



CITY OF BRISTOL
OFFICE OF THE COMPTROLLER

To: Insurance Committee Members

From: Robin L. Manuele, Assistant Comptroller *RLM*

Date: April 1, 2010

Re: Insurance Committee Meeting- April 9, 2010

A meeting of the Insurance Committee of the Board of Finance is scheduled for Friday, April 9, 2010 at 8:00 a.m. in the 1st Floor Meeting Room of City Hall.

Agenda

1. Meet with PMA Management Corp. to discuss the City's Self Insured Workers' Compensation Plan and take any action as necessary.
2. Discuss and take any action necessary on an Owner Controlled Insurance Program.
3. Discuss and take any action necessary on Aon Consulting's Engagement Letter- Pre-Implementation Audit of Cigna and Medco.
4. Discuss and take any action necessary on the indemnification language contained in Webster Bank's master agreement for cash management services.
5. Adjournment.

Per Order of the Chairman
John Smith

CC: Mayor Arthur J. Ward

The coverage most commonly included in an OCIP is workers' compensation (workers' comp), employer's liability, commercial general liability (CGL) and excess/umbrella liability. An OCIP may also include builder's risk, professional liability for design professionals and environmental liability insurance. Some insurers have introduced subcontractor default liability policies into the OCIP mix as an alternative to surety bonds.

OCIPs hold advantages and disadvantages for both the owner and the contractors performing the work. Here are some of the pros and cons for each.

Owner

Advantages

- Ability to obtain broader insurance coverage with higher dedicated limits for contractors, which ultimately provides better protection for an owner
- Potentially lower construction costs resulting from volume discounts on insurance purchases and reduced losses from more comprehensive safety and loss control programs
- Improved quality of risk management services (e.g., claim handling, loss control)
- Substantial reduction in the amount of time required for obtaining certificates of insurance from contractors
- Insurance requirements no longer an obstacle for contractors bidding work

Owner

Disadvantages

- Additional administrative burden may require more effort if not managed competently by the owner's OCIP administrator
- Potential financial risk inherent in loss-sensitive programs, resulting in premium cost increases and/or coverage reductions
- Additional accounting effort may be needed to extract insurance costs from contractor and subcontractor bids and change orders
- Additional monitoring effort is required by the OCIP administrator to ensure that claims from a contractor's employee injured on other projects are not charged to the OCIP
- Owner responsibility is increased for the implementation of safety and loss control programs

Wrap-Up Insurance

So Easy A Caveman Can Do It?

Contractor Advantages

- Ability to obtain broader coverage with higher liability limits
- More effective safety, loss control and risk management programs
- Coordinated claims handling/adjusting procedures and claims management services
- Elimination of coverage disputes and subrogation between contractor and insurers
- OCIP claims not counted as part of the contractor's own aggregate limit

Contractor Disadvantages

- Since bids are provided with and without insurance in order to delineate bid credits, the bidding process is more complicated
- A safe contractor may lose out when competing against a less safety-conscious one (this can occur if the workers' comp experience modifier isn't considered as part of the bid process)
- Documentation and reporting requirements impose an additional administrative burden
- Since OCIP costs must be segregated from other project costs, additional bookkeeping is required to maintain duplicate payroll records
- OCIP coverage may not be as broad as, or may have lower limits than, the coverage provided by the contractor's own insurance policies. In this case, the contractor will have to negotiate with its own insurer to obtain excess limits or difference-in-conditions (DIC) liability coverage

So, are wrap-up programs so easy a caveman can do it? Maybe, maybe not. Wrap-up insurance programs certainly aren't right for every project. It's still extremely difficult to gauge the total savings realized and, more importantly, the risk to the sponsor of the program. The decision to use a wrap-up plan for a project should be based on its effectiveness in mitigating project risks. The potential cost savings should be viewed as an added bonus.

Wrap-Up Insurance *So Easy A Caveman Can Do It?*

Wrap ups at a glance

... and why agents should care

By Duke Mills

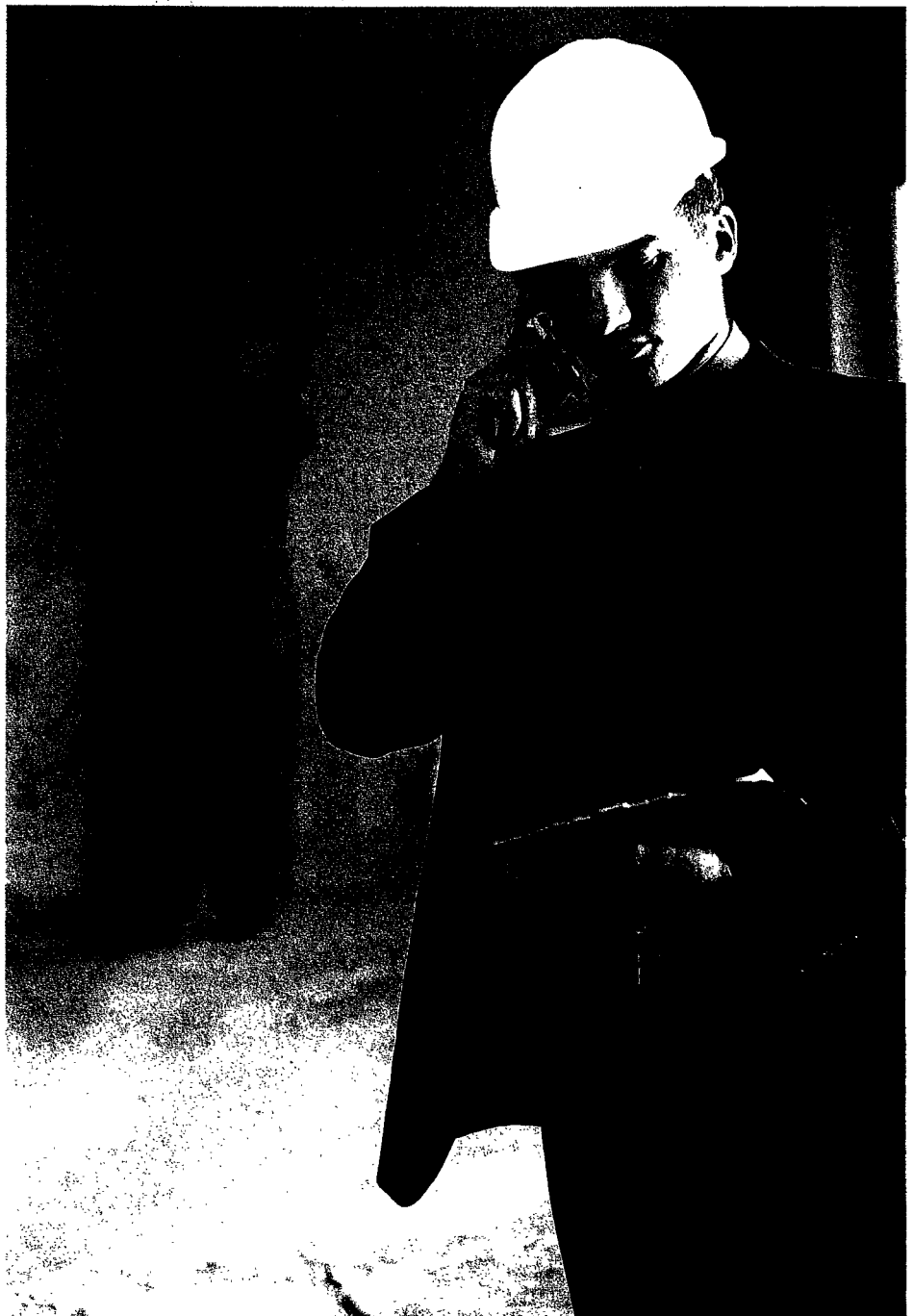
Professional insurance agents need to deliver appreciable value by identifying the true threats to our clients' companies and develop a new message while prospecting. At the same time, we need to generate additional revenue for the agency.

My solution to this was becoming an expert on wrap-up insurance policies. I consult with prime contractors and subcontractors, that have participated in or intend to participate in wrap-up insurance programs on construction projects.

Through representing numerous building contractors and subcontractors, I have acquired a keen understanding of workers' compensation and general liability insurance wrap-up issues. Wrap ups are difficult to grasp and costly mistakes occur easily because of the lack of transparency in contracts, gaps in insurance coverage and conflict of interest between parties.

What is a wrap-up policy?

Commonly called owner-controlled or contractor-controlled insurance programs, wrap ups involve the sponsor of a construction project purchasing workers' compensation, general liability and excess/umbrella coverage for all the entities on the job. Bids then require contractors and subcontractors to "back-out" the cost of these insurance premiums. They mainly occur on large (\$100 million range) construction projects, such as multi-million dollar entertainment/sports facilities, hospitals and malls along with government-funded schools, roads, bridges, prisons and military institutions, in addition to rolling wrap ups that include more than one project.



Contractors Bonding and Insurance Company

“A” rated by A.M. Best Company

CBIC Premium Report

	2008	2007	2006
January	\$8,057,128	\$8,294,277	\$7,925,537
February	\$7,716,715	\$7,962,534	\$7,807,238
March	\$8,069,412	\$8,844,106	\$8,964,841
April	\$8,252,086	\$8,506,036	\$8,397,904
May	\$8,042,540	\$9,400,075	\$9,211,249
June	\$7,684,261	\$8,807,601	\$9,238,909
July	\$7,035,299	\$7,600,010	\$8,024,925
August	\$6,643,484	\$7,676,264	\$7,410,244
September	\$6,815,641	\$7,534,314	\$8,419,655
October	\$6,385,050	\$8,306,035	\$8,019,745
November	\$5,463,940	\$6,644,299	\$6,939,620
December		\$6,322,244	\$6,964,550
Total		\$95,897,795	\$97,324,417

Data & Staff Service Company

(CBIC's Holding Company)

September 30, 2008

Consolidated Assets	\$278,249,752
Shareholder's Equity	\$114,112,410

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(<http://www.pj6.com/click.htm>)



CBIC thanks all our employees and our insurance agents and brokers and their clients for our ongoing success.

Contractors Bonding and Insurance Company

(800) 765-2242

The consolidation is intended to protect the project's sponsor (typically the project owner or prime contractor). A single set of policies cover the various entities participating in the construction process. Wrap ups involve contracts that are let on an ex-insurance basis. This means the bids for work on the project were submitted excluding the workers' compensation, general liability and excess liability insurance costs with the agreement that insurance will be procured by the sponsor.

The challenges

Confusing forms can cause contractors to misstate their insurance credits and/or costs, resulting in lost or unprofitable bids. Plans can contain unexpected safety fines and penalties. Unexpected coverage gaps are another problem. Contractors encounter additional administrative and accounting costs surrounding maintaining multiple payroll records and segregating wrap-up costs from other expenses. And, they undergo audits for each wrap-up project in addition to the audit for the non-wrap-up policies. Mistakes can occur anywhere along the line, costly errors that erode a contractor's profit in the job.

Types of wrap ups

- Owner-paid wrap-up insurance: Owner-controlled insurance program;
- Contractor-paid wrap-up: Contractor-controlled insurance program; and

• Rolling wrap ups: Frequently used for projects on multiple sites, can be OCIP or CCIP.

George Shank, president of National Insurance Advisors, a well-respected administrator for large construction wrap-up projects, says 50 percent of the largest 100 contractors in the country currently are involved in wrap ups.

Wrap-up benefits to sponsors.

Compared to traditional insurance programs in which contractors and subcontractors purchase their own programs based on their own exposures and risk appetites, wrap ups allow the sponsor to control policy design, claim management, litigation management and safety procedures. This control can result in:

- Lower insurance costs;
- All parties in the wrap up having the same coverage, limits and exclusions;
- Less subcontractor litigation;
- Increased sponsor supervision of safety and loss-control programs, often making subcontractors adhere to safety programs that exceed Occupational Safety and Health Administration standards and increase the subcontractor's compliance cost;
- The sponsors obtaining larger liability limits than contractors may get on their own; and
- Facilitation of the often-overlooked Women Business Enterprise and Minority Business Enterprise requirements.

Detriments for contractors and subcontractors. Wrap ups subject contractors to administrative burdens and hidden costs that often exceed their profit on a job. Some specific problems are:

- Complicated, nonuniform insurance-credit worksheets, which often lead contractors to overstate insurance credits, depleting or eliminating profits;
- Safety fines and penalties in wrap-up documents can start at \$500 and go up to \$2,500 per violation;
- Delayed filing of workers' compensation-claims data that could inflate experience rating; and
- Subcontractors may not be protected properly by a waiver of subrogation.
- Delayed and inaccurate audits affecting final payment and incorrect experience modifiers;
- Implementation of additional

safety programs that can exceed OSHA guidelines;

- High deductibles—some as high as \$50,000 per claim.

If the wrap-up policy fails to provide coverage, has exhausted liability limits or is terminated for the benefit of the sponsor, most commercial liability policies exclude projects that were subject to a wrap up, leaving the contractor exposed and/or self insured.

Contractors with poor safety records, claims and debit-experience modifiers, resulting in high insurance cost, potentially can win the bid contract, beating out companies with good safety records;

Confusing documentation, sub-par administration and unexpected coverage gaps are just a few of the problems. Surprisingly, participating in wrap ups can result in higher workers' compensation premiums on the contractor's non-wrap insurance policies.

For example a steel erector with a payroll of \$3.5 million that generated a workers' compensation premium of \$1 million was in a retrospective-rating program, which meant it paid 30 percent of the premium, or \$300,000, plus any claims that occurred during the policy period. Without a claim, it only paid \$300,000.

Then, the company participated in a wrap-up project, moving \$200,000 of payroll from its traditional workers' compensation policy into the wrap up. This reduced its payroll to \$3.3 million, and the company's workers' compensation premiums went down to \$990,000. What the contractor didn't know was that with its carrier, premiums \$1 million

are subject to an adjustment in the minimum percentage. Rather than paying 30 percent, it now had to pay 38 percent, which brought the premium up from \$300,000 to \$376,200—an additional \$76,200.

Construction companies involved in wrap ups also face higher administrative costs. They often have to deduct insurance costs using an inequitable worksheet. They are required to maintain duplicate payroll records and are subjected to fines, penalties and deductibles. Additionally, contractors have to undergo audits for each wrap-up project in addition to normal audits of their traditional insurance programs.

Without help from their professional insurance agents, contractors and subcontractors are at the mercy of wrap-up administrators and routinely are held hostage by confusing wrap-up documents, additional paperwork and unexpected expenses. ■

Duke Mills is the founder and president of WorkComp Solutions Inc. and its Wrap-Up Experts division. WorkComp Solutions is an insurance agency, focused on workers' compensation for mid- to large-size employers exclusively, many in the construction industry. Mills has consolidated his expertise into the *Contractor's Survival Guide for Wrap-Ups*. Available via www.wrapupexperts.com, this easy-to-read guide features useful flow charts and checklists to protect contractors' profits from bid errors, experience-modification mistakes, coverage gaps and audit overpayments. Mills can be reached at (863) 646-4642 or duke@wrapupexperts.com.

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March 25, 2010

PERSONAL AND CONFIDENTIAL

Mr. Glenn Klocko, Comptroller
City and Board of Education of Bristol
111 N. Mail Street
Bristol, CT 06010

Re: The City of Bristol - Pre-Implementation Audit of CIGNA

Dear Glenn,

On behalf of Aon Consulting, we appreciate the opportunity to work with you and your colleagues. We are confident that we will exceed your expectations, and look forward to fulfilling our commitment to provide best-in-class services.

As a first step in any new assignment, we find it helpful to document the commitment we have made to you, as well as our mutual roles and responsibilities. Your review and acceptance of this letter and accompanying exhibits will help ensure the success of our partnership in this regard.

- ***Exhibit A:*** Services to be provided
- ***Exhibit B:*** Payment for services
- ***Exhibit C:*** General terms

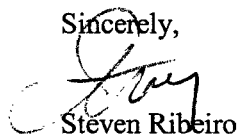
We will need your assistance on the project in certain areas. For example, we will need you to:

- Provide 2010 benefit plan documentation (i.e., the benefits that will be effective on 7/1/2010)
- Respond to requests for benefits clarification (in the event of a plan design provisions that requires interpretation).

This Agreement commences on March 25, 2010 and will remain in effect until terminated.

Assuming this letter and accompanying exhibits meet your expectations, please sign the letter and return it to my attention at your earliest convenience. We appreciate this opportunity.

Sincerely,



Steven Ribeiro
Vice President

cc: T. Will



Enclosures

Signature of Client

The City of Bristol

(date)

Exhibit A – Services to be Provided

Aon will conduct a pre-implementation audit on behalf of the City of Bristol that will assess the accuracy of the City of Bristol medical plan information loaded by CIGNA into their claims processing system. The plan information reviewed will be the City of Bristol medical benefits effective on July 1, 2010. The following describes Aon’s approach for this review:

Aon will first thoroughly review the applicable the City of Bristol plan information (e.g., SPDs). Aon will then review test claim scenarios in CIGNA’s claims system. The test environment mirrors the plan information that is present in the “live” claims processing system. Therefore, to the extent any errors or inconsistencies are identified in the test environment, they will be identified for correction (or clarification of plan intent). Aon’s review of plan design items will include:

- Deductible amounts
- Copayment amounts
- Out-of-pocket maximums
- In-network vs. out-of-network adjudication
- Coinsurance amounts
- Annual maximums
- Plan exclusions

During the course of this project (e.g., advance preparation, test claim review, report preparation) we may need to consult with the City of Bristol on plan provisions or administrative practices that require interpretation and/or are not fully addressed in the plan documents.

Aon’s report will identify any plan discrepancies noted and the recommended (or completed) corrective action.

Exhibit B – Payment for Services

Aon Consulting will bill CIGNA \$25,000 for the professional services described in Exhibit A.

During the course of the assignment, should the City of Bristol and Aon Consulting agree to have Aon Consulting undertake additional projects, we would work within a separate proposal, fee estimate and Letter of Engagement.

The services and work product provided by Aon Consulting hereunder are provided for your exclusive use, to be used solely for your internal business purposes; they are not intended to be used or relied upon by third parties. You agree that you will not, during the course of this Agreement and for one (1) year thereafter, directly or indirectly communicate, divulge or otherwise disclose any work product to any individual or entity that provides services of a similar nature to those services provided by Aon Consulting and shall prevent, to the best of your ability, the disclosure of this work product to such others.

Aon Consulting’s obligation to render services will terminate at the end of the Agreement.



Change in Scope

Please be aware that requested changes in the scope of services provided by Aon Consulting could result in an increase in fees and charges. Changes in scope could include, but are not limited to the following:

- A request for more than two conference calls to discuss the audit results
- Other factors which were not anticipated and increase the complexity or timing of the project or which affect our responsibilities or duties.

Exhibit C- General Business Terms and Conditions

1. Services.

a. These General Business Terms and Conditions apply to all services (“Services”) provided by Aon Consulting, Inc. (“Aon”) to Client, including those set forth in an engagement letter or services subsequently added (collectively, the “Agreement”). Client’s employee benefit plans are referred to as “Plan” or “Plans”.

b. Both parties acknowledge that the accuracy of Services depends upon the accuracy and completeness of the data supplied to Aon. Aon makes no representation or warranty concerning the accuracy and completeness of any data provided to it and results that are dependant upon such accuracy and completeness, and Client accepts sole responsibility for errors in Services resulting from inaccurate or incomplete data supplied by Client or at Client’s direction.

c. Client agrees to provide the data necessary for the performance of Services in the form agreed upon. Client understands and agrees that if data is submitted in a form otherwise, Client shall pay Aon, in addition to the fees otherwise set forth, the reasonable expenses incurred to merge or convert the data to the agreed upon form.

d. The Services are not of a legal nature, and Aon will in no event give, or be required to give, any legal opinion or provide legal representation to Client.

e. With respect to insurance consulting or brokerage Services, Aon is not responsible for any insurance policies, coverages and programs that predate this Agreement except as provided in the Agreement.

2. Fees and Payment of Invoices.

a. Properly submitted invoices upon which payment is not received within thirty (30) days of the invoice date shall accrue a late charge of the lesser of (i) 1.5% or (ii) the highest rate allowable by law, in each case compounded monthly to the extent allowable by law. Without limiting its rights or remedies, Aon shall have the right to halt or terminate the Services entirely if payment is not received within thirty (30) days of the invoice date. Client shall indemnify Aon for the costs of collection of overdue payments.

b. In the event that Client requests additional services, such services shall be charged on an hourly basis, plus expenses, unless agreed otherwise in writing.

c. In addition to costs specified by the Agreement, Client will be responsible for any sales, use, excise, value-added and other taxes that are levied on any goods or Services under the Agreement, excluding taxes on Aon’s income generally.

d. As applicable to the Services and the Client, in the event the Plan sponsor does not pay fees, or fees remain unpaid at the termination of Services, or Client files for bankruptcy protection, payment of fees will be made from Plan assets to the extent allowed by ERISA.

e. If Aon is required by government regulation, subpoena, or other legal process to produce documents or any personnel as a witness with respect to the Services provided to Client, Client will reimburse Aon for the costs of professional time and expenses, including without limitation reasonable attorney’s fees, incurred in responding to such requests, so long as Aon is not a party to the proceeding in which the information is sought.

3. Relationship.

a. It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor, joint venturer, partner, fiduciary or representative of the other. Neither party shall act or represent itself, directly or by implication, in any such capacity in respect of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

b. Aon is not a fiduciary within the meaning of the Employee Retirement Income Security Act (ERISA) or other legislation, Aon has no discretion with respect to the management or administration of the Plan(s), and or control or authority over any assets of the Plan(s), including the investment of those assets. All such discretion and control remain with Client and other Plan fiduciaries.

4. Limitation on Warranties.

The Services performed under this Agreement (which may include certain deliverables, which must be specifically described as such in the engagement letter (“Deliverables”)) will conform to generally accepted industry standards and practices for similar services and deliverables. AON DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Exhibit C- General Business Terms and Conditions

5. Confidential Information.

a. With respect to any information supplied in connection with this Agreement and designated by either party as confidential or which the other should reasonably believe is confidential based on its subject matter or the circumstances of its disclosure (“Confidential Information”), the other party agrees to protect the Confidential Information in a reasonable and appropriate manner, and use Confidential Information only to perform its obligations under this Agreement and for no other purpose. This will not apply to information which is: (i) publicly known, (ii) already known to the recipient, (iii) lawfully disclosed by a third party, (iv) independently developed or (v) disclosed pursuant to legal requirement or order.

Client’s Confidential Information which is provided to Aon, and that which is created as a result of Services, is and will be owned by Client.

b. The obligations of this paragraph will survive the termination of this Agreement for a period of one (1) year, unless otherwise required by law.

c. If Aon is receiving protected health information (PHI) from the Plan, the use of PHI will be governed by the terms of the business associate agreement with the Plan.

d. Notwithstanding the foregoing, Client consents to Aon’s disclosure solely of the existence of the client relationship for the limited purpose of business marketing.

6. Ownership.

a. Aon has created, acquired or otherwise has rights in, and may, in connection with the performance of Services hereunder, employ, provide, modify, create, acquire or otherwise obtain rights in, various concepts, ideas, methods, methodologies, procedures, processes, know-how, and techniques (including, without limitation, function, process, system and data models); templates; software systems, user interfaces and screen designs; general purpose consulting and software tools; benefit administration systems; and data, documentation, and proprietary information and processes (“Aon Technology”).

b. Except as provided below, upon full and final payment to Aon hereunder, the Deliverables, if any, shall become the property of Client. To the extent that any Aon Technology is contained in any of the Deliverables, Aon hereby grants to

Client a perpetual, worldwide, paid-up, royalty-free, nonexclusive license to use such Aon Technology in connection with the Deliverables.

c. To the extent that Aon utilizes any of its property, including, without limitation, the Aon Technology, in connection with the performance of Services, such property shall remain the property of Aon and, except for the license expressly granted in the preceding paragraph, the Client shall acquire no right or interest in such property.

d. Client will honor Aon copyrights, patents, and trademarks relating to Services, Deliverables and Aon Technology, and will not use Aon’s name, patents or trademarks without Aon’s prior written consent.

e. Aon acknowledges and agrees that all right, title and interest in and to any programs, systems, data, information and other materials furnished to Aon by Client hereunder are and shall remain Client’s sole and exclusive property.

f. Nothing contained in this Agreement will prohibit Aon from using any of its general knowledge or knowledge acquired under this Agreement (excluding Client’s Confidential Information) to perform similar services for others.

7. Indemnification and Limitation of Liability.

a. Aon shall indemnify and hold harmless the Client, its directors, officers, and employees from and against any and all claims, actions, losses, damages, liabilities and expenses resulting from third party claims arising out of the performance of Services, to the extent finally judicially determined to have directly resulted from the negligence of Aon, not to exceed the percentage share that its negligence bears to the total negligence of Client and all other negligent entities and individuals.

b. Except with respect to the indemnification obligations in the preceding paragraph, (i) in no event will either party be liable to the other party for any indirect, incidental, special, consequential, exemplary or reliance damages (including, without limitation, lost or anticipated revenues or profits, loss of use of data) arising out of this Agreement or the use of the Deliverables based upon any theory of liability, even if the party is advised of the possibility of such damages, and, in addition, (ii) the liability of Aon, including officers, directors, employees, agents, affiliates, and parent companies, to the Client for any claims, liabilities, or expenses relating to this Agreement shall be limited to the lesser of (a) \$250,000 or (b)

Exhibit C- General Business Terms and Conditions

the amount of fees paid pursuant to this Agreement in the calendar year in which the claim arose; except to the extent resulting from the bad faith or intentional misconduct of Aon's personnel.

Notwithstanding the foregoing, as applicable to the Client and the Services, Aon will not be liable to Client for any amounts for which Client or the Plan would have been responsible to pay irrespective of any act, error or omission by Aon, including interest adjustments.

c. This Section will survive the termination or expiration of this Agreement.

8. Non-Solicitation.

During the term of this Agreement and for a period of one year following its expiration or termination, the Client and the Company will not, without the other's written consent, solicit, employ or otherwise engage any of the other's employees who were involved in the engagement pursuant to this Agreement; provided that this restriction shall not preclude a party from soliciting or hiring any such employee who responds to general solicitations of employment not specifically targeted at such employee.

9. Term.

Unless terminated sooner in accordance with its terms, this Agreement shall terminate on the completion of Aon's Services hereunder. For any reason and without penalty, Client or Aon may discontinue the Services, or work related to a specific assignment as a part of the Services, by providing written notice to the other at least ninety (90) days in advance of the termination. Client shall be liable for properly incurred fees, commissions and expenses through the date of termination.

10. Responsibility for Records.

Aon maintains its records in accordance with Aon's document retention policy. Aon's responsibilities relating to the Services do not include maintaining official Plan records, unless otherwise agreed upon; therefore, Client should retain copies of all data, documents, reports and determinations that it provides to Aon and that Aon provides to Client. Client has the right to obtain copies of the records at its expense.

11. Force Majeure.

Aon shall not be liable for any delays or non-performance resulting from circumstances or causes beyond its reasonable control, including, without limitation, acts or omissions or the failure to cooperate by the Client (including, without limitation, entities or individuals under its control, or any of their respective officers, directors, employees, other personnel and agents), acts or omissions or the failure to cooperate by any third party, fire or other casualty, act of God, strike or labor dispute, war, terrorism or other violence, or any law, order or requirement of any governmental agency or authority.

12. Governing Law; Waiver of Jury Trial.

a. This Agreement shall be governed by and interpreted in accordance with the law of the State of Illinois, without giving effect to the choice of law provisions thereof.

b. To facilitate judicial resolution and save time and expense, the parties irrevocably and unconditionally agree not to demand a trial by jury in any action, proceeding or counterclaim arising out of or relating to the Services or this Agreement.

13. Additional Terms.

This Agreement embodies the entire understanding between the parties and supersedes all other oral and written representations, understandings or agreements relating to the Services, and may not be amended except by written agreement by the parties. If any provisions of this Agreement are unenforceable or in conflict with the law of the applicable jurisdiction, the validity of the remaining provisions will not be affected by this holding. Except as provided below, neither party may assign, transfer or delegate any of its rights or obligations hereunder without the prior written consent of the other party. Aon may assign or subcontract its rights and obligations hereunder to any affiliate or related entity without the consent of the Client. In addition to the specific survival terms in the Agreement, any other provision which contemplates performance or observance by either or both parties subsequent to any termination of this Agreement shall survive any termination of this Agreement and continue in full force and effect. This Agreement will be binding upon the successors and/or legal representatives of the parties.



Andrea
Joseph/ASG/US/AON
03/24/2010 10:38 AM

To "Stevens, Marlene" <Marlene.Stevens@catlin.com>
cc
bcc
Subject White Zuckerman Warsavsky Luna Wolf & Hunt
PLMA000220

Marlene,

Attached is a copy of the Policy to complete your file.

Thanks and Best Regards.

Andrea Joseph | Aon Benfield
100 Great Meadow Road
Suite 701
Wethersfield, CT 06109
860-257-2445 - Direct Line
860-257-2444 - Fax
Andrea.Joseph@aonbenfield.com



White Zuckerman Policy.pdf



March 25, 2010

PERSONAL AND CONFIDENTIAL

Mr. Glenn Klocko, Comptroller
City and Board of Education of Bristol
111 N. Mail Street
Bristol, CT 06010

Re: Engagement Letter – Pre-implementation Audit of Medco

Dear Glenn,

On behalf of Aon Consulting, we appreciate the opportunity to work with you and your colleagues. We are confident that we will exceed your expectations, and look forward to fulfilling our commitment to provide best-in-class services.

The City and Board of Education of Bristol is currently transitioning lives to Medco as the new Pharmacy Benefits Manager effective 7/1/10. The City and Board of Education of Bristol would like Aon to evaluate the plan setup in the Medco system to ensure that this meets Bristol's benefit design before the go-live date of 7/1/10.

To evaluate the transition, aspects of the prescription drug arrangement with the plan will be reviewed taking at least the following into account:

- Benefit design setup (copay/coinsurance, out of pocket limits (OOP), maximum allowable benefits (MABs) at mail and retail, for the 5-tier drug classes. Aon will also assess the setup for DAW penalties (if applicable).
- Pricing setup at retail, mail and specialty for brands, MAC'd generics and non-MAC'd generics.
- Review of low cost claims to ensure rules are setup correctly for these claims (e.g. lower of U&C, or copay)

As part of the project, Aon's pharmacy experts will review the contract (or pricing commitment document), the planned benefit design and drug coverage rules to create a list of test members and drugs for testing in the new claims system. Both lists will be customized to evaluate targeted rules. For example, we will have members of various ages and genders. We will look for rejection codes and messages to ensure that the pharmacy receives the right message on what next steps are. We will also test drugs against each of these members to ensure that benefit design is setup correctly. For each claim, we will look at benefit information (copay, penalty

amounts, OOP, MAB) and pricing information (unit AWP, unit MAC (if applicable), U&C amount, ingredient cost, and dispensing fees).

If Aon does find errors in setup, we will work with Medco to make sure those errors are corrected, and will retest the affected claims to ensure accuracy in setup.

As part of the audit process, Aon will go on site and test a smaller, targeted set of test claims to ensure that the new corrections are setup correctly and ensure that the previous errors do not occur.

Aon will provide regular communications with Bristol to discuss the issues we encountered on a biweekly basis.

Aon will provide you with a report on how the plan has been setup in the system, and what (if any) errors were identified, the steps Medco performed to correct them and how the corrections performed on retesting. Our reports are written to be understood by non-experts and our pharmacy experts will present the findings and answer any questions you may have.

As a first step in any new assignment, we find it helpful to document the commitment we have made to you, as well as our mutual roles and responsibilities. Your review and acceptance of this letter and accompanying exhibits will help ensure the success of our partnership in this regard.

- **Exhibit A:** Services to be Provided
- **Exhibit B:** Payment for Services
- **Exhibit C:** General Terms

In order to meet critical completion dates and operate within budget expectations, we will undoubtedly need your support at various intervals. For example, we may need you to:


- Provide historical benefit plan documentation
- React to preliminary project findings
- Be accessible for conference calls and/or meetings
- Approve final versions of project-related documentation
- Provide written approval of our compensation and written instruction to bind your chosen insurance program.

This Agreement is effective 4/1/2010 and continues in effect until 7/15/2010.

Glenn, we look forward to working with you and your colleagues. Assuming this letter and accompanying exhibits meet your expectations, please sign the letter and return it to my attention at your earliest convenience so we can begin our work. We appreciate this opportunity.



Sincerely,


Steven Ribeiro
Vice President

cc: Hitesh Patel

Enclosures

Signature of Client

The City and Board of Education of Bristol

(date)

Exhibit A – Services to be Provided

Services Included in Scope of Agreement

Gather and Review Key Information from the City and Board of Education of Bristol and Medco

- Review pricing commitment document negotiated with Medco
- Review current and 2010 plan designs from Bristol, and implementation document from Medco
- Review enrollment counts and account structure
- Review Utilization summary from Bristol (summary reports from prior vendor)
 - Review the Prior Authorization, Drug Quantity and Step Therapy reports from Bristol and corresponding documents from Medco
- Collect the Biotech Drug List from Medco with a drug identifier (e.g. NDC or GCN or GPI)
- Review the new formulary
- Review implementation timeline and status reports
- Assess processing plans for mail refill file
- Evaluate timeline including eligibility load timeframes for member ID card production

Create a timeline and test plan for claims

- Create a set of members to test claims on based on the documents received (account structure, etc)
- Create a set of claims that will test each scenario identified
- Create a best time for testing claims based on Medco implementation timeline, factoring in when the benefit design will be completed

Test claims accuracy

- Send out the test members and claims to Medco
- Review the results (including screen prints), and compare with expected results
- Identify discrepancies
- Review discrepancies with Medco and establish a timeline for correction
- Create a new set of claims and test these against a new set of members
- Go on-site to perform the retesting of claims. Also test a new set of claims on-site.
- Review discrepancies again and need for further testing

Note: This RFP is not performing an operational assessment of Medco (e.g. mail readiness, call center readiness, ID card readiness)



Exhibit B – Payment for Services

Aon Consulting will bill Medco \$15,000 for the professional services described in Exhibit A.

During the course of the assignment, should the City of Bristol and Aon Consulting agree to have Aon Consulting undertake additional projects, we would work within a separate proposal, fee estimate and Letter of Engagement.

The services and work product provided by Aon Consulting hereunder are provided for your exclusive use, to be used solely for your internal business purposes; they are not intended to be used or relied upon by third parties. You agree that you will not, during the course of this Agreement and for one (1) year thereafter, directly or indirectly communicate, divulge or otherwise disclose any work product to any individual or entity that provides services of a similar nature to those services provided by Aon Consulting and shall prevent, to the best of your ability, the disclosure of this work product to such others.

Aon Consulting's obligation to render services will terminate at the end of the Agreement.

Change in Scope

Please be aware that requested changes in the scope of services provided by Aon Consulting could result in an increase in fees and charges. Changes in scope could include, but are not limited to the following:

- A request for more than two conference calls to discuss the audit results
- Other factors which were not anticipated and increase the complexity or timing of the project or which affect our responsibilities or duties.

Exhibit C - General Terms

Please read these general engagement terms thoroughly. These terms apply to all assignments ("Services") that you ask Aon Consulting ("Aon", "We", "Us", "Our") to provide for you ("You", "Your"). "Agreement" refers to these general engagement terms and any agreement (including any schedules and exhibits) between You and Us. Your employee benefit plans are referred to as "Plan" or Plans."

1. Fees and Billing Procedures. Additional Services

a. We will submit invoices as mutually agreed, and payment is due within thirty (30) days of your receipt thereof. Any invoice remaining unpaid after thirty (30) days may be subject to a late charge equal to the lesser of 1.0% of the amount outstanding, per month, or the highest rate allowed by applicable law. If invoices remain unpaid, or if you refuse to pay the invoices, we reserve the right to stop work on Services.

b. In addition to the specific services covered by the Agreement, you may request that we provide additional services and projects. In such event, such additional services and projects shall be included in the Services hereunder, shall be controlled by this Agreement and shall be charged on an hourly basis, plus expenses, unless agreed otherwise.

c. In addition to costs specified by the Agreement, you will be responsible for any sales or use taxes that are levied on any goods or Services under the Agreement. If your account is referred to an attorney for collection, you agree to pay reasonable our attorney fees and court costs and expenses.

2. Relationship

a. You agree that our employees assigned to perform Services under this Agreement will be and remain our employees whether Services are performed at our facilities or your facilities and will not for any purpose be considered your employees. We will be solely responsible for the payment of salaries and all matters relating thereto, including the withholding and/or payment of all payroll taxes, workers' compensation, unemployment compensation, public liability, insurance-related benefits, vacation pay, holiday pay and all such additional legal requirements applicable to our employees.

b. Our relationship to you under this Agreement is one of independent contractor and nothing contained in this Agreement or any schedule will be construed to imply that we or any of our officers, employees or agents is an employee or agent of yours for any purpose. We will have no right, power or authority to create any obligation, expressed or implied, or to make any representation on your behalf, except as may be expressly authorized in writing by you from time to time

and then only to the extent of such authorization. Nothing herein is to imply an agency, joint venture or partner relationship between us.

c. Unless otherwise specified in writing, you agree that Aon is not a plan fiduciary within the meaning of the Employee Retirement Income Security Act (ERISA) or other legislation, we have no discretion with respect to the management or administration of your Plan, and we have no control or authority over any assets of your Plans, including the investment of those assets.

d. If Aon is providing insurance consulting or brokerage Services, Aon is not responsible for any insurance policies, coverages and programs that predate this Agreement unless mutually agreed otherwise.

3. Representations and Warranties

a. We are a corporation duly organized, validly existing and in good standing under the laws of the state of our incorporation, and we have the full and unrestricted power and authority to execute, deliver and perform this Agreement and such execution, delivery and performance have been duly authorized by all necessary action on our part and the Agreement, when executed and delivered by us in accordance with the provisions hereof, will be a legal, valid and binding obligation of ours, enforceable against us in accordance with its terms.

b. To the best of our knowledge, our execution and performance of this Agreement or any exhibit or schedule will not constitute a breach or default or material default under any contract, instrument or agreement to which we are a party or by which we are bound and will not materially violate or interfere with the rights of any other party.

c. The Services performed under this Agreement, which may include certain deliverables ("Deliverables"), will be of professional quality, conforming to generally accepted industry standards and practices for similar services and deliverables. This representation and warranty will be in lieu of and excludes all other implied warranties of merchantability or fitness for a particular purpose or otherwise.

For any Deliverable provided by us to you under this Agreement or any schedule hereto, we are the sole

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owner of, or have rights to, such Deliverables, have full power and authority to grant any license herein granted without the consent of any other party and any Deliverable is delivered free of any rightful claim of any third party by way of infringement or otherwise, arising from or related to the claimed rights in any Deliverable or your exercise of your rights under this Agreement.

The Services we provide are not of a legal nature, and we will in no event give, or be required to give, any legal opinion or provide a legal representation to you.

Both parties acknowledge that the accuracy of Services depends upon the accuracy and completeness of the data supplied to us. We make no representation and warranty concerning the accuracy and completeness of any data provided to us. You accept sole responsibility for errors in Services resulting from inaccurate or incomplete data you supplied.

You agree to provide the data necessary for the performance of Services in the form agreed upon. You understand and agree that if data is submitted in a form other than agreed upon, you will pay Aon, in addition to the fees otherwise set forth, the reasonable expenses incurred to merge/convert the data to the agreed upon form.

4. Confidential Information

a. We may receive Confidential Information from you or create Confidential Information as a result of Services, and any such Confidential Information is and will be owned by you. Except as required for the performance of Services, and as set forth in any exhibit or schedule, we will not use or disclose any Confidential Information. We agree to take all necessary steps to protect any Confidential Information with the same degree of care that we use to protect our own confidential and proprietary information of like kind.

b. "Confidential Information" includes any process, system, formula, pattern, model, device, compilation, or other information unless same: (i) was already in our possession prior to its receipt from you without restriction on its use or disclosure; (ii) is or becomes available to the general public through no act or fault of ours; or (iii) is rightfully disclosed to us by a third party without restriction on its use or disclosure; or (iv) is

independently developed by us without reference to any Confidential Information disclosed by you to us; or (v) is demanded by any state or federal government agency or by court order. The requirements of this paragraph will survive the termination of this Agreement for a period of one (1) year.

c. If we are receiving protected health information (PHI) from your health plan, our use of PHI will be governed by the terms of the business associate agreement we have with your health plan.

5. Ownership

a. You acknowledge and agree that we are in the business of providing consulting services to clients utilizing our knowledge, including background software, ideas, concepts, methodologies, and processes ("Prior Works"). We reserve all right, title and interest in and to any of the Prior Works which we will use in the course of the Services for you; and we grant you worldwide, paid-up, royalty-free, nonexclusive and perpetual license to use such Prior Works utilized during the course of Services or incorporated into any items delivered by us under this Agreement.

b. Nothing contained in this Agreement will prohibit us from using any of our general knowledge or knowledge acquired under this Agreement to perform similar services for others; provided however, that we will not (i) use any of your Confidential Information in providing Services to others, or (ii) if applicable, provide to others any custom software we created specifically for you.

6. Indemnification

a. We shall indemnify, defend, and hold harmless You, your directors, officers, employees and agents from and against any and all claims, demands, losses, damages, costs and expenses of any nature whatsoever including litigation expenses, attorney's fees and liabilities incurred in connection therewith, arising out of: (i) injury to, or death of, any person whatsoever or damage to property of any kind by whomever owned, caused by the acts or omissions of Aon, any of its members, employees, agents or other persons directly or indirectly employed by or associated with Aon; (ii) any breach by Aon of a representation, warranty or covenant contained herein or in any addendum with respect to the provision

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of services, subject to Section 6(b), below; or (iii) in connection with any third party claim as to rights in and to any deliverable, including, without limitation, claims of infringement of any patent, copyright, trademark or trade secret or unfair competition rights of any third party.

If a claim subject to infringement indemnification pursuant to this section has been made, Aon shall have the right to, at its option, either: (1) obtain for You the right to continue using the deliverable or (2) replace or modify the deliverable so that such deliverable becomes non-infringing.

b. Except with respect to the indemnification set forth in sub-sections a(i) and (iii), above, the liability of Aon, including officers, directors, employees, agents, affiliates, and parent companies, for damages shall be limited to the lesser of two hundred fifty thousand dollars (\$250,000), or the amount of fees paid pursuant to this engagement upon which the claim is based in the calendar year in which the breach occurred. The foregoing limitation of liability shall not apply to liability resulting from the bad faith or intentional misconduct of Aon's personnel.

c. Notwithstanding the foregoing, in no event will either party be liable to the other party for any indirect, incidental, special, consequential, exemplary or reliance damages (including, without limitation, lost or anticipated revenues or profits) arising out of this Agreement or the use of the Deliverables on any theory of liability, even if the party is advised of the possibility of such damages.

d. This Section will survive the termination or expiration of this Agreement.

7. Termination

For any reason and without penalty, you or Aon may discontinue work related to a specific assignment by providing written notice to the other at least sixty (60) days in advance of the termination. You agree to pay us within thirty (30) days of our invoice date for any incurred expenses and for a pro rata fee based on the time expended.

8. Responsibility for Records

We maintain records in accordance with Aon's document retention policy. Our responsibilities do not include maintaining official plan records, unless otherwise agreed upon; therefore, you should retain copies of all data, documents, reports and determinations that you provide and that we provide to you.

9. Force Majeure

The performance by either party or their subcontractors hereunder may be subject to delays caused by an Act of God, war, riot, fire, explosion, accident, flood, sabotage, inability to obtain fuel or power, governmental laws, regulation or orders, acts or inaction of the other party, or any other cause beyond the reasonable control of a party, or labor trouble, strike, lockout or injunction (whether or not such labor event is within the reasonable control of either party). In the event of any such delay, the times for performance will be extended accordingly for additional period(s) of delay. In the event, however, that any such delay lasts for a period of ninety (90) days, then either party may terminate this Agreement upon ten (10) days prior written notice. In the event of such non-performance, the party which was delayed in its performance will make reasonable efforts to promptly resume its performance.

10. Miscellaneous

This Agreement and any exhibits or schedules hereto embodies the entire understanding between the parties. The terms of this Agreement will take precedence over any conflicting terms and conditions set forth in any schedule relating to the subject matter hereof, unless such conflicting terms and conditions comprise a writing which is signed by both parties and which specifically references the terms and conditions which are in conflict. If any provisions of this Agreement are unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining provisions will not be affected by this holding. The laws of the State of Illinois will govern this Agreement. We will not assign, convey, encumber or otherwise dispose of this Agreement or any rights or obligations hereunder without your prior express written consent. This Agreement will be binding upon the successors, and/or legal representatives of the parties.

4

Robin Manuele - Fwd: RE: Courier Quote

From: Roger Rousseau
To: Manuele, Robin
Date: 4/1/2010 10:56 AM
Subject: Fwd: RE: Courier Quote
CC: Babon, Teresa

I'm trying to finalize a contract for lock box services for the Treasurer's Office, and Webster Bank's master agreement for "cash management services" has language whereby we indemnify them. I don't know what to expect in a contract for "cash management", although my interpretation is that lock box operations are more of a traditional contracted service than a banking service.

Can you please include as an item on the agenda for the insurance committee- I believe the committee is the group that we've discussed indemnification issues with before. Thanks for your help.

>>> "Hart, Barbara" <BHart@websterbank.com> 3/31/2010 1:41 PM >>>

Hi Teresa,

I am not seeing the attachment. Can you re-send it?

With regard to the contract, my boss (Chris Martin) is working with our Legal Department to try and get it approved without making a major issue of the changes. He has asked if the City and the Bank could agree to be "silent" on the indemnification language (which was mentioned by Roger and agreed to by Chris).

I will keep you posted on their progress and I'll give you our feedback on your tax bill as soon as I view it.

Thanks!

Barbara A. Hart, CTP, SVP
Government & Institutional Banking
860.692.1330
bhart@websterbank.com

From: Teresa Babon [mailto:TeresaBabon@ci.bristol.ct.us]
Sent: Wednesday, March 31, 2010 1:22 PM
To: Hart, Barbara
Subject: Re: Courier Quote

Hi Barbara,

When we visited you last week, you had asked to see a sample of our bill. I have attached a scan of a real estate bill and a motor vehicle bill. I was just in contact with my bill printer and he is trying to figure out where we would lay down the OCR line.

On another note, Roger and I were speaking yesterday and he mentioned how he had sent you a few items regarding the legal jargon included in your contract but had not heard back from you. I was just wondering if you received that email and if there is anything I can help you with. Once we make a decision on our lockbox vendor, it would be terrific if all those issues were already taken care of.

Teresa M. Babon, CCMC
Tax Collector, City of Bristol
PO Box 1040
Bristol, CT 06011
teresababon@ci.bristol.ct.us
(860) 584-6272

>>> "Hart, Barbara" <BHart@websterbank.com> 3/23/2010 4:21 PM >>>
Hi Teresa and Louise,

I am working to finalize a quote for the courier to the Bristol PO and City Hall. The courier said he can retrieve the mail from the Bristol PO quite early, so he asked me to find out the earliest time the driver could get into the Tax Office. I know your hours are 8:30 a.m. but I wondered if you open early during July (perhaps at 8:00 a.m.?). If not, I'll stick with the 8:30.

Thank you,
Barbara

Barbara A. Hart, CTP
SVP, Relationship Manager
Government Banking
Webster Bank, N.A.
860.692.1330 (phone)
860.947.1878 (fax)
bhart@websterbank.com

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