

**CONTRACT #22**  
**RFS # 317.86-00115**  
**Edison # 34313**

**Department of Finance and  
Administration  
Benefits Administration**

**VENDOR:**  
**Minnesota Life Insurance  
Company**



STATE OF TENNESSEE  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
BENEFITS ADMINISTRATION

312 Rosa L. Parks Avenue  
Suite 1900 William R. Snodgrass Tennessee Tower  
Nashville, Tennessee 37243  
Phone (615) 741-4517 or (866) 576-0029  
FAX (615) 253-8556

Larry B. Martin  
COMMISSIONER

Laurie Lee  
EXECUTIVE DIRECTOR

**MEMORANDUM**

**TO:** Lucian Geise, Executive Director, Fiscal Review Committee

**FROM:** Laurie Lee *LL*

**DATE:** July 28, 2014

**RE: Minnesota Life Insurance Company – Optional Term Amendment # 1, Edison # 34313**

This request for amendment # 1 comes to the Fiscal Review Committee with an October 1, 2014 effective date.

As detailed in the Amendment request accompanying this correspondence, the current contractor, Minnesota Life Insurance Company, has provided the State with Optional Term Life insurance coverage for the State Insurance plan for the past year and a half. Benefits Administration seeks to amend this contract to revise Attachment D to include language regarding coverage for incapacitated children of plan participants as well as add the required Department of Revenue Registration language.

The original contract is included for review. Thank you for your consideration of this request.

Supplemental Documentation Required for  
Fiscal Review Committee

*Contact Name:	Sylvia Chunn	*Contact Phone:	615-253-8358		
*Presenter's name(s):	Kendra Gipson, Director of Vendor Services and Contracts, Sylvia Chunn, Procurement and Contracting Manager, Bob Smith, Director of Voluntary Benefits				
Edison Contract Number: (if applicable)	34313	RFS Number: (if applicable)	31786-00115		
*Original or Proposed Contract Begin Date:	October 22, 2012	*Current or Proposed End Date:	December 31, 2015		
Current Request Amendment Number: (if applicable)	One (1)				
Proposed Amendment Effective Date: (if applicable)	October 1, 2014				
*Department Submitting:	Finance and Administration				
*Division:	Benefits Administration				
*Date Submitted:	July 28, 2014				
*Submitted Within Sixty (60) days:	Yes				
<i>If not, explain:</i>					
*Contract Vendor Name:	Minnesota Life Insurance Company				
*Current or Proposed Maximum Liability:	\$30,000,000.00				
*Estimated Total Spend for Commodities:	\$0.00				
<b>*Current or Proposed Contract Allocation by Fiscal Year:</b> <i>(as Shown on Most Current Fully Executed Contract Summary Sheet)</i>					
FY: 2013	FY: 2014	FY: 2015	FY: 2016	FY: 2017	FY: 2018
\$5,000,000.00	\$10,000,000.00	\$10,000,000.00	\$5,000,000.00	\$	\$
<b>*Current Total Expenditures by Fiscal Year of Contract:</b> <i>(attach backup documentation from Edison)</i>					
FY: 2013	FY: 2014	FY: 2015	FY: 2016	FY: 2017	FY: 2018
\$2,566,677.15	\$7,953,396.99	\$	\$	\$	\$
<b>IF</b> Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:		Payments to the Contractor are based on payroll deduction and the payments of premiums by employees are paid directly to the Contractor.			
<b>IF</b> surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:		The funds are based upon payroll deductions and premiums are paid directly by members, so funds have not been carried forward for these services.			
<b>IF</b> Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:					
<b>*Contract Funding Source/Amount:</b>					
State:			Federal:		
<i>Interdepartmental:</i>	\$30,000,000.00		<i>Other:</i>		

Supplemental Documentation Required for  
Fiscal Review Committee

If "other" please define:		
If "interdepartmental" please define:		
Dates of All Previous Amendments or Revisions: <i>(if applicable)</i>	Brief Description of Actions in Previous Amendments or Revisions: <i>(if applicable)</i>	
Method of Original Award: <i>(if applicable)</i>	RFP	
*What were the projected costs of the service for the entire term of the contract prior to contract award? How was this cost determined?	Projected costs were \$30,000,000.00 – this figure was determined using historical claims information.	
*List number of other potential vendors who could provide this good or service; efforts to identify other competitive procurement alternatives; and the reason(s) a sole-source contract is in the best interest of the State.		

### **Minnesota Life - Optional Term**

Edison Contract # 34313  
Vendor Number 157401  
Reports Pulled: 7/3/2014

<b>Fiscal Year</b>	<b>Expenditures</b>
FY 2013	2,566,677.15
FY 2014	7,953,396.99
<b>Total Expenditures</b>	<b>10,520,074.14</b>





## Minnesota Life - Optional Term

Edison Contract # 34313  
Vendor Number 157401

Total Contract Amount	30,000,000.00	Taken from Contract Summary Sheet 7.3.2014
Payments	10,520,074.14	
Remaining Balance	19,479,925.86	Agrees to Remaining Amount in Edison as of 7.3.2014

# Amendment Request

Route a completed request, as one file in PDF format, via e-mail attachment sent to: [Agsprs.Agsprs@tn.gov](mailto:Agsprs.Agsprs@tn.gov)

**APPROVED**

CHIEF PROCUREMENT OFFICER

DATE

<b>Request Tracking #</b>	<b>31786-00115</b>	
<b>1. Procuring Agency</b>	<b>Department of Finance and Administration, Division of Benefits Administration</b>	
<b>2. Contractor</b>	<b>Minnesota Life Insurance Company</b>	
<b>3. Contract #</b>	<b>n/a (Optional Term Life)</b>	
<b>4. Proposed Amendment #</b>	<b>1</b>	
<b>5. Edison ID #</b>	<b>34313</b>	
<b>6. Contract Begin Date</b>		<b>10/22/2012</b>
<b>7. Current Contract End Date</b> <i>- with ALL options to extend exercised</i>		<b>12/31/2015</b>
<b>8. Proposed Contract End Date</b> <i>- with ALL options to extend exercised</i>		<b>12/31/2015</b>
<b>9. Current Maximum Contract Cost</b> <i>- with ALL options to extend exercised</i>		<b>\$ 30,000,000.00</b>
<b>10. Proposed Maximum Contract Cost</b> <i>- with ALL options to extend exercised</i>		<b>\$ 30,000,000.00</b>
<b>11. Office for Information Resources Pre-Approval Endorsement Request</b> <i>- information technology service (N/A to THDA)</i>	<input checked="" type="checkbox"/> Not Applicable	<input type="checkbox"/> Attached
<b>12. eHealth Pre-Approval Endorsement Request</b> <i>- health-related professional, pharmaceutical, laboratory, or imaging</i>	<input checked="" type="checkbox"/> Not Applicable	<input type="checkbox"/> Attached
<b>13. Human Resources Pre-Approval Endorsement Request</b> <i>- state employee training service</i>	<input checked="" type="checkbox"/> Not Applicable	<input type="checkbox"/> Attached
<b>14. Explanation Need for the Proposed Amendment</b>	<b>This amendment revises Attachment D to include coverage for incapacitated children and adds the Revenue registration clause.</b>	
<b>15. Name &amp; Address of the Contractor's Principal Owner(s)</b> <i>- NOT required for a TN state education institution</i>	<b>Paul J. Romuald, Manager</b>	

<b>Request Tracking #</b>	<b>31786-00115</b>
<p>Minnesota Life Insurance Company  1909 Hillbrooke Trail, Suite #2  Tallahassee, FL 32311  <a href="mailto:paul.romuald@securian.com">paul.romuald@securian.com</a>  Telephone # (850) 878-0038 ext:101  FAX # (888) 826-2756</p>	
<p><b>16. Evidence Contractor's Experience &amp; Length Of Experience Providing the Goods or Services</b></p> <p><b>Minnesota Life was awarded the Optional Term Life contract through the RFP process and the State is pleased with their contract performance to date.</b></p>	
<p><b>17. Efforts to Identify Reasonable, Competitive, Procurement Alternatives</b></p> <p>n/a</p>	
<p><b>18. Justification</b></p> <p><b>This amendment will update the contract attachment to reflect the policy in place in Benefits Administration for Incapacitated children, and add the required Dept. of Revenue registration language.</b></p>	
<p><b>Agency Head Signature and Date</b> – <i>MUST be signed by the ACTUAL agency head as detailed on the current Signature Certification. Signature by an authorized signatory is acceptable only in documented circumstances</i></p>	



## CONTRACT AMENDMENT COVER SHEET

<b>Agency Tracking #</b> 31786-00115	<b>Edison ID</b> 34313	<b>Contract #</b> n/a	<b>Amendment #</b> 1		
<b>Contractor Legal Entity Name</b> Minnesota Life Insurance Company			<b>Edison Vendor ID</b> 157401		
<b>Amendment Purpose &amp; Effect(s)</b> Revision to Attachment D and addition of Revenue Registration language					
<b>Amendment Changes Contract End Date:</b> <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO		<b>End Date:</b> 12/31/2015			
<b>TOTAL Contract Amount INCREASE or DECREASE per this Amendment</b> (zero if N/A):			<b>\$ 0.00</b>		
<b>Funding —</b>					
<b>FY</b>	<b>State</b>	<b>Federal</b>	<b>Interdepartmental</b>	<b>Other</b>	<b>TOTAL Contract Amount</b>
2013			\$5,000,000.00		\$5,000,000.00
2014			\$10,000,000.00		\$10,000,000.00
2015			\$10,000,000.00		\$10,000,000.00
2016			5,000,000.00		5,000,000.00
2017					
2018					
<b>TOTAL:</b>			<b>\$30,000,000</b>		<b>\$30,000,000</b>
<b>American Recovery and Reinvestment Act (ARRA) Funding:</b> <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO					
<b>Budget Officer Confirmation:</b> There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations.			<i>CPO USE</i>		
<b>Speed Chart</b> (optional)		<b>Account Code</b> (optional) 79006000			

**AMENDMENT ONE  
OF CONTRACT 34313**

This Amendment is made and entered by and between the State of Tennessee, Department of Finance and Administration, State Insurance Committee, hereinafter referred to as the "State" and Minnesota Life Insurance Company, hereinafter referred to as the "Contractor." For good and valuable consideration, the sufficiency of which is hereby acknowledged, it is mutually understood and agreed by and between said, undersigned contracting parties that the subject contract is hereby amended as follows:

- 1. The following is added as Contract Section E.21

E.21 Tennessee Department of Revenue Registration. To the extent applicable, the Contractor shall be registered with the Department of Revenue for the collection of Tennessee sales and use tax. This registration requirement is a material requirement of this Contract.

- 2. Contract Attachment D is deleted in its entirety and replaced with the new attachment D attached hereto.

Required Approvals. The State is not bound by this Amendment until it is signed by the contract parties and approved by appropriate officials in accordance with applicable Tennessee laws and regulations (depending upon the specifics of this contract, said officials may include, but are not limited to, the Commissioner of Finance and Administration, the Commissioner of Human Resources, and the Comptroller of the Treasury).

Amendment Effective Date. The revisions set forth herein shall be effective October 1, 2014. All other terms and conditions of this Contract not expressly amended herein shall remain in full force and effect.

**IN WITNESS WHEREOF,**

**MINNESOTA LIFE INSURANCE COMPANY:**

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**SIGNATURE** **DATE**

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**PRINTED NAME AND TITLE OF SIGNATORY (above)**

**STATE INSURANCE COMMITTEE:**

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**LARRY B. MARTIN, CHAIR** **DATE**

<b>OPTIONAL TERM LIFE INSURANCE ELIGIBILITY AND BENEFITS</b>	
<b>Benefit/Provision</b>	<b>Description</b>
<b>Plan Policy Requirements</b>	The optional term life insurance must be based on a <b>group plan platform</b> issued to the State of Tennessee.
<b>Eligibility Criteria</b>	<ul style="list-style-type: none"> <li>• <i>Employee</i> – An individual employed by the State who: 1) is regularly scheduled to work not less than thirty (30) hours per week; or 2) is a seasonal or part-time employee with 24 months of service, and is certified by an appointing authority to work at least 1,450 hours per fiscal year.</li> </ul> <p style="text-align: center;">For the purpose of determining eligibility for coverage, upon each election, the Governor, Members of the General Assembly, State Judges, District Attorneys, Public Defenders, the State Treasurer, the Comptroller, and the Secretary of State shall be considered newly eligible employees.</p> <ul style="list-style-type: none"> <li>• <i>Dependent</i> – An individual who is: 1) a legally married spouse of a State of Tennessee employee; or 2) an individual not in military service on a full time basis from live birth up to the age maximum of twenty-six (26), who is a natural or adopted child of a State employee; a stepchild of the employee; and a child for whom that employee is the legal guardian.</li> </ul>
<b>Eligibility Status</b>	
<b>Child Age Maximum</b>	The maximum age for dependent child enrollment is through the end of the month in which the child reaches his birthday of 26 years. A child age 26 or older who is mentally and/or physically disabled and incapable of earning a living may have coverage continued as long as the incapacity existed before his or her 26 <sup>th</sup> birthday and the child was already insured under this plan on his or her 26 <sup>th</sup> birthday.
<b>Participation Requirements</b>	Employee participation is not required for participation of eligible spouse. Employee or spouse must be participating in order for a child term rider to be added. Only one parent may cover eligible child(ren) under a Child Term Rider. If a person is covered as an Employee, he cannot be covered as a spouse or dependent child of another Employee.
<b>Carryover from Prior carrier</b>	All current and former employees and/or spouses enrolled in the State optional term life insurance plan on December 31, 2012, shall be transferred to the coverage established under this contract. Individuals who have been granted a waiver of premium due to disability will remain with the incumbent carrier.
<b>Underwriting Criteria</b>	
<b>Guaranteed Issue</b>	<ol style="list-style-type: none"> <li>1) Eligible Employees who apply for coverage during an open enrollment period or Employees employed on and after January 1, 2013 who enroll within a full calendar month of the first day of work on a guaranteed issue and maximum issue basis.</li> <li>2) A spouse who has not been hospitalized, advised to seek medical treatment, or received disability benefits during the six months prior to the date of the application to enroll</li> <li>3) A child term rider may be issued without answering health questions for the children.</li> </ol>
<b>Underwritten</b>	<ol style="list-style-type: none"> <li>1) New Employees who choose to apply for coverage more than 30 days after their hire date;</li> <li>2) A Member who applies for a coverage amount above the guaranteed issue amount: and</li> <li>3) A spouse who has been hospitalized, advised to seek medical treatment, or received disability benefits during the six months prior to the date of the application to enroll.</li> </ol>

<p><b>Effective Date of Coverage</b></p>	<p><b>Employee</b> New hire coverage shall become effective on the first day of the month following three full months of employment. Open enrollment coverage shall become effective on a date specified by the State. Coverage applied for in excess of the Guaranteed Issue Limit will not become effective until the Contractor has determined if the Member is insurable and the supplemental application is approved by the Contractor. The effective date is subject to Actively at Work requirements.</p> <p><b>Spouse</b> The effective date will be the Certificate Issue Date, unless:</p> <ol style="list-style-type: none"> <li>1) The Employee is not Actively at Work on such date;</li> <li>2) The Spouse is unable to engage in normal activities because he is:             <ol style="list-style-type: none"> <li>a. Medically confined on the date the insurance would take effect;</li> <li>b. Regularly treated by a home health care agency under a plan of treatment established and approved by a Physician; or</li> <li>c. Receiving or entitled to receive disability or "sick pay" income from any source.</li> </ol> </li> </ol> <p>If coverage does not become effective on the Certificate Issue Date, coverage will be effective on the date when both:</p> <ol style="list-style-type: none"> <li>1) The Employee is Actively at Work; and</li> <li>2) The Spouse resumes his normal activities,</li> </ol> <p>provided both requirements are met within 180 days after the date the insurance coverage would have started. If not met within such 180 days, the Spouse must wait until the next annual or open enrollment period to re-apply for coverage.</p> <p>These two Actively at Work requirements also apply when the amount of coverage is being increased or when coverage is added. For any increase or addition to coverage, the effective date will be shown on a revised or additional Certificate Schedule.</p>
<p><b>Benefit Amounts/Maximum Amounts</b></p>	<p><b>Employee</b> In-force certificates of coverage being transferred to the Contractor on January 1, 2013, shall transfer with the same coverage amount. The guaranteed issue amount of insurance under the Optional Term Life Insurance Plan shall be five (5) times the employee's Annual Base Salary, rounded to the next highest \$5,000 increment. The minimum base amount is \$5,000 for each employee. The maximum issue amount of insurance under the Optional Term Life Insurance Plan shall be seven (7) times Annual Base Salary, then rounded to the next highest \$5,000 increment up to a maximum of \$500,000. A participating employee may increase his face value of coverage annually by \$5,000 subject to the guaranteed issue amount and maximum coverage on a date mutually established by the State and the Contractor.</p> <p><b>Spouse</b> In-force certificates of coverage being transferred to the Contractor on January 1, 2013, shall transfer with the same coverage amount. Spouse under age 55: increments of \$5,000 up to one times the employee's annual base salary to a maximum of \$30,000</p>

<p><b>Child Term Rider</b></p> <p><b>Revisions</b></p>	<p>Spouse age 55 and over: increments of \$5,000 up to a maximum of \$15,000</p> <p>All child term riders in force as of December 31, 2012, including those in the amount of \$2,500, shall carryover to the Contractor as of January 1, 2013. A new child term rider to be effective January 1, 2013 or later shall be issued in the amount of \$5,000 or \$10,000.</p> <p>The State reserves the right to negotiate with the Contractor to increase the maximum issue amounts and to adjust the unit rates based on the increase in coverage. Such changes would be effected through an amendment to the contract.</p>
<p><b>Annual Enrollment</b></p>	<p>Each year during a time period specified by the State, employees may qualify to participate in the Plan or to increase amounts of coverage by demonstrating insurability through the response to health questions. Employees may also elect to decrease the face amount during the same time period. Coverage shall become effective within three (3) months of receipt of application.</p> <p>Each year during a time period specified by the State, current members may increase the face amount of their coverage by up to \$5,000 if that action will not exceed the guaranteed issue amount, without answering health questions.</p>
<p><b>Advance Benefit Rider</b></p>	<p>A rider may be issued if the Member becomes terminally ill and is not expected to live more than six months, as certified by a medical doctor, in an amount up to fifty percent (50%) of the face amount not to exceed \$100,000. Any payout will reduce the death benefit.</p>
<p><b>Exclusions/Limitations</b></p>	<p>Benefits will not be paid for deaths caused by suicide in the first 24 months after a Member's coverage takes effect. Additional or increased coverage amounts will not be paid for deaths caused by suicide within 24 months of the date the changes were made.</p> <p>In the event an individual is approved for coverage through medical underwriting, that coverage will be in full force on the general effective date unless limited by another provision of the Group Master Policy.</p>
<p><b>Premiums/Fees</b></p>	<p>The premium rates and administrative fees may be found in section C.3 of the <i>Pro Forma</i> Contract. Premiums for each Certificate are based upon the Member's age as of his last birthday. The monthly premium amount will automatically increase as age increases. The monthly premium will be based on age as of January 1 of each year.</p>
<p><b>Premium Rate Guarantee</b></p>	<p>3 Year Minimum Rate Guarantee (i.e., Premium Rates guaranteed for the period 1/1/2013 through 12/31/2015)</p>
<p><b>Waiver of Premium</b></p>	<p>The premium payment will be waived during a period of disability if a Member becomes totally disabled before age 60 and remains disabled for nine consecutive months. The Member may continue the waiver of premium provision up to age 70. This provision only applies to an employee or spouse who is enrolled.</p>
<p><b>Grace Period</b></p>	<p>The Insured shall have a grace period of at least thirty-one (31) days for late payment of premium. The Certificate will remain in force during the grace period.</p>
<p><b>Reinstatement</b></p>	<p>If the insurance Lapses, coverage may be reinstated within three (3) years after the date of Lapse as long as:</p> <ol style="list-style-type: none"> <li>(1) The Group Policy has not terminated;</li> <li>(2) Acceptable evidence of insurability, at the Member's cost, is submitted to the Contractor; and</li> <li>(3) A premium is paid which is sufficient to keep the insurance in force for at least three (3) months after the reinstatement.</li> </ol>
<p><b>Termination</b></p>	<p>A Member's coverage shall end when the first of the following occurs:</p> <ul style="list-style-type: none"> <li>• The date the Member's premiums are not paid when due, subject to the Grace Period;</li> </ul>

	<ul style="list-style-type: none"> <li>• On a date specified by the Member, at least 30 days in advance, upon written notification from the Member to the Contractor to terminate the Member's coverage or on a later date specified in the notice;</li> <li>• The Group Policy providing this coverage is terminated;</li> <li>• The Certificate is converted to an individual whole life or individual universal life insurance policy;</li> <li>• The Member attains age 70, if the Certificate is being continued on a direct bill basis: or</li> <li>• Failure to notify the Contractor of a change in eligibility status of the Spouse.</li> </ul>
<p><b>Continuation of Coverage</b></p>	<p>The Contractor shall provide for continuation of the Optional Term Life insurance coverage by former employees through participation in the coverage offered through this contract and payment of premium directly to the Contractor or through individual life policies. Premium for continuation of individual certificates shall be the same as those for employees. Employees who terminate their employment are to be notified by the Contractor of their options through written correspondence. Such notification shall be the responsibility of the Contractor. Notwithstanding the preceding, the Member may not continue coverage if termination is due to non-payment of premium.</p> <p>For an Employee Member whose employment is terminated or a Spouse Member who becomes ineligible for coverage because of the Employer's eligibility rules, the following options will apply:</p> <p style="padding-left: 40px;">(1) If younger than age 70, the Certificate may be:</p> <p style="padding-left: 80px;">a. Continued by paying the premiums on a direct bill basis to the Contractor. If this option is elected, the coverage provided by the Certificate will automatically terminate on the last day of the month in which age 70 is obtained. A request to convert to an individual life policy or may be made within 31 day of when the Certificate terminates at age 70; or</p> <p style="padding-left: 80px;">b. Converted to an individual life policy or individual.</p> <p style="padding-left: 40px;">(2) If age 70 or older, the Certificate may be converted to an individual life policy.</p> <p>The above options will not be available if the Member fails to notify the Contractor of a change in the eligibility status of the Spouse.</p> <p>If conversion to an individual life policy is chosen by the Member as described above, the application must be made for the policy within 31 days from the date of the notification offering the conversion. Proof of insurability will not be required. The premium for the policy will be based upon the Member's:</p> <p style="padding-left: 40px;">(1) Age;</p> <p style="padding-left: 40px;">(2) Class of risk; and</p> <p style="padding-left: 40px;">(3) The policy form and face amount of the policy.</p>

If the Member dies during the 31 day period before applying for an individual life policy, the amount of life insurance he had under the Certificate will be paid to the beneficiary.

If the life insurance provided by the Group Policy has been in effect for at least five (5) years and the Plan ends or the Plan ceases to include a Member's class of employees, coverage may be converted to an individual life policy, subject to the same conversion restrictions above, except as provided below. The converted policy will be limited to the less of:

- (1) The amount of life insurance the Member had under the Plan, less any amount of life insurance the Member becomes eligible for under another group policy within 31 days after the Plan ends; or
- (2) \$2,000.



# CONTRACT

(fee-for-service contract with an individual, business, non-profit, or governmental entity of another state)

<b>Begin Date</b> 10/22/12	<b>End Date</b> 12/31/2015	<b>Agency Tracking #</b> 31786-00115	<b>Edison Record ID</b> 34313
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<b>Contractor Legal Entity Name</b> Minnesota Life Insurance Company	<b>Edison Vendor ID</b> 157401
-------------------------------------------------------------------------	-----------------------------------

**Service Caption** (one line only)  
Optional Term Life Insurance

<b>Subrecipient or Vendor</b> <input type="checkbox"/> Subrecipient <input checked="" type="checkbox"/> Vendor	<b>CFDA #</b>
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Funding — FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2013			\$5,000,000.00		\$5,000,000.00
2014			\$10,000,000.00		\$10,000,000.00
2015			\$10,000,000.00		\$10,000,000.00
2016			5,000,000.00		5,000,000.00
2017					
2018					
<b>TOTAL:</b>			<b>\$30,000,000</b>		<b>\$30,000,000.00</b>

**American Recovery and Reinvestment Act (ARRA) Funding:**  YES  NO

**Ownership/Control**

African American     Asian     Hispanic     Native American     Female

Person w/Disability     Small Business     Government     NOT Minority/Disadvantaged

Other:

<b>Selection Method &amp; Process Summary</b> (mark the correct response to confirm the associated summary)	
<input checked="" type="checkbox"/> RFP	The procurement process was completed in accordance with the approved RFP document and associated regulations.
<input type="checkbox"/> Competitive Negotiation	The predefined, competitive, impartial, negotiation process was completed in accordance with the associated, approved procedures and evaluation criteria.
<input type="checkbox"/> Alternative Competitive Method	The predefined, competitive, impartial, procurement process was completed in accordance with the associated, approved procedures and evaluation criteria.
<input type="checkbox"/> Non-Competitive Negotiation	The non-competitive contractor selection was completed as approved, and the procurement process included a negotiation of best possible terms & price.
<input type="checkbox"/> Other	The contractor selection was directed by law, court order, settlement agreement, or resulted from the state making the same agreement with <u>all</u> interested parties or <u>all</u> parties in a predetermined "class."



<b>Budget Officer Confirmation:</b> There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations.		<i>OCR USE - FA</i>
		
<b>Speed Chart</b> (optional)	<b>Account Code</b> (optional) 79006000	<i>CMJ</i>



**CONTRACT  
BETWEEN THE STATE OF TENNESSEE,  
STATE INSURANCE COMMITTEE,  
AND  
Minnesota Life Insurance Company**

This Contract, by and between the State of Tennessee, State Insurance Committee, hereinafter referred to as the "State" and Minnesota Life Insurance Company, hereinafter referred to as the "Contractor," is for the provision of an optional term life insurance plan, as further defined in the "SCOPE OF SERVICES."

The Contractor is a For-Profit Corporation  
Contractor Place of Incorporation or Organization: Minnesota  
Contractor Edison Registration ID # 157401

**A. SCOPE OF SERVICES:**

- A.1. The Contractor shall provide all services and deliverables as required, described, and detailed herein and shall meet all service and delivery timelines as specified by this Contract.
- a. The Contractor agrees to provide a fully insured term life insurance plan option to eligible employees of State agencies and their dependents (hereafter referred to as "Members") (See Contract Attachment D.)
  - b. The Contractor shall underwrite and administer the State Optional Term Life Insurance Plan (hereinafter referred to as "Plan") in accordance with this Contract and the Group Master Policy.
  - c. The Contractor shall confirm the in-force status of each certificate and the eligibility of each claimant as claims are submitted, on the basis of information maintained in the Contractor's computer system. The Contractor shall process said claims in a timely and accurate manner.
  - d. The Contractor shall provide customary home office services and functions including but not limited to actuarial services, policy and certificate issuance, administration and accounting.
  - e. The Contractor shall provide advice and assistance with regard to questions concerning effective dates, benefits and coverage, and cessation of coverage as raised by the State, individual employees, former employees and/or survivors.
  - f. The Contractor shall process statements of health for delayed or revised enrollments.
  - g. The Contractor shall provide advice, assistance and information with regard to applicable Federal and State laws, court holdings and regulations affecting group insurance, and other Plan related matters as needed.
  - h. The Contractor shall provide for all current policy holders' coverage to be transferred to the Contractor, without any break or lapse in coverage. Coverage's held by current members shall be offered to each current participant at the rates indicated in Section C.3 of this contract.
    - i. The Contractor shall accept all current plan members and issue certificates of coverage at the current level of coverage for each member.
    - ii. The Contractor shall notify each current covered member, by US postal mail, of the amount of the transferred coverage and the new premium for the coverage currently held.
    - iii. All child term riders in force as of December 31, 2012, including those in the amount of \$2,500, shall carryover to the Contractor as of January 1, 2013. A new child term



rider to be effective January 1, 2013 or later shall be issued in the amount of \$5,000 or \$10,000.

- i. The Contractor shall provide for continuation of the Optional Term Life insurance coverage by former employees through the portability provisions of the Group Master Policy and payment of premium directly to the Contractor or through individual life policies. Premium for portability continuation of individual certificates shall be the same as those for employees. Employees who terminate their employment are to be notified by the Contractor of their options through written correspondence. Such notification shall be the responsibility of the Contractor.
- j. The Contractor shall provide a full range of actuarial services related to the insurance provided through this Contract. Such services shall be certified by a Fellow of the Society of Actuaries or a member of the American Academy of Actuaries.
- k. The Contractor shall provide all necessary forms, including but not limited to, for enrollment, submission and processing of claims, waiver of premium requests, and advanced payment of life insurance benefits.
- l. The Contractor shall furnish to each claimant information regarding the payment or rejection of claims.
- m. The Contractor shall assess applications for the advanced payment of life insurance benefits as provided in the Group Master Policy.
- n. During the first six-months, preferably within the first quarter, after the contract go-live date, the Contractor will conduct an open enrollment for all current Members and all employees and dependents otherwise eligible to participate. All amounts of coverage established during the open enrollment will be effective on a single date mutually agreed to by the Contractor and the State, but no later than July 1, 2013.
- o. Upon request by the State, with input from the Contractor, the Contractor may conduct a second open enrollment period for all current Members and all employees and dependents otherwise eligible to participate during the remaining term of the contract period. All amounts of coverage established during the second open enrollment period will be effective on a single date mutually determined by the State and the Contractor.

**A.2. Staffing**

- a. The Contractor shall provide and maintain qualified personnel and staffing to provide the deliverables and services in accordance with this Contract.
- b. The Contractor shall ensure that all staff, including the Contractor's employees, independent contractors, consultants, and subcontractors, performing services under this contract has the experience and qualifications to perform the applicable services.
- c. The Contractor shall designate an Account Manager and back-up with overall responsibility for the State Plan. The Account Manager shall serve as the single point of contact for the State and have overall responsibility for the Contractor's functions under the Contract. The Account Manager shall have the authority to make decisions and resolve problems on behalf of the Contractor with the State and shall remain dedicated to the work of the Contract for the duration of the Contract.
- d. In addition to the Account Manager the Contractor shall designate a Customer Service Manager, who shall manage the Call Center operations and staff and shall remain dedicated to the work of the Contract for the duration of the Contract.



- e. The Contractor shall also designate an Information Systems Project Coordinator who will be responsible for implementation of the systems requirements for administering the optional term life insurance plan and interfaces with the State.
- f. All key Contractor project staff shall attend a project kick-off meeting at the State of Tennessee offices in Nashville, TN within the first thirty (30) days after the Contract Award Date.
- g. The Contractor shall train representatives/operators and other staff regarding the provisions of the State's optional term life insurance plan. The Contractor's staff shall successfully complete the training program prior to assuming their duties. The Contractor shall conduct regular staff refresher training to address program, process, and policy training.
- h. For work under this Contract, the Contractor shall employ no employees or contract with subcontractors that are on the U.S. Department of Health and Human Services' Office of Inspector General (OIG) exclusions list unless the Contractor receives prior, written approval from the State.
- i. The Contractor agrees that the State may approve or disapprove the Contractor's Subcontractors or its staff assigned to this Contract prior to the proposed staff assignment. For all subcontractors approved by State, the Contractor shall, within 45 days of the contract award and any other time at the State's request, provide copies of the executed subcontracts to the State. The State may also direct the Contractor to replace staff members providing core services and/or interacting regularly with the State as it deems necessary and appropriate. The decision of the State on these matters shall not be subject to appeal.
- j. Personnel commitments made by the Contractor shall not be changed unless prior approval is received from the State in writing. For these purposes, such commitments shall include any named individuals in the proposal and the levels of effort proposed. The Contractor shall notify the State at least thirty (30) days in advance of proposed changes and shall submit justification (including proposed substitutions) in sufficient detail to the State to evaluate the impact upon the Contract. The decision of the State on these matters shall not be subject to appeal.
- k. The Contractor shall survey State staff named by the State annually to determine the State's satisfaction with the Account Team and report the results of the survey to the State (see Contract Attachment C, C.6., Reporting Requirements).

**A.3. Call Center**

- a. The Contractor shall maintain a Call Center and provide a dedicated toll-free line, by the date specified in A.14.e.8. for the exclusive purpose of responding to Member inquiries. The Contractor shall provide advice and assistance to members regarding issues such as, but not limited to, effective dates, benefit levels, claims status, and premiums.
- b. **Call Center Requirements**
  - (1) The Contractor shall operate a Call Center that uses a toll-free number as the "front-end" entry point for callers. The Contractor's Call Center shall have designated representatives/operators to respond to inquiries from members.
  - (2) The Contractor's call center and staff shall be located in the continental United States.
  - (3) The Contractor's Call Center shall accept calls, at a minimum, from 7:00 a.m. to 4:30 p.m. Central Time (CT) Monday through Friday.



- (4) The Contractor's Call Center shall be equipped with TDD (Telecommunication Device for the Deaf) or TTY (Teletype) in order to serve the hearing impaired population.
- (5) The Contractor's Call Center shall have at least one Member services representative who is bilingual in English and Spanish during all hours of operation.

c. Call Center Processes

- (1) The Contractor's call center shall answer, by a person, one hundred percent (100%) of calls within five (5) minutes (300 seconds).
  - (2) The Contractor's call center shall maintain an average seconds to answer (ASA) of less than one (1) minute (60 seconds) and after answering the call the Contractor may only put callers on hold in order to (a) make outbound calls as necessary or (b) to research a caller's issue.
  - (3) The Contractor's call center shall maintain a blocked call rate of less than one percent (1%).
  - (4) The Contractor's call center shall maintain an abandoned call rate of not more than three percent (3%).
- d. The Contractor shall calculate each performance measure for three continuous periods of equivalent length during the normal business hours of each business day.
- e. The Contractor shall provide call center statistics related to the performance standards above to the State on a weekly basis during the thirty (30) days prior to go-live date through sixty (60) days after the go-live date. The Contractor shall also submit a summary report with data for the preceding month. The monthly report shall include weekly and monthly data. (See Contract Attachment C, C.5.)
- f. The Contractor's call center shall have call management systems and communications infrastructure that can manage the potential call volume and achieve the performance standards described in this Contract.
- g. The Contractor's call management systems shall be scalable and flexible so they can be adapted as needed, within negotiated timeframes where applicable, in response to program, benefit, or enrollment changes.
- h. The Contractor's call management systems shall be equipped with caller identification. In addition, the Contractor's call center shall adopt caller identification for itself.
- i. The Contractor's call management system shall record and index all calls such that the Contractor can easily retrieve recordings of individual calls based on the phone number of the caller, the caller's name, the date/time of the call and the staff member who handled the call. The Contractor shall be able to provide a full recording of each call upon the State's request.
- j. The Contractor may use an automated interactive voice response (IVR) system for managing inbound calls, provided that the caller always has the ability to leave the IVR system and wait in the queue in order to speak directly with a live-voice call center staff member rather than continue through additional prompts.
- k. The Contractor shall inform callers of their likely wait times (based on real-time information, including call volume and member services representative availability) as they enter the queue.



- I. The Contractor shall have the ability to make outbound calls without interrupting the ability of callers to continue to access the call center.
- m. The Contractor shall have the ability to allow third parties (the State or its authorized representative) to monitor recorded calls from a remote location.
- n. The call management system shall enable the logging of all calls, including:
  - (1) The caller's identifying information (e.g., employee ID);
  - (2) The call date and time;
  - (3) The reason for the call;
  - (4) The member services representative that handled the call;
  - (5) The length of call; and
  - (6) The resolution of the call and if unresolved, the action taken and follow up steps required.
- o. Additionally, the call management systems shall maintain a history of correspondence and call transactions for performance management, quality management and audit purposes. This history shall contain the actual information, a date/time stamp that corresponds to when the transaction took place, the origin of the transaction (e.g., the State and /or one of its authorized representatives or the member), and the member services representative that processed the transaction. Related correspondence and calls shall be indexed and properly recorded such that they can be treated in reporting and analysis as part of a distinct transaction.

A.4. Member Communications/Materials

- a. The Contractor shall, in consultation with and following written approval by the State, develop and disseminate member information and communication materials (hereinafter member materials). Member materials shall include, but are not limited to, enrollment forms, member handbooks, administrative forms, letters, manuals, policies, certificate of coverage, webinars and online videos.
- b. Member materials shall be finalized (including State review and sign-off) and ready for distribution prior to the State's fall Annual Enrollment Transfer Period (AETP) or Open Enrollment (whichever is applicable).
- c. In addition to the member materials referenced above, the Contractor shall assist the State, if requested, in the education and dissemination of general information regarding the Plan. This assistance may include but not be limited to:
  - (1) Written information;
  - (2) Audio/video presentations;
  - (3) Attendance at meetings, workshops, and conferences; and
  - (4) Training of State staff and other persons on Contractor's administrative and benefits procedures.
- d. The Contractor shall provide an annual statement to Members at their home address which indicates, at a minimum:
  - (1) amount of insurance
  - (2) monthly premium



- e. Unless otherwise specified in this Contract, the Contractor shall be responsible for all costs related to the design, development, mailing, if applicable, and revision of all member materials that are required to be produced under the terms of this Contract.
  - f. If the State requires mailings above those identified in the contract, the State shall pay the postage, printing and production costs of such mailings pursuant to Contract Sections C.3.g. and C.3.h.
  - g. Unless otherwise directed by the State, the Contractor shall obtain approval in writing from the State prior to using or distributing any member materials.
  - h. The Contractor shall work in conjunction with the State's marketing staff to ensure continuity of branding across all plan and member materials, website, and any other communications information.
  - i. The Contractor shall have the exclusive responsibility to write, edit, and arrange for clearance of materials (such as securing full time use of a stock photograph used in brochures for perpetuity) for any and all member materials in time for the materials to be approved by the State and printed.
  - j. The Contractor shall ensure that its member materials are culturally sensitive and professional in content, appearance, and design.
  - k. The Contractor shall prominently display the Contractor's call center telephone number and website address in large, bolded typeface on all member materials.
  - l. The Contractor shall, to the extent practicable, use relatively large and legible fonts in its member materials. Additionally, the Contractor shall make maximum use of graphics to communicate key messages to populations with limited literacy or limited English proficiency.
  - m. Unless otherwise prior approved in writing by the State, the contractor shall design all member materials at the sixth (6.0) grade level or lower using the Flesch-Kincaid Index or other suitable metric that the State prior approves in writing. The Contractor shall evaluate materials using the entire text of the materials (except return addresses). When submitting draft materials to the State for approval, the Contractor shall provide a reading level analysis and certification of the reading level of each piece of material.
  - n. The Contractor covenants that all materials distributed to members and prepared or produced by the Contractor shall be accurate in all material respects.
  - o. The Contractor shall ensure that up-to-date versions of all printed member materials can be down loaded from its website/portal.
  - p. The number of member handbooks and other relevant information to be printed shall be in sufficient quantities for distribution to the State's enrolled members, plus fifteen percent (15%) for distribution to new hires.
  - q. At the State's request, the Contractor shall attend meetings, workshops, and conferences to discuss and market the optional term life insurance plan. Any on-site visits to agencies covered under this plan shall require prior approval by the State.
- A.5. Certificates of Coverage The Contractor shall provide Members with Certificates of Coverage following initial enrollment and thereafter when a change is necessary. The cost of this item shall be borne by the Contractor. The Contractor shall mail Certificates of Coverage to current members no later than twenty-one (21) calendar days prior to the go-live date. During the benefit year, the Contractor shall mail Certificates of Coverage no later than ten (10) days from new enrollments being approved, from change in coverage for existing members, or from receipt of a



member's request for a replacement certificate (at no charge to the member). Additionally, the Contractor shall mail Certificates of Coverage fourteen (14) days prior to each benefit year if requested by the State.

**A.6. Member Handbooks**

- a. The Contractor, following review and approval by the State, shall periodically, but no more frequently than annually, update, print and distribute, upon the State's request, member handbooks and shall maintain on its website an up-to-date version of the member handbook.
- b. The member handbook shall be specific to the Plan and shall detail eligibility, benefits and exclusions, premium rates, and provide other information helpful to members.
- c. The Contractor shall distribute the member handbook to every head-of-contract no later than twenty-one (21) days prior to the go-live date and thereafter fourteen (14) days prior to the start of each benefit year upon request by the State. During the benefit year, the Contractor shall mail handbooks to new members no later than ten (10) days from approval of enrollment.
- d. Upon the State's request, the Contractor shall provide member handbooks to Agency Benefits Coordinators within fifteen (15) days of the State's request to provide copies.

**A.7. Web Site**

- a. The Contractor shall maintain a website dedicated to and customized for this Contract. The Design of the website, inclusive of the site map, page layout, color/font scheme and branding, static content and any documents which can be accessed via or downloaded from the website, shall be prior approved in writing by the State. The website shall be designed for members and dedicated to the optional term life insurance plan. Additionally, the Contractor shall obtain prior, written approval from the State for any links from the site to an external (governmental and non-governmental) website/portal or webpage.
- b. The Website shall be fully operational on or before the date specified in A.14.e.12.
- c. The Contractor shall update content and/or documents posted to the website within five (5) business days of the State's approval of changes to said content and/or documents.
- d. In association with the State's Annual Enrollment Transfer Period or Open Enrollment Period (whichever is applicable), the Contractor shall provide all information pertinent to each new plan year on the website/portal by the first day of said period.
- e. The Contractor shall submit to the State a website design specifications document, inclusive of a comprehensive site map, page design documentation including "screenshots" of all pages, all links to external sites (governmental and non-governmental) and all static content and documents associated with release #1 of the website for review and approval by the date specified in A.14.e.13.
- f. The Contractor shall host the website/portal on a non-governmental server, which shall be located within the United States.
- g. The Contractor shall ensure that the website/portal meets all of the capacity, availability, performance and security requirements outlined in Contract Sections A.9. and A.11.
- h. The Contractor shall obtain and cover the cost of the domain name for the website/portal.



- i. To ensure accessibility among persons with a disability, the Contractor's website shall comply with Section 508 of the Rehabilitation Act of 1973 (29 USC Section 794d) and implementing regulations at 36 CFR 1194 Parts A-D.
- j. The website/portal shall be "Bobby-approved" (as defined in Contract Section A.16.j)
- k. At a minimum the website shall contain a home page with general information and links to additional information, including but not limited to the available coverage amounts, frequently asked questions (FAQs), the member handbook, and appeal forms (if applicable).
- l. The Contractor shall provide no later than the start of the State's first open enrollment period a link on the website for use by eligible employees and Members to be able to enroll online or make changes in their coverage in the Plan.
- m. The Contractor shall provide no later than the start of the State's first open enrollment period a link on the website for use by eligible employees and Members to be able to enter or change beneficiary designations online for their coverage under this Plan.

A.8. Administrative Services

- a. The Contractor, upon request by the State, shall review and comment on proposed revisions to the coverage provisions in the Plan. When so requested, the Contractor shall comment in regard to:
  - (1) industry practices;
  - (2) the overall cost impact to the optional term life insurance plan;
  - (3) necessary changes in the Contractor's reporting requirements; and/or
  - (4) system changes required to administer any revised Plan provisions.
- b. The contractor shall provide advice, assistance and information to the State regarding applicable existing and proposed Federal and State laws and regulations affecting the Plan.
- c. The Contractor shall provide advice and assistance with regard to questions regarding effective dates, coverage amounts, and premiums as requested by the State and Members.
- d. The Contractor shall refer calls from Agency Benefits Coordinators (ABCs) regarding eligibility issues to the State.
- e. The Contractor shall respond to all inquiries in writing from the State within one (1) week after receipt of said inquiry. In cases where additional information to answer the State's inquiry is required, the Contractor shall notify the State immediately as to when the response can be furnished to the State. For matters designated as urgent by the State, the Contractor shall provide a response to the State within four (4) hours during normal business hours. During non-business hours, the Contractor shall provide a response to urgent matters to the State within twenty-four (24) hours. Staff members, from the applicable business unit, with final decision making authority shall provide responses.
- f. The Contractor shall answer, in writing, within five (5) business days, all written inquiries from Members or beneficiaries concerning the status of claims submitted, all benefits available through the benefit option, its clarifications and revisions, and other relevant information.
- g. The Contractor shall establish a formal grievance procedure for Members and



beneficiaries to appeal decisions in regard to administration of the plan and to resolve disputes that may arise in the administration of the program. The Contractor shall provide the State with two (2) written copies of this grievance procedure, and the State reserves the right to require changes in the procedures when appropriate.

- h. To maintain the privacy of personal information, the Contractor shall enable Transport Layer Security (TLS), or other security software as directed by the State, on the mail server used for daily communications between the State and the Contractor. TLS, or other security measures, shall be enabled no later than January 1, 2013 and shall remain in effect throughout the term of the contract unless otherwise directed by the State.
- i. The Contractor shall meet with representatives of the State periodically, but no less than quarterly, to discuss programmatic, operational and contractual issues related to the Plan. The Contractor shall have in attendance the staff requested by the State, which shall include the Account Manager and representatives from the Contractor's organizational units required to respond to topics indicated by the agenda. These meetings will take place at the State of Tennessee offices in Nashville, TN. However, at its discretion, the State may allow the Contractor to participate in such meetings by teleconference.
- j. The Contractor shall not modify the services or benefits provided to members during the term of this Contract without the prior written consent of the State.
- k. The Contractor shall refer all media and legislative inquiries to the Division of Benefits Administration, which will have the sole and exclusive responsibility to respond to all such queries. However, the Contractor shall respond directly to audit requests from the Comptroller, to audit requests from divisions within the Department of Finance & Administration, and to subpoenas; in all such instances, the Contractor shall copy the Division of Benefits Administration on all correspondence.
- l. Unless prior approved in writing by the State and in compliance with State and Federal law, the Contractor shall not use information gained through this Contract, including but not limited to utilization and pricing information, in marketing or expanding non-State business relationships or for any pecuniary gain.

#### A.9. Information Systems

- a. The Contractor shall use the State's Edison employee identification number (not Social Security Number) as the primary unique identifier for members and shall include the Edison identification number when communicating with the State about a particular member.
- b. Call Center Systems Access: The Contractor's call center staff shall have access to enrollment, claims management and other systems as necessary to respond to inquiries from members.
- c. All Contractor systems shall maintain linkages and head-of-contract-dependent (e.g., spouse to spouse and parent to child) relationships between initial and related subsequent interactions/transactions/events/activities. Additionally, when the Contractor houses indexed images of documents used by members and subcontractors to transact with the Contractor, the Contractor shall ensure that these documents maintain logical relationships to certain key data such as member identification and subcontractor identification numbers. The Contractor shall also ensure that records associated with a common event, transaction or customer service issue have a common index that facilitates search, retrieval and analysis of related activities, e.g., interactions with a particular member about the same matter/problem/issue.
- d. Upon the State's request, the Contractor shall be able to generate a listing of all members (including each member's Edison identification number) that were sent a



particular document, the date and time that the document was generated, and the date and time that it was sent to particular members or groups thereof. The Contractor shall also be able to generate a sample of said document.

e. Retention and Accessibility of Information

- (1) The Contractor shall provide and maintain a comprehensive information retention plan that is in compliance with State and Federal requirements.
- (2) The Contractor shall maintain information on-line for a minimum of one (1) year, based on the last date of update activity, and update detailed and summary history data for up to two (2) years to reflect adjustments.
- (3) The Contractor shall provide within three (3) business days turnaround or better on requests for access to information. Such requests for information shall be made by the State or its authorized designee.
- (4) If an audit or administrative, civil or criminal investigation or prosecution is in progress or audit findings or administrative, civil or criminal investigations or prosecutions are unresolved, information shall be kept in electronic form until all tasks or proceedings are complete.

f. Information Ownership. All information, whether data or documents, and reports that contain or make references to said information, involving or arising out of this Contract is owned by the State. The Contractor is expressly prohibited from sharing or publishing State information and reports or releasing such information to external entities, affiliates, parent company, or subsidiaries without the prior written consent of the State.

- (1) Upon termination of this Contract, the Contractor shall provide to the State or its designated agent, the records for Members; including enrollment, face values, premiums due and collected status, and other pertinent data to effect a transition of the Plan from the Contractor. The information shall be furnished in a format and medium as is compatible with the data processing system maintained by the State or its designated agent. Additionally, the Contractor shall provide all information necessary to properly interpret the data supplied. To ensure the continuous operation of the program and upon 30 days notice, this information shall be provided to the State or its designated agent at least 45 days prior to the termination date of this Contract; further, the State may require the Contractor to provide this information at various other times prior to or after the termination date of this Contract. It shall be the responsibility of the Contractor to process all claims incurred on or before the termination of this Contract regardless of date received. No compensation, beyond that specified in this Contract, shall be paid for completion of this task as it is recognized to be part of the Contractor's responsibilities.

g. System Availability, Business Continuity and Disaster Recovery (BC-DR)

- (1) The Contractor shall ensure that critical member and other web-accessible and/or telephone-based functionality and information including the website described in Contract Section A.7. (to be agreed to by the State and the Contractor) are available to the applicable System users twenty-four (24) hours a day, seven (7) days a week, except during periods of scheduled system unavailability agreed upon by the State and the Contractor. Unavailability caused by events outside of the Contractor's span of control is outside of the scope of this requirement. Notification of any scheduled maintenance shall be posted on the member website/portal. The Contractor shall make efforts to minimize any down-time between 5:00 a.m. and 10:00 p.m. Central Time.



- (2) The Contractor shall ensure that the systems within its span of control that support its data exchanges with the State are available and operational according to the specifications and schedule associated with each exchange.
  - (3) Regardless of the architecture of its systems, the Contractor shall develop and be continually ready to invoke a business continuity and disaster recovery (BC-DR) plan. The BC-DR plan shall encompass all information systems supporting this Contract. At a minimum the Contractor's BC-DR plan shall address the following scenarios:
    - i. Central and/or satellite data processing, telecommunications, print and mailing facilities and functions therein, hardware and software are destroyed or damaged;
    - ii. System interruption or failure resulting from network, operating hardware, software, communications infrastructure or operational errors that compromise the integrity of transactions that are active in a live system at the time of the outage;
    - iii. System interruption or failure resulting from network, operating hardware, software, communications infrastructure or operational errors that compromise the integrity of data maintained in a live or archival system; and
    - iv. System interruption or failure resulting from network, operating hardware, software, communications infrastructure or operational errors that does not compromise the integrity of transactions or data maintained in a live or archival system but does prevent access to the system.
  - (4) The Contractor shall provide the State results of its most recent test of its BC-DR plan at least one (1) month prior to the go-live date.
  - (5) The Contractor shall periodically, but no less than annually, test its BC-DR plan through simulated disasters and lower level failures in order to demonstrate to the State that it can restore system functions. The Contractor shall submit an annual BC-DR Results Report to the State in January of each year; with the first report submitted after the initial report to be submitted in January of 2014 (see Contract Attachment C.7.)
  - (6) In the event that the Contractor fails to demonstrate in the tests of its BC-DR plan that it can restore system functions per the standards outlined in this Contract, the Contractor shall submit to the State a corrective action plan that describes how the failure will be resolved. The Contractor shall deliver the corrective action plan within ten (10) business days of the conclusion of the test.
  - (7) In the event of a declared major failure or disaster, as defined in the Contractor's BC-DR plan the Contractor's critical functionality as discussed in Contract Section A.9.g.1. shall be restored within seventy-two (72) hours of the failure's or disaster's occurrence.
  - (8) The Contractor shall maintain a duplicate set of all records relating to this Plan in electronic medium, usable by the State and the Contractor for the purpose of disaster recovery or data restoration.
- h. Prior to implementing any major modifications to or replacement of the Contractor's core information systems functionality and/or associated operating environment, the Contractor shall notify the State in writing of the change or modification within a reasonable amount of time (commensurate with the nature and effect of the change or modification) if the change or modification; (a) would affect the Contractor's ability to



perform one or more of its obligations under this Contract; (b) would be visible to State system users and members; (c) might have the effect of putting the Contractor in noncompliance with the provisions or substantive intent of this Contract; or (d) would materially reduce the coverage amounts payable or services provided to the average member. If so directed by the State, the Contractor shall discuss the proposed change with the State prior to implementing the change. Subsequent to this discussion, the State may require the Contractor to demonstrate the readiness of the impacted systems prior to the effective date of the actual modification or replacement.

i. **System and Information Security and Access Management Requirements**

- (1) The Contractor shall make system information available to duly authorized representatives of the State and other State and Federal agencies to evaluate, through inspections or other means, the quality, appropriateness and timeliness of services performed.
- (2) The Contractor's systems shall contain controls to maintain information integrity. These controls shall be in place at all appropriate points of processing. The controls shall be tested in periodic and spot audits following a methodology to be developed jointly by and mutually agreed upon by the Contractor and the State.
- (3) Audit trails shall be incorporated into all systems to allow information on source data files and documents to be traced through the processing stages to the point where the information is finally recorded.
- (4) The Contractor shall provide for the physical safeguarding of its data processing facilities and the systems and information housed therein. The Contractor shall provide the State with access to data facilities upon request. The physical security provisions shall be in effect for the life of this Contract.
- (5) Unless the State prior-approves in writing the Contractor's use of alternate mitigating controls, the Contractor shall use Federal Information Processing Standard (FIPS) 140-2 compliant technologies to encrypt all PHI in motion or rest, including back-up media.

A.10. **Data Integration and Technical Requirements**

- a. The Contractor shall maintain an electronic data interface with the State's Edison System for the purpose of processing State member eligibility, premium deduction, and the member's official information known to the State. The Contractor shall be responsible for providing and installing the hardware and software necessary. When the Contractor requires the exchange of eligible employee, eligible dependent, and Member personal information with the State of Tennessee, the State requires the use of second level authentication. This is accomplished using the State's standard software product, which supports Public Key Infrastructure (PKI). The Contractor shall design a solution, in coordination with the State, to connect to the State's Secure File Transfer Protocol (SFTP) server using a combination of the password and the authentication certificate. The initial sign-on and transmission testing will use a password. Certificate testing may also be performed during the test cycle. Subsequent production sign-on will be done using the authentication certificate. The Contractor will then download the file and decrypt the file in its secure environment. The State of Tennessee uses public key encryption with Advanced Encryption Standard (AES) to encrypt PHI. If the State adopts a different or additional encryption standard or tool in the future, the Contractor shall, with adequate notice, cooperate with the State to maintain the security of protected information according to all applicable State and Federal standards.
- b. At least two (2) months prior to the go-live date, the Contractor shall complete testing of the transmission, receipt, and loading of the eligibility and premium deduction files from the State.



- c. At least one (1) month prior to the go-live date, the Contractor shall load, test verify, and make available online for member services the State's eligibility and enrollment information. The Contractor shall certify, in writing, to the State that the Contractor understands and can fully accept and utilize the eligibility and premium deduction files as provided by the State.
- d. The Contractor shall maintain, in its systems, in-force enrollment records of all Individuals covered by the Plan.
  - (1) **Weekly Eligibility Update:** To ensure that the State's eligibility and enrollment records remain accurate and complete, the Contractor shall, unless otherwise directed by the State, retrieve, via secure medium weekly eligibility files from the State, in the State's Edison format, which may be revised- files will include full population records for all eligible employees, including recent terminations.
  - (2) **Monthly Premiums Due Update:** To ensure that the State deducts from members paychecks issued by the State through its Edison Payroll System a current amount due for premium payment, the Contractor shall, unless otherwise directed by the State, submit on the 5<sup>th</sup> calendar day of each month, via secure medium monthly premium due update files for the State, in the State's Edison format, which may be revised- files will include new or changed records for members on payroll deduction.
  - (3) **Monthly Premiums Collected Update:** To ensure that the Contractor's premiums collected records remain accurate and complete, the Contractor shall, unless otherwise directed by the State, retrieve, via secure medium monthly premiums collected via payroll files from the State, in the State's Edison format, which may be revised- files will include full population records for all employees for whom a premium amount was deducted via the State's Edison Payroll System. Members set-up on payroll deduction for which no deduction was taken will not appear in the file.
  - (4) The Contractor and/or its subcontractors, as applicable, shall electronically process one hundred percent (100%) of electronically transmitted eligibility records within three (3) business days of receipt of the Weekly Eligibility Update file.
  - (5) The Contractor and/or its subcontractors, as applicable, shall electronically process one hundred percent (100%) of electronically transmitted monthly premiums collected records within three (3) business days of receipt of the Monthly Premiums Collected Update file.
  - (6) The Contractor and/or its subcontractors, as applicable, shall resolve all discrepancies identified by the processing of the eligibility file within five (5) business days of receipt of the file from the State. The State and the Contractor shall work to develop a process for responding to invalid or non-processed records.
- e. The Contractor shall reconcile, within ten (10) business days of receipt, payment information provided by the State. Upon identification of any discrepancies, the Contractor shall immediately advise the State.
- f. The Contractor's systems shall conform to future federal and state specific standards for data exchange by the standard's effective date.
- g. The Contractor shall partner with the State in the management of current and future data exchange formats and methods and in the development and implementation planning of future data exchange methods not specific to HIPAA or other federal effort.
- h. The Contractor's system(s) shall possess mailing address standardization functionality in accordance with U.S. Postal Service conventions.



- i. Within sixty (60) days of notice of termination of this Contract, the Contractor shall transfer to the State or its designee all required data and records necessary to administer the plan, subject to State and Federal confidentiality requirements. The transfer shall be made electronically via secure medium, in a file format to be determined based on the mutual agreement between the State and the Contractor.

A.11. Privacy & Confidentiality

- a. The Contractor shall develop, adopt, and implement standards to safeguard the privacy and confidentiality of all personal information about eligible employees and dependents and members. For example, the Contractor shall ensure that it does not have completed forms containing personal information sitting in public view, left in unsecured boxes or files, or left unattended in any off-site location (e.g., in an automobile). The Contractor's procedures shall include but not be limited to safeguarding the identity of members as members of the Plan and preventing the unauthorized disclosure of personal information. The Contractor shall comply with all federal and state laws concerning the privacy and confidentiality of members' information, and shall implement any regulations when they become effective.
- b. In the absence of exigent circumstances, the Contractor shall not disclose any member's personal information to another business associate for pecuniary gain unless the State specifically prior authorizes such disclosure in writing.
- c. The Contractor shall use appropriate safeguards to prevent the unauthorized use or disclosure of the members' personal information. The Contractor shall report to the State any unauthorized use or disclosure of the personal information within five (5) business days of any incident of which it becomes aware.
- d. The Contractor shall mitigate, to the extent practicable, any harmful effect that is known to the Contractor of a use or disclosure of personal information by the Contractor in violation of the requirements of this contract or federal or state laws.
- e. The Contractor shall (i) implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic personal information of members that it creates, receives, maintains, or transmits, report to the State any security incident of which the Contractor becomes aware, and ensure that any agent of the Contractor, including any subcontractor, agrees to the same restrictions and conditions that apply to the Contractor with respect to such information.
- f. The Contractor shall not sell member information unless it is aggregated blinded data, which is not identifiable on a member basis. The Contractor shall not use member identified or non-aggregated information for advertising, marketing, promotion or any activity intended to influence sales or market share of any product or service.
- g. The Contractor shall have full financial responsibility for any penalties, fines, or other payments imposed or required as a result of the Contractor's non-compliance with, or violation of, federal or state requirements, and the Contractor shall indemnify the State with respect to any such penalties, fines, or payments.
- h. The Contractor shall assure that all Contractor staff is trained in all privacy and security requirements, as applicable.

A.12. Audits and Quality Assurance

- a. The Contractor shall cooperate fully with audits the State may conduct related to any aspect of the program the State deems appropriate (at the Contractor's expense). The State may select any qualified persons or organization to conduct the audits. To the extent allowed by



applicable law, the State agrees that persons or organizations conducting audits of the Contractor shall be prohibited from disclosing confidential patient records or proprietary or confidential information reasonably designated as such by the Contractor.

- b. The Contractor shall maintain an internal quality assurance plan. If requested by the State, the Contractor shall provide a summary of the internal quality assurance plan indicating areas addressed, established criteria and standards and those methods employed to evaluate results.
- c. The Contractor shall submit to the State, at least one (1) month prior to the go-live date, a summary of its methodology for conducting internal claims and operational audits, including audits to determine claims payment and processing accuracy and claims payment turnaround. The Contractor shall notify the State in writing at least thirty (30) calendar days in advance of any significant changes to its methodology. The State reserves the authority to review the change and require changes, where appropriate.

#### A.13. Reporting

- a. As required by this Contract (see Contract Attachment C), the Contractor shall submit reports to the State. Reports shall be submitted electronically, in the format specified by the State, and shall be of the type and at the frequency indicated below. At the State's request separate reports shall be submitted for payroll deducted members and pay-direct members. The State reserves the right to modify reporting requirements as deemed necessary to monitor the Plan. The State will provide the Contractor with at least ninety (90) days notice prior to implementation of a report modification.

Unless otherwise directed by the State, the Contractor shall submit reports as follows:

- Weekly reports shall be submitted by Tuesday of the following week;
- Monthly reports shall be submitted by the 15<sup>th</sup> of the following month;
- Quarterly reports shall be submitted by the 20<sup>th</sup> of the following month;
- Semi-Annual Reports shall be submitted by the 20<sup>th</sup> of the following month;
- Annual reports shall be submitted within sixty (60) days after the end of the calendar year.

Unless prior approved in writing by the State, each report shall be specific to the Plan (not the Contractor's book of business).

- b. The Contractor shall ensure that reports submitted by the Contractor to the State shall meet the following standards:
  - (1) The Contractor shall verify the accuracy and completeness of data and other information in reports submitted.
  - (2) The Contractor shall ensure delivery of reports or other required data on or before scheduled due dates.
  - (3) Reports or other required data shall conform to the State's defined written standards.
  - (4) All required information shall be fully disclosed in a manner that is responsive and with no material omission.
  - (5) Each report shall be accompanied by a brief narrative that describes the content of the report and highlights salient findings of the report.
  - (6) As applicable, the Contractor shall analyze the reports for any early patterns of change, identified trend, or outliers and shall submit a written summary with the report including such analysis and interpretation of findings. At a minimum, such



analysis shall include the identification of change(s), the potential reasons for change(s), and the proposed action(s).

- (7) The Contractor shall notify the State regarding any significant changes in its ability to collect information relative to required data or reports.
- (8) The submission of late, inaccurate or otherwise incomplete reports shall be considered failure to report within the specified timeframe (see Contract Attachment B, B.6.).
- (9) State requirements regarding reports, report content and frequency of submission may change during the term of the Contract. The Contractor shall have at least forty-five (45) days to comply with changes specified in writing by the State.

#### A.14. Implementation

- a. **Optional Term Life Insurance Implementation Plan. General Requirements:** The Contractor shall provide to the State a comprehensive Implementation Plan no later than thirty (30) days after the Contract Award Date. The plan shall outline the steps necessary for the Contractor to submit deliverables by the date specified in Contract Section A.14.e.1. and for the Contractor to be fully operational by the program go-live date of January 1, 2013. This plan shall include a detailed timeline description of all work to be performed both by the Contractor and the State. The implementation plan shall also provide specific details on the following:
  - (1) Identification, timing, and assignment of significant responsibilities and tasks;
  - (2) Names and titles of key implementation staff;
  - (3) Identification and timing of the State's responsibilities;
  - (4) Data requirements (indicate type and format of data required);
  - (5) Identification and timing for the testing, acceptance and certification of exchange of data between the Contractor and Edison and other relevant information systems;
  - (6) Member communications and their timing (consistent with Benefits Administration's larger member communication strategy); and
  - (7) Schedule of in-person meetings and conference calls with the State.
- b. The Contractor shall have a designated full-time implementation team to service this account. All of the Contractor's implementation team members shall have participated, as team members, in the implementation of term life insurance plans for at least one other large employer (i.e., an employer plan with at least 10,000 members). The Contractor's implementation team shall include a full-time, designated project manager ready to begin work immediately following the contract signing until thirty (30) days after the go-live date. The team shall also include an Account Manager dedicated to this Contract, who will be the main contact with the State for all of the day-to-day matters relating to the implementation and ongoing operations of this Contract. Also, the Contractor shall assign a backup to the Account Manager. An Information Systems Project Manager shall be part of the implementation team. All implementation team members shall be available as needed during the implementation as well as thirty (30) days after the go-live date.
- c. **Staffing Plan:**
  - (1) **General Requirement.** As part of its Project Implementation Plan described above, the Contractor shall submit to the State for review and approval a detailed staffing plan. The Contractor shall submit to the State its Staffing Plan with its Project Implementation Plan by the date specified in Contract Section A.14.e.1.



- (2) Contents. The staffing plan shall provide staffing estimates for all functions and requirements of the Contract, including:
- i. Representatives/operators, serving in the Call Center
  - ii. Contractor supervisory/account management staff; and
  - iii. Technical Staff, as required to process the interface files with the State.
- d. The State may conduct a comprehensive readiness review of the Contractor at least sixty (60) days prior to January 1, 2013 in order to ensure that the Contractor is able and prepared to perform all functions required by this Contract and to provide high quality services to Members. Such review by the State may include an on-site review of the Contractor's customer service, claims adjudication facilities and operation. Contractor shall participate in all readiness review activities conducted by the State staff and/or the State's benefit consultants to ensure the Contractor's operational readiness for all products and services (e.g. claims adjudication, eligibility, member services, reporting requirements, Edison interface, etc.) The State will provide the Contractor with a summary of findings that may include areas requiring corrective action prior to January 1, 2013.
- e. Due Dates for Project Deliverables/Milestones

Unless otherwise specified in writing by the State, the Contractor shall adhere to the following schedule for the deliverables and milestones for which it is responsible under this Contract:

Deliverables/Milestones:	Contract Reference(s):	Deliverable Due Dates:
<b>Implementation</b>		
Optional Term Life Implementation plan, Staffing Plan and timetable	A.14.a. and c.	Within 30 days post Contract Award Date
All Subcontractors approved by State and copies of the executed subcontracts provided, if requested by the State	A.2.i.	Within 45 days post Contract Award Date
Go-Live	A.1.	January 1, 2013
Kick-off meeting for all key Contractor staff	A.2.f	No later than 30 days after Contract Award Date
State readiness review	A.14.d.	November 1, 2012 or before
<b>Staffing</b>		
Staff identified and designated responsibilities	A.2.	30 days post Contract Award Date
Account Team Satisfactory Survey	A.2.k.	Annually
<b>Call Center</b>		
Call center open	A.3.	December 1, 2012
Call center statistics	A.3.c., A.3.d, and Attachment C.5.	Weekly starting December 1, 2012 and monthly starting March 1, 2013
<b>Member Communications/Materials</b>		



Deliverables/Milestones:	Contract Reference(s):	Deliverable Due Dates:
0. Certificates of Coverage	A.5.	December 10, 2012, or before, and then, within 10 days of receipt of enrollment information and 14 days prior to each benefit year if requested by the State
1. Member handbook	A.6.c.	December 10, 2012, or before, and then, at least 14 days prior to each benefit year if requested by the State
<b>Web Site</b>		
2. Web site go-live	A.7.b.	December 1, 2012, or before
3. State review of web site	A.7.e.	November 1, 2012, or before
<b>Administrative Services</b>		
4. Quarterly meetings with the State	A.8.i.	Quarterly after go-live
<b>Information Systems</b>		
5. Business Continuity Disaster Recovery (BC/DR) Results Report	A.9.g.(4) and (5) and Attachment C.7.	December 1, 2012 and then annually in January (beginning in 2014)
<b>Data Integration &amp; Technical Requirements</b>		
6. Completion of enrollment file testing	A.10.b.	November 1, 2012, or before
7. Edison System Interface/file acceptance	A.10.c	December 1, 2012, or before
8. Weekly eligibility update	A.10.d.(1)	Weekly after December 1, 2012
9. Monthly premiums due update	A.10.d.(2)	December 1, 2012, then monthly thereafter
0. Monthly premiums collected update	A.10.d.(3)	January 3, 2013, then monthly thereafter
1. Transmission of data and records to State	A.10.i.	Within 60 days of notice of termination
<b>Reporting</b>		
2. Reports specified in Contract Attachment C	A.13.a. and Contract Attachment C	As specified in Contract Attachment C
<b>Quality Assurance</b>		
3. Copy of internal quality assurance plan	A.12.c.	30 days prior to go-live and as modified

**A.15. Regulatory Requirements**

- a. The Contractor shall prepare and submit to the State Division of Benefits Administration for approval no later than sixty (60) days prior to plan implementation on January 1, 2013, the Group Master Policy and the *Optional Term Life Insurance Certificate of Coverage* to



be filed with the State of Tennessee Department of Commerce and Insurance. Upon approval by the State Division of Benefits Administration, the Contractor shall file the Group Master Policy and the *Optional Term Life Insurance Certificate of Coverage with the State of Tennessee Department of Commerce and Insurance* for review and approval.

- b. The Contractor shall submit to the State a revised Group Master Policy and Certificate within thirty (30) days of any changes to the Plan.
- c. The Contractor shall immediately notify the State of any pending disciplinary action initiated by the State of Tennessee Department of Commerce and Insurance that may materially impact its ability to perform under this Contract.
- d. The Contractor shall make all required reports to the United States Internal Revenue Service.
- e. The Contractor shall pay to the appropriate authority all premium taxes, including state premium taxes, due on the coverage provided by this Plan.

A.16. Definitions

- a. **Abandoned Call:** Abandoned Call is a call in which the caller elects an option and is either not permitted access to that option or disconnects from the system.
- b. **Actively at Work:** Active full time performance of all the customary duties of the Employee's occupation at the Employer's usual place of business or place(s) that the Employer's normal course of business requires. Employee will be considered Actively at Work on each day of paid vacation or scheduled day off on which the Employee was not totally disabled, if Employee was Actively at Work on his last scheduled working day.
- c. **Agency Benefits Coordinator:** The individual within each agency or department who is the officially-designated liaison between Benefits Administration and employees/members.
- d. **Annual Base Salary:** The regular pay which the Employee receives per year, as of the date of the application, not including overtime pay, longevity, etc.
- e. **Attained Age:** The Member's age as of his last birthday on the Policy Anniversary Date.
- f. **Average Speed of Answer (ASA):** The mean time between (a) the moment at which a caller to the Contractor's Call Center first hears an introductory greeting and enters the queue and (b) the time at which a Call Center representative at the Call Center answers the call. For this definition, the term "answer" shall mean to begin an uninterrupted dialogue with the caller. If a Call Center representative asks the caller to hold during the first 60 seconds of the dialogue, the Contractor shall not consider the call to be "answered" for purposes of this definition until the Call Center representative returns to the caller and begins an uninterrupted dialogue.
- g. **BC/DR:** Business Continuity/Disaster Recovery. Disaster Recovery and its associated planning refer to specific steps that must be undertaken to resume operations in the aftermath of a catastrophic natural disaster or complete technology failure. Business Continuity describes the higher-level processes that must be put in place so that an organization's mission-critical functions can continue during and after a disaster.
- h. **Benefits Administration:** The division of the Tennessee Department of Finance & Administration that administers the optional term life insurance plan.



- i. **Beneficiary**: The person(s) designated to receive the benefits provided by the Certificate in the event of the Member's death.
- j. **Blocked Call**: A call that cannot be connected immediately because no circuit is available at the time the call arrives or the telephone system is programmed to block calls from entering the queue when the queue backs up beyond a defined threshold.
- k. **Bobby- Approved**: Standards for website accessibility in keeping with Americans with Disabilities Act of 1990, Public Law 101-336, (as amended) and implementing regulations and other national standardization criteria. For more information refer to: <http://www.accessible.org/bobby-approved.html>.
- l. **Business Days**: Traditional workdays, including Monday, Tuesday, Wednesday, Thursday, and Friday. State Holidays are excluded.
- m. **Calendar Days**: All seven days of the week.
- n. **Certificate**: An individual Certificate for each Member, setting forth a summary of the coverage provided under the Group Policy.
- o. **Certificate Issue Date**: The date on which coverage begins under the Certificate, unless it is being deferred, and from which certificate years, months and anniversaries will be determined.
- p. **Contract Award Date**: The date on which the State Insurance Committee approved entering into a contract with the best evaluated proposer on RFP 31786-00115.
- q. **Days**: Unless otherwise specified, refers to calendar days.
- r. **Deliverable**: A document, manual, or report (in hard copy, electronic format or specific medium as required) that the Contractor submits to the State to fulfill requirements of this Contract.
- s. **Edlson**: The State's enterprise resource planning system, which supports human resources, payroll, insurance, contracting, procurement and other agency functions.
- t. **Eligible Employees and Dependents**: Employees and their dependents of State agencies who meet the eligibility requirements as defined in "Optional Term Life Insurance Eligibility and Benefits" (Contract Attachment D).
- u. **Employer**: The State of Tennessee.
- v. **Guaranteed Issue**: The coverage which is issued without having to complete a supplemental application which includes health questions.
- w. **Holidays**: Days on which official holidays and commemorations as defined in Tennessee Code Annotated § 15-1-101 *et seq.*, are observed.
- x. **Information Technology (IT)**: A combination of computing hardware and software that is used in: (a) the capture, storage, manipulation, movement, control, display, interchange and/or transmission of information, i.e. structured data (which may include digitized audio and video) and documents; and/or (b) the processing of such information for the purposes of enabling and/or facilitating a business process or related transaction.
- y. **Lapse**: The Member's coverage ends due to the non-payment of the required premium.
- z. **Loss Ratio**: The percentage ratio derived from the sum of total paid claims plus waiver of premium claims plus required reserves for incurred but not reported claims divided by the total collected premiums.
- aa. **Maximum Speed of Answer**: The total time between (a) the moment at which a caller to the Contractor's Call Center first hears an introductory greeting and enters the queue and (b) the time at which a Call Center representative at the Call Center answers the call. For this definition, the term "answer" shall mean to begin an uninterrupted dialogue with the caller. If a Call Center representative asks the caller to hold during the first 60 seconds of the dialogue, the Contractor shall not consider the call to be "answered" for purposes of



this definition until the Call Center representative returns to the caller and begins an uninterrupted dialogue.

- bb. **Members:** Eligible employees and dependents participating in the Optional Term Life Insurance Plan.
- cc. **Monthly Anniversary Date:** The same day of each calendar month as the day of the Certificate Issue Date.
- dd. **Owner:** The person who may exercise all rights under the Certificate. On the Certificate Issue Date, the owner of all coverages applied for by the Employee is the Employee. During the lifetime of the Member, the owner may be changed, subject to any restrictions imposed by law.
- ee. **Policy Anniversary Date:** The annual anniversary of the Group Policy Effective Date for this Plan shall be January 1 of each calendar year.
- ff. **Telecommunication Device for the Deaf (TDD):** Special telephony devices with keyboard attachments for use by individuals with hearing impairments who are unable to use conventional phones. Also known as Teletype (TTY).
- gg. **Week, Calendar:** The traditional seven-day week, Sunday through Saturday.

## B. CONTRACT PERIOD:

- B.1. **Contract Term.** This Contract shall be effective for the period beginning October 22, 2012, and ending on December 31, 2015. The Contractor hereby acknowledges and affirms that the State shall have no obligation for services rendered by the Contractor which were not performed within this specified contract period.
- B.2. **Term Extension.** The State reserves the right to extend this Contract for an additional period or periods of time representing increments of no more than one year and a total contract term of no more than five (5) years and 3 months, provided that such an extension of the contract term is effected prior to the current, contract expiration date by means of a contract amendment. If a term extension necessitates additional funding beyond that which was included in the original Contract, an increase of the State's maximum liability will also be effected through contract amendment, and shall be based upon payment rates provided in the original Contract.

## C. PAYMENT TERMS AND CONDITIONS:

- C.1. **Maximum Liability.** In no event shall the maximum liability of the State under this Contract exceed Thirty Million Dollars (\$30,000,000.00). The payment rates in section C.3 shall constitute the entire compensation due the Contractor for all service and Contractor obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the payment rates detailed in section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

- C.2. **Compensation Firm.** The payment rates and the maximum liability of the State under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.



C.3. Payment Methodology. The Contractor shall be compensated based on the amount of life insurance elected by Members and the premium rates and administrative fees presented below, in a total amount not to exceed the Contract Maximum Liability established in section C.1.

- a. The Contractor's compensation shall be contingent upon the satisfactory completion of services defined in Section A.
- b. The contractor shall be compensated based upon the following premium rates for the initial contract term of January 1, 2013 – December 31, 2015:

<b>GUARANTEED MONTHLY EMPLOYEE AND SPOUSE PREMIUMS</b>			
<u>Attained Age Brackets</u>	<b>Calendar Year 2013 1/1/2013-12/31/2013</b>	<b>Calendar Year 2014 1/1/2014-12/31/2014</b>	<b>Calendar Year 2015 1/1/2015-12/31/2015</b>
Under 20	\$0.044 /\$1000 Coverage	\$0.044 /\$1000 Coverage	\$0.044 /\$1000 Coverage
20-24	\$0.044 /\$1000 Coverage	\$0.044 /\$1000 Coverage	\$0.044 /\$1000 Coverage
25-29	\$0.044 /\$1000 Coverage	\$0.044 /\$1000 Coverage	\$0.044 /\$1000 Coverage
30-34	\$0.047/\$1000 Coverage	\$0.047 /\$1000 Coverage	\$0.047 /\$1000 Coverage
35-39	\$0.058 /\$1000 Coverage	\$0.058 /\$1000 Coverage	\$0.058 /\$1000 Coverage
40-44	\$0.088 /\$1000 Coverage	\$0.088 /\$1000 Coverage	\$0.088 /\$1000 Coverage
45-49	\$0.150 /\$1000 Coverage	\$0.150 /\$1000 Coverage	\$0.150 /\$1000 Coverage
50-54	\$0.252 /\$1000 Coverage	\$0.252 /\$1000 Coverage	\$0.252 /\$1000 Coverage
55-59	\$0.393 /\$1000 Coverage	\$0.393 /\$1000 Coverage	\$0.393 /\$1000 Coverage
60-64	\$0.612 /\$1000 Coverage	\$0.612 /\$1000 Coverage	\$0.612 /\$1000 Coverage
65-69	\$1.016 /\$1000 Coverage	\$1.016 /\$1000 Coverage	\$1.016 /\$1000 Coverage
70-74	\$1.417 /\$1000 Coverage	\$1.417 /\$1000 Coverage	\$1.417 /\$1000 Coverage
75-79	\$2.177 /\$1000 Coverage	\$2.177 /\$1000 Coverage	\$2.177 /\$1000 Coverage
80 and over	\$3.934 /\$1000 Coverage	\$3.934 /\$1000 Coverage	\$3.934 /\$1000 Coverage

- c. The Contractor shall be compensated for each child term rider policy based on the premium rates indicated below for the initial contract term of January 1, 2013 – December 31, 2015:

<b>GUARANTEED MONTHLY CHILD TERM RIDER PREMIUMS</b>			
<b>COVERAGE OPTION</b>	<b>Calendar Year 2013 1/1/2013-12/31/2013</b>	<b>Calendar Year 2014 1/1/2014-12/31/2014</b>	<b>Calendar Year 2015 1/1/2015-12/31/2015</b>
Component			
Child Term Rider - \$2,500 face amount	\$0.25/Rider	\$0.25/Rider	\$0.25/Rider
Child Term Rider - \$5,000 face amount	\$0.50/Rider	\$0.50/Rider	\$0.00/Rider
Child Term Rider - \$10,000 face amount	\$1.00/Rider	\$1.00/Rider	\$1.00/Rider



- d. The contractor shall be compensated the following administrative fee for each covered participant for the initial contract term of January 1, 2013 – December 31, 2015:

<b>GUARANTEED MONTHLY ADMINISTRATIVE CHARGE</b>			
<b>Administrative Fee</b>	<b>Calendar Year 2013 1/1/2013-12/31/2013</b>	<b>Calendar Year 2014 1/1/2014-12/31/2014</b>	<b>Calendar Year 2015 1/1/2015-12/31/2015</b>
Employee	\$0.30/Month	\$0.30/Month	\$0.30/Month
Spouse	\$0.30/Month	\$0.30/Month	\$0.30/Month

- e. The Contractor shall be compensated based upon the following Premium Rates, in effect for the time period January 1, 2016 – December 31, 2016. The Contractor shall be compensated based upon the following:
- i. The per month administrative fee under this extension period may be reduced or stay equal to the fee rate in the prior time period.
  - ii. The monthly premium rates per \$1,000 of coverage under this extension period may be reduced, stay equal to, or possibly be increased above the premium rates in the prior time period. The monthly premium rates may only be increased if the Loss Ratio on this Plan for the most current thirty (30) months of experience reflects a rate of ninety-five percent (95%) or greater. If the experience demonstrates that an increase is allowed, the increase in the monthly premium rates per \$1,000 of coverage may only be increased to a rate that will be necessary to achieve a Loss Ratio of no more than ninety-five percent (95%).
- f. The Contractor shall be compensated based upon the following Premium Rates, in effect for the time period January 1, 2017 – December 31, 2017. The Contractor's compensation shall be contingent upon the satisfactory completion of services defined in Section A. The Contractor shall be compensated based upon the following:
- i. The per month administrative fee under this extension period may be reduced or stay equal to the fee rate in the prior time period.
  - ii. The monthly premium rates per \$1,000 of coverage under this extension period may be reduced, stay equal to, or possibly be increased above the premium rates in the prior time period. The monthly premium rates may only be increased if the Loss Ratio on this Plan for the most current thirty (30) months of experience reflects a rate of ninety-five percent (95%) or greater. If the experience demonstrates that an increase is allowed, the increase in the monthly premium rates per \$1,000 of coverage may only be increased to a rate that will be necessary to achieve a Loss Ratio of no more than ninety-five percent (95%).
- g. If member materials containing an error had been approved by the State in writing and the error was detected after the materials have been mailed, the State will reimburse the Contractor the production and postage cost of mailing the corrected version pursuant to Contract Section C.3.h.



h. For mailings above those identified in the contract, the State shall reimburse the Contractor for the following, selected actual costs in the performance of this Contract upon Contractor providing documentation of actual costs incurred.

- (1) **Postage.** The State shall reimburse the Contractor for the actual cost of postage for mailing materials produced under the terms of this Contract and as directed and authorized by the State.
- (2) **Printing/Production.** The State shall reimburse the Contractor an amount equal to the actual net cost of document printing/production as required and authorized by the State and as detailed by the Contract Scope of Services.

Notwithstanding the foregoing, the State retains the option to authorize the Contractor to deliver a product to be printed, approve and accept the product but not use the Contractor to print the material. In those situations, the State shall have the discretion to use other printing and production services at its disposal.

- C.4. **Travel Compensation.** The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.5. **Purchase Order in Lieu of Invoicing.** The State will generate a monthly purchase order and initiate payment of the purchase order, based upon payroll deduction information provided by the State, utilizing the rates listed above. The Contractor will also accept payments directly from members who are no longer employed and have continued their coverage under this contract or who have converted to an individual policy.
- C.6. **Payment of Purchase Order.** A payment by the State shall not prejudice the State's right to object to or question any payment, invoice, or matter in relation thereto. A payment by the State shall not be construed as acceptance of any part of the work or service provided.
- C.7. **Payment Reductions.** The Contractor's payment shall be subject to reduction for amounts included in any purchase order or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this Contract, not to constitute proper remuneration for compensable services.
- C.8. **Deductions.** The State reserves the right to deduct from amounts, which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts, which are or shall become due and payable to the State of Tennessee by the Contractor.
- C.9. **Prerequisite Documentation.** The Contractor shall not be paid by the State under this Contract until the State has received the following documentation properly completed.
- a. The Contractor shall complete, sign, and present to the State an "Authorization Agreement for Automatic Deposit (ACH Credits) Form" provided by the State. By doing so, the Contractor acknowledges and agrees that, once said form is received by the State, all payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH).
  - b. The Contractor shall complete, sign, and present to the State a "Substitute W-9 Form" provided by the State. The taxpayer identification number detailed by said form must agree with the Contractor's Federal Employer Identification Number or Tennessee Edison Registration ID referenced in this Contract.
- C.10. **Contractor Payment Responsibilities.** The Contractor shall pay to the appropriate authority all premium taxes, including State premium taxes, due on the coverage provided by this plan.



**D. STANDARD TERMS AND CONDITIONS:**

- D.1. Required Approvals. The State is not bound by this Contract until it is signed by the contract parties and approved by appropriate officials in accordance with applicable Tennessee laws and regulations (depending upon the specifics of this contract, said officials may include, but are not limited to, the Commissioner of Finance and Administration, the Commissioner of Human Resources, and the Comptroller of the Treasury).
- D.2. Modification and Amendment. This Contract may be modified only by a written amendment signed by all parties hereto and approved by both the officials who approved the base contract and, depending upon the specifics of the contract as amended, any additional officials required by Tennessee laws and regulations (said officials may include, but are not limited to, the Commissioner of Finance and Administration, the Commissioner of Human Resources, and the Comptroller of the Treasury).
- D.3. Termination for Convenience. The State may terminate this Contract without cause for any reason. Said termination shall not be deemed a breach of contract by the State. The State shall give the Contractor at least sixty (60) days written notice before the effective termination date. The Contractor shall be entitled to compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to terminate the Contract and withhold payments in excess of fair compensation for completed services.
- a. The State will provide notification of termination for cause in writing. This notice will: (1) specify in reasonable detail the nature of the breach; (2) provide the Contractor with an opportunity to cure, which must be requested in writing no less than 10 days from the date of the Termination Notice; and (3) shall specify the effective date of termination in the event the Contractor fails to correct the breach. The Contractor must present the State with a written request detailing the efforts it will take to resolve the problem and the time period for such resolution. This opportunity to "cure" shall not apply to circumstances in which the Contractor intentionally withholds its services or otherwise refuses to perform. The State will not consider a request to cure contract performance where there have been repeated problems with respect to identical or similar issues, or if a cure period would cause a delay that would impair the effectiveness of State operations. In circumstances where an opportunity to cure is not available, termination will be effective immediately.
- b. Notwithstanding the foregoing, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.
- D.5. Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, each shall contain, at a minimum, sections of this Contract below pertaining to "Conflicts of Interest," "Nondiscrimination," and "Records" (as identified by the section headings). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.
- D.6. Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.



- D.7. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.8. Prohibition of Illegal Immigrants. The requirements of *Tennessee Code Annotated, Section 12-4-124, et seq.*, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.
- a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document at Attachment A, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the Contractor and made available to state officials upon request.
  - b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the Contractor and made available to state officials upon request.
  - c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
  - d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of *Tennessee Code Annotated, Section 12-4-124, et seq.* for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.
  - e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.
- D.9. Records. The Contractor shall maintain documentation for all charges under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.



- D.10. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.11. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.
- D.12. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.13. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.
- The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.
- D.14. State Liability. The State shall have no liability except as specifically provided in this Contract.
- D.15. Force Majeure. The obligations of the parties to this Contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, natural disasters, riots, wars, epidemics, or any other similar cause.
- D.16. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.
- D.17. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.
- D.18. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.19. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.
- D.20. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.



**E. SPECIAL TERMS AND CONDITIONS:**

- E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.
- E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The State:

Sylvia Chunn, Procurement and Contracting Manager  
Tennessee Department of Finance & Administration  
Division of Benefits Administration  
312 Rosa L. Parks Avenue, Suite 2600  
Nashville, Tennessee 37243  
[sylvia.chunn@tn.gov](mailto:sylvia.chunn@tn.gov)  
Telephone: 615.253.8358  
Fax: 615.253.8556

The Contractor:

Tom Solyntjes, Manager, Contracts & Proposals  
Minnesota Life Insurance Company  
400 Robert Street N  
St. Paul, MN 55101  
[Thomas.solyntjes@securian.com](mailto:Thomas.solyntjes@securian.com)  
Telephone # (651) 665-3797  
FAX # (651) 665-1541

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

- E.3. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- E.4. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in *Tennessee Code Annotated*, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System (TCRS), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established pursuant to *Tennessee Code Annotated*, Title 8, Chapter 35, Part 3 accepts state employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor, if a retired



member of TCRS, may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the period of this Contract.

E.5. Insurance. The Contractor shall carry adequate liability and other appropriate forms of insurance.

a. The Contractor shall maintain, at minimum, the following insurance coverage:

- (1) Workers' Compensation/ Employers' Liability (including all states coverage) with a limit not less than the relevant statutory amount or one million dollars (\$1,000,000) per occurrence for employers' liability whichever is greater.
- (2) Comprehensive Commercial General Liability (including personal injury & property damage, premises/operations, independent contractor, contractual liability and completed operations/products) with a bodily injury/property damage combined single limit not less than one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate.
- (3) Automobile Coverage (including owned, leased, hired, and non-owned vehicles) with a bodily injury/property damage combined single limit not less than one million dollars (\$1,000,000) per occurrence.
- (4) Professional Malpractice Liability with a limit of not less than one million dollars (\$1,000,000) per claim and two million dollars (\$2,000,000) aggregate.

b. At any time State may require the Contractor to provide a valid Certificate of Insurance detailing Coverage Description; Insurance Company & Policy Number; Exceptions and Exclusions; Policy Effective Date; Policy Expiration Date; Limit(s) of Liability; and Name and Address of Insured. Failure to provide required evidence of insurance coverage shall be a material breach of this Contract.

E.6. Confidentiality of Records. Strict standards of confidentiality of records and information shall be maintained in accordance with applicable state and federal law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information in accordance with the provisions of applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards. Such confidential information shall not be disclosed, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with applicable state and federal law, state and federal rules and regulations, departmental policy, and ethical standards.

The Contractor's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Contractor of this Contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure. Nothing in this paragraph shall permit Contractor to disclose any information that is confidential under federal or state law or regulations, regardless of whether it has been disclosed or made available to the Contractor due to intentional or negligent actions or inactions of agents of the State or third parties.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

E.7. State Ownership of Work Products. The State shall have ownership, right, title, and interest, including ownership of copyright, in all work products, including computer source code, created, designed, developed, derived, documented, installed, or delivered under this Contract subject to the next subsection and full and final payment for each "Work Product." The State shall have royalty-free and unlimited rights and license to use, disclose, reproduce, publish, distribute,



modify, maintain, or create derivative works from, for any purpose whatsoever, all said Work Products.

- a. To the extent that the Contractor uses any of its pre-existing, proprietary or independently developed tools, materials or information ("Contractor Materials"), the Contractor shall retain all right, title and interest in and to such Contractor Materials, and the State shall acquire no right, title or interest in or to such Contractor Materials EXCEPT the Contractor grants to the State an unlimited, non-transferable license to use, copy and distribute internally, solely for the State's internal purposes, any Contractor Materials reasonably associated with any Work Product provided under the Contract.
  - b. The Contractor shall furnish such information and data as the State may request, including but not limited to computer code, that is applicable, essential, fundamental, or intrinsic to any Work Product and Contractor Materials reasonably associated with any Work Product, in accordance with this Contract and applicable state law.
  - c. Nothing in this Contract shall prohibit the Contractor's use for its own purposes of the general knowledge, skills, experience, ideas, concepts, know-how, and techniques obtained and used during the course of providing the services requested under this Contract.
  - d. Nothing in the Contract shall prohibit the Contractor from developing for itself, or for others, materials which are similar to and/or competitive with those that are produced under this Contract.
- E.8. Competitive Procurements. This Contract provides for reimbursement of the cost of goods, materials, supplies, equipment, or contracted services. Such procurements shall be made on a competitive basis, where practical. The Contractor shall maintain documentation for the basis of each procurement for which reimbursement is paid pursuant to this Contract. In each instance where it is determined that use of a competitive procurement method was not practical, said documentation shall include a written justification, approved by the Commissioner of Finance and Administration, for such decision and non-competitive procurement.
- E.9. State Furnished Property. The Contractor shall be responsible for the correct use, maintenance, and protection of all articles of nonexpendable, tangible, personal property furnished by the State for the Contractor's temporary use under this Contract. Upon termination of this Contract, all property furnished shall be returned to the State in good order and condition as when received, reasonable use and wear thereof excepted. Should the property be destroyed, lost, or stolen, the Contractor shall be responsible to the State for the residual value of the property at the time of loss.
- E.10. Incorporation of Additional Documents. Each of the following documents is included as a part of this Contract by reference. In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these items shall govern in order of precedence below.
- a. this Contract document with any attachments or exhibits (excluding the items listed at subsections b. through e., below);
  - b. any clarifications of or addenda made to the Contractor's Proposal seeking this Contract;
  - c. the State solicitation, as may be amended, requesting proposals in competition for this Contract;
  - d. any technical specifications provided to proposers during the procurement process to award this contract;
  - e. the Contractor's proposal seeking this Contract.



E.11. Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it, its current and future principals, its current and future subcontractors and their principals:

- a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal or state department or agency;
- b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) transaction or grant under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
- c. are not presently indicted or otherwise criminally or civilly charged by a government entity (federal, state, or local) with commission of any of the offenses detailed in section b. of this certification; and
- d. have not within a three (3) year period preceding this Contract had one or more public transactions (federal, state, or local) terminated for cause or default.

The Contractor shall provide immediate written notice to the State if at any time it learns that there was an earlier failure to disclose information or that due to changed circumstances, its principals or the principals of its subcontractors are excluded or disqualified.

E.12. Contractor Commitment to Diversity. The Contractor shall comply with and make reasonable business efforts to exceed the commitment to diversity represented by the Contractor's proposal responding to RFP # 31786-00115 (Attachment 6.2 Section B.15) and resulting in this Contract.

The Contractor shall assist the State in monitoring the Contractor's performance of this commitment by providing, as requested, a quarterly report of participation in the performance of this Contract by small business enterprises and businesses owned by minorities, women, and persons with a disability. Such reports shall be provided to the state of Tennessee Governor's Office of Business Diversity Enterprise in form and substance as required by said office.

E.13. Limitation of Liability. The parties agree that the Contractor's liability under this Contract shall be limited to an amount equal to two (2) times the Maximum Liability amount detailed in Section C.1. and as may be amended, PROVIDED THAT in no event shall this section limit the liability of the Contractor for intentional torts, criminal acts, or fraudulent conduct.

E.14. Hold Harmless. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State.

In the event of any such suit or claim, the Contractor shall give the State immediate notice thereof and shall provide all assistance required by the State in the State's defense. The State shall give the Contractor written notice of any such claim or suit, and the Contractor shall have full right and obligation to conduct the Contractor's own defense thereof. Nothing contained herein shall be deemed to accord to the Contractor, through its attorney(s), the right to represent the State of Tennessee in any legal matter, such rights being governed by *Tennessee Code Annotated*, Section 8-6-106.



E.15. Breach. A party shall be deemed to have breached the Contract if any of the following occurs:

- failure to perform in accordance with any term or provision of the Contract;
- partial performance of any term or provision of the Contract;
- any act prohibited or restricted by the Contract, or
- violation of any warranty.

For purposes of this Contract, these items shall hereinafter be referred to as a "Breach."

a. Contractor Breach— The State shall notify Contractor in writing of a Breach.

- (1) In event of a Breach by Contractor, the State shall have available the remedy of Actual Damages and any other remedy available at law or equity.
- (2) Liquidated Damages— In the event of a Breach, the State may assess Liquidated Damages as detailed in Contract Attachment B. The State shall notify the Contractor of amounts to be assessed as Liquidated Damages. The parties agree that due to the complicated nature of the Contractor's obligations under this Contract it would be difficult to specifically designate a monetary amount for a Breach by Contractor as said amounts are likely to be uncertain and not easily proven. Contractor hereby represents and covenants it has carefully reviewed the Liquidated Damages contained in above referenced Contract Attachment B and agrees that said amounts represent a reasonable relationship between the amount and what might reasonably be expected in the event of Breach, and are a reasonable estimate of the damages that would occur from a Breach. It is hereby agreed between the parties that the Liquidated Damages represent solely the damages and injuries sustained by the State in losing the benefit of the bargain with Contractor and do not include any injury or damage sustained by a third party. The Contractor agrees that the liquidated damage amount is in addition to any amounts Contractor may owe the State pursuant to the indemnity provision or other section of this Contract.

The State may continue to withhold the Liquidated Damages or a portion thereof until the Contractor cures the Breach, the State exercises its option to declare a Partial Default, or the State terminates the Contract. The State is not obligated to assess Liquidated Damages before availing itself of any other remedy. The State may choose to discontinue Liquidated Damages and avail itself of any other remedy available under this Contract or at law or equity; provided, however, Contractor shall receive a credit for said Liquidated Damages previously withheld except in the event of a Partial Default.

The State may conduct "secret shopper" and other monitoring activities during the operation of this Contract. The State may also assess liquidated damages for breaches of contract that it discovers during these and other activities as detailed in Contract Attachment B.

- (3) Partial Default— In the event of a Breach, the State may declare a Partial Default. In which case, the State shall provide the Contractor written notice of: (1) the date which Contractor shall terminate providing the service associated with the Breach; and (2) the date the State will begin to provide the service associated with the Breach. The Notice of Partial Default and termination of services associated with the Breach shall advise the Contractor whether the State will provide an opportunity to cure. Notwithstanding the foregoing, the State may revise the time periods contained in the notice written to the Contractor.

In the event the State declares a Partial Default, the State may withhold, together with any other damages associated with the Breach, from the amounts due the



Contractor the greater of: (1) amounts which would be paid the Contractor to provide the defaulted service; or (2) the cost to the State of providing the defaulted service, whether said service is provided by the State or a third party. To determine the amount the Contractor is being paid for any particular service, the Department shall be entitled to receive within five (5) days any requested material from Contractor. The State shall make the final and binding determination of said amount.

The State may assess Liquidated Damages against the Contractor for any failure to perform which ultimately results in a Partial Default with said Liquidated Damages to cease when said Partial Default is effective. Upon Partial Default, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount. Contractor agrees to cooperate fully with the State in the event a Partial Default is taken.

- (4) **Contract Termination**— In the event of a Breach, the State may terminate the Contract immediately or in stages. The Contractor shall be notified of the termination in writing by the State. Said notice shall hereinafter be referred to as Termination Notice. The Termination Notice may specify either that the termination is to be effective immediately, on a date certain in the future, or that the Contractor shall cease operations under this Contract in stages. In the event of a termination, the State may withhold any amounts which may be due Contractor without waiver of any other remedy or damages available to the State at law or at equity. The Contractor shall be liable to the State for any and all damages incurred by the State and any and all expenses incurred by the State which exceed the amount the State would have paid Contractor under this Contract. Contractor agrees to cooperate with the State in the event of a Contract Termination or Partial Takeover.

The Termination Notice must (1) specify in reasonable detail the nature of the Breach; (2) provide Contractor with an opportunity to cure, which shall be no less than 30 days from the date of the Termination Notice; (3) shall specify the effective date of termination in the event Contractor fails to correct the Breach. The Contractor shall present the State with a written request detailing the efforts it will take to resolve the problem. This opportunity to "cure" shall not apply to circumstances in which the Contractor intentionally withholds its services or otherwise refuses to perform. The State will not consider a request to cure contract performance where there have been repeated problems with respect to identical or similar issues, or if a cure period would cause a delay that would impair the effectiveness of State operations.

- b. **State Breach**— In the event of a Breach of Contract by the State, the Contractor shall notify the State in writing within 30 days of any Breach of Contract by the State. Said notice shall contain a description of the Breach. Failure by the Contractor to provide said written notice shall operate as an absolute waiver by the Contractor of the State's Breach. In no event shall any Breach on the part of the State excuse the Contractor from full performance under this Contract. In the event of Breach by the State, the Contractor may avail itself of any remedy at law in the forum with appropriate jurisdiction; provided, however, failure by the Contractor to give the State written notice and opportunity to cure as described herein operates as a waiver of the State's Breach. Failure by the Contractor to file a claim before the appropriate forum in Tennessee with jurisdiction to hear such claim within one (1) year of the written notice of Breach shall operate as a waiver of said claim in its entirety. It is agreed by the parties this provision establishes a contractual period of limitations for any claim brought by the Contractor.

- E.16. **Disclosure of Personal Identity Information.** The Contractor shall report to the State any instances of unauthorized disclosure of confidential information that come to the attention of the Contractor. Any such report shall be made by the Contractor within twenty-four (24) hours after the instance



has come to the attention of the Contractor. In the event the Contractor is required to provide notice to any individuals regarding an unauthorized disclosure of personal information pursuant to Tenn. Code § 47-18-2107, the Contractor shall inform the State and allow the State to provide input into the notification process, and the Contractor shall provide one year of no cost credit monitoring services to such individuals.

- E.17. Third Party Beneficiary. This Contract has been entered into solely for the benefit of the State and the Contractor and is not intended to create any legal, equitable, or beneficial interest in any third party or to vest in any third party any interest as to enforcement or performance.
- E.18. Confidential and Proprietary Information. The State agrees to protect, to the fullest extent permitted by state law, the confidentiality of information expressly identified by the Contractor as confidential and proprietary, including information that would allow a person to obtain unauthorized access to confidential information or to electronic information processing systems owned by or licensed to the State.
- E.19. Prohibited Advertising. The Contractor shall not refer to this Contract or the Contractor's relationship with the State hereunder in commercial advertising in such a manner as to state or imply that the Contractor or the Contractor's services are endorsed. It is expressly understood and agreed that the obligations set forth in this section shall survive the termination of this Contract in perpetuity.
- E.20. The contractor will notify the State of any federal or state law that it perceives as in conflict with its obligation under this contract. The parties will negotiate in good faith regarding any change in performance under the contract that the parties agree is required by controlling law or the execution of any additional documentation such as confidentiality agreements necessary to comply with controlling law.

**IN WITNESS WHEREOF,**

**MINNESOTA LIFE INSURANCE COMPANY:**

*Jon S. Peterson* 10/19/12  
 \_\_\_\_\_  
 CONTRACTOR SIGNATURE DATE

**VON S. PETERSON, SENIOR VICE PRESIDENT – GROUP INSURANCE**

**STATE OF TENNESSEE,  
STATE INSURANCE COMMITTEE:**

:

*Mark A. Emkes* 11-5-12  
 \_\_\_\_\_  
 MARK A. EMKES, CHAIRMAN DATE  
*MDA*



ATTACHMENT A

**ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE**

<b>SUBJECT CONTRACT NUMBER:</b>	OIR-PCM 10192012 MH
<b>CONTRACTOR LEGAL ENTITY NAME:</b>	Minnesota Life Insurance Company
<b>FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)</b>	41-0417830

**The Contractor, identified above, does hereby attest, certify, warrant, and assure that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract.**

**CONTRACTOR SIGNATURE**

**NOTICE:** This attestation **MUST** be signed by an individual empowered to contractually bind the Contractor. If said individual is not the chief executive or president, this document shall attach evidence showing the individual's authority to contractually bind the Contractor.

Von Peterson, Senior Vice President - Group Insurance

**PRINTED NAME AND TITLE OF**

10.22-12

**SIGNATORY DATE OF ATTESTATION**



**CONTRACT  
ATTACHMENT B**

**LIQUIDATED DAMAGES**

<b>1. Program Start-up (see Contract Section A.14.a.)</b>	
<b>Guarantee</b>	All services required by this contract between the "contract start date" and the "go-live" date as specified in contract section A. shall be completed as specified.
<b>Assessment</b>	One thousand dollars (\$1,000.00) for each day beyond the deadline that each service deliverable is not completed.
<b>Measurement</b>	Measured and reported no later than three (3) months after the go-live date.
<b>2. Program Go-Live (see Contract Section A.14.a.)</b>	
<b>Guarantee</b>	All services required by this contract shall take effect (i.e. "go-live") and be fully operational on January 1, 2013.
<b>Assessment</b>	One thousand dollars (\$1,000.00) for each day beyond the deadline that all services are not fully operational.
<b>Measurement</b>	Measured and reported no later than three (3) months after the go-live date.
<b>3. Approval of Communication Materials (see Contract Section A.4.)</b>	
<b>Guarantee</b>	State approval must be obtained for all communication materials prior to distribution.
<b>Assessment</b>	One thousand dollars (\$1,000.00) for each occurrence the standard is not met. An occurrence is defined as per mailing and not per mail piece.
<b>Measurement</b>	Reported, and reconciled per occurrence through the duration of the Contract.
<b>4. Tennessee Edison System Interface (see Contract Section A.10.)</b>	
<b>Guarantee</b>	Contractor's interface with the Edison System shall be fully operational by the date specified in Contract Sections A.14.e.16 and A.14.e.17, and the contractor shall maintain, from January 1, 2013 through the term of the contract, accurate and complete eligible employee and Member records in the Contractor's production database consistent with the information provided by the State's Edison system.
<b>Assessment</b>	One thousand dollars (\$1,000.00) per day, for every day out of compliance.
<b>Measurement</b>	Fully operational shall mean the Edison Certification of Interface Acceptance has been executed and that weekly files obtained by the Contractor from the State's Edison system will be timely and accurately processed and the data loaded directly into the Contractor's production database. To demonstrate compliance, the Contractor shall determine eligibility consistent with the most recent weekly eligibility update provided through Edison. Reconciliation of liquidated damage, if any, shall be made upon identification by the State of an error in eligibility status contained in the Contractor's eligibility system compared to the Edison weekly updates.
<b>5. Maximum Seconds of Answer (see Contract Section A.3.)</b>	
<b>Guarantee</b>	The Contractor's call center shall answer, by a person, one hundred percent (100%) of calls within five (5) minutes (300 seconds), as required in Contract Section A.4.c.1.
<b>Assessment</b>	One hundred dollars (\$100) for each second above the threshold during each period on any single day. Ten thousand dollar (\$10,000) annual maximum.
<b>Measurement</b>	The Contractor shall calculate the number of instances during each morning, mid-day, and evening period during which a caller's time-to-answer exceeds this threshold (based on Contractor's internal telephone support system reports). Measured and reported on a weekly basis during the thirty (30) days prior to the go-live date though sixty (60) days after the go-live date. Thereafter, reported monthly.
<b>6. Management Reporting (see Contract Section A.13.)</b>	
<b>Guarantee</b>	All reports will be delivered as specified in Section A.13, unless otherwise directed by the state.
<b>Assessment</b>	One thousand dollars (\$1,000.00) for each report not delivered within the time frame specified in the contract.
<b>Measurement</b>	Measured based on report due date (weekly, monthly, quarterly, semi-annually, and annually); reconciled quarterly.
<b>7. Privacy and Security of Members Information (see Contract Section A.11)</b>	



<b>Guarantee</b>	The Contractor shall not release, intentionally or unintentionally, members' personal information, enrollment information, or claims information to unauthorized parties.
<b>Assessment</b>	Two thousand five hundred dollars (\$2,500) for the first violation, five thousand dollars (\$5,000) for the second violation and ten thousand dollars (\$10,000) for the third and any additional violations with a maximum cap at one hundred thousand dollars (\$100,000) annually. The assessment will be imposed on a per incident basis meaning regardless of how many members are impacted and the assessment will be levied on the graduated basis detailed above.
<b>Measurement</b>	Measured, reported, and reconciled per occurrence.



**CONTRACT  
ATTACHMENT C**

**REPORTING REQUIREMENTS**

As required by Contract Section A.13., the Contractor shall submit Management Reports to the State. The reports shall be used by the State to assess the optional term life insurance program coverage and costs, as well as reconcile the Liquidated Damages. All reports shall be submitted in Microsoft Excel format, unless otherwise specified by the State, and shall be sent to the State via secure email or secure file transfer protocol.

- 1) **Liquidated Damages Tracking**, as detailed in Contract Attachment B (each component to be submitted at the frequency indicated), shall include:
  - a. Status report narrative
  - b. Detail report on each performance measure by appropriate time period
- 2) **Summary Plan Information:** Must be submitted each quarter separately for payroll deduction and pay-direct members with a summary for both.
  - a. Number of certificates in force by type of coverage
  - b. Total amount of insurance in force by type of coverage
  - c. Premium earned by type of coverage
  - d. Gross and net claims paid by type of coverage
- 3) **Issue and Attained Age**  
Provide at the end of each calendar year a listing of the number of participant lives and volume of insurance coverage by issue and attained age. The listing will distinguish between premium payment method (payroll deduction and pay direct) and provide separate counts for employees and spouses. The data will reflect enrollment at December 31.
- 4) **Policy Master Report:**  
Provide at the end of each calendar year, a monthly listing of the policies issued including face amount, annual premium, and tally of policies that were in effect as of the end of the calendar year.
- 5) **Call Center Activity Reports.** The Contractor shall submit these reports on a monthly basis as required in Contract Section A.3.e.
  - a. Total Call Volume by Date;
    - Total number of calls;
    - Total number of calls by call type
  - b. Duration of Calls;
    - Average length of calls by call type
    - Average length of calls
  - c. Percentage of calls during each month with a first call resolution
  - d. Call Center Efficiency Measures (calculated for three continuous periods of equivalent length during the normal business hours of each business day):
    - Percentage of call answered by a person within five (5) minutes (300 seconds)
    - Average seconds to answer (ASA)
    - Blocked call rate
    - Abandoned call rate



- 6) **Account Team Satisfaction Survey Report**, submitted annually using the template prior approved in writing by the State
- 7) **BC/DR Results Report**, submitted annually by email using the template prior approved in writing by the State.
- 8) **AdHoc Reports**, The Contractor shall submit such ad hoc reports as are deemed by the State to be necessary, to analyze the Optional Term Life Insurance plan. The exact format, frequency and due dates for such reports shall be mutually agreed with the Contractor and shall be submitted at no cost to the State.



**CONTRACT  
ATTACHMENT D**

<b>OPTIONAL TERM LIFE INSURANCE ELIGIBILITY AND BENEFITS</b>	
<b>Benefit/Provision</b>	<b>Description</b>
<b>Plan Policy Requirements</b>	The optional term life insurance must be based on a <b>group plan platform</b> issued to the State of Tennessee.
<b>Eligibility Criteria</b>	
<b>Eligibility Status</b>	<ul style="list-style-type: none"> <li>• <i>Employee</i> – An individual employed by the State who: 1) is regularly scheduled to work not less than thirty (30) hours per week; or 2) is a seasonal or part-time employee with 24 months of service, and is certified by an appointing authority to work at least 1,450 hours per fiscal year.</li> </ul> <p style="text-align: center;">For the purpose of determining eligibility for coverage, upon each election, the Governor, Members of the General Assembly, State Judges, District Attorneys, Public Defenders, the State Treasurer, the Comptroller, and the Secretary of State shall be considered newly eligible employees.</p> <ul style="list-style-type: none"> <li>• <i>Dependent</i> – An individual who is: 1) a legally married spouse of a State of Tennessee employee; or 2) an individual not in military service on a full time basis who is 24 hours of age or older up to the age maximum who is a natural or adopted child of a State employee; a stepchild of the employee; and a child for whom that employee is the legal guardian.</li> </ul>
<b>Child Age Maximum</b>	The maximum age for dependent child enrollment is through the end of the month in which the child reaches his birthday of 26 years.
<b>Participation Requirements</b>	Employee participation is not required for participation of eligible spouse. Employee or spouse must be participating in order for a child term rider to be added. Only one parent may cover eligible child(ren) under a Child Term Rider. If a person is covered as an Employee, he cannot be covered as a spouse or dependent child of another Employee.
<b>Carryover from Prior carrier</b>	All current and former employees and/or spouses enrolled in the State optional term life insurance plan on December 31, 2012, shall be transferred to the coverage established under this contract. Individuals who have been granted a waiver of premium due to disability will remain with the incumbent carrier.
<b>Underwriting Criteria</b>	
<b>Guaranteed Issue</b>	<ol style="list-style-type: none"> <li>1) Eligible Employees who apply for coverage during an open enrollment period or Employees employed on and after January 1, 2013 who enroll within thirty (30) days of the first day of work on a guaranteed issue and maximum issue basis.</li> <li>2) A spouse who has not been hospitalized, advised to seek medical treatment, or received disability benefits during the six months prior to the date of the application to enroll</li> <li>3) A child term rider may be issued without answering health questions for the children.</li> </ol>
<b>Underwritten</b>	<ol style="list-style-type: none"> <li>1) New Employees who choose to apply for coverage more than 30 days after their hire date;</li> <li>2) A Member who applies for a coverage amount above the guaranteed issue amount; and</li> <li>3) A spouse who has been hospitalized, advised to seek medical treatment, or received disability benefits during the six months prior to the date of the application to enroll.</li> </ol>
<b>Effective Date of Coverage</b>	



<p><b>Employee</b></p>	<p>New hire coverage shall become effective on the first day of the month following three full months of employment. Open enrollment coverage shall become effective on a date specified by the State. Coverage applied for in excess of the Guaranteed Issue Limit will not become effective until the Contractor has determined if the Member is insurable and the supplemental application is approved by the Contractor. The effective date is subject to Actively at Work requirements.</p>
<p><b>Spouse</b></p>	<p>The effective date will be the Certificate Issue Date, unless:</p> <ol style="list-style-type: none"> <li>1) The Employee is not Actively at Work on such date;</li> <li>2) The Spouse is unable to engage in normal activities because he is:             <ol style="list-style-type: none"> <li>a. Medically confined on the date the insurance would take effect;</li> <li>b. Regularly treated by a home health care agency under a plan of treatment established and approved by a Physician; or</li> <li>c. Receiving or entitled to receive disability or "sick pay" income from any source.</li> </ol> </li> </ol> <p>If coverage does not become effective on the Certificate Issue Date, coverage will be effective on the date when both:</p> <ol style="list-style-type: none"> <li>1) The Employee is Actively at Work; and</li> <li>2) The Spouse resumes his normal activities,</li> </ol> <p>provided both requirements are met within 180 days after the date the insurance coverage would have started. If not met within such 180 days, the Spouse must wait until the next annual or open enrollment period to re-apply for coverage.</p> <p>These two Actively at Work requirements also apply when the amount of coverage is being increased or when coverage is added. For any increase or addition to coverage, the effective date will be shown on a revised or additional Certificate Schedule.</p>
<p><b>Benefit Amounts/Maximum Amounts</b></p>	<p><b>Employee</b></p> <p>In-force certificates of coverage being transferred to the Contractor on January 1, 2013, shall transfer with the same coverage amount. The guaranteed issue amount of insurance under the Optional Term Life Insurance Plan shall be five (5) times the employee's Annual Base Salary, rounded to the next highest \$5,000 increment. The minimum base amount is \$5,000 for each employee. The maximum issue amount of insurance under the Optional Term Life Insurance Plan shall be seven (7) times Annual Base Salary, then rounded to the next highest \$5,000 increment up to a maximum of \$500,000. A participating employee may increase his face value of coverage annually by \$5,000 subject to the guaranteed issue amount and maximum coverage on a date mutually established by the State and the Contractor.</p> <p><b>Spouse</b></p> <p>In-force certificates of coverage being transferred to the Contractor on January 1, 2013, shall transfer with the same coverage amount.          Spouse under age 55: increments of \$5,000 up to one times the employee's annual base salary to a maximum of \$30,000          Spouse age 55 and over: increments of \$5,000 up to a maximum of \$15,000</p> <p><b>Child Term Rider</b></p> <p>All child term riders in force as of December 31, 2012, including those in the amount of \$2,500, shall carryover to the Contractor as of January 1, 2013. A new child term rider to be effective January 1, 2013 or later shall be issued in the amount of \$5,000 or \$10,000.</p> <p><b>Revisions</b></p> <p>The State reserves the right to negotiate with the Contractor to increase the maximum issue amounts and to adjust the unit rates based on the increase in coverage. Such changes would be effected through an amendment to the contract.</p>
<p><b>Annual Enrollment</b></p>	<p>Each year during a time period specified by the State, employees may qualify to participate in the Plan or to increase amounts of coverage by demonstrating insurability through the</p>



	<p>response to health questions. Employees may also elect to decrease the face amount during the same time period. Coverage shall become effective within three (3) months of receipt of application.</p> <p>Each year during a time period specified by the State, current members may increase the face amount of their coverage by up to \$5,000 if that action will not exceed the guaranteed issue amount, without answering health questions.</p>
<b>Advance Benefit Rider</b>	A rider may be issued if the Member becomes terminally ill and is not expected to live more than six months, as certified by a medical doctor, in an amount up to fifty percent (50%) of the face amount not to exceed \$100,000. Any payout will reduce the death benefit.
<b>Exclusions/Limitations</b>	<p>Benefits will not be paid for deaths caused by suicide in the first 24 months after a Member's coverage takes effect. Additional or increased coverage amounts will not be paid for deaths caused by suicide within 24 months of the date the changes were made.</p> <p>In the event an individual is approved for coverage through medical underwriting, that coverage will be in full force on the general effective date unless limited by another provision of the Group Master Policy.</p>
<b>Premiums/Fees</b>	The premium rates and administrative fees may be found in section C.3 of the <i>Pro Forma</i> Contract. Premiums for each Certificate are based upon the Member's age as of his last birthday. The monthly premium amount will automatically increase as age increases. The monthly premium will be based on age as of January 1 of each year.
<b>Premium Rate Guarantee</b>	3 Year Minimum Rate Guarantee (i.e., Premium Rates guaranteed for the period 1/1/2013 through 12/31/2015)
<b>Waiver of Premium</b>	The premium payment will be waived during a period of disability if a Member becomes totally disabled before age 60 and remains disabled for nine consecutive months. The Member may continue the waiver of premium provision up to age 70. This provision only applies to an employee or spouse who is enrolled.
<b>Grace Period</b>	The Insured shall have a grace period of at least thirty-one (31) days for late payment of premium. The Certificate will remain in force during the grace period.
<b>Reinstatement</b>	<p>If the insurance Lapses, coverage may be reinstated within three (3) years after the date of Lapse as long as:</p> <ol style="list-style-type: none"> <li>(1) The Group Policy has not terminated;</li> <li>(2) Acceptable evidence of insurability, at the Member's cost, is submitted to the Contractor; and</li> <li>(3) A premium is paid which is sufficient to keep the insurance in force for at least three (3) months after the reinstatement.</li> </ol>
<b>Termination</b>	<p>A Member's coverage shall end when the first of the following occurs:</p> <ul style="list-style-type: none"> <li>• The date the Member's premiums are not paid when due, subject to the Grace Period;</li> <li>• On a date specified by the Member, at least 30 days in advance, upon written notification from the Member to the Contractor to terminate the Member's coverage or on a later date specified in the notice;</li> <li>• The Group Policy providing this coverage is terminated;</li> <li>• The Certificate is converted to an individual whole life or individual universal life insurance policy;</li> <li>• The Member attains age 70, if the Certificate is being continued on a direct bill basis; or</li> <li>• Failure to notify the Contractor of a change in eligibility status of the Spouse.</li> </ul>
<b>Continuation of Coverage</b>	<p>The Contractor shall provide for continuation of the Optional Term Life insurance coverage by former employees through participation in the coverage offered through this contract and payment of premium directly to the Contractor or through individual whole life or individual universal policies. Premium for continuation of individual certificates shall be the same as those for employees. Employees who terminate their employment are to be notified by the Contractor of their options through written correspondence. Such notification shall be the responsibility of the Contractor. Notwithstanding the preceding, the Member may not continue coverage if termination is due to non-payment of premium.</p> <p>An Employee Member whose employment is terminated or a Spouse Member who becomes ineligible for coverage because of the Employer's eligibility rules, the following</p>



options will apply:

- (1) If younger than age 70, the Certificate may be:
  - a. Continued by paying the premiums on a direct bill basis to the Contractor. If this option is elected, the coverage provided by the Certificate will automatically terminate on the last day of the month in which age 70 is obtained. A request to convert to an individual whole life policy or individual universal life policy will not be given when the Certificate terminates at age 70; or
  - b. Converted to an individual whole life policy or Individual universal life policy which will automatically terminate on the last day of the month in which age 95 is attained.
- (2) If age 70 or older but younger than age 85, the Certificate may be converted to an individual whole life policy or individual universal life policy which will automatically terminate on the last day of the month in which age 95 is attained.
- (3) If age 85 or older, the Certificate may not be continued or converted. The coverage provided by the Certificate will automatically terminate on the date employment ends or ineligibility begins.

The above options will not be available if the Member fails to notify the Contractor of a change in the eligibility status of the Spouse.

If conversion to an individual whole life policy or individual universal life policy is chosen by the Member as described above, the application must be made for the policy within 31 days from the date of the notification offering the conversion. Proof of insurability will not be required. The premium for the policy will be based upon the Member's:

- (1) Age;
- (2) Class of risk; and
- (3) The policy form and face amount of the policy.

If the Member dies during the 31 day period before applying for an individual whole life policy or individual universal life policy, the amount of life insurance he had under the Certificate will be paid to the beneficiary.

If the life insurance provided by the Group Policy has been in effect for at least five (5) years and the Plan ends or the Plan ceases to include a Member's class of employees, coverage may be converted to an individual whole life policy or individual universal life policy, subject to the same conversion restrictions above, except as provided below. The converted policy will be limited to the lesser of:

- (1) The amount of life insurance the Member had under the Plan, less any amount of life insurance the Member becomes eligible for under another group policy within 31 days after the Plan ends; or
- (2) \$2,000.