Manager for final approval a detailed project plan. This final project plan must be in agreement with the Contractor's proposal and accepted for Contract.

4.2 Meetings

The Contractor must attend the following meetings:

- Project status meeting
- Post examination meeting
- Final report conference meeting

The State may request other meetings, as it deems appropriate.

4.3 Reporting

This information will be requested in individual Second Tier RFPs.

5. Ordering

5.1 Authorizing Document

The appropriate authorizing document for the Contract will be purchase order and/or blanket purchase order.

6. Invoice and Payment

6.1 Invoice Requirements

All invoices submitted to the State must include: (a) date; (b) purchase order; (c) quantity; (d) description of the Contract Activities; (e) unit price; (f) shipping cost (if any); and (g) total price. **Overtime, holiday pay, and travel expenses will not be paid.**

6.2 Payment Methods

- a. The State will make payment for Contract Activities monthly by lump sum fixed price payment, based upon DIFS review of hours worked and sufficient progress.



- c. The State has the right to hold back, as a retainage, an amount equal to twenty-five percent (25%) of all amounts invoiced by Contractor for Services/Deliverables. The amounts held back must be released to Contractor after the State has granted Final Acceptance.

- d. The Contractor will be held to the price quoted in the second tier RFP response. No additional funds will be approved and paid to the Contractor for delays in the examination because of company delay of providing needed examination information unless the Contractor can provide sufficient documentation to demonstrate the delays. The delays must be a significant portion of the information such that the Contractor's staff is not able to remain productive. Also, the Contractor must be able to demonstrate that its staff could not be temporarily reassigned during any such lulls in receiving documentation. DIFS does not anticipate any delays and would work with the Contractor and company to ensure delays will not occur.

- e. DIFS will pay for all Financial Examination services by the Contractor that are provided according to the terms of this Contract. No charges shall be submitted to the regulated insurance company being examined, unless otherwise directed by DIFS.



STATE OF MICHIGAN
Contract No. 071B6600060
Financial Examination/Analysis Services – Pre-Qualification

**EXHIBIT B
RESERVED**



STATE OF MICHIGAN
 Contract No. 071B6600060
 Financial Examination/Analysis Services – Pre-Qualification

**EXHIBIT C
 PRICING**

1. Pricing will be finalized in accordance with the second tier, competitive selection process per Exhibit A.
2. Pricing must include all costs, including but not limited to, any one-time or set-up charges, fees, and potential costs that Contractor may charge the State (e.g., shipping and handling, per piece pricing, and palletizing).
3. Pricing Table

Staff/Role	Hourly Rate
Examiner-in-Charge/Supervisory Examiner	\$140.00
IT Examiner-in-Charge	\$150.00
IT Certified Information Systems Auditor/Automated Examination Specialist	\$135.00
IT Staff (no credentials)	\$120.00
Staff Certified Financial Examiner	\$135.00
Staff Accredited Financial Examiner/Certified Public Accountant	\$130.00
Staff Examiner (no credentials)	\$120.00

*Quick payment terms: 2% discount off invoices if paid within 5 days