

**The Minnesota Workers Compensation Assigned Risk Plan
(MWCARP)**

Servicing Carrier

REQUEST FOR PROPOSAL

(“RFP”)

ISSUED

July 31, 2014

Issued by
Affinity Insurance Services, Inc.
Plan Administrator
Minnesota Workers Compensation Assigned Risk Plan

MWCARP Servicing Carrier RFP

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PART I. INTRODUCTION AND INSTRUCTIONS

A. Introduction

The Minnesota Workers Compensation Assigned Risk Plan (hereinafter “Plan” or “MWCARP”) is the source of workers compensation and employers liability coverage for Minnesota employers who have been unable to secure such coverage through the voluntary market. In accordance with Minnesota law, coverage provided through the Plan is substantially the same as coverage available from licensed workers compensation insurance companies writing in the voluntary market in Minnesota.

Through this Request For Proposals (hereinafter “RFP”) process, the Plan is soliciting proposals from qualified entities to act as Servicing Carriers and to provide the Plan Services more fully described below. Plan Services would include such activities as the issuance of policies of workers compensation coverage, the handling of claims under such policies and the administration of medical cost containment services. A qualified Bid Respondent must meet the requirements set forth in this RFP, and must possess sufficient professional, administrative, and personnel resources to provide the proposed services.

B. Authority

As authorized pursuant to Minnesota Statutes, Sections 15.061 and 79.251, subd. 4, the Minnesota Department of Commerce has designated Affinity Insurance Services, Inc., as the Plan Administrator of the Plan, effective September 15, 2008. In its role as Plan Administrator, Affinity is hereby issuing this Servicing Carrier RFP soliciting proposals for Plan Services commencing January 1, 2015.

The Plan is not a state agency and is not subject to the laws, rules and procedures governing the issuance, approval or execution of a contract between a private party and an agency of the State of Minnesota. Minn. Stat, § 79.251, subd, 1(a)(4) (2008). **Any entity responding to this RFP must include the following acknowledgement in the cover letter described in Part I.G.1 below: “We understand that the Plan is not an agency of the State of Minnesota and that the issuance, approval or execution of a Servicing Carrier Contract with the Plan is not subject to the laws, rules and procedures governing contracting between a private party and a state agency.”**

C. Definitions

For purposes of this RFP, these terms shall be defined as follows:

“Allocated Loss Adjustment Expense (ALAE)” shall mean those expenses directly associated with a particular claim, including those expenses incurred by a Servicing Carrier, the Plan Administrator, or the Plan in the investigation, negotiation, and

settlement of claims, suits or legal proceedings directly associated with a dispute over workers' compensation benefits on a particular claim. ALAE shall include, but are not limited to the following expense allocable to a workers compensation claim made under a Plan policy: legal fees, litigation expenses incurred in the defense of a claim or in pursuit of contribution or subrogation, private investigator fees, expert witness fees, costs for birth and death certificates, or other documentation necessary in the defense of the claim, fees for hospital or other medical records and related copy services, appeal bond costs, court filing fees, costs of securing medical or legal documents to determine liability, and fees for a medical examination of a claimant.

In addition, ALAE shall also include any interest payable on a judgment or award, prejudgment interest or delayed damages, except prejudgment interest or delayed damages which are considered to be part of losses: (1) by the terms and conditions of the policy, or (2) by law or regulation of the governmental body having jurisdiction.

“Bid Respondent” shall mean the entity submitting a proposal in response to this RFP, provided that the entity meets the minimum bidder qualifications set forth in Part I - D. below.

“Bid Response” shall mean a proposal submitted by a Bid Respondent to this RFP.

“Collected Standard Premium” shall mean the premium charged to the policyholder and collected by the Servicing Carrier, excluding the Special Compensation Fund assessment or any other special assessments approved by the Plan or the Commissioner. Collected Standard Premium shall also include premiums recovered by the Plan's collections vendor, net of the vendor's retained fee.

“Commissioner” shall mean the Commissioner of the Minnesota Department of Commerce or his properly appointed designee.

“Department” shall mean the Minnesota Department of Commerce.

“Electronic Document Request and Delivery or Electronic Documents” shall mean an electronic portal through which Servicing Carriers make available to MWCARP policyholders, agents and others the request and delivery of various MWCARP documents, including insurance policies, endorsements, contact information, Welcome Kits, Certificate of Insurance, and other miscellaneous documents.

“MWCARP or Plan” shall mean Minnesota Workers Compensation Assigned Risk Plan, as created and operated pursuant to Minnesota Statutes, Sections 79.251-253.

“Plan Administrator” shall mean Affinity Insurance Services, Inc.

“Plan Services” shall mean the services which the Bid Respondent proposes to provide to the Plan and which are described in the Bid Response.

“Plan Servicing Carrier Response – Cost Proposal” or “Cost Proposal” shall mean the information provided as part of the Bid Response under Part I - F.2, G.7, G.10 and Part IV below.

“Plan Servicing Carrier Response – Cover Letter” or “Cover Letter” shall mean the cover letter and attached exhibits and materials submitted by the Bid Respondent which contain information responsive to the RFP that is not contained in the Plan Servicing Carrier Response – Cost Proposal or the Plan Servicing Carrier Response – Technical Proposal.

“Plan Servicing Carrier Response – Technical Proposal” or “Technical Proposal” shall mean the information provided as part of the Bid Response under Part I - F.2 and Part III – Technical Proposal below and shall include (a) responses to each of the areas of a detail explanation of how the Bid Respondent proposes to handle all aspects of the Plan Services, including but not limited to (a) each aspect of the issuance of policies or certificates of insurance on behalf of the Plan, (b) the servicing of policies during the policy period, (c) the collection and handling of premiums, (d) the processing and handling of claims, (e) and the reporting of information to the Plan Administrator and other applicable data collection entities. If the Bid Respondent has manuals (or portions of manuals) describing the procedures to be utilized in providing such Plan Services, one copy of such manuals or applicable portions thereof should be provided with the Bid Response.

“RFP” shall mean this Servicing Carrier Request For Proposal, including all exhibits and any subsequent amendments made thereto, which have been distributed to potential Bid Respondents via the Plan’s website – www.mwcarp.com – or any other available means of distribution.

“Servicing Carrier” shall mean an insurance company or self-insurance administrator that is selected from among the Bid Respondents to provide the Plan Services responsive to this RFP, but subject to the specific terms, conditions and limitations of a Servicing Carrier Contract entered into between the successful Bid Respondent and the Plan.

“Servicing Carrier Contract” shall mean the final contract entered into between the Plan and a successful Bid Respondent designating that Bid Respondent as a Servicing Carrier and describing the Plan Services to be provided. The terms, conditions and limitations of that Servicing Carrier Contract shall, unless otherwise specifically stated, supersede any provisions or statements in this RFP. A draft of that contract is attached as Exhibit V, provided that the final Servicing Carrier Contract may vary from this draft.

“Subcontractor” shall mean any business entity that the Bid Respondent identifies as providing Plan Services for, to, or on behalf of the Bid Respondent in the Bid Response.

D. Required Bidder Qualifications

A Bid Respondent must be able to meet the following minimum qualification criteria to be considered a Bid Respondent for purposes of this RFP. Each Subcontractor must meet the same minimum qualification criteria. The failure of a Bid Respondent to maintain these minimum qualification criteria throughout the terms of the Servicing Carrier Contract awarded to a Servicing Carrier, shall result, at the option of the Plan, in the immediate termination of the Servicing Carrier Contract.

1. A Bid Respondent that is an insurance company must provide documentation that it is licensed pursuant to Minnesota Statutes, Section 60A.06, subd. 1(5) (b). A Bid Respondent that is not an insurance company must provide documentation that it is a self-insurance administrator licensed or exempt from licensure pursuant to Minnesota Statute, Sections 176.181, subd. 2(b) and 60A.23, subd. 8. A Bid Respondent with a license pending must provide a copy of the license applications.
2. A Bid Respondent must demonstrate that it is legally organized under the laws of one of the states within the United States of America or the District of Columbia.
3. A Bid Respondent must demonstrate that it has at least three (3) years of experience in fields or activities that are relevant to the duties, responsibilities, and obligations associated with the servicing of workers compensation insurance policies and policies issued by workers compensation residual market mechanisms, such as the Plan.
4. A Bid Respondent must have an office in the State of Minnesota from which most Plan Services would be performed.
5. A Bid Respondent must demonstrate an ability to maintain an adequate staff to fulfill its obligations to provide all of the Plan Services.
6. A Bid Respondent must demonstrate an ability to facilitate an on-line computer link with the Plan Administrator or its designees for the communication and reporting of information regarding policies issued by the Servicing Carrier so as to enhance the overall administration of the Plan and Servicing Carrier activities.
7. A Bid Respondent must make Electronic Documents available to Plan policyholders and their insurance agents. Such system must comply with all requirements found in the Servicing Carrier Operational Guidelines. Any documents regarding premium billing and payment and/or cancellation (including renewal quotes) must be delivered via statutorily appropriate means in a hard copy format.

Unless otherwise stated in this RFP, information responsive to this section should be included in or be an attachment to the Plan Servicing Carrier Response – Cover Letter.

E. Subcontractors

Generally the use of subcontractors is neither prohibited nor discouraged and will not adversely impact the evaluation of a response to this RFP. However, a Bid Respondent electing to use subcontractors must identify and fully describe the licensure, qualifications and Plan Services being provided by all subcontractors (either on a full-time or a part-time basis). The Bid Respondent must also fully describe how those subcontracted services will be monitored by the Bid Respondent to assure appropriate and ongoing quality control.

The Servicing Carrier Contract will require a Servicing Carrier to be fully responsible for, and save and hold the Plan harmless with respect to, any Plan Services provided by a Servicing Carrier's subcontractors.

Unless otherwise stated in this RFP, information responsive to this section should be included in or be an attachment to the Plan Servicing Carrier Response – Cover Letter.

F. Instructions For Proposal

1. General Instructions

A Bid Respondent is expected to comply with all requests for information found in the RFP and to address all requests as completely and thoroughly as is reasonably practical. Any proposal that does not satisfactorily address all requests found in the RFP may be deemed to be non-responsive. While a general description of the proposed methodology for evaluation of Bid Responses is provided in Part V below, the Plan in its sole discretion may utilize such criteria in evaluating responses to the RFP as it deems necessary and appropriate, and may accept or reject any or all of the responses to the RFP. The Plan in its sole discretion may waive any deficiencies in a Bid Response to the RFP as part of its evaluation process.

Each Bid Respondent will be solely responsible for all costs and expenses incurred in the preparation of its Bid Response. The Plan Administrator may gather any information necessary from all available sources to complete or complement the evaluation process. Further, the Plan is in no way obligated to award a Servicing Carrier Contract to the Bid Respondent or Bid Respondents with the lowest Cost Proposal.

2. Bid Response Format

Each of the following must be submitted to the Plan Administrator prior to the filing deadline:

One (1) signed original paper copy Plan Servicing Carrier Response – Cover Letter and Attachments and three (3) CD or DVD copies in PDF form.

One (1) signed original paper copy and three (3) CD or DVD copies in PDF form of the Plan Servicing Carrier Response – Technical Proposal required by this RFP. The technical proposal must be enclosed in a sealed envelope or container, which must be clearly marked, **“Plan Servicing Carrier Response – Technical Proposal”**.

One (1) Cost Proposal paper copy and three (3) CD or DVD copies in PDF form to the Plan Administrator in a separately sealed envelope that is clearly marked, **“Plan Servicing Carrier Response – Cost Proposal”**.

The sealed Technical Proposal and the separately sealed Cost Proposal may be shipped in the same package or container.

The Bid Respondent is expected to examine all sections of this RFP and attach all of the information and required exhibits set forth in this RFP.

3. Modification or Withdrawal

A Bid Response that has been submitted to the Plan Administrator may be withdrawn or modified, provided that such modifications are received by the Plan Administrator prior to the filing deadline. A Bid Response not modified or withdrawn prior to the filing deadline shall be considered to be final and shall be deemed a binding and final offer for at least 120 days after the filing deadline.

4. Written Bid Response

All portions of the Bid Response must be submitted in writing and no oral communications will be deemed a part of the Bid Response. A Bid Response that is written or printed with any material other than ink will be rejected. If a Bid Respondent makes any handwritten corrections to its proposal prior to submission, those corrections must be made in ink and initialed by the person executing the proposal.

5. Bid Response Execution

A Bid Response must be signed and dated by an officer or other authorized individual employed by the Bid Respondent (including his or her title), having the authority to enter into contracts on behalf of the Bid Respondent.

6. Confidential and Proprietary Information

Any information contained within the Bid Response that may be considered by the Bid Respondent to be proprietary or confidential should be clearly labeled confidential. The Plan may reject any materials submitted as confidential as not qualifying for confidential status and return such materials to the Bid Respondent.

While the Plan will make reasonable efforts to treat information that is submitted as confidential, the Plan is not in a position to guarantee confidentiality and the Bid

Respondent in submitting such information assumes all risks that such information may become public information under provisions of Minnesota law governing data privacy.

Bid Proposals submitted in response to this RFP shall become the property of the Plan. A Bid Respondent is advised that the terms and conditions of all Servicing Carrier Contracts will be publicly available.

A Bid Response, excluding material accepted as confidential, shall be made available for review by any person beginning one year after the Servicing Carrier Contract resulting from this RFP has been signed, or prior to that time if the Plan Administrator so chooses. The Plan shall not be liable for the disclosure of any information received from the Bid Respondent, and the Bid Respondent agrees to hold harmless the Plan, the Department, and the Plan Administrator from any liability for the use or disclosure of any information submitted in connection with its Bid Proposal.

7. Subcontractors

As noted above, if a Bid Respondent proposes to provide any part of the Plan Services through subcontractors, all relevant information regarding the qualifications of and the Plan Services to be provided by the subcontractor shall be provided to the same level of detail as would be required if the Bid Respondent were directly providing those Plan Services.

8. Most Favorable Terms

A Bid Respondent should submit a proposal on the most favorable terms from a price and technical standpoint. The Bid Respondent must assume that there will not be any opportunity to alter its pricing at any time after the proposal submission deadline. However, the Plan Administrator may seek a clarification regarding the Cost Proposals and/or Technical Proposals at any time during the evaluation period. The Plan reserves the right to negotiate the final pricing of any Bid Respondent.

G. Required Information in Proposal

1. General

A Bid Respondent shall include a cover letter with its Bid Response to the RFP. This cover letter shall be signed by an officer or representative of the Bid Respondent having sufficient authorization to enter into contracts on its behalf. The Cover Letter should designate the contact person for the Bid Respondent, including their telephone number and email address.

It is important that a Bid Respondent indicate in its Cover Letter if and where it may have deviated from the requirements found in the RFP, and if and where it has relied upon any assumptions or conditions in making the Bid Response. Deviations, conditions or assumptions may be unilaterally rejected, unless in the sole judgment of the Plan,

reasonably sufficient information is included that would justify such deviations, conditions or assumptions.

2. License Requirements

The licensure information described in Part I - D should be provided in or as an attachment to the Cover Letter.

3. Organizational History and Experience

A Bid Respondent must provide materials or information demonstrating that it has at least three (3) years of experience in fields or activities that are relevant to the duties, responsibilities, and obligations associated with the servicing of workers compensation insurance policies and policies issued by workers compensation residual market mechanisms, such as the Plan.

A Bid Respondent should detail its familiarity with, and understanding of, Minnesota statutes affecting the Plan.

The Plan operates under the supervision of the Minnesota Department of Commerce and through a series of contracts with entities such as the Plan Administrator, the Minnesota Workers Compensation Insurers Association, Inc. (MWCIA), Servicing Carriers, claims attorneys, accountants and actuarial service providers. The Bid Respondent should include a description of its ability to work with the variety of entities involved in these operations of the Plan.

A Bid Respondent should describe its expertise and operating capabilities in the areas related to the proposed Plan Services.

A Bid Respondent should supply a list of organizations to which it is currently, or has previously provided services similar to the proposed Plan Services, detailing the nature of the services provided to each. A Bid Respondent may supply a list of no more than three (3) organizations or individuals as references.

Organizations listed as references in addition to other sources, may be contacted as part of the evaluation process.

Unless otherwise stated in this RFP, information responsive to this section should be included in or be an attachment to the Plan Servicing Carrier Response – Cover Letter.

4. Insurance and Financial Requirements

(a) Information To Be Included With Bid Response.

A Bid Respondent must submit the following information:

1. A copy of a valid Certificate of Insurance indicating limits of at least \$5,000,000 in General Liability and Errors & Omissions, and Workers Compensation & Employers Liability Coverage (one copy only)
2. Documentation of a positive credit or financial rating, determined by an accredited credit bureau or rating agency such as A.M. Best Company within the last six (6) months (one copy only).
3. A copy of the Bid Respondent's most recent Annual Report or current audited financial statement (corporate holding company report will suffice); (one copy only).

Unless otherwise stated in this RFP, information responsive to this section should be included in or be an attachment to the Plan Servicing Carrier Response – Cover Letter.

(b) Information Required Of A Successful Bid Respondent

If a Bid Respondent is selected as a Servicing Carrier, it will need to provide the following:

1. A fidelity bond covering officers, employees, and subcontractors entrusted with the handling of Plan premiums, funds, or investments under a fidelity bond in the amount of \$5,000,000. The Bid Respondent shall be responsible for all bond premium payments.
2. A performance bond within thirty (30) days after the effective date of the execution of the Servicing Carrier Contract. This bond shall provide for indemnification of the Plan against any and all failures of the Servicing Carrier to provide the Plan Services described in the Servicing Carrier Contract and shall be in a form acceptable to the Plan Administrator. The performance bond shall be in an amount equal to the annual contract value. A Bid Respondent shall be responsible for all bond premium payments. In lieu of providing a performance bond, the Bid Respondent may provide a Letter of Credit meeting specific requirements as determined by the Commissioner.

The Plan Administrator reserves the right to request additional data from a Bid Respondent as it deems necessary.

5. Certifications

A Bid Respondent is required to provide as attachments to the Plan Servicing Carrier Response – Cover Letter the following completed and signed certifications as are found in this RFP:

- (a) The Non-Collusion Affidavit – see Exhibit I.
- (b) The Affirmative Action Data Page – see Exhibit II.

A Bid Respondent must also warrant that they comply with all applicable requirements of the Americans with Disabilities Act (ADA). A Bid Respondent awarded a Servicing Carrier Contract will be required to comply with all requirements of the ADA throughout the term of its Servicing Carrier Contract with the Plan.

6. Bid Respondent and Affiliates Disclosures

To the extent not provided in response to other sections of the Bid Response, a Bid Respondent must include with its Bid Response the following information:

- (a) A brief history of the Bid Respondent's organization.
- (b) State whether it is owned by, affiliated or associated with an insurance company. If so, please explain.
- (c) State whether it is owned by, affiliated or associated with a medical service provider. If so, please explain.
- (d) State whether it is owned by, affiliated or associated with a medical cost containment vendor. If so, please explain.
- (e) Disclose the number and nature of any and all contracts with a medical service provider.
- (f) State the number of employees currently employed in Minnesota. Also, indicate the approximate number of employees currently employed in Minnesota that will provide Plan Services (assuming the Bid Respondent will be handling policies which generate a 50% share of Plan's annual premium). Supplying this information does not mean that if the Bid Respondent is a successful bidder, it will be awarded as Servicing Carrier Contract to provide Plan Services to policies which generate a 50% share of Plan's annual premium. The actual percentage of Plan policies to be serviced by a successful Bid Respondent may vary to a material degree from that amount. *See* Part I. G.10 below.

Unless otherwise stated in this RFP, information responsive to this section should be included in or be an attachment to the Plan Servicing Carrier Response – Cover Letter.

7. Compensation

In response to Part IV – Cost Proposal a Bid Respondent must state its proposed Servicing Carrier fee as a percentage of Collected Standard Premium. The Servicing Carrier fee provided in the Servicing Carrier Contract will be the sole compensation paid to the Servicing Carrier for the Plan Services described in the Servicing Carrier Contract. The Plan reserves the right to negotiate the final pricing of any Bid Respondent.

A Servicing Carrier will not be responsible for the payment of any medical or indemnity benefits, or the ALAE related to, any claims made under a Plan policy serviced by the

Servicing Carrier. See also Part I – G.8 (Medical Cost Containment) below. The Servicing Carrier will be responsible for its own costs and expenses, including but not limited to any unallocated loss adjustment expenses (ULAE) associated with providing Plan Services under the Servicing Carrier Contract.

8. Medical Cost Containment

The costs associated with medical cost containment should be included as part of the Bid Respondent's Cost Proposal. The Bid Respondent's medical cost containment program shall include, but not be limited to following:

- (a) Billings review to determine if claims are compensable under chapter 176;
- (b) Utilization of cost management specialists familiar with billing practice guidelines;
- (c) Review of treatment to determine if it is reasonable and necessary and has a reasonable chance to cure and relieve the employee's injury;
- (d) A system to reduce billed charges to the maximum permitted by law or rule;
- (e) Review of medical care utilization; and
- (f) Reporting of health care providers suspected of providing unnecessary, in appropriate, or excessive services to the commissioner of labor and industry.

The Bid Respondent should include the costs associated with the primary components of medical cost containment, including Nurse Case Management in their Cost Proposal.

9. Conflict of Interest

A Bid Respondent must describe any known or potential conflicts between its current business and the Plan business. In the event of such a conflict, a Bid Respondent must specify how it would seek to avoid or eliminate such conflicts.

Unless otherwise stated in this RFP, information responsive to this section should be included in or be an attachment to the Plan Servicing Carrier Response – Cover Letter.

10. Service Share

A Bid Respondent must indicate in its Cover Letter the range of the percentage share of overall Plan business it would be willing to service, e.g. 0% - 25%; 26% - 50%; 51% - 75%; and/or 76% - 100%. At a minimum, a qualified Bid Respondent must be willing to provide services at the two lowest service share levels noted above. The Plan Servicing Carrier Response – Cost Proposal must state a separate price for each proposed share range level. The actual percentage level of Plan business awarded to a successful Bid

Respondent will be determined by the Plan after its review of all of the bids submitted and a Bid Respondent's willingness to provide services to a stated percentage of the Plan's business does not mean that percentage will be awarded to a Bid Respondent if its bid is accepted. The Plan reserves the right to negotiate the final pricing of any Bid Respondent.

H. Contract Required

This RFP is a solicitation of interest to enter into a Servicing Carrier Contract with the Plan and is not an offer to contract for any Plan Services. Any contractual arrangement between a Bid Respondent and the Plan will require the parties entering into a definitive Servicing Carrier Contract covering all materials terms of that arrangement which may be different from materials provided in this RFP.

In addition to reviewing the Bid Proposal prior to making a determination to accept some, all or none of the Bid Responses, the Plan may supplement this RFP process with requests for additional information, oral presentations and/or interviews, discussions with key management or supervisory personnel of the Bid Respondent, or other information the Plan deems useful in this process.

I. Contact Person

All Bid Respondents should remit proposals and any written questions regarding this RFP to the person and address listed below:

Mr. Thomas G. Redel
Affinity Insurance Services, Inc.
5600 West 83rd St
8200 Tower, Suite 1100
Minneapolis, MN 55437
Tele: (800) 471-6767
Email: tom.redel@aon.com

Any questions regarding this RFP should be directed to the Plan Administrator. Only written responses to such questions shall be deemed to be responses of the Plan. Any questions and responses, at a minimum, will be made available to all potential bidders through the Plan's website – www.mwcarp.com. The Plan Administrator will not be responsible for communication directly to any potential Bid Respondent.

J. Evaluation Process

The evaluation of Bid Responses will be undertaken by a panel of individuals designated by the Plan Administrator and Department staff, with approval of the Commissioner. This panel will include representatives of the Plan Administrator, and may include representatives of the Department. Information on the evaluation process will be

deemed confidential and proprietary to the Plan and may be released by the Plan in whole or in part in the Plan's sole discretion. See Part V below.

K. Timetable

1. Request For Proposals Issued – July 31, 2014.
2. Deadline for receipt of Written Inquiries – 4:00pm CDT; August 21, 2014.
3. Proposals Due – 4:00pm CDT; September 18, 2014.
4. Interviews, if any – week of September 29, 2014.
5. Projected Contract Award Date – October 8, 2014.
6. Contract Duration – Three (3) years from the contract effective date with the option of two, one-year extensions.
7. Contract Effective Date - January 1, 2015.

PART II. PLAN DATA

The following Plan data is intended to be a guide for a prospective Bid Respondent and is provided for the sole purpose of enhancing a Bid Respondent's knowledge and understanding of the Plan Services described in this RFP. All claim information is provided as of 12/31/2013. Losses are gross of losses ceded to the WCRA and reimbursements from the Special Compensation Fund.

Policy/Premium Information

<u>Year</u>	<u>Approx. Number of Policies Written</u>	<u>Gross Written Premium</u>
2004	42,048	\$100,801,908
2005	38,483	\$85,232,880
2006	34,764	\$63,512,810
2007	31,186	\$44,204,309
2008	29,013	\$36,774,628
2009	27,462	\$36,138,954
2010	26,075	\$30,485,290
2011	25,554	\$34,316,940
2012	25,998	\$48,515,441
2013	27,226	\$60,618,610
2014 – as of June 2014	15,313	\$31,828,407

Claims

<u>Year</u>	<u>Reported Claims</u>	<u>Incurred Claims</u>	<u>Selected Ultimate Claims to Close with Payment</u>
2004	8,136	6,022	6,047
2005	6,390	4,981	5,002
2006	4,646	3,676	3,696
2007	3,035	2,436	2,457
2008	2,357	1,893	1,907
2009	1,742	1,343	1,355
2010	1,660	1,285	1,296
2011	1,819	1,342	1,362
2012	2,682	1,876	1,967
2013	3,072	2,124	2,390

Gross Losses

<u>Year</u>	<u>Paid</u>	<u>Case Reserves</u>	<u>Booked IBNR Reserve</u>	<u>Booked Ultimate Losses</u>
2004	\$51,225,000	\$ 7,627,000	\$15,355,000	\$74,207,000
2005	\$40,491,000	\$ 6,872,000	\$13,902,000	\$61,265,000
2006	\$33,215,000	\$ 4,140,000	\$11,949,000	\$49,304,000
2007	\$23,164,000	\$ 737,000	\$ 9,391,000	\$33,292,000
2008	\$ 30,931,000	\$ 6,059,000	\$13,507,000	\$50,497,000
2009	\$ 15,936,000	\$ 1,712,000	\$ 8,902,000	\$26,550,000
2010	\$ 18,801,000	\$13,381,000	\$12,464,000	\$44,646,000
2011	\$ 13,586,000	\$ 3,177,000	\$11,247,000	\$28,010,000
2012	\$ 12,745,000	\$ 6,007,000	\$18,966,000	\$37,718,000
2013	\$ 7,778,000	\$11,548,000	\$37,572,000	\$56,898,000

Note that the above data is gross of any WCRA reinsurance applicable to individual claims.

PART III. TECHNICAL PROPOSAL

A. Introduction

A Servicing Carrier is expected to provide virtually all services associated with the issuance and maintenance of workers compensation insurance policies issued to Minnesota employers by the Plan, the handling of claims arising from those policies, and the reporting of information to the Plan Administrator and other data collection entities such as the MWCIA and the Minnesota Department of Labor and Industry. Plan Services do not include the handling of Plan applications prior to acceptance and assignment to a Servicing Carrier by MWCIA but include, without limitation, underwriting, policy issuance, safety and loss control, claims administration, policy servicing, auditing, billing, policy renewal and premium collection. In providing Plan Services, the Servicing Carrier must comply with the Servicing Carrier Minimum Performance Standards enclosed as Exhibit III.

B. General

The Plan Servicing Carrier Response – Technical Proposal submitted by a Bid Respondent must include all of the information requested in this Part III. A copy of all or part of any manual or other document maintained by the Bid Respondent that describes any practices or procedures to be utilized by the Bid Respondent in providing Plan Services should be submitted as part of the Bid Response. A Bid Respondent may refer to any such document in lieu of providing a detailed narrative of a response to any issue addressed in the Technical Proposal, provided that the reference is identified by page(s) and section number(s) and/or heading(s), and directly responsive to the RFP item.

In preparing the Technical Proposal, the Bid Respondent should give due consideration to requested information in Part III, in addition to the information found in the Servicing Carrier Minimum Performance Standards (Exhibit III), the Servicing Carrier Operational Guidelines (Exhibit IV), and the Servicing Carrier Contract (Draft) (Exhibit V). Those materials are included to provide the Bid Respondent with further information concerning the duties and responsibilities of a Servicing Carrier and the issues which the Bid Respondent should address in preparing its Technical Proposal.

C. Staffing

1. Management

The Bid Response must identify the personnel who will be responsible for managing the Plan Services, including a detailed description of each such person's responsibilities, qualifications, experience (particularly with similar services) and expected level of involvement in Plan Services. The resume of an individual may be submitted to provide

some or all of the specific information requested. The Bid Response must also identify which management personnel will be responsible for interfacing with the Plan Administrator and other entities providing services to the Plan.

2. Non-management Staff

The Bid Response must identify non-management personnel, described by name and/or position, who will be responsible for providing Plan Services, including, with respect to each such person or position, specific responsibilities with respect to Plan Services, minimum qualifications, previous experience with similar projects, and their expected level of involvement in Plan Services.

3. Additional Information

(a) State whether your underwriting, loss control, claims, medical cost containment, and/or premium audit staff will be solely dedicated to the Plan Services or if they will service other accounts.

(b) If not stated in response to Subparts C.1 or C.2 above, state the number of years of workers compensation related experience for underwriters, loss control professionals, claims representatives, medical cost containment professionals and audit professionals expected to provide Plan Services. If individual persons are not named in your response, please state the average number of years of experience for the persons assigned to specific area of Plan Services.

(c) State any professional designations of persons assigned to provide any of the Plan Services.

(d) If you intend to provide Plan Services from more than one location, identify all locations and the estimated number of employees at each location and the Plan Services to be supplied from each location.

D. Plan Services

1. General Policy Standards and Servicing Carrier Minimum Performance Standards

The Plan operates under the same standards applicable to private insurers issuing workers compensation policies in the State of Minnesota. As such, the workers compensation policies must comply with the standard workers compensation policy forms published by MWCIA, and the Servicing Carriers must comply with the pricing and data reporting standards set forth in the manuals issued by MWCIA or other plans designated or orders issued by the Commissioner.

In performing Plan Services, Servicing Carriers will be required to comply with the Servicing Carrier Minimum Performance Standards set forth in Exhibit III. As part of the Technical Proposal, a Bid Respondent should submit a statement that it will comply with the minimum standards in Exhibit III in their entirety, and should also include, to the extent applicable to each standard, a statement of Bid Respondent's proposal to meet or enhance the minimum performance required in the stated standard. Any standard that the Bid Respondent proposes to exceed or enhance must include a description of the proposed enhancement(s). A Service Carrier's performance under the Servicing Carrier Contract will be measured against the Servicing Carrier Minimum Performance Standards, including any enhancements proposed by such Bid Respondent in its Bid Response and accepted by the Plan.

2. Policy Issuance

(a) General

The Servicing Carrier receives the application and assignment from the MWCIA. The Servicing Carrier will be responsible to identify and provide such additional underwriting prior to policy issuance as is necessary and appropriate, and is responsible for issuance of the policy after assignment from the MWCIA.

The Servicing Carrier shall provide normal policy servicing functions during the term(s) of the policy and respond to policyholder questions.

At a minimum, renewal offers to eligible policyholders with in force policies shall be sent no less than sixty (60) days prior to expiration in a format established by the Plan, subject to renewal procedures established by the Plan. Estimated payroll for all renewal policies shall use information normally and reasonably accessible to the Servicing Carrier, including audit information and standard payroll escalation amounts approved by the Plan Administrator. Proposed premiums shall be based upon the most recent schedule of rates then in effect.

(b) Application Processing, Underwriting, and Policy Renewal Services

The Technical Proposal must provide the following information related to application processing, underwriting and policy renewal services:

(i) Describe the procedures that Bid Respondent employs in processing newly assigned applications and renewal quotations, including any automation systems, information sources, or other systems that are used to timely process applications and otherwise affect the initial underwriting of the account. This response should include a step-by-step description of the process for completing these tasks.

(ii) Describe the procedures implemented for reviewing or evaluating accounts during the policy term, processing cancellation requests, processing endorsement requests, initiating cancellation for reasons authorized under the Plan, and any other underwriting services proposed to be provided during the policy term.

- (iii) Describe the procedures used for the computation and payment of producer commissions.
- (iv) Describe the procedures utilized to ensure that effective external communication and reporting occurs with the insured, the producer, the Plan Administrator and MWCIA.
- (v) Describe the procedures utilized to ensure that effective internal communication occurs among your employees, managers, business units and subcontractors that provide Plan Services.
- (vi) The Servicing Carrier may propose a more efficient process for the distribution of policies, subject to the approval of the Plan Administrator and the Department.

3. Medical Cost Containment

(a) General

A Bid Respondent should describe its ability to establish and maintain medical cost containment, throughout the term of the Servicing Carrier Agreement, for all employees covered by the Plan.

(b) Medical Cost Containment Services

The Technical Proposal must provide the following information related to a Bid Respondent's ability to provide medical cost containment services:

- (i) In general terms, describe your procedures for providing effective medical cost containment services in connection with case management and cost controls.
- (ii) In more specific terms, describe any return to work programs, medical case management programs, utilization review, bill review, duration guidelines or clinical protocols/programs, physical rehabilitation programs, vocational rehabilitation, and any catastrophic case management programs used in your overall medical cost containment program.
- (iii) Describe any computer systems used for medical cost containment operations and whether or not any such system can communicate with your claims administration system. If so, please describe the level of communication between the systems, describing what information can be made available to staff in either the claims or medical management areas.
- (iv) State the number of medical-only and lost time claims, on the average, that will be assigned to each of your claims representatives. If medical-only claims will be handled by lower-level personnel, please indicate so and, in general terms, describe the

qualifications of a medical-only claims representative, compared to that of a lost-time claims representative.

(v) State whether any medical cost containment services will be provided by subcontractors, and if so, identify the subcontractors and the specific services to be provided by each.

4. Payroll/Premium Audits

(a) General

The Servicing Carrier shall audit Policies in conformance with the requirements and standards provided in the Workers' Compensation and Employers' Liability Manuals, the Servicing Carrier Minimum Performance Standards, and any other guidelines and rules established by the Commissioner and/or Plan Administrator from time to time.

(b) Premium Audit Services

The Technical Proposal must provide the following information related to premium audit services:

(i) Describe the criteria used in determining which accounts will receive a preliminary payroll audit and describe the procedures followed in carrying out those audits.

(ii) Describe the criteria that will be used to determine which accounts, if any, should be audited on an interim basis (as an enhancement to the requirements in the Servicing Carrier Minimum Performance Standards).

(iii) Describe the procedures that you will follow in providing final audits (addressing mail, telephone, and physical audits), and state if these services will be subcontracted.

(iv) Describe the communication process that will be used to share audit information or discrepancies with the underwriting and loss control functions.

(v) Describe the procedures that you will utilize when communicating with the insured and its agent, if any, a change in classification or exposure which will have a significant financial impact on the insured.

(vi) Describe the internal quality control process that is employed to ensure that quality payroll audit services are being provided by in-house personnel. Please describe how those quality control efforts are applied to subcontractors (if any).

5. Loss Control and Safety

(a) General

The Servicing Carrier shall provide policyholders with loss control, safety and industrial hygiene surveys, consultations, and related services in conformance with generally accepted insurance industry practices, and according to the specifications in the Servicing Carrier Minimum Performance Standards and other guidelines and rules established by the Commissioner and/or the Plan Administrator from time to time.

(b) Loss Control And Safety Services

The Technical Proposal must provide the following information related to loss control and safety services:

- (i) Describe your administrative, functional, and logistical procedures for providing loss control services and how any such services may be enhanced (in qualitative terms) from the loss control services prescribed in the Servicing Carrier Minimum Performance Standards set forth in Exhibit III.
- (ii) Describe any special loss control services that you provide for unique situations (e.g. follow-up, OSHA compliance, etc.), services for small employers, or for certain types of industries.
- (iii) Identify any loss control services that will be subcontracted, including the amount to be subcontracted, conditions upon which such services will be subcontracted, and the identity of the subcontractor, including a description of its organizational history and experience.
- (iv) Submit a copy of your sample loss control survey form and a generic copy of a sample loss control report that is normally issued to the employer. If the format of either the survey form or report varies by industry, a copy of each type should be submitted.

6. Claims Administration

(a) General

The Servicing Carrier shall handle claims and provide related services in conformance with generally accepted insurance industry practices, and according to the specifications in the Servicing Carrier Minimum Performance Standards and other guidelines and rules established by the Commissioner and/or the Plan Administrator from time to time.

(b) Claims Administration Services

The Technical Proposal must provide the following information related to claims administration services:

(i) Describe the overall claims administration process and procedures used to investigate claims, including procedures used to determine compensability, meeting all reporting requirements of state administrative agencies (report of injury, etc.), verify classification, potential subrogation opportunities, etc.

(ii) Describe the claims administration procedures that you employ to ensure compliance with established performance standards, including any qualitative enhancements that you may perform.

(iii) Describe any fraud detection activities that you will utilize to prevent, deter, and detect fraudulent activity conducted by employers, employees, or medical providers.

(iv) Describe how you will maintain your records regarding performance as a Servicing Carrier and how you will provide reports of claims and access to claims records to the Plan Administrator or its designee.

PART IV. COST PROPOSAL

A. Introduction

The sole compensation for providing Plan Services under the Servicing Carrier Contract is the Servicing Carrier Fee. A Servicing Carrier will not be responsible for the payment of any medical or indemnity benefits, or the allocated loss adjustment expenses (ALAE) related to any claims made under a Plan policy serviced by the Servicing Carrier. The Servicing Carrier will be responsible for its own costs and expenses including, but not limited to, any unallocated loss adjustment expenses associated with providing Plan Services under the Servicing Carrier Contract. The Bid Respondent should include their costs for medical cost containment services. The Servicing Carrier fee will be determined as a percentage of Collected Standard Premium.

B. General

The Plan Servicing Carrier Response – Cost Proposal submitted by a Bid Respondent must include all of the information requested in this Part IV.

In preparing the Cost Proposal, the Bid Respondent should consider all Plan Services to be provided in light of the Servicing Carrier Minimum Performance Standards (Exhibit III), the Servicing Carrier Operational Guidelines (Exhibit IV), the Servicing Carrier Contract (Draft) (Exhibit V), and the Plan Data included in Part II. Those materials are included to provide the Bid Respondent with further information concerning the duties and responsibilities of a Servicing Carrier to be taken into account in preparing its Cost Proposal.

C. Servicing Carrier Fee

1. Service Share

The Bid Response must state the proposed Servicing Carrier fee as a percentage of Collected Standard Premium for the percentage share range of overall Plan business the Bid Respondent is willing to service. **At a minimum, the Bid Response must include a proposed fee for services at the 0% - 25% level and the 26% - 50% levels.** The Bid Respondent may also state a proposed fee for services at some or all of the percentage share ranges. **A separate fee must be stated for each proposed share range level.** A Bid Respondent's willingness to provide services at a stated range level does not mean that such percentage will be awarded to the Bid Respondent if its bid is accepted. The Plan reserves the right to negotiate the final pricing of any Bid Respondent.

D. Pricing Format

To aid in the comparison of Bid Responses, the Plan requests that cost proposal pricing information reflected as a percentage of Collected Standard Premium be provided in the following format:

Share Ranges

***0% - 25%**

***26% - 50%**

51% - 75%

76% - 100%

***Mandatory Quote**

PART V. PROPOSAL EVALUATION

A. General

As described above, while the Plan in its sole discretion may utilize such criteria in evaluating responses to the RFP as it deems necessary and appropriate, and may accept or reject any or all of the responses to the RFP, it has adopted the following proposed methodology for evaluation of Bid Responses. The Plan in its sole discretion may waive any deficiencies in a response to the RFP as part of its evaluation process.

The evaluation of Bid Responses will be undertaken by a panel of individuals designated by the Plan Administrator, with final approval of the Commissioner. This panel will include representatives of the Plan Administrator, and may include others as the Plan Administrator deems appropriate. In addition, professional staff members of, or outside professionals designated by, the Department and/or the Plan Administrator may assist in the evaluation process for such purposes as reviewing Bid Responses for compliance with mandatory requirements, contacting references and providing technical assistance and advice to the evaluation committee.

B. Evaluation Criteria

Bid Responses will be evaluated on the following:

1. The quality and completeness of the submitted Bid Response as it relates to the objectives and scope of the RFP.
2. The demonstrated knowledge and expertise of the Bid Respondent in the areas of the Plan Services.
3. The Bid Respondent's ability to provide the Plan Services as demonstrated by successful past experience.
4. The professional expertise and quality of staff to be assigned by the Bid Respondent to perform the Plan Services.
5. The Bid Respondent's demonstrated ability to effectively provide, manage and control services to be provided by the Servicing Carrier.
6. The cost effectiveness of the Cost Proposal.

C. Scoring Methodology

It is anticipated that Bid Responses will be evaluated and scored on the following basis:

<u>Category</u>	<u>Maximum Possible Points</u>
Technical Proposal – Plan of Operation/ Performance Standards	500
Technical Proposal – Organizational History and Experience	200
Cost Proposal – Servicing Carrier Fee	<u>300</u>
Total Points	1,000

Where possible, the methodology used in scoring each Bid Response in the stated categories will rely on quantifiable information. However, due to the nature of the Plan Services, much of the scoring involves subject matter that is difficult to measure in objective terms. With respect to the identified scoring categories, the methodology used to grade each category, and the specific items or issues to be addressed in a Bid Response are as follows:

- **Technical Proposal – Plan of Operation/Performance Standards**

Bid Respondents must include all of the information requested in Part III – Technical Proposal that describes any practices or procedures to be utilized in providing Plan Services. These practices or procedures that are provided in the Plan Servicing Carrier Response – Technical Proposal constitute the Servicing Carrier’s plan of operation.

Bid Respondents must address all requirements of the Servicing Carrier Minimum Performance Standards in Exhibit III, including identification of any such standards that the Bid Respondent expects to exceed or enhance. Failure to address a particular Performance Standard will be given a score of zero (0). Higher points will be awarded for exceeding or enhancing Servicing Carrier Minimum Performance Standards, but such points may vary based upon the nature of the particular standard and the extent to which the Bid Respondent proposes to exceed or enhance such standard.

- **Technical Proposal – Organizational History and Experience**

Information provided in the Bid Response will be evaluated to determine the Bid Respondent’s knowledge and experience in providing services included in the Plan Services, with particular attention to knowledge and experience in servicing workers compensation insurance in the State of Minnesota, providing services to workers compensation assigned risk programs, and providing services to the Plan.

- **Cost Proposal – Servicing Carrier Fee**

The Bid Respondent with the lowest fee will receive the maximum score in this category. All other Bid Respondent scores will be determined by applying the following equation:

$$(\text{Lowest Bid Respondent Fee} / \text{Subject Bid Respondent Fee}) \times 300 (\text{pts}) = \text{Score}$$

As noted above, while the evaluation of the above factors are a proposed component in the evaluation process, the Plan is under no obligation to accept the lowest bid or indeed any bid based on cost or the overall score of any Bid Respondent relative to other Bid Respondents.

Exhibit I - Non-Collusion Affidavit

After having sufficiently reviewed the “MWCARP Servicing Carrier Request for Proposal” (“RFP”), I, being an officer or employee of the Bid Respondent that is duly authorized to enter into contracts on behalf of the Bid Respondent, do hereby agree and affirm to the following:

1. That the all activities associated with the submission of the proposal have been completed in an independent fashion and has been submitted without collusion, or by agreement, understanding, or in conjunction with any competing entity, whether a Bid Respondent or subcontractor to a Bid Respondent, that would in any way inhibit or limit the competition or bidding for a contract under this RFP;
2. That information contained within this proposal will not be shared in any fashion with any other non-related entity prior to contract award.

SIGNED: _____

TITLE: _____

BID RESPONDENT NAME: _____

DATE OF SIGNATURE: _____

TIME OF SIGNATURE: _____

Exhibit II – Affirmative Action Data Page

The Bid Respondent must complete the following information. Failure to do so may result in rejection of this proposal.

1. Have you employed more than 40 full-time employees in Minnesota on any single day in the last 12 months?

_____ Yes _____ No

2. If your answer to the above question is “Yes”, your proposal will be rejected unless you have an affirmative action plan for the employment of minority persons, women, and the disabled that has been approved by the Minnesota Department of Human Rights. Bid Respondents must be certified prior to 4:00pm CDT on September 18, 2014.

3. Please check one (1) of the following statements:

_____ Yes, we have a current certificate of compliance that has been issued by the State of Minnesota, Department of Human Rights. Please include a copy of your certificate with your proposal.

_____ No, we do not have a certificate of compliance. However, we have applied to the Department of Human Rights for certification and understand that if our plan is not approved prior to 4:00pm CDT on September 18, 2014, our proposal will be rejected.

PLEASE NOTE:

Affirmative action plans approved by the federal government, a county, or a city are not sufficient. You must have a certificate issued by the State of Minnesota. If you do not have a “Certificate of Compliance”, for further information contact the Department of Human Rights; 625 Robert Street North St. Paul, Minnesota 55155; phone: 651-296-5663 or consult their website at www.humanrights.state.mn.us

Exhibit III – Servicing Carrier Minimum Performance Standards

At a minimum, Bid Respondents will be expected to comply with the performance standards of the MWCARP (see **Exhibit III**). In submitting a proposal, Bid Respondents must indicate that it will meet the minimum performance standards outlined below, and may state which performance standards will be exceeded or enhanced. The Bid Respondent must specifically indicate their enhancements or acceptance of the minimum standards by completing the side-by-side comparison found in this exhibit. Also, Servicing Carrier performance will be measured against these minimum performance standards and any proposals to exceed or enhance those standards accepted by the Plan.

Responses should be complete, but as brief as possible. Answers should be given in the side-by-side format of the exhibit form.

<u>Task</u>	<u>Minimum Standard</u>	<u>Proposed Enhancement</u>
<i>New Business</i>	Policy accurately issued within twenty-five (25) calendar days of receipt of initial premium.	
<i>Renewals</i>	<p>Renewal notice sent at least sixty (60) calendar days prior to expiration.</p> <p>Policy accurately issued within twenty-five (25) calendar days of receipt of initial premium.</p>	
<i>Endorsements</i>	When requested, endorsements issued within thirty (30) calendar days after receipt of request. Requestor contacted within five (5) business days if additional documentation is needed.	
<i>Endorsements – Additional Premium</i>	Additional Premium Endorsement issued within forty-five (45) calendar days of receipt of information leading to premium increase of at least \$500 or 25% of estimated annual premium, whichever is the lesser amount.	
<i>Certificates</i>	Certificate of Insurance issued within three (3) business days after receipt of request.	
<i>Welcome Packet</i>	Within <u>five (5) business days of the initial new business assignment</u> , provide the policyholder with information that clearly describes procedures for filing claims; terms of premium payment; payroll audit procedures; loss control and safety services; other items deemed necessary; and procedures for obtaining answers to any employer questions.	

<u>Task</u>	<u>Minimum Standard</u>	<u>Proposed Enhancement</u>
<i>Preliminary Premium Audits</i>	Physical preliminary audits must be completed on all accounts with estimated annual premium in excess of \$50,000; and all construction, masonry, and carpentry accounts above \$25,000.	
<i>Regular Premium Audits</i>	<p>Audits completed, billed and recorded within seventy-five (75) calendar days after policy expiration or cancellation.</p> <p>Physical Audits – required as follows: Non-construction: premium > \$10K – annually; premium \$3K to \$10K – once every 3 years; whenever reasonable; when requested by the employer; when requested by the Plan.</p> <p>Construction: premium > \$3K annually; whenever reasonable; when requested by the employer; when requested by the Plan.</p> <p>Premium < \$3K – mail audit with the exception that annually 20% of all policies with a premium less than \$3K must receive a physical audit. Half of that 20% must be construction and the other half non-construction. (Mandatory compliance for policyholder to avoid cancellation).</p> <p>Audit disputes resolved with forty-five (45) calendar days from the receipt of written notice of dispute.</p>	
<i>Claims – General</i>	A file shall be established for all reported claims, and the claim shall be assigned to a qualified adjuster within two working days of receipt.	

<u>Task</u>	<u>Minimum Standard</u>	<u>Proposed Enhancement</u>
<i>Claims – Lost Time</i>	<p>Personal or telephone contact or documented attempts of contact with injured worker within one (1) business day from date of assignment; policyholder and witness(es) within one (1) business day of assignment; and treating doctor within one (1) business day of assignment.</p> <p>Investigation substantially completed within fourteen (14) days after notice. Payments, filings and notices issued in conformity with the requirements of Minn. Stat. Chapter 176.</p>	
<i>Claims Action Plan – Indemnity</i>	<p>Target dates set in file within fifteen (15) calendar days and reviewed every thirty (30) calendar days thereafter.</p>	
<i>Claims Reporting</i>	<p>24/7 “1-800” claim reporting capabilities must be made available to all insured employers.</p>	
<i>Severe Claims On-site Review</i>	<p>Within three (3) business days of receipt of the loss report, a physical visit must be made to the site of the accident involving death or certain paralysis.</p>	
<i>Reserve Adequacy</i>	<p>Reviewed every ninety (90) calendar days.</p>	
<i>Claim Auditing</i>	<p>Extensive claims auditing system designed for “peer review” every one-hundred-eighty (180) calendar days on all claims with reserves of</p>	

<u>Tasks</u>	<u>Minimum Standard</u>	<u>Proposed Enhancement</u>
<i>Cancellation Requests</i>	<p>\$100,000 or more.</p> <p>Processed and issued within three (3) business days after receipt of the request.</p>	
<i>Medical Cost Containment</i>	<p>Servicing Carriers agree that they shall be responsible to the Plan for the coordination and selection for choosing medical cost containment services.</p>	
<i>Loss Control</i>	<p>Mandated Surveys:</p> <ul style="list-style-type: none"> -Under \$15K – As requested -\$15K to 75K – 1 Annual -\$75K & above – 2 Annual 	
<i>Loss Control Reports</i>	<p>All loss control reports and recommendations must be completed within ninety (90) calendar days after the effective date of coverage or the date assigned to the carrier, whichever is later.</p>	
<i>Loss Records</i>	<p>Available upon written request within thirty (30) calendar days.</p>	
<i>Billing & Collections</i>	<p>Less than \$100 – collect or write off.</p> <p>More than \$100 – Diligently pursue collection until it is determined that the services of a collection agency will be required. Pursue collection for no more than ninety (90) days from the last day of the month billing was sent or thirty (30) days from date last payment was received.</p>	
<i>Data Reporting</i>	<p>Servicing Carriers shall maintain all records relating to Plan business in a manner sufficient to allow the</p>	

<u>Task</u>	<u>Minimum Standard</u>	<u>Proposed Enhancement</u>
<i>Office</i>	<p>preparation of required reports to the Commissioner and/or Plan Administrator and in a manner to allow independent auditing of all books and records related thereto.</p> <p>Except as otherwise agreed by the Commissioner, Servicing Carrier shall maintain an office within the state of Minnesota for the purpose of performing its primary obligations to the Plan. Primary obligations include, but are not limited to the following: underwriting, policy issuance and premium collection, claims administration (including adjusting), auditing, loss control, accounting, and billing functions.</p>	

Exhibit IV - Servicing Carrier Operational Guidelines

Part A. – Policy Issuance Services

Section 1. The Workers' Compensation and Employers' Liability Manuals.

The Servicing Carrier shall administer Plan policies in conformance with the requirements and standards provided in the Workers' Compensation and Employers' Liability Manuals as approved for use in Minnesota by the Commissioner, or as approved for use by members of a licensed data service organization pursuant to Minn. Stat, Sect. 79.62 and related rules, except where such requirements and standards are contravened by Minnesota Statute, rule or by the terms of this document. For the purposes of the guidelines, the manuals include: (A) the Basic Manual for Workers' Compensation and Employers' Liability Insurance; (B) the Workers' Compensation Statistical Plan Manual; (C) the Experience Rating Plan Manual for Workers' Compensation and Employers' Liability Insurance; (D) the Classification Codes for Workers' Compensation and Employers' Liability Insurance; (F) the approved Workers' Compensation and Employers' Liability Insurance Policy and Endorsement Forms; and (F) such other manual(s) designated for use by the Commissioner.

Section 2. Applications. The Servicing Carrier shall receive and accept from the Commissioner's designee for assignments and data collection (A) new applications for workers' compensation and employers' liability coverage, and (B) transfers of assigned risk policies, including binders, riders and endorsements of such new applications and transfer policies.

Section 3. Renewals. The Servicing Carrier shall mail renewal offers to eligible policyholders who have in force policies with the Plan in compliance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any) no less than sixty (60) days prior to expiration. The offer of renewal shall state clearly that coverage will unconditionally lapse if payment is not received on or before the effective date. The Servicing Carrier may propose a more efficient process for the distribution of these materials, subject to the approval of the Plan Administrator and the Department.

Section 4. Payroll Estimates. The Servicing Carrier shall estimate the payroll for all renewal policies in conformance with generally accepted insurance industry practices. The estimate shall incorporate all information normally and reasonably accessible to the Servicing Carrier, including current information submitted by the employer.

A) Renewal Policies. The Servicing Carrier shall utilize payroll estimates based on the most recently conducted audit of policyholder, or on submissions from the policyholder to determine an estimated premium to be collected for the renewal policy period. However, the payroll estimates may be modified during the policy period based upon information obtained during a previous year's audit or other more accurate information.

B) Payroll Adjustments. The Servicing Carrier may routinely increase estimated payroll by 5% (or such other amount approved by the Plan Administrator) for inflation, provided that the increase shall not be made if information submitted by the employer indicates the increase is unwarranted.

C) Division of Payroll. The Servicing Carrier shall divide the payroll of individual employees into more than one classification, or divide total payroll into multiple classifications where the Basic Workers' Compensation and Employers' Liability Manual allows such action in accordance with Minnesota Stat., Sect. 79.211, Subd. 2 and guidelines and rules governing such division of payroll.

D) Employee Status. The Servicing Carrier shall include in its payroll estimates the payments to be made by the employer to persons who, in the Servicing Carrier's judgment, would probably be considered employees for workers' compensation purposes pursuant to the guidelines for distinguishing between employees and independent contractors, or as determined by the Minnesota Department of Labor and Industry or a court. Such payments shall be included notwithstanding that the employer maintains the persons are not employees. The Servicing Carrier shall base its judgment on the statutes, rules, and court decisions which apply to employee and independent contractor status.

Section 5. Rating. The Servicing Carrier shall calculate the premium for all renewal policies according to the most recent rate schedule and rating plan approved or adopted by the Commissioner for the Plan, including any applicable experience modification or merit rating, based on the most recent information available to the Servicing Carrier. Experience modification factors and merit rating factors for Plan policyholders will be developed and maintained by the Commissioner's designee for assignments and data collection.

Section 6. Terms of Coverage. Assigned risk policies shall provide Minnesota statutory Workers' Compensation Coverage (Part One) and Employers' Liability Coverage (Part Two). The Servicing Carrier shall conform with all reasonable instructions concerning terms of coverage as indicated by the Commissioner, the Commissioner's designee for assignments and data collection and/or the Plan Administrator. Should the circumstances of the policyholder subsequently change, the Servicing Carrier may alter the terms of coverage to accommodate such changes, subject to the terms and standards of this section.

A) Effective Time. For new policies, coverage shall be effective as of: (1) 12:01 A.M. the day after the postmark date on the envelope containing the application and deposit premium; or (2) 12:01 A.M. the day after receipt of the application and deposit premium if not postmarked or if made by personal delivery; or (3) 12:01 A.M. on any future date requested. For renewals, coverage shall be effective as of 12:01 A.M. on the date of the prior policy's expiration date.

B) Policy Term. Policies shall provide coverage for one year, unless the Servicing Carrier and the policyholder agree to an alternative term of coverage which complies with the requirements and standards applicable under Part A. - Section 1 of this guideline.

C) Employers Liability. Part Two shall provide the standard limit of liability of \$100,000. The Servicing Carrier may permit a Part Two limit of liability of up to \$1,000,000 if requested by the policyholder.

D) Item 3. No state other than Minnesota may be designated in Item 3 of the policy unless otherwise instructed by the Commissioner.

Section 7. Endorsements. The Servicing Carrier shall attach appropriate endorsements to the policy which are approved for use in Minnesota to effect allowable changes or terms requested by the policyholder or the agent, to correct clerical errors, or to otherwise bring the policy into compliance with applicable statutes, rules, or other required procedures.

A) Name Change. When the Servicing Carrier receives a written request to change the name of the policyholder on, or add another name to, a policy, the Servicing Carrier shall either (1) amend the policy as requested or (2) issue a new policy after receipt of an assignment letter from the Commissioner's designee for assignments and data collection.

B) Timing. All endorsements shall be issued in compliance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any), as stated within thirty (30) days after receipt of the request for change, subject to the recommendation of the Commissioner's designee for assignments and data collection and/or Plan Administrator, if appropriate.

C) Other-States Endorsement. The Servicing Carrier shall not attach the Other-States Endorsement to any policy issued through the Plan.

D) Experience Modification. If the applicable experience modification or merit rating is not available at the time of policy issuance, the Servicing Carrier shall apply the current modification or merit rating and attach an Experience Rating Modification Factor Endorsement. When the experience modification or merit rating becomes available, premium shall be adjusted in accordance with the rules, and the employer notified of the adjustment

E) Federal Programs. The Servicing Carrier may attach endorsements to provide coverage under "Program I" of the United States Longshore and Harbor Workers' Act or the Federal Employers' Liability Act, as specified in the Basic Manual for Workers' Compensation and Employers' Liability Insurance, unless otherwise instructed by the Commissioner.

F) Maritime. The Servicing Carrier may attach the Maritime Coverage Endorsement to provide coverage for masters and members of the crew of vessels subject to standard limit of liability of \$25,000.

G) Voluntary Coverage. The Servicing Carrier shall not endorse policies to provide Voluntary Compensation Coverage.

Section 8. Terms of Payment. The Servicing Carrier shall require premiums to be paid according to the following terms and conditions:

A) Basic Terms. For policies of less than \$2,000 estimated annual premium, 100% of premium shall be paid in advance. For policies of \$2,000 - \$9,999 estimated annual premium, the employer shall have the option of paying 100% or 50% of premium in advance. For policies of \$10,000 estimated annual premium or more, the employer shall have the option of paying 100%, 50% or 35% of premium in advance. If 50% of premium is paid in advance, the remainder shall be paid in three equal quarterly installments, If 35% is paid in advance, the remainder shall be paid in eight equal installments. All such advance payments shall be credited to the estimated annual premium.

B) Installment Payments. For policies which permit installment payments, the due date for each installment shall be no less than 30 days prior to the period to which the premium applies to allow time to issue a cancellation for non-payment of premium. The first quarterly payment applies to the second quarter after the policy's inception. The first monthly payment applies to the third month after the policy's inception. If the installment premium payment is not received by the due date, or if received by mail that is postmarked on or before the due date, provided that it is received within ten (10) days after the due date, the Servicing Carrier may continue coverage without a lapse.

C) Volatile Payroll. Notwithstanding the options permitted to the employer under Section 8 (A) above, for policies with estimated annual premium greater than \$2,000 where payroll is volatile and the amount of annual premium is difficult to estimate, the Servicing Carrier shall reduce the risk of underpayment by doing one or more of the following, as appropriate to the size of the potential error in estimation, the type of business, and (if possible) the requests of the employer: (1) permit the same options as provided under Section 8 (A) above, but require the employer to report payroll periodically to the Servicing Carrier such that if large underpayments are indicated the Servicing Carrier may arrange a premium adjustment with the employer; (2) increase the estimated payroll towards the higher portion of the reasonable range of the estimate; or (3) put the employer on a payment plan, subject to interim reporting pursuant to the provisions of Section 8 (E) below, with an initial deposit premium.

D) Guide to Volatility Restrictions. The Servicing Carrier shall exercise its judgment concerning the risk of underpayment and the need for the precautions cited in Section 8 (C) above. In general, seasonal businesses, construction contractors, and other types of

employers with volatile payroll commonly require some form of precaution provided that the degree of precaution shall be proportional to the degree of risk; and provided that the type of business is not an absolute indicator of whether precautions are or are not necessary. For example, a contractor who can demonstrate stable payrolls over several years may require few or no precautions. Conversely, if an employer's record shows erratic levels of payroll from year to year, some precautions should be imposed regardless of the industry. The Servicing Carrier may impose any of the precautions cited in Section 8 (C) above on policies of less than \$2,000 estimated annual premium when, in the Servicing Carrier's judgment, such precautions would be cost effective and in the best interests of the Plan.

E) Interim Reporting. Unless otherwise stated in the Servicing Carrier Minimum Performance Standards (and enhancements, if any), the Servicing Carrier may issue a policy on an interim reporting basis requiring either monthly or quarterly payroll report forms. For policies subject to interim reporting, the deposit premium shall be credited to the estimated annual premium. For policies of \$2,000 - \$9,999 estimated annual premium, the deposit premium shall be 50%. For policies of \$10,000 or more estimated annual premium, the deposit premium shall be 25%. The Servicing Carrier shall mail interim payroll report forms no less than five (5) days before the end of the period to be reported. Each report form shall state clearly that it must be returned no later than twenty (20) days after the end of the quarter or month being reported.

If a payroll report is submitted when due, the Servicing Carrier shall bill the employer for the premium indicated as soon as reasonably possible, and no later than thirty (30) days after the end of the quarter or month being reported. The interim premium payment shall be due twenty (20) days after the billing is sent. If a payroll report or interim payment is not submitted when due, the Servicing Carrier shall mail such additional notices as the Servicing Carrier considers appropriate; provided that when payroll reports or interim payments become delinquent to a significant extent the Servicing Carrier shall bill the employer. The Servicing Carrier's best estimate of earned premium due, such that if the premium is not paid by the specified due date (and assuming the estimated annual premium is accurate) the Servicing Carrier shall have time to cancel the policy for non-payment of premium without the Plan being required to extend coverage without premium.

In addition, any employer who fails to meet any due dates for more than two payroll reports and/or interim payments shall be notified by the Servicing Carrier that any further delinquency regarding that policy (1) may cause the policy to be changed to an annual audit basis, with the employer required to pay the Servicing Carrier's estimate of the remaining annual premium (allowing credit for the deposit premium) and (2) may forfeit the employer's right to any form of interim reporting or installment-based payment plan on the next renewal. If this becomes necessary, the Servicing Carrier shall estimate the remaining annual premium sufficiently high to provide reasonable protection against risk of underpayment, considering the nature of the employer's business, and/or continue to require the employer to report payroll periodically.

Section 9. Policy Issuance. After receipt of the initial premium due, the Servicing Carrier shall issue and deliver said new and renewal policies, including any endorsements, to Plan insureds on forms approved by the Commissioner or Plan Administrator.

A) Use of Plan Name. The policy forms, endorsement forms, and other materials used by the Servicing Carrier in its capacity as a Servicing Carrier for the Plan shall be issued on standard forms prescribed by the Commissioner and/or the Plan Administrator.

B) Timing. Policies shall be mailed to the employer in accordance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any) within thirty (30) calendar days after receipt of the initial premium, or ten (10) days after the policy's inception date, whichever is later. The Servicing Carrier may propose a more efficient process for the distribution of these materials, subject to the approval of the Plan Administrator and the Department.

C) Filings. The Servicing Carrier shall submit all required filings to the Commissioner's designee for assignments and data collection concerning the employer's acceptance or rejection of the offer of renewal.

D) Receipt of Premium. Unless otherwise approved by the Plan Administrator, the Servicing Carrier will not issue renewal policies to employers if the initial premium due is not received by the policy's inception date, or if received by mail that is postmarked on or before the policy's inception date, provided that payment is received within ten (10) days after the inception date.

If the renewal payment is not received within the above-referenced ten (10) day grace period but is received within twenty (20) days after the inception date, the Servicing Carrier shall issue a new policy to the employer without requiring the employer to reapply to the Plan. The new policy will be effective as of 12:01 A.M. the day after the payment is received. If the payment is received more than twenty (20) days after the inception date, The Servicing Carrier shall instruct the employer to reapply to the Plan for coverage and shall indicate that the employer will not be accepted if it has an outstanding debt to the Plan.

E) Signature. All Plan policies issued under this document shall bear the signature of an authorized officer of the Plan Administrator, which signature may be a facsimile provided by the Plan Administrator.

Section 10. Agent Relations. For policies with a designated agent of record, the Servicing Carrier shall keep the agent informed of the status of the policy, and consult with the agent as is customary and appropriate in the insurance industry concerning transactions and issues associated with the policy.

A) Information. The Servicing Carrier shall provide the designated agent of record with copies of offers to renew, all information unique to the policy in force, notices of

cancellation, and any other correspondence or filings where it is customary and appropriate that the agent be informed.

B) Change of Agent. The Servicing Carrier shall permit the agent of record to be changed, pursuant to a written request from the policyholder, on renewal of the policy only and not midterm. The Servicing Carrier shall not designate an agent of record if the employer fails to name one.

C) Commission. The Servicing Carrier shall pay commission to the agent of record, if any, on all Plan policies issued. The commission shall initially be paid on estimated Annual Premium by the 15th day of the month next following receipt of the deposit premium by the Servicing Carrier. When a policy is endorsed mid-term and results in a change in estimated Annual Premium, the commission shall be adjusted by the 15th day of the month next following the endorsement. If the policy is audited and the earned Annual Premium is less than the estimated Annual Premium, the commission shall be adjusted at the time of the next regularly scheduled commission payment. If the earned Annual Premium is more than the estimated Annual Premium, the commission shall be adjusted at the time of the next regularly scheduled commission payment provided, however, the commission shall not be adjusted if the additional premium is collected by the Plan's collection agency.

D) Return Commission. If the final premium adjustment results in a return premium to the policyholder and a return commission due from the agent, the Servicing Carrier shall draft a check to the policyholder for the full amount of the return premium due and forward the check to the policyholder, and obtain from the agent a refund of the return commission due or offset the amount of the return commission due against other amounts owed to the agent.

E) Removal from Plan. For employers covered through the Plan for ninety (90) days or less, the Servicing Carrier shall not write the policy on a direct voluntary basis or make arrangements for the employer to join a self-insurance pool, until thirty (30) days after giving notice to the agent of record of its intent to offer the employer such a policy or pool membership.

Section 11. Policyholder Relations. The Servicing Carrier shall provide each policyholder with information which is reasonably sufficient to enable it to understand and exercise its rights

Section 12. Initial Information. At the time of each policy issuance, the Servicing Carrier shall provide each policyholder with information which clearly describes: (1) the procedure for filing claims; (2) the terms of payment applicable to the policy, (3) the procedure for auditing payroll and billing or refunding based on final audit; (4) the loss control and safety services available through the Plan; (5) any other information which, in the judgment of the Servicing Carrier, the Commissioner and/or Plan Administrator, would be helpful to the policyholder; and (6) the procedure for obtaining answers to any questions the employer may have about its rights or obligations under the policy. The Servicing Carrier may propose a more efficient process for the distribution of these materials, subject to the approval of the Plan Administrator.

Section 13. Special Issues. The Servicing Carrier shall prepare literature which clarifies or explains in detail certain issues where policyholders' misunderstandings are common, or which would significantly promote the interests of the Plan. Such literature may include: (1) instructions concerning the recordkeeping necessary for accurate payroll reporting; (2) explanations of work classifications, experience modifications, rating, payroll estimation, and similar issues; (3) information regarding subcontractors; and (4) any other issues which the Servicing Carrier, the Commissioner and/or Plan Administrator considers are commonly misunderstood or inadequately understood. The Servicing Carrier shall distribute such literature to employers which it considers may benefit significantly from it, and shall make reasonable and appropriate revisions to such literature at the request of the Commissioner and/or Plan Administrator,

Section 14. Loss & Premium Report. Pursuant to the Servicing Carrier Minimum Performance Standards (and enhancements, if any), the Servicing Carrier shall, within thirty (30) days, comply with the reasonable written requests of a policyholder for a written statement concerning its losses and/or premiums under a current or recent Policy administered by the Servicing Carrier.

Section 15. Certificates of Coverage. The Servicing Carrier shall issue certificates of coverage as soon as reasonably possible, and no later than the time constraints found in the Servicing Carrier Minimum Performance Standards (and enhancements, if any). All certificates shall state whether the policyholder/employer, where applicable, has elected coverage for him/herself

Section 16. Disputes. As deemed appropriate by the Servicing Carrier or as requested by the Commissioner and/or Plan Administrator, the Servicing Carrier shall review with the Commissioner and/or Plan Administrator any complaint or dispute of a policyholder.

A) Informal Disputes. Informal complaints or disputes shall be handled by the Servicing Carrier in the ordinary course of business. However, should the MWCARP policyholder or the agent of record continue to disagree with the Servicing Carrier's attempt to resolve the issue, information must be provided to the complainant regarding the formal MWCARP Appeal Process as is described in subsection B of the Section.

B) Formal Written Disputes – Appeal Procedure. The purpose of this appeal procedure is to provide a system of recourse for MWCARP policyholders who may disagree with any action or ruling of a Servicing Carrier. In the event the policyholder chooses to challenge the Servicing Carrier for any reason, the following procedures shall apply:

1. **MWCARP Plan Administrator Review.** The policyholder shall submit to the Plan Administrator in writing, notification that they disagree with the Servicing Carrier action. The letter should specifically state the matter being

questioned and provide all relevant facts supporting the insured's position. Once received, the Plan Administrator will contact the policyholder to acknowledge receipt of the letter and to detail how the appeal process works. Every attempt will be made to explain the workers compensation system and to gather additional information necessary to assist the policyholder and the Servicing Carrier in resolving the matter. Administrator staff will review the matter, make an initial decision, and advise the insured.

2. Minnesota Department of Commerce Review. In cases where the policyholder chooses to challenge the decision of the Plan Administrator, it may request that the Department conduct an additional review of the Plan Administrator's decision and take any action deemed appropriate to comply with applicable law.

Under this procedure, a request for review must be submitted in writing to the Department within thirty (30) days of receipt of notification and of the Plan Administrator's decision. That request should outline the basis for the requested review and the claimed errors or omissions in the decision of the Plan Administrator. The Plan Administrator will forward copies of the documents related to the matter to the Department. The Department will review the facts and make a decision. This investigation may include making verbal or written requests for additional information to the insured and the Plan Administrator.

Following the completion of this investigation, the Department will issue a written decision on the matter.

Section 17. Collections and Delinquencies. The Servicing Carrier shall make reasonable efforts to collect premium due on Policies, and any other money due to the Plan on behalf of Policies issued by the Servicing Carrier. If the Servicing Carrier finds any premium due to be uncollectible after normal and reasonable collection efforts have been made, the Servicing Carrier shall act as provided in subsection (A) or (B) below.

A) Small Delinquencies. On accounts where uncollectible premium due is less than \$100, the Servicing Carrier shall take such further steps to collect or write-off the account as, in the Servicing Carrier's discretion, are warranted and in the best interest of the Plan.

B) Large Delinquencies. On accounts where uncollectible premium due is \$100 or more, the Servicing Carrier shall diligently pursue collection of delinquent accounts until it is determined that the services of a collection agency will be required. The Servicing Carrier shall pursue collection of a delinquent account for no more than sixty (60) days from the billing date. The Servicing Carrier shall place all uncollected large delinquent accounts with a collection agency previously designated by the Commissioner on behalf of the Plan.

C) Service Fee. The Servicing Carrier shall not receive its fee on uncollectible premium which is referred to the designated collection agency for the Plan. However, the Servicing Carrier shall be paid its fee on the amount of premium collected by the designated collection agency for the Plan, net (less) of the collection agency fee. The Servicing Carrier shall report the amount of uncollectible premium referred to the designated collection agency for the Plan on its monthly transactions report. The collection agency fee is a Plan expense.

Section 18. Cancellation.

A) Cancellation Procedures. The Servicing Carrier shall cancel policies only at the request of the policyholder or for non-payment of premium or refusal to permit the completion of a payroll audit, unless otherwise authorized herein or by the Commissioner and/or Plan Administrator. If cancellation is initiated by the Servicing Carrier for non-payment of premium, written notice of cancellation shall be sent to the policyholder with proof of mailing, permitting thirty (30) days for payment to be made. If cancellation is initiated by the Servicing Carrier for refusal to permit the completion of a payroll audit or for other reasons approved by the Commissioner and/or Plan Administrator, written notice of cancellation shall be sent to the policyholder, with proof of mailing, in accordance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any) sixty (60) days prior to the scheduled date of cancellation. The Servicing Carrier shall act on written requests for cancellation from the policyholder as soon as reasonably possible, and no later than three (3) business days after receipt of the request. The Servicing Carrier shall not honor requests to cancel policies retroactively beyond the date of request except in cases of duplicate coverage. A copy of the notice of cancellation shall be sent to the agent of record, if any, by regular mail. Notice of cancellation shall also be sent to the Commissioner's designee for assignments and data collection, with an indication of the reason for cancellation. Unearned premium shall be returned according to the provisions of subsection (C) below.

B) Third Party Requests for Cancellation. If the written request for cancellation originates from a party making payments on the policyholder's behalf, such as an agent or premium finance company, the Servicing Carrier shall initiate cancellation according to the procedures provided in subsection (A) above only after receiving (1) notice that the policyholder has defaulted on its obligations to the paying party; and (2) evidence that the paying party has obtained any required delegations of authority from the policyholder, such as power of attorney, permitting the paying party to request cancellation.

C) Return of Unearned Premium. Unless the policy was financed by a premium finance company, unearned premium shall be returned to the policyholder, and final earned premium shall be calculated (1) on the basis of a final audit; or (2) if the final audit cannot be conducted within seventy-five (75) days after the effective date of cancellation, on a pro rata basis determined by the Servicing Carrier's best estimate, provided that the policyholder shall pay no less than the minimum premium applicable to the governing classification. If the policy

was financed by a premium finance company, unearned premiums shall be returned in accordance with Minn. Stat., Sect. 59A. 12.

D) Non-Payment of Premium. For the purposes of this section, the Servicing Carrier shall initiate cancellation for non-payment of premium: (1) for installment basis Policies, if premium due is not received by the installment due date, or received by mail postmarked on or before the installment due date and not received within ten (10) days after the due date; (2) for interim reporting basis Policies, if any payment is not received by the due date imposed pursuant to Section 8, subsection (E) above, to protect the Plan from being required to extend coverage without premium; or (3) for failure of the policyholder to repay a debt owed to the Plan for a previous policy in accordance with terms established by the Servicing Carrier.

E) Reinstatement. The Servicing Carrier shall reinstate a policy without lapse of coverage if the basis for cancellation is removed (in most cases, payment is received) before the cancellation is to take effect for renewal policies. If the basis for cancellation is removed after the cancellation has taken effect, the Servicing Carrier shall instruct the employer to re-apply to the Plan for coverage and shall indicate that the employer will not be accepted if it has an outstanding debt to the Plan. Any exceptions to this operational guideline must be approved by the Plan Administrator prior to execution.

F) Prior Policy Debts. Unless otherwise instructed by the Commissioner or Plan Administrator, the Servicing Carrier shall not issue a new policy when there is outstanding premium due the Plan for coverage under a prior policy. The Servicing Carrier shall not issue a renewal policy when there is outstanding premium due the Plan for coverage under a prior policy unless the policyholder has agreed with the Servicing Carrier to repayment terms and is meeting such terms.

G) Non-Premium Cancellation. Minnesota statutes 60A.36 and 79.252 provide several non-premium reasons for cancellation where the policy has been in force for ninety (90) days or more. Such grounds may include but are not limited to the following:

1. Repeated submission by the employer of misleading or erroneous payroll information;
2. Flagrant disregard by the employer of the safety or loss control recommendations of the Servicing Carrier to the significant detriment of the Plan;
3. Refusal to provide information or otherwise cooperate with the Servicing Carrier to the significant detriment of the Plan.
4. Failure to complete the ERM-14 form (if there is an ownership change);
5. Failure to provide a complete business description, ownership information, and/or legal status verification.

SPECIAL NOTE: The Servicing Carrier should aggressively pursue the acquisition of the FEIN number and/or SSN number within the first 89

days of the policy term. Cancellation should be initiated if this information is not provided within the first 89 days of the policy term. Cancellation for failure to provide this information 90 days or more into the policy term is prohibited.

6. Failure to allow a loss control inspection.
7. Failure to complete an adequate payroll audit, as stated in Minnesota statute 79.252 subd. 3a "...persistently refuses to permit completion of an adequate payroll audit". We define this to mean the policyholder has failed to respond to two consecutive written requests for audit.
8. Failure to receive the Premium Finance Agreement is NOT sufficient grounds for initiating cancellation.

Section 19. Electronic Document Request and Delivery. Servicing Carriers shall make available to MWCARP policyholders, agents and others the request and delivery of various MWCARP documents, including policies, endorsements, contact information, Welcome Kits (information required in "Part A – Policy Issuance Services, Section 12 – Initial Information" of this document), Certificates of Insurance documents, and other miscellaneous documents. However, any documents regarding premium billing and payment and/or cancellation (including renewal quotes) must be delivered via statutorily appropriate means in a hard copy format.

While the design and development of any technological system that allows for the delivery of any approved documents is solely at the discretion of the Servicing Carrier, however, each such system must meet the following minimum conditions:

A) Access. At a minimum, any data request system developed by Servicing Carriers must be accessible to the policyholder and the agent of record. At a minimum, requests for any information must require a unique userid and password in order to gain access to the data system. Servicing Carriers will need to incorporate moderate levels of security into their technological system to ensure a reasonable assurance that confidential information is only shared with the parties that have a right to receive such information. The same level of care, custody, and control that is currently required when sending this information via hard copy from a telephone/fax request.

B) Delivery Options/Changes. Any data request system developed by a Servicing Carrier must allow policyholders to select one of the following options for information delivery:

1. regular U.S. mail; or
2. electronic portal.

Any data request system shall allow the policyholder to change their choice of delivery method at any time, however, agents should be required to utilize the portal, if available.

C) Confirmation of Electronic Delivery. The delivery of electronic policy information to the "portal" will be deemed as delivered and no further confirmation is needed.

D) Legal Requirements. Each Servicing Carrier is responsible for ensuring compliance with any legal requirements associated with the electronic transmission of insurance documents. Such legal requirements that Servicing Carriers should review may include the following:

1. Terms of Use/Privacy Statements
2. Secure Environment for the portal
3. Secure Documents; Encryptions
4. Authentication
5. Authorization
6. E-Signature

E) Timeliness Requirements. Any of the Servicing Carrier's time-sensitive service activities that are delivered via their data request system must be in compliance with any respective timeliness requirements that may be established in the Servicing Carrier Minimum Performance Standards (and enhancements, if any) or in these Servicing Carrier Operational Guidelines.

Part B. – Medical Cost Containment Services

Section 1. 24-Hour Telephone Line. As provided in the Servicing Carrier Minimum Performance Standards (and enhancements, if any) the Servicing Carrier shall maintain a 24-hour toll-free telephone line, appropriately staffed for purposes of disseminating information regarding the medical services available under the Servicing Carrier's medical cost containment plan. The Servicing Carrier may provide this service under the same number used to provide claims information.

Section 2. Invoice Review. The Servicing Carrier shall adjudicate all medical invoices. The process will include 1) electronically reviewing each invoice for appropriateness of the charges and billing categories; 2) comparing the charges to the Minnesota approved fee schedule for workers' compensation.

Section 3. Other Medical Cost Containment Services. The Servicing Carrier shall provide utilization review, case management and other medical cost containment services as described in its Bid Response.

Part C – Premium Audits

Section 1. General. The Servicing Carrier shall audit Policies in conformance with the requirements and standards provided in the Workers' Compensation and Employers' Liability Manuals, any other guidelines and rules established by the Commissioner and/or Plan

Administrator, including the Servicing Carrier Minimum Performance Standards (and enhancements, if any), and the following provisions:

A) Timeliness. Payroll audits shall be completed and recorded on the Servicing Carrier's records, and the final billing or return premium mailed no later than seventy-five (75) days after the cancellation or expiration of a policy issued through the Plan.

Section 2. Physical Audits. The Servicing Carrier shall conduct physical audits according to the requirements below.

A) On Non-Construction Policies the Servicing Carrier shall conduct physical audits; (1) annually on Policies producing an estimated annual net premium of more than \$10,000; (2) at least once every 3 years on Policies producing an estimated annual net premium of \$3,000 - \$10,000.

B) On Construction Policies the Servicing Carrier shall conduct physical audits annually on Policies producing an estimated annual net premium of more than \$3,000.

C) On All Policies less than \$3,000 (1) annually 20% of all policies producing an estimated annual net premium of less than \$3,000 must receive a physical audit, (a) half of the 20% must be **Construction** and (b) half of the 20% must be **Non-Construction**. Physical audits need not be performed on the other 80% of policies, producing an estimated annual net premium of less than \$3,000.

D) Whenever otherwise warranted in the Servicing Carrier's judgment by the type of business, questions concerning the amount of exposure or the accuracy of classifications, or the reliability of previous mail or physical audits.

E) Whenever requested by the policyholder on reasonable grounds.

F) Whenever requested by the Commissioner and/or Plan Administrator.

G) Physical audits may not be performed if there is consistent resistance by the policyholder or other obstacles erected by the policyholder. However, when such situations occur, the Servicing Carrier shall notify the policyholder that it will be in violation of the rules governing the Plan and shall effect cancellation of such policy.

H) If there is reason to doubt the accuracy of the exposure base as reported by the policyholder and a physical audit is resisted, the Servicing Carrier shall cancel the policy as provided in Part A. – Section 18.

I) The Servicing Carrier shall audit by mail all policyholders not audited physically.

Section 3. Division of Payroll. The Servicing Carrier shall divide the payroll of individual employees into more than one classification, or divide total payroll into multiple classifications where the Basic Workers' Compensation and Employers' Liability Manual allows such action in accordance with Minnesota Stat., Sect. 79.211, Subd. 2 and guidelines and rules governing such division of payroll.

Section 4. Employee Status. The Servicing Carrier shall include in its audits the payments made by the employer to persons who, in the Servicing Carrier's judgment, would probably be

considered employees for workers' compensation purposes pursuant to the guidelines for distinguishing between employees and independent contractors, or as determined by the Minnesota Department of Labor and Industry or a court. Such payments shall be included notwithstanding that the employer maintains the persons are not employees. The Servicing Carrier shall base its judgment on the statutes, rules, and court decisions which apply to employee and independent contractor status.

Section 5. Disputes. As deemed appropriate by the Servicing Carrier, or as requested by the Commissioner and/or Plan Administrator, the Servicing Carrier shall review with the Commissioner and/or Plan Administrator any complaint or dispute of a policyholder relating to a premium audit.

Part D. – Loss Control and Safety

Section 1. General. The Servicing Carrier shall provide policyholders with loss control, safety and industrial hygiene surveys, consultations, and related services in conformance with generally accepted insurance industry practices, and according to the specifications contained in this section. Providing such services does not warrant or promise, expressly or otherwise, to the Plan, Commissioner, the Plan Administrator, policyholder, or other persons, that any employer's place of business is free of risk either as to those items specifically surveyed or in general. Each policyholder shall retain and exercise sole responsibility for the institution and administration of its safety and health programs.

A) Mandated Surveys. In accordance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any), the Servicing Carrier shall perform loss control and safety surveys: (1) at least twice annually, spaced no more than six (6) months apart, for policyholders with estimated annual net premium of over \$75,000; (2) at least once annually, spaced no more than eighteen (18) months since the most recent inspection, for policyholders with estimated annual net premium of \$15,000 - \$75,000; (3) whenever otherwise warranted by the circumstances, experience or claims of a policyholder, according to the judgment of the Servicing Carrier; and (4) whenever reasonably requested by a policyholder, the Commissioner and/or Plan Administrator. In conducting loss control surveys for purposes of the safety rating program, the Servicing Carrier shall use procedures established and forms developed by the Commissioner and/or Plan Administrator.

B) Survey Procedures. In accordance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any), loss control and safety surveys shall include but are not limited to: (1) a description of operations for classification purposes; (2) an appraisal of the policyholder's loss potential; (3) an appraisal of the policyholder loss control activities; (4) recommendations for loss control activities to be undertaken by the policyholder, if any; (5) recommendations for continuing service; and (6) comments concerning the compliance of the policyholder with outstanding recommendations provided on the basis of past surveys.

C) Recommendations. The Servicing Carrier shall promptly transmit its recommendations and findings to the policyholder as required in the Servicing Carrier Minimum Performance Standards (and enhancements, if any).

D) Review of Claims Records. The Servicing Carrier shall review a policyholder's claims records to facilitate analysis of accident causes and to identify accident trends.

E) Small Employers. The Servicing Carrier shall develop, promote, and make available literature, seminars, or other methods for educating employers with estimated annual net premium of less than \$15,000 concerning loss control and safety.

F) Disputes. As deemed appropriate by the Servicing Carrier, or as requested by the Commissioner and/or Plan Administrator; The Servicing Carrier shall review with the Commissioner and/or Plan Administrator any complaint or dispute of a policyholder relating to loss control and/or safety matters.

Part E. – Claims Administration

Section 1. General. The Servicing Carrier shall handle claims and provide related services in conformance with generally accepted insurance industry practices, and in accordance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any) including the following:

A) Initial Action. The Servicing Carrier shall screen all reports of injuries upon receipt. A file shall be established for all reported claims, and the claim shall be assigned to a qualified adjuster within two working days of receipt.

B) Lost Time Claims. For lost time accidents, the Servicing Carrier's staff shall initiate personal or telephone contact with the three primary parties involved within one (1) working day from the time assigned. Such accidents shall be investigated promptly as to the severity of injury, the potential extent of disability, compensability, jurisdiction, and/or liability actions. The Servicing Carrier shall administer the claim at all times in conformity with the requirements of Minn. Stat. Chapter 176.

C) WCRA Liaison. The Plan is a member of the Workers' Compensation Reinsurance Association (WCRA) and will periodically review its business to determine the appropriate retention limit. The Servicing Carrier shall be the Plan's claim contact for the WCRA for policies issued by the Servicing Carrier. The Servicing Carrier shall comply with the WCRA's plan of operation with regard to the claim contact including reporting large claims and coordinating handling of large claims.

D) Investigation. The Servicing Carrier's investigation of claims shall be substantially completed within fourteen (14) days after notice of the injury, in accordance with

Minn. Stat. 176.221. Unless inappropriate, investigations shall include, but are not limited to: (1) timely contact with the injured employee, the employer and witnesses to verify details of the accident; (2) timely contact with the treating medical provider(s) to determine history, diagnosis, treatment, prognosis, return-to-work date, and causal relationship; (3) verification of the average wage; and (4) preparation of a summary report covering items of coverage, accident description, date of injury and first report, liability and medical investigation, subrogation potential, compensability judgment, and recommendations for future handling.

E) Reserving. The Servicing Carrier shall establish timely and accurate estimates of the amounts expected to be paid for each reported accident. All estimates should be made in consideration of the WCRA retention limit applicable to the Plan and reserves should be established in an amount that is gross of the applicable WCRA retention limit. The Servicing Carrier shall (1) revise estimates promptly to reflect additional information received concerning the status of a claim; (2) employ tables prescribed by the Minnesota Department of Commerce in setting estimates on pension, fatal, and permanent total cases; (3) examine estimates for accuracy on an ongoing basis, or when requested by the Commissioner and/or Plan Administrator, and modify estimates as necessary.

F) Denial of Liability. If denial of liability is in order, the Servicing Carrier shall provide prompt notice thereof to the proper parties, including administrative filings where required. The Servicing Carrier shall provide a vigorous defense for non-meritorious claims. All medical bills shall be screened as to the reasonableness of charges and the necessity of treatment. Where questions of liability or reasonableness exist, the Servicing Carrier shall contact the medical provider promptly to explain why payment has not been made, and the time expected to be necessary for completing the investigation. In evaluating the reasonableness of charges and the necessity of treatment, the Servicing Carrier shall consult appropriate reference materials including, but not limited to cost surveys, peer review panels, and other sources of treatment expertise.

G) Settlement. The Servicing Carrier shall settle all contested claims in conformance with Minn. Stat., Chap. 176 and in the best interests of the Plan. To the extent feasible, settlement negotiations shall be conducted promptly after completion of the claim investigation. The Servicing Carrier shall use its discretion to settle contested claims by trial, by hearing or informally. The Servicing Carrier shall base all settlements of permanency or compromise settlements on sound claims judgment consistent with liability and medical evidence developed, in accordance with the statutory benefit structure. Upon concluding any settlement, the Servicing Carrier shall post the file with a settlement report which adequately and accurately explains the basis of the settlement and the propriety of the amounts paid. The Servicing Carrier shall prepare, or if there is outside counsel involved, cooperate in the preparation of, all settlement agreements, forms, correspondence with the Minnesota Department of Labor and Industry, and legal documents necessary to the settlement of claims. The Servicing Carrier shall insure that all cases are prepared prior to conference, hearing, or trial, and shall (1) be completely prepared in the areas at issue, such as coverage, liability, or medical issues; (2)

have available all necessary lay and professional witnesses or their depositions; and (3) if the extent of disability and/or permanency are at issue, have available reports, opinions and/or witnesses ready for testimony or deposition

H) Supervision of Recovery. Insofar as appropriate in each case, the Servicing Carrier shall supervise and arrange for the provision of the most appropriate medical and rehabilitation services on behalf of each policyholder. The Servicing Carrier shall take such actions as it considers fitting to insure the promptness, quality and comprehensiveness of health care, for the soonest possible return to health and work by the employee. Such actions shall include, as appropriate: (1) continuing contact with and active liaison among the employer, the injured worker, the medical provider(s), and the rehabilitation provider(s); (2) obtaining independent medical examinations where there are questions of disability, causal relationship, or treatment, or where reports from the treating provider are not forthcoming; (3) if necessary, making activity checks consistent with the length of disability (4) if return to work appears medically infeasible or otherwise unlikely, exploring the availability of return to modified or light work duties consistent with medical restrictions; and (5) arranging vocational rehabilitation in the form of job placement, modified work, alternative work or schooling in compliance with Minnesota statutes and rules.

I) Payment. Where the Plan is liable, the Servicing Carrier shall; (i) manage claims made under the Policies, and where the Plan is liable, make compensation, medical and rehabilitation payments promptly, and in conformance with the requirements of Minnesota statutes and rules.

J) Reimbursements and Subrogation. The Servicing Carrier shall seek recovery for the Plan from the Special Compensation Fund, the Workers' Compensation Reinsurance Association, the Second Injury Fund, or through subrogation in appropriate cases.

K) Legal. The Servicing Carrier shall utilize legal counsel in the defense and settlement of claims in accordance with sound industry practices and in a manner consistent with its practices under prior agreement with the Plan and such policies as may from time to time be established by the Commissioner and/or Plan Administrator. The Servicing Carrier shall endeavor to avoid the unnecessary involvement of legal counsel at the expense of the Plan.

Section 2. Disputes. As requested by the Commissioner and/or Plan Administrator, the Servicing Carrier shall review with the Commissioner and/or Plan Administrator any complaint or dispute of a policyholder relating to a claim.

Exhibit V – Servicing Carrier Contract (DRAFT)

MINNESOTA WORKERS' COMPENSATION ASSIGNED RISK PLAN SERVICING CARRIER CONTRACT

This contract is between the Minnesota Workers' Compensation Assigned Risk Plan ("Plan"), acting through the State of Minnesota and Minnesota Commissioner of Commerce ("State") and [name of servicing carrier, address] ("Contractor").

Recitals

1. Under Minn. Stat. § 15.061 the State of Minnesota ("State") is empowered to engage such assistance as deemed necessary.
2. The State is in need of servicing carriers to service policies issued by the Plan in accordance with Minn. Stat. §79.251 and Chapter 176.
3. The Contractor represents that it is duly qualified and agrees to perform all services described in this contract to the satisfaction of the State.

Contract

1 Term of Contract

- 1.1 **Effective date:** January 1, 2015, or the date the State obtains all required signatures under Minnesota Statutes Section 16C.05, subdivision 2, whichever is later.

The Contractor must not begin work under this contract until this contract is fully executed and the Contractor has been notified by the State's Authorized Representative to begin the work.

- 1.2 **Expiration date:** December 31, 2017, unless earlier terminated in accordance with the terms of this contract.
- 1.3 **Extension:** This Agreement may be extended by mutual agreement of the parties for up to two additional one-year periods.
- 1.4 **Survival of Terms.** The following clauses survive the expiration or cancellation of this contract: 8. Liability; 9. State Audits; 10. Government Data Practices and Intellectual Property; 12. Publicity and Endorsement; 13. Governing Law, Jurisdiction, and Venue; and 14. Data Disclosure. 19. Status of Plan; Source of Funds.

2 Contractor's Duties

The Contractor, who is not a State employee, will perform the duties specified in Exhibit A – Scope of Services, which is attached and incorporated into this contract. The Contractor will perform all services in accordance with applicable laws and regulations, and in accordance with Servicing Carrier Minimum Performance Standards set forth in Exhibit B, which is attached and incorporated into this contract, and enhancements to said Servicing Carrier Minimum Performance Standards set forth in Contractor's response to the Request for Proposal (RFP) issued July 31, 2014 ("Response"). No terms or conditions of the RFP or Response will be construed to modify, diminish or derogate the terms and conditions of this contract. The Contractor will perform all services in accordance with the Servicing Carrier Operational Guidelines set forth in Exhibit C, a current copy of which is attached. Contractor understands and

acknowledges that the Servicing Carrier Operational Guidelines may be amended from time to time by the State, which changes shall be effective upon not less than 90 days prior notice to Contractor.

3 Time

The Contractor must comply with all the time requirements described in this contract. In the performance of this contract, time is of the essence.

4 Consideration and Payment

4.1 **Consideration.** As full compensation for all services rendered and to be rendered by Contractor under this contract, Contractor shall be paid an amount equal to ____ % of the total premiums charged to policyholders and collected by Contractor on all new and renewal Policies assigned to Contractor for servicing, excluding the Special Compensation Fund assessment, but including premiums recovered by the Plan's collections vendor, net of such vendor's retained fee (Collected Written Premium).

4.2 **Contractor Expenses.** All expenses incurred by Contractor which are not specifically described and identified in this contract as Plan expenses are to be paid by Contractor out of its compensation or its other resources, including any fines, penalties, or assessments imposed by a duly authorized judicial or regulatory authority because of improper acts or omissions on the part of the Contractor. Specifically, Contractor shall be responsible for all costs associated with the Plan's conduct of an audit or investigation of Contractor's services as a result of substantial employee or provider complaints, and costs required to remedy identified inadequacies.

4.3 **Plan Expenses.** Contractor shall pay Plan expenses out of Plan funds promptly after they become due and within the period permitted by any applicable statutes or regulations, or as specifically directed by the State or Plan Administrator. Contractor shall prepare all reports or filings associated with and required for Plan expenses paid by Contractor. Certain Plan expenses may, at the State's direction, be paid by the State's designee for financial administration, in which case Contractor shall be released from the requirement to make said payments until directed by the State. Plan expenses shall consist of:

(A) Statutory benefits which are the liability of the employer under Minnesota Statutes, Chapter 176.

(B) Contractor's fee.

(C) Assessments for the Special Compensation Fund, assessments for the Assigned Risk Plan Review Board, premiums or assessments for the Workers' Compensation Reinsurance Association, fees or assessments associated with the Plan's affiliation with a data service organization, fees or assessments associated with the Plan's affiliation with other professional or industry associations, premium taxes, income taxes associated with income of the Plan, agent commissions, and any other taxes, assessments, premiums, commissions, or fees specifically provided by law and associated with providing worker's compensation coverage under this contract. If any such taxes, assessments, premiums, commissions, or fees are charges against both the Plan and the Contractor, Contractor shall be reimbursed for such taxes, assessments, premiums, commissions or fees. The State shall designate which taxes, assessments, premiums, commissions or fees Contractor shall pay directly out of Plan funds.

(D) Costs of collection.

- (E) Certain costs associated with copying or abstracting Plan records upon request of the State, the Plan Administrator or other authorized persons.
- (F) Legal fees and costs which constitute allocated loss adjustment expenses. Legal expenses that do not constitute allocated loss adjustment expenses or which, in Contractor's judgment, are outside the usual and customary legal expenses associated with Contractor's obligations under this contract, must be approved in advance by the Plan Administrator to be reimbursed by the Plan, and reimbursement of such expenses will be made at the discretion of the Plan Administrator, but will not be unreasonably refused.
- (G) Any judicial, legislative, regulatory or administrative action which requires Contractor to incur a distinct and measurable increase in expenses beyond what is specifically required under this contract, net of any distinct and measurable decrease in expenses caused by such action, provided that additional expenses that would effectively increase the Contractor's fee by more than 10% may be considered cause for termination of this contract. The amount and manner of calculating any such Plan expenses shall be determined by negotiation between the Plan Administrator and Contractor.

4.4 Fund Account. Contractor shall establish and maintain a separate interest bearing account ("Account"), as market conditions may allow, in its name with an independent financial agent of Contractor's choosing (subject to the prior approval of the Plan Administrator) within the State of Minnesota. Contractor shall receive and deposit in the Account all premiums and other funds received on behalf of the Plan relating to its performance under this contract, and shall make payments from the Account on behalf of the Plan as authorized under this contract, including the payment of Contractor's fee on a monthly basis. The funds of the Plan shall not be commingled with funds of the Contractor or any other person. Contractor shall have the authority to sign checks and other orders for the payment of money from such Account, and to endorse for deposit therein instruments drawn or endorsed to the order of the Plan, but only as such relate to Contractor's performance obligations under this contract. Contractor shall not be required to pay any Plan obligations except out of funds in the Account or otherwise provided by the Plan. Interest or other income from the holding of Account funds (if any) shall be held and disposed of on behalf of the Plan in the same manner as other funds held in the Account. The Monthly Transactions Report, required by Clause 32 of Exhibit A, shall set forth the monthly interest income earned by the Account (if any).

5 Conditions of Payment

All services provided by the Contractor under this contract must be performed to the State's satisfaction, as determined at the sole discretion of the State's Authorized Representative and in accordance with all applicable federal, state, and local laws, ordinances, rules, and regulations. The Contractor will not receive payment for work found by the State to be unsatisfactory or performed in violation of federal, state, or local law.

6 Authorized Representatives

The State's Authorized Representative is Philip B. Moosbrugger, Manager of WC Self-Insurance and MWCARP, Minnesota Department of Commerce, 85-7th Pl. E., St. Paul, MN 55101, 651-539-1584, or his successor.

The Minnesota Workers' Compensation Assigned Risk Plan Administrator ("Plan Administrator") is Affinity Insurance Services, Inc., 5600 W. 83rd Street, Suite 1100, Minneapolis, MN 55437, or its successor, which has the responsibility to monitor the

Contractor's performance and the authority to accept the services provided under this contract. The Plan Administrator's Authorized Representative is Tom Redel, Senior Vice President, 4801 Main Street, Suite 350, Kansas City, MO 64112, 816-698-4602, or his successor.

The Contractor's Authorized Representative is [NAME, ADDRESS, TELEPHONE NUMBER], or his/her successor. If the Contractor's Authorized Representative changes at any time during this contract, the Contractor must immediately notify the State and the Plan Administrator.

7 Assignment, Amendments, Waiver, and Contract Complete

7.1 **Assignment.** The Contractor may neither assign nor transfer any rights or obligations under this contract without the prior consent of the State and a fully executed Assignment Agreement, executed and approved by the same parties who executed and approved this contract, or their successors in office.

7.2 **Amendments.** Any amendment to this contract must be in writing and will not be effective until it has been executed and approved by the same parties who executed and approved the original contract, or their successors in office.

7.3 **Waiver.** If the State fails to enforce any provision of this contract, that failure does not waive the provision or its right to enforce it.

7.4 **Contract Complete.** This contract contains all negotiations and agreements between the State and the Contractor. No other understanding regarding this contract, whether written or oral, may be used to bind either party.

8 Liability

8.1 **By Contractor.** The Contractor will indemnify, save, and hold the State, the Plan and the Plan Administrator, and their respective agents, and employees harmless from any claims or causes of action, including attorney's fees incurred by the State, the Plan and/or the Plan Administrator, arising from the material breach by Contractor of any performance obligation under this contract, the negligence or misconduct of Contractor or its agents or employees, or the negligence, misconduct or malpractice of any network provider of Contractor. This clause will not be construed to bar any legal remedies the Contractor may have for the State's failure to fulfill its obligations under this contract.

8.2 **By the Plan.** The Plan will indemnify, save, and hold harmless the Contractor and its agents and employees harmless from any claims or causes of action, including attorney's fees, incurred by the Contractor, arising from Contractor's performance under this contract, except to the extent such liability, loss, damage or expense results from the material breach by Contractor of any performance obligation under this contract, the negligence or misconduct of Contractor or its agents or employees, or the negligence, misconduct or malpractice of any network provider of Contractor.

8.3 **Procedure.** The party seeking indemnification ("Indemnatee") shall give the party from whom indemnification is sought ("Indemnitor") notice of any claim or the commencement of action or proceeding promptly after receiving notice thereof. Contractor shall permit the Plan to assume the defense of any claim or litigation resulting from a claim in which Contractor is seeking indemnification from the Plan. Contractor may participate, at its expense, in the defense of any such claim or litigation, provided that the Plan shall direct and control the defense of any such claim or litigation. If any such claim or litigation alleges a material breach by Contractor of

its performance obligations under this contract, or negligence or misconduct by Contractor or its agent or employee, the Plan will not, without notice to Contractor, enter into any settlement that includes an admission that Contractor materially breached its performance obligations or that Contractor or its agent or employee was negligent or guilty of misconduct.

If the Plan does not assume the defense of any such claim or litigation resulting therefrom, the Contractor may defend against such claim or litigation in such manner as it may deem appropriate, provided that expenses relating to such defense, including attorneys' fees, shall be indemnified only to the extent they are reasonable.

Except with the written consent of the Indemnatee, the Indemnitor shall not, in the defense of any such claim or any litigation resulting therefrom, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term, the giving by the claimant or the plaintiff to the Indemnatee of a release from all liability with respect to the claim or litigation. Indemnitor shall promptly reimburse Indemnatee for the amount of all expenses, legal or otherwise, reasonably incurred by the Indemnatee in connection with the defense against or settlement of such claims or litigation which are reimbursable under this contract. If no settlement of such claim or litigation is made, the Indemnitor shall promptly reimburse the Indemnatee for the amount of any final judgment rendered with respect to such claim or in such litigation and for all reasonable expenses, legal or otherwise, incurred by the Indemnatee in the defense against such claim or litigation, but only to the extent that such amounts are reimbursable under this contract and have been actually paid, or otherwise accounted for.

9 State Audits

Under Minn. Stat. § 16C.05, subd. 5, the Contractor's books, records, documents, and accounting procedures and practices relevant to this contract are subject to examination by the State and/or the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this contract.

10 Government Data Practices and Intellectual Property

10.1. ***Government Data Practices.*** The Contractor and State must comply with the Minnesota Government Data Practices Act, Minn. Stat. Ch. 13, (or, if the State contracting party is part of the judicial branch, with the Rules of Public Access to Records of the Judicial Branch promulgated by the Minnesota Supreme Court as the same may be amended from time to time) as it applies to all data provided by the State under this contract, and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by the Contractor under this contract. The civil remedies of Minn. Stat. § 13.08 apply to the release of the data governed by the Minnesota Government Practices Act, Minn. Stat. Ch. 13, by either the Contractor or the State.

If the Contractor receives a request to release the data referred to in this Clause, the Contractor must immediately notify the State. The State will give the Contractor instructions concerning the release of the data to the requesting party before the data is released.

10.2. ***Intellectual Property Rights.***

(A) *Intellectual Property Rights.* The State owns all rights, title, and interest in all of the intellectual property rights, including copyrights, patents, trade secrets, trademarks, and service marks in the Works and Documents *created and paid for under this contract*. Works means all inventions, improvements, discoveries (whether or not patentable), databases, computer programs, reports, notes, studies, photographs, negatives, designs, drawings, specifications, materials, tapes, and disks conceived, reduced to practice, created or originated by the Contractor, its employees, agents, and subcontractors, either individually or jointly with others in the performance of this contract. Works includes “Documents.” Documents are the originals of any databases, computer programs, reports, notes, studies, photographs, negatives, designs, drawings, specifications, materials, tapes, disks, or other materials, whether in tangible or electronic forms, prepared by the Contractor, its employees, agents, or subcontractors, in the performance of this contract. The Documents will be the exclusive property of the State and all such Documents must be immediately returned to the State by the Contractor upon completion or cancellation of this contract. To the extent possible, those Works eligible for copyright protection under the United States Copyright Act will be deemed to be “works made for hire.” The Contractor assigns all right, title, and interest it may have in the Works and the Documents to the State. The Contractor must, at the request of the State, execute all papers and perform all other acts necessary to transfer or record the State’s ownership interest in the Works and Documents.

(B) *Obligations*

- (1) *Notification.* Whenever any invention, improvement, or discovery (whether or not patentable) is made or conceived for the first time or actually or constructively reduced to practice by the Contractor, including its employees and subcontractors, in the performance of this contract, the Contractor will immediately give the State’s Authorized Representative written notice thereof, and must promptly furnish the Authorized Representative with complete information and/or disclosure thereon.
- (2) *Representation.* The Contractor must perform all acts, and take all steps necessary to ensure that all intellectual property rights in the Works and Documents are the sole property of the State, and that neither Contractor nor its employees, agents, or subcontractors retain any interest in and to the Works and Documents. The Contractor represents and warrants that the Works and Documents do not and will not infringe upon any intellectual property rights of other persons or entities. Notwithstanding Clause 8, the Contractor will indemnify; defend, to the extent permitted by the Attorney General; and hold harmless the State, at the Contractor’s expense, from any action or claim brought against the State to the extent that it is based on a claim that all or part of the Works or Documents infringe upon the intellectual property rights of others. The Contractor will be responsible for payment of any and all such claims, demands, obligations, liabilities, costs, and damages, including but not limited to, attorney fees. If such a claim or action arises, or in the Contractor’s or the State’s opinion is likely to arise, the Contractor must, at the State’s discretion, either procure for the State the right or license to use the intellectual property rights at issue or replace or modify the allegedly infringing Works or Documents as necessary and appropriate to obviate the infringement claim.

This remedy of the State will be in addition to and not exclusive of other remedies provided by law.

11 Workers' Compensation and Other Insurance

Contractor certifies that it is in compliance with all insurance requirements specified in the solicitation document relevant to this Contract (the RFP). Contractor shall not commence work under the contract until it has obtained all the insurance specified in the RFP. Contractor shall maintain such insurance in force and effect throughout the term of the contract.

Further, the Contractor certifies that it is in compliance with Minn. Stat. § 176.181, subd. 2, pertaining to workers' compensation insurance coverage. The Contractor's employees and agents will not be considered State or Plan employees. Any claims that may arise under the Minnesota Workers' Compensation Act on behalf of these employees or agents and any claims made by any third party as a consequence of any act or omission on the part of these employees or agents are in no way the State's or the Plan's obligation or responsibility.

12 Publicity and Endorsement

12.1 **Publicity.** Any publicity regarding the subject matter of this contract must not be released without prior written approval from the State's Authorized Representative or the Plan Administrator. For purposes of this provision, publicity includes notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for the Contractor individually or jointly with others, or any subcontractors, with respect to the program, publications, or services provided resulting from this contract.

12.2 **Endorsement.** The Contractor must not claim that the State endorses its products or services.

13 Governing Law, Jurisdiction, and Venue

Minnesota law, without regard to its choice-of-law provisions, governs this contract. Venue for all legal proceedings out of this contract, or its breach, must be in the appropriate state or federal court with competent jurisdiction in Ramsey County, Minnesota.

14 Data Disclosure

Under Minn. Stat. § 270C.65, Subd. 3 and other applicable law, the Contractor consents to disclosure of its social security number, federal employer tax identification number, and/or Minnesota tax identification number, already provided to the State, to federal and state agencies and state personnel involved in the payment of state obligations. These identification numbers may be used in the enforcement of federal and state laws which could result in action requiring the Contractor to file state tax returns, pay delinquent state tax liabilities, if any, or pay other state liabilities.

15 Termination

The State or commissioner of Administration may cancel this contract at any time, without cause, upon 90 days' written notice to the Contractor. The State or commissioner of Administration may cancel this contract at any time, with cause, upon written notice to the Contractor and subject to a 30 day opportunity to cure. Upon termination, the Contractor will be entitled to payment, determined on a pro rata basis, for services satisfactorily performed.

16 Minn. Stat. § 181.59

The Contractor will comply with the provisions of Minn. Stat. § 181.59 which requires:

Every contract for or on behalf of the state of Minnesota, or any county, city, town, township, school, school district, or any other district in the state, for materials, supplies, or construction shall contain provisions by which the contractor agrees: (1) That, in the hiring of common or skilled labor for the performance of any work under any contract, or any subcontract, no contractor, material supplier, or vendor, shall, by reason of race, creed, or color, discriminate against the person or persons who are citizens of the United States or resident aliens who are qualified and available to perform the work to which the employment relates; (2) That no contractor, material supplier, or vendor, shall, in any manner, discriminate against, or intimidate, or prevent the employment of any person or persons identified in clause (1) of this section, or on being hired, prevent, or conspire to prevent, the person or persons from the performance of work under any contract on account of race, creed, or color; (3) That a violation of this section is a misdemeanor; and (4) That this contract may be canceled or terminated by the state, county, city, town, school board, or any other person authorized to grant the contracts for employment, and all money due, or to become due under the contract, may be forfeited for a second or any subsequent violation of the terms or conditions of this contract.

17 Affirmative Action Requirements for Contracts in Excess of \$100,000 and if the Contractor has More than 40 Full-time Employees in Minnesota or its Principal Place of Business

The State intends to carry out its responsibility for requiring affirmative action by its Contractors.

17.1 Covered Contracts and Contractors. If the Contract exceeds \$100,000 and the contractor employed more than 40 full-time employees on a single working day during the previous 12 months in Minnesota or in the state where it has its principle place of business, then the Contractor must comply with the requirements of Minn. Stat. § 363A.36 and Minn. R. Parts 5000.3400-5000.3600. A contractor covered by Minn. Stat. § 363A.36 because it employed more than 40 full-time employees in another state and does not have a certificate of compliance, must certify that it is in compliance with federal affirmative action requirements.

17.2 Minn. Stat. § 363A.36. Minn. Stat. § 363A.36 requires the Contractor to have an affirmative action plan for the employment of minority persons, women, and qualified disabled individuals approved by the Minnesota Commissioner of Human Rights (“Commissioner”) as indicated by a certificate of compliance. The law addresses suspension or revocation of a certificate of compliance and contract consequences in that event. A contract awarded without a certificate of compliance may be voided.

17.3 Minn. R. 5000.3400-5000.3600.

(A) *General.* Minn. R. 5000.3400-5000.3600 implement Minn. Stat. § 363A.36. These rules include, but are not limited to, criteria for contents, approval, and implementation of affirmative action plans; procedures for issuing certificates of compliance and criteria for determining a contractor’s compliance status; procedures for addressing deficiencies, sanctions, and notice and hearing; annual compliance reports; procedures for compliance

review; and contract consequences for non-compliance. The specific criteria for approval or rejection of an affirmative action plan are contained in various provisions of Minn. R. 5000.3400-5000.3600 including, but not limited to, parts 5000.3420-5000.3500 and 5000.3552-5000.3559.

- (B) *Disabled Workers.* The Contractor must comply with the following affirmative action requirements for disabled workers.
- (1) The Contractor must not discriminate against any employee or applicant for employment because of physical or mental disability in regard to any position for which the employee or applicant for employment is qualified. The Contractor agrees to take affirmative action to employ, advance in employment, and otherwise treat qualified disabled persons without discrimination based upon their physical or mental disability in all employment practices such as the following: employment, upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.
 - (2) The Contractor agrees to comply with the rules and relevant orders of the Minnesota Department of Human Rights issued pursuant to the Minnesota Human Rights Act.
 - (3) In the event of the Contractor's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with Minnesota Statutes Section 363A.36, and the rules and relevant orders of the Minnesota Department of Human Rights issued pursuant to the Minnesota Human Rights Act.
 - (4) The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the commissioner of the Minnesota Department of Human Rights. Such notices must state the Contractor's obligation under the law to take affirmative action to employ and advance in employment qualified disabled employees and applicants for employment, and the rights of applicants and employees.
 - (5) The Contractor must notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the contractor is bound by the terms of Minnesota Statutes Section 363A.36, of the Minnesota Human Rights Act and is committed to take affirmative action to employ and advance in employment physically and mentally disabled persons.
- (C) *Consequences.* The consequences for the Contractor's failure to implement its affirmative action plan or make a good faith effort to do so include, but are not limited to, suspension or revocation of a certificate of compliance by the Commissioner, refusal by the Commissioner to approve subsequent plans, and termination of all or part of this contract by the Commissioner or the State.
- (D) *Certification.* The Contractor hereby certifies that it is in compliance with the requirements of Minn. Stat. § 363A.36 and Minn. R. 5000.3400-5000.3600 and is aware of the consequences for noncompliance.

18 Employee Status

By order of the Governor's Executive Order 08-01, if this contract, including any extension options, is or could be in excess of \$50,000, Contractor certifies that it and its subcontractors:

1. Comply with the Immigration Reform and Control Act of 1986 (U.S.C. 1101 et. seq.) in relation to all employees performing work in the United States and do not knowingly employ persons in violation of the United States' immigrations laws; and

2. By the date of the performance of services under this contract, Contractor and all its subcontractors have implemented or are in the process of implementing the *E-Verify* program for all newly hired employees in the United States who will perform work on behalf of the State of Minnesota.

Contractor shall obtain certifications of compliance with this section from all subcontractors who will participate in the performance of this contract. Subcontractor certifications shall be maintained by Contractor and made available to the state upon request. If Contractor or its subcontractors are not in compliance with 1 or 2 above or have not begun or implemented the *E-Verify* program for all newly hired employees performing work under the contract, the state reserves the right to determine what action it may take including but not limited to, cancelling the contract and/or suspending or debaring the contractor from state purchasing.

19 Status of Plan; Source of Funds.

Contractor understands and acknowledges that the Plan is not an agency of the State of Minnesota, and nothing herein shall create or establish any liability of the State for any obligation of the Plan, including any obligation or liability to Contractor under this contract. The Plan shall pay or cause to be paid and satisfied all reasonable claims for compensation, fees, charges, expenses and other obligations arising under this contract, out of Plan funds, to the extent the same are sufficient for such purposes. Until fully paid, said obligations shall be and remain Plan obligations to be funded in accordance with Minn. Stat. §79.251, Subd. 5. No claim for compensation, fees, charges, expenses or other payments required by this contract or any claim for damages relating in any way to this agreement shall be maintained against the State or the Plan Administrator.

1. STATE ENCUMBRANCE VERIFICATION

Individual certifies that funds have been encumbered as required by Minn. Stat. §§ 16A.15 and 16C.05.

Signed: _____

Date: _____

CFMS Contract No. A-_____

2. CONTRACTOR

The Contractor certifies that the appropriate person(s) have executed the contract on behalf of the Contractor as required by applicable articles, bylaws, resolutions, or ordinances.

By: _____

Title: _____

Date: _____

3. STATE AGENCY

By: _____
(with delegated authority)

Title: _____

Date: _____

**4. COMMISSIONER OF ADMINISTRATION
As delegated to Materials Management Division**

By: _____

Title: _____

Date: _____

Distribution:
Agency
Contractor

5. PLAN ADMINISTRATOR
Affinity Insurance Services, Inc.

By: _____

Title: _____

Date: _____

SERVICING CARRIER CONTRACT (DRAFT)
Exhibit A – Scope of Services

The Contractor will provide services to and on behalf of the Plan as from time to time prescribed by the State and/or Plan Administrator, including, but not limited to:

1. Issue, administer and cancel policies evidencing coverage through the Plan (“Policy” “Policies”).
2. Calculate, assess and collect premiums.
3. Provide policyholders with information reasonably sufficient to enable them to understand and exercise their rights and obligations under the Policy.
4. For Policies with a designated agent of record, keep the agent informed of the status of the Policy, consult with the agent as is customary and appropriate, and pay commissions.
5. Prepare literature which clarifies or explains issues where policyholders’ misunderstandings are common, or which would significantly promote the interests of the Plan.
6. Provide utilization review, case management and other medical cost containment services.
7. Conduct payroll audit of all workers compensation insurance policies issued on behalf of the Plan.
8. Provide policyholders with loss control, safety and industrial hygiene surveys, consultations, and related services.
9. Manage claims made under the Policies, and where the Plan is liable, make compensation, medical and rehabilitation payments.
10. Use legal counsel in the defense and settlement of claims as necessary.
11. Comply with the minimum performance requirements prescribed by the Plan from time to time including Minimum Performance Standards (and any proposed enhancements) set forth in Exhibit B.
12. Maintain an office in the state of Minnesota for the purpose of performing its primary obligations relating to underwriting, policy issuance and premium collection, claims administration, auditing, loss control, accounting, and billing functions.
13. Maintain an account management team responsible for carrying out Contractor’s medical cost containment service obligations, and keep the Plan Administrator advised of the names of the team members. Such persons will meet with the Plan Administrator at mutually agreed times.
14. Employ and supervise staff; and pay, at its own expense, any and all salaries, wages, withholding taxes, insurance and other obligations concerning such employees.

15. Comply with applicable state and federal statutes and regulations regarding equal employment opportunity and affirmative action, and take reasonable steps to insure that its subcontractors also comply with such statutes and regulations.
16. Provide coverage of its officers, employees, and subcontractors entrusted with the handling of Plan premiums, funds or investments under a fidelity bond or bonds in the minimum amount of \$5,000,000, and maintain evidence of such coverage on file with the Plan Administrator.
17. Provide, at its own expense, all forms such as Policy and endorsement forms, claims forms, report forms, employer information packets (Welcome Packets) and billing forms, stationary, postage, telephone and other communications systems, and other supplies and services necessary or incidental to fulfilling its obligations under this Agreement. All forms including form letters, distributed to policyholders and/or agents must be pre-approved by the State or Plan Administrator. Contractor must provide an Electronic Document Request and Delivery system to policyholders and agents through which documents other than invoices or cancellation notices may be made available through electronic means.
18. Provide such data processing and statistical record-keeping as may be necessary or incidental to fulfilling its obligations under this Agreement. Contractor shall provide the Plan Administrator with on-line computer access to policy file information as of the effective date of this Agreement or such later date as is mutually agreed upon by the parties.
19. Record and maintain all information essential to the handling of policies, claims, financial transactions, and other obligations of Contractor. Claim records shall not be destroyed without approval of the State or Plan Administrator. All records and materials concerning Plan policies and claims shall be used only by Contractor or its agents, and only for the benefit of the Plan.
20. Except as required by law or regulation, or by the terms of this Agreement, hold as confidential and not reveal for the benefit of itself or others, any information regarding the Plan business acquired through this Agreement, unless such revelation is authorized by the State or Plan Administrator.
21. Make all records, materials, and procedures relating to its services available for review by the State and/or the Plan Administrator at reasonable times during normal business hours or such other times as are mutually agreeable, and comply with any reasonable request of the State and/or the Plan Administrator to provide information concerning its performance.
22. Cooperate in audits from time to time deemed appropriate by the State or Plan Administrator. Results of such audit may be used as the basis of financial and other performance measures, to negotiate or modify performance arrangements and/or to make fee adjustments.
23. Within thirty (30) days after the effective date of this Agreement, furnish a performance bond to the Plan effective as of the effective date of this Agreement, providing for indemnification of the State of Minnesota, the Commerce Department, the Commissioner of Commerce, the Plan, the Plan Administrator, and their respective agents and employees, and shall be in a form acceptable to the State. The initial performance bond shall be in the amount of \$ _____. The performance bond shall be adjusted annually based on the Plan's total written premium for the previous calendar year. In the event Contractor is unable to perform its obligations under this Agreement, including those obligations which may continue beyond the termination of this Agreement, the Plan will use the bond to compensate

successor servicing carriers to the extent any successor servicing carrier is not compensated from Plan revenues in the manner contemplated by this Agreement, and to recover any expenses or damages incurred by the State or the Plan, or any of their respective agents or employees, relating to or arising out of Contractor's nonperformance.

24. Maintain all records relating to Plan business in a manner sufficient to allow the preparation of required reports to the State and/or Plan Administrator and in a manner to allow independent auditing of all applicable books and records.

25. Use accounting methods for Plan business as prescribed by the State, the Plan Administrator, the Plan's certified public accounting firm and/or the Plan's actuary to insure consistent reporting and results for the Plan as a whole.

26. Prepare quarterly financial statements as directed by the State or the Plan Administrator.

27. Cooperate with the data service organization ("DSO") designated by the State for assignments and data collections.

28. File unit statistical reports on Plan business with the designated DSO in accordance with the Workers' Compensation Statistical Plan Manual. For reporting and assessment purposes, the premiums and losses incurred outside of Minnesota but covered by the Plan shall be reported in Minnesota. Contractor shall file other special reports and data calls as required by the designated DSO.

29. Cooperate with the State and its designees in the evaluation of the Plan's losses and reserves. This may include preparation of supplemental reports displaying individual case incurred losses by unit statistical plan injury type, and other reasonable criteria requested by the State and/or Plan Administrator.

30. At the Contractor's discretion, it may prepare an annual narrative report for each calendar year or part thereof, during the term of this Agreement, describing (a) Contractor's experience in applying the principles of equal employment opportunity and affirmative action during the past year, pursuant to this Agreement; (b) any suggestions Contractor may have for the improvement of the Plan's operations; (c) any other issues which Contractor wishes to bring to the attention of the State and Plan Administrator, and (d) any other issues which the State and/or Plan Administrator requests Contractor to include. If the Contractor produces such a report, it shall be submitted to the State and the Plan Administrator by April 1 of each year.

31. Cooperate in the annual audit conducted of Plan business. The Plan shall contract with a certified public accounting firm to perform the single Plan audit. The audit shall include the tests and findings appropriate to the evaluation of an insurance company's annual statement, including tests and findings concerning Contractor's systems of internal accounting and control. Contractor shall cooperate with the designated CPA firm in its preparation of the Plan's consolidated financial statement by, among other things, complying with its reasonable requests concerning the background and preparation of the information contained in the financial statement. The findings of the audit shall be delivered to the State and the Plan Administrator and a copy shall be forwarded to Contractor. Contractor may be required to make a formal reply to the management letter prepared by the CPA firm conducting the audit.

32. Provide to the State and the Plan Administrator, a monthly report summarizing financial activity in fulfillment of its obligations under this Agreement (Monthly Transactions Report). Each report shall be in such form as prescribed by the State and/or the Plan Administrator, and delivered on or before the 15th day of the month next following the month for which the report is made.
33. Provide information and otherwise cooperate in the preparation and filing of any and all premium tax forms, assessment forms, and other reports required of the Plan by law, for Contractor's portion of Plan business.
34. Cooperate and assist with any studies conducted by the Plan relating to Plan business and provide information requested with respect thereto.
35. Inform the Plan Administrator on a continuing basis of the principal officer of Contractor with general responsibility for carrying out obligations under this Agreement; and other individuals and/or subcontractors with major responsibilities under this Agreement.
36. Any reports, records, materials, files, or other documents prepared by Contractor in the performance of its obligations shall be the exclusive property of the Plan and all such materials shall be remitted to or made available for inspection or copying to the Plan or its representative upon its request.
37. After termination of this Agreement, upon the written request of the State or Plan Administrator, deliver to the Plan originals or copies of all documents, records and materials received, gathered, developed, or employed by Contractor for the purpose of providing services under this Agreement which are essential to the ongoing administration of the Plan. Contractor shall retain documents, records and materials necessary for continuing service on any open claims. This requirement shall not apply to proprietary materials of Contractor such as employment records, internal management reports or records, internal financial statements or worksheets, and other materials, software, or procedures purchased or developed by Contractor for the purpose of servicing this or similar plans or policies; except insofar as such proprietary materials are essential to the ongoing administration of the Plan. The determination of what documents, records and materials are essential to the ongoing administration of the Plan shall be made by the State and/or Plan Administrator, but with full consideration of Contractor's proprietary rights. The State and/or Plan Administrator may permit Contractor to abstract the essential portion of required proprietary documents, records or materials. The cost of copying or abstracting any such documents, records and materials will be paid by the Plan.
38. Notwithstanding the termination of this Agreement, continue to service to conclusion all policies issued under this Agreement according to the terms of this Agreement including all reporting requirements.
39. Perform its obligations under this Agreement with reasonableness and prudence, and comply with and implement the requirements of the laws, statutes, and agency rules of Minnesota, as said laws, statutes, and rules may be amended from time to time.
40. Contractor shall not delegate its duties or obligations without the written approval of the State or Plan Administrator, which approval may be withheld for any reason at the sole discretion of the State or Plan Administrator.

41. After termination of this Agreement, the State may, upon 60 days written notice, require Contractor to transfer its continuing responsibilities under this Agreement to a successor servicing carrier designated by the State. The State may require such a transfer only if it determines that the quality of Contractor's performance of its continuing obligations under this Agreement is unsatisfactory or likely to soon become unsatisfactory; or if the State determines that Contractor no longer possesses the financial integrity or insurance expertise necessary to perform its continuing obligations. The State will not require such a transfer without first giving Contractor an opportunity to present evidence warranting that its continuing responsibilities should not be transferred. Contractor will supply the successor servicing carrier with all essential files and records concerning Contractor's obligations under this Agreement including records, materials and procedures necessary for continuing service on any open claims. If the State requires said transfer of responsibilities, the State may, in its sole discretion, apply all or any part of the proceeds of Contractor's performance bond required to be maintained under this Agreement to the compensation of any successor servicing carrier for assuming Contractor's continuing responsibilities to the Plan, to the extent any such successor servicing carrier is not compensated from Plan revenues in the manner contemplated by this Agreement. Nothing herein shall limit or prevent the State from charging Contractor for any such expenses which exceed the proceeds of the performance bond. Without limiting any other provision of this Agreement, unless Contractor receives a written discharge or release from the State for any ongoing costs under this provision, Contractor shall continue to maintain the performance bond required under this Agreement until it has fully discharged its obligations under this Agreement.

42. All duties and obligations of Contractor under this Agreement relate only to those policies and that portion of Plan business assigned to Contractor.

43. Be the agent for service of any legal process associated with Contractor's portion of the total business of the Plan, at Contractor's offices maintained pursuant to this Agreement.

SERVICING CARRIER CONTRACT (DRAFT)
Exhibit B - Servicing Carrier Minimum Performance Standards

<u>Task</u>	<u>Minimum Standard</u>
<i>New Business</i>	Policy accurately issued within twenty-five (25) calendar days from receipt of initial premium.
<i>Renewals</i>	Renewal notice sent at least sixty (60) calendar days prior to expiration. Policy accurately issued within twenty-five (25) calendar days from receipt of the initial premium.
<i>Endorsements</i>	When requested, endorsements issued within thirty (30) calendar days after receipt of request. Requestor contacted within five (5) business days if additional documentation is needed.
<i>Endorsements – Additional Premium</i>	Additional Premium Endorsement issued within forty-five (45) calendar days of receipt of information leading to premium increase of at least \$500 or 25% of estimated annual premium, whichever is the lesser amount.
<i>Certificates</i>	Certificate of Insurance issued within three (3) business days of receipt of request.
<i>Welcome Packet</i>	Within five (5) working days of the initial new business assignment, provide the policyholder with information that clearly describes procedures for filing claims; terms of premium payment; payroll audit procedures; loss control and safety services; other items deemed necessary; and procedures for obtaining answers to any employer questions.
<i>Preliminary Premium Audits</i>	Physical preliminary audits must be completed on all accounts with estimated annual premium in excess of \$50,000; and all construction, masonry, and carpentry accounts above \$25,000.
<i>Regular Premium Audits</i>	<p>Audits completed, billed and recorded within seventy-five (75) calendar days after policy expiration or cancellation.</p> <p>Physical Audits – (Non-Construction) required as follows: premium > \$10K – annually; premium \$3K to \$10K – once every 3 years; whenever reasonable; when requested by the employer; when requested by the Plan. (Construction) premium > \$3K annually; whenever reasonable; when requested by the employer, when requested by the Plan.</p> <p>Premium < \$3K – mail audit with the exception that annually 20% of all policies with premium less than \$3K must receive a physical audit. Half of that 20% must be construction and the other half non-construction (mandatory compliance for policyholder to avoid cancellation).</p> <p>Audit disputes resolved with forty-five (45) calendar days from the receipt of written notice of dispute.</p>

<i>Claims – General</i>	A file shall be established for all reported claims, and the claim shall be assigned to a qualified adjuster within two working days of receipt.
<i>Claims – Lost Time</i>	<p>Personal or telephone contact or documented attempts of contact with injured work within one (1) business day from date of assignment; policyholder and witness(es) within one (1) business day of assignment; and treating doctor within one (1) business day of assignment.</p> <p>Investigation substantially completed within fourteen (14) days after notice. Payments, filings and notices issued in conformity with the requirements of Minn. Stat. Chapter 176.</p>

<i>Claims Action Plan – Indemnity Claims Reporting</i>	<p>Target dates set in file within fifteen (15) calendar days and reviewed every thirty (30) calendar days thereafter.</p> <p>24/7 “1-800” claim reporting capabilities must be made available to all insured employers.</p>
<i>Severe Claims On-site Review</i>	Within three (3) business days of receipt of the loss report, a physical visit must be made to the site of the accident involving death or certain paralysis.
<i>Reserve Adequacy</i>	Reviewed every ninety (90) calendar days.
<i>Claim Auditing</i>	Extensive claims auditing system designed for “peer review” every one-hundred-eighty (180) calendar days on all claims with reserves of \$100,000 or more.
<i>Cancellation Requests</i>	Processed and issued within three (3) business days after receipt of the request.
<i>Medical Cost Containment</i>	Servicing Carriers agree that they shall be responsible to the Plan for the coordination and selection for choosing medical cost containment services.
<i>Loss Control</i>	<p>Mandated Surveys:</p> <ul style="list-style-type: none"> • Under \$15K – As requested • \$15K to 75K – 1 Annual • \$75K & above – 2 Annual
<i>Loss Control Reports</i>	All loss control reports and recommendations must be completed within ninety (90) calendar days after the effective date of coverage or the date assigned to the carrier, whichever is later.

<i>Loss Records</i>	Available upon written request within thirty (30) calendar days.
<i>Billing & Collections</i>	<p>Less than \$100 – collect or write off.</p> <p>More than \$100 – Diligently pursue collection until it is determined that the services of a collection agency will be required. Pursue collection for no more than ninety (90) days from the last day of the month billing was sent or thirty (30) days from date last payment was received.</p>
<i>Data Reporting</i>	Servicing Carriers shall maintain all records relating to Plan business in a manner sufficient to allow the preparation of required reports to the Commissioner and/or Plan Administrator and in a manner to allow independent auditing of all books and records related thereto.
<i>Office</i>	Except as otherwise agreed by the Commissioner, Servicing Carrier shall maintain an office in the state of Minnesota within the Minneapolis-St. Paul metropolitan area for the purpose of performing its primary obligations to the Plan. Primary obligations include, but are not limited to the following: underwriting, policy issuance and premium collection, claims administration (including adjusting), auditing, loss control, accounting, and billing functions.

SERVICING CARRIER CONTRACT (DRAFT)
Exhibit C - Servicing Carrier Operational Guidelines

Part A. – Policy Issuance Services

Section 1. The Workers' Compensation and Employers' Liability Manuals.

The Servicing Carrier shall administer Plan policies in conformance with the requirements and standards provided in the Workers' Compensation and Employers' Liability Manuals as approved for use in Minnesota by the Commissioner, or as approved for use by members of a licensed data service organization pursuant to Minn. Stat, Sect. 79.62 and related rules, except where such requirements and standards are contravened by Minnesota Statute, rule or by the terms of this document. For the purposes of the guidelines, the manuals include: (A) the Basic Manual for Workers' Compensation and Employers' Liability Insurance; (B) the Workers' Compensation Statistical Plan Manual; (C) the Experience Rating Plan Manual for Workers' Compensation and Employers' Liability Insurance; (D) the Classification Codes for Workers' Compensation and Employers' Liability Insurance; (E) the approved Workers' Compensation and Employers' Liability Insurance Policy and Endorsement Forms; and (F) such other manual(s) designated for use by the Commissioner.

Section 2. Applications. The Servicing Carrier shall receive and accept from the Commissioner's designee for assignments and data collection (A) new applications for workers' compensation and employers' liability coverage, and (B) transfers of assigned risk policies, including binders, riders and endorsements of such new applications and transfer policies.

Section 3. Renewals. The Servicing Carrier shall mail renewal offers to eligible policyholders who have in force policies with the Plan in compliance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any) no less than sixty (60) days prior to expiration. The offer of renewal shall state clearly that coverage will unconditionally lapse if payment is not received on or before the effective date. The Servicing Carrier may propose a more efficient process for the distribution of these materials, subject to the approval of the Plan Administrator and the Department.

Section 4. Payroll Estimates. The Servicing Carrier shall estimate the payroll for all renewal policies in conformance with generally accepted insurance industry practices. The estimate shall incorporate all information normally and reasonably accessible to the Servicing Carrier, including current information submitted by the employer.

A) Renewal Policies. The Servicing Carrier shall utilize payroll estimates based on the most recently conducted audit of policyholder, or on submissions from the policyholder to determine an estimated premium to be collected for the renewal policy period. However, the payroll estimates may be modified during the policy period based upon information obtained during a previous year's audit or other more accurate information.

B) Payroll Adjustments. The Servicing Carrier may routinely increase estimated payroll by 5% (or such other amount approved by the Plan Administrator) for inflation, provided that the increase shall not be made if information submitted by the employer indicates the increase is unwarranted.

C) Division of Payroll. The Servicing Carrier shall divide the payroll of individual employees into more than one classification, or divide total payroll into multiple classifications where the Basic Workers' Compensation and Employers' Liability Manual allows such action in accordance with Minnesota Stat., Sect. 79.211, Subd. 2 and guidelines and rules governing such division of payroll.

D) Employee Status. The Servicing Carrier shall include in its payroll estimates the payments to be made by the employer to persons who, in the Servicing Carrier's judgment, would probably be considered employees for workers' compensation purposes pursuant to the guidelines for distinguishing between employees and independent contractors, or as determined by the Minnesota Department of Labor and Industry or a court. Such payments shall be included notwithstanding that the employer maintains the persons are not employees. The Servicing Carrier shall base its judgment on the statutes, rules, and court decisions which apply to employee and independent contractor status.

Section 5. Rating. The Servicing Carrier shall calculate the premium for all renewal policies according to the most recent rate schedule and rating plan approved or adopted by the Commissioner for the Plan, including any applicable experience modification or merit rating, based on the most recent information available to the Servicing Carrier. Experience modification factors and merit rating factors for Plan policyholders will be developed and maintained by the Commissioner's designee for assignments and data collection.

Section 6. Terms of Coverage. Assigned risk policies shall provide Minnesota statutory Workers' Compensation Coverage (Part One) and Employers' Liability Coverage (Part Two). The Servicing Carrier shall conform with all reasonable instructions concerning terms of coverage as indicated by the Commissioner, the Commissioner's designee for assignments and data collection and/or the Plan Administrator. Should the circumstances of the policyholder subsequently change, the Servicing Carrier may alter the terms of coverage to accommodate such changes, subject to the terms and standards of this section.

A) Effective Time. For new policies, coverage shall be effective as of: (1) 12:01 A.M. the day after the postmark date on the envelope containing the application and deposit premium; or (2) 12:01 A.M. the day after receipt of the application and deposit premium if not postmarked or if made by personal delivery; or (3) 12:01 A.M. on any future date requested. For renewals, coverage shall be effective as of 12:01 A.M. on the date of the prior policy's expiration date.

B) Policy Term. Policies shall provide coverage for one year, unless the Servicing Carrier and the policyholder agree to an alternative term of coverage which complies with the requirements and standards applicable under Part A. - Section 1 of this guideline.

C) Employers Liability. Part Two shall provide the standard limit of liability of \$100,000. The Servicing Carrier may permit a Part Two limit of liability of up to \$1,000,000 if requested by the policyholder.

D) Item 3. No state other than Minnesota may be designated in Item 3 of the policy unless otherwise instructed by the Commissioner.

Section 7. Endorsements. The Servicing Carrier shall attach appropriate endorsements to the policy which are approved for use in Minnesota to effect allowable changes or terms requested by the

policyholder or the agent, to correct clerical errors, or to otherwise bring the policy into compliance with applicable statutes, rules, or other required procedures.

A) Name Change. When the Servicing Carrier receives a written request to change the name of the policyholder on, or add another name to, a policy, the Servicing Carrier shall either (1) amend the policy as requested or (2) issue a new policy after receipt of an assignment letter from the Commissioner's designee for assignments and data collection.

B) Timing. All endorsements shall be issued in compliance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any), as stated within thirty (30) days after receipt of the request for change, subject to the recommendation of the Commissioner's designee for assignments and data collection and/or Plan Administrator, if appropriate.

C) Other-States Endorsement. The Servicing Carrier shall not attach the Other-States Endorsement to any policy issued through the Plan.

D) Experience Modification. If the applicable experience modification or merit rating is not available at the time of policy issuance, the Servicing Carrier shall apply the current modification or merit rating and attach an Experience Rating Modification Factor Endorsement. When the experience modification or merit rating becomes available, premium shall be adjusted in accordance with the rules, and the employer notified of the adjustment.

E) Federal Programs. The Servicing Carrier may attach endorsements to provide coverage under "Program I" of the United States Longshore and Harbor Workers' Act or the Federal Employers' Liability Act, as specified in the Basic Manual for Workers' Compensation and Employers' Liability Insurance, unless otherwise instructed by the Commissioner.

F) Maritime. The Servicing Carrier may attach the Maritime Coverage Endorsement to provide coverage for masters and members of the crew of vessels subject to standard limit of liability of \$25,000.

G) Voluntary Coverage. The Servicing Carrier shall not endorse policies to provide Voluntary Compensation Coverage.

Section 8. Terms of Payment. The Servicing Carrier shall require premiums to be paid according to the following terms and conditions:

A) Basic Terms. For policies of less than \$2,000 estimated annual premium, 100% of premium shall be paid in advance. For policies of \$2,000 - \$9,999 estimated annual premium, the employer shall have the option of paying 100% or 50% of premium in advance. For policies of \$10,000 estimated annual premium or more, the employer shall have the option of paying 100%, 50% or 35% of premium in advance. If 50% of premium is paid in advance, the remainder shall be paid in three equal quarterly installments. If 35% is paid in advance, the remainder shall be paid in eight equal installments. All such advance payments shall be credited to the estimated annual premium.

B) Installment Payments. For policies which permit installment payments, the due date for each installment shall be no less than 30 days prior to the period to which the premium applies to allow

time to issue a cancellation for non-payment of premium. The first quarterly payment applies to the second quarter after the policy's inception. The first monthly payment applies to the third month after the policy's inception. If the installment premium payment is not received by the due date, or if received by mail that is postmarked on or before the due date, provided that it is received within ten (10) days after the due date, the Servicing Carrier may continue coverage without a lapse.

C) Volatile Payroll. Notwithstanding the options permitted to the employer under Section 7 (A) above, for policies with estimated annual premium greater than \$2,000 where payroll is volatile and the amount of annual premium is difficult to estimate, the Servicing Carrier shall reduce the risk of underpayment by doing one or more of the following, as appropriate to the size of the potential error in estimation, the type of business, and (if possible) the requests of the employer: (1) permit the same options as provided under Section 7 (A) above, but require the employer to report payroll periodically to the Servicing Carrier such that if large underpayments are indicated the Servicing Carrier may arrange a premium adjustment with the employer; (2) increase the estimated payroll towards the higher portion of the reasonable range of the estimate; or (3) put the employer on a payment plan, subject to interim reporting pursuant to the provisions of Section 7 (E) below, with an initial deposit premium.

D) Guide to Volatility Restrictions. The Servicing Carrier shall exercise its judgment concerning the risk of underpayment and the need for the precautions cited in Section 7 (C) above. In general, seasonal businesses, construction contractors, and other types of employers with volatile payroll commonly require some form of precaution provided that the degree of precaution shall be proportional to the degree of risk; and provided that the type of business is not an absolute indicator of whether precautions are or are not necessary. For example, a contractor who can demonstrate stable payrolls over several years may require few or no precautions. Conversely, if an employer's record shows erratic levels of payroll from year to year, some precautions should be imposed regardless of the industry. The Servicing Carrier may impose any of the precautions cited in Section 7 (C) above on policies of less than \$2,000 estimated annual premium when, in the Servicing Carrier's judgment, such precautions would be cost effective and in the best interests of the Plan.

E) Interim Reporting. Unless otherwise stated in the Servicing Carrier Minimum Performance Standards (and enhancements, if any), the Servicing Carrier may issue a policy on an interim reporting basis requiring either monthly or quarterly payroll report forms. For policies subject to interim reporting, the deposit premium shall be credited to the estimated annual premium. For policies of \$2,000 - \$9,999 estimated annual premium, the deposit premium shall be 50%. For policies of \$10,000 or more estimated annual premium, the deposit premium shall be 25%. The Servicing Carrier shall mail interim payroll report forms no less than five (5) days before the end of the period to be reported. Each report form shall state clearly that it must be returned no later than twenty (20) days after the end of the quarter or month being reported.

If a payroll report is submitted when due, the Servicing Carrier shall bill the employer for the premium indicated as soon as reasonably possible, and no later than thirty (30) days after the end of the quarter or month being reported. The interim premium payment shall be due twenty (20) days after the billing is sent. If a payroll report or interim payment is not submitted when due, the Servicing Carrier shall mail such additional notices as the Servicing Carrier considers appropriate; provided that when payroll reports or interim payments become delinquent to a significant extent the Servicing Carrier shall bill the employer. The Servicing Carrier's best estimate of earned premium due, such that if the premium is not paid by the specified due date (and assuming the estimated annual premium is accurate) the

Servicing Carrier shall have time to cancel the policy for non-payment of premium without the Plan being required to extend coverage without premium.

In addition, any employer who fails to meet any due dates for more than two payroll reports and/or interim payments shall be notified by the Servicing Carrier that any further delinquency regarding that policy (1) may cause the policy to be changed to an annual audit basis, with the employer required to pay the Servicing Carrier's estimate of the remaining annual premium (allowing credit for the deposit premium) and (2) may forfeit the employer's right to any form of interim reporting or installment-based payment plan on the next renewal. If this becomes necessary, the Servicing Carrier shall estimate the remaining annual premium sufficiently high to provide reasonable protection against risk of underpayment, considering the nature of the employer's business, and/or continue to require the employer to report payroll periodically.

Section 9. Policy Issuance. After receipt of the initial premium due, the Servicing Carrier shall issue and deliver said new and renewal policies, including any endorsements, to Plan insureds on forms approved by the Commissioner or Plan Administrator.

A) Use of Plan Name. The policy forms, endorsement forms, and other materials used by the Servicing Carrier in its capacity as a Servicing Carrier for the Plan shall be issued on standard forms prescribed by the Commissioner and/or the Plan Administrator.

B) Timing. Policies shall be mailed to the employer in accordance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any) within thirty (30) calendar days after receipt of the initial premium, or ten (10) days after the policy's inception date, whichever is later. The Servicing Carrier may propose a more efficient process for the distribution of these materials, subject to the approval of the Plan Administrator and the Department.

C) Filings. The Servicing Carrier shall submit all required filings to the Commissioner's designee for assignments and data collection concerning the employer's acceptance or rejection of the offer of renewal.

D) Receipt of Premium. Unless otherwise approved by the Plan Administrator, the Servicing Carrier will not issue renewal policies to employers if the initial premium due is not received by the policy's inception date, or if received by mail that is postmarked on or before the policy's inception date, provided that payment is received within ten (10) days after the inception date.

If the renewal payment is not received within the above-referenced ten (10) day grace period but is received within twenty (20) days after the inception date, the Servicing Carrier shall issue a new policy to the employer without requiring the employer to reapply to the Plan. The new policy will be effective as of 12:01 A.M. the day after the payment is received. If the payment is received more than twenty (20) days after the inception date, The Servicing Carrier shall instruct the employer to reapply to the Plan for coverage and shall indicate that the employer will not be accepted if it has an outstanding debt to the Plan.

E) Signature. All Plan policies issued under this document shall bear the signature of an authorized officer of the Plan Administrator, which signature may be a facsimile provided by the Plan Administrator.

Section 10. Agent Relations. For policies with a designated agent of record, the Servicing Carrier shall keep the agent informed of the status of the policy, and consult with the agent as is customary and appropriate in the insurance industry concerning transactions and issues associated with the policy.

A) Information. The Servicing Carrier shall provide the designated agent of record with copies of offers to renew, all information unique to the policy in force, notices of cancellation, and any other correspondence or filings where it is customary and appropriate that the agent be informed.

B) Change of Agent. The Servicing Carrier shall permit the agent of record to be changed, pursuant to a written request from the policyholder, on renewal of the policy only and not midterm. The Servicing Carrier shall not designate an agent of record if the employer fails to name one.

C) Commission. The Servicing Carrier shall pay commission to the agent of record, if any, on all Plan policies issued. The commission shall initially be paid on estimated Annual Premium by the 15th day of the month next following receipt of the deposit premium by the Servicing Carrier. When a policy is endorsed mid-term and results in a change in estimated Annual Premium, the commission shall be adjusted by the 15th day of the month next following the endorsement. If the policy is audited and the earned Annual Premium is less than the estimated Annual Premium, the commission shall be adjusted at the time of the next regularly scheduled commission payment. If the earned Annual Premium is more than the estimated Annual Premium, the commission shall be adjusted at the time of the next regularly scheduled commission payment provided, however, the commission shall not be adjusted if the additional premium is collected by the Plan's collection agency.

D) Return Commission. If the final premium adjustment results in a return premium to the policyholder and a return commission due from the agent, the Servicing Carrier shall draft a check to the policyholder for the full amount of the return premium due and forward the check to the policyholder, and obtain from the agent a refund of the return commission due or offset the amount of the return commission due against other amounts owed to the agent.

E) Removal from Plan. For employers covered through the Plan for ninety (90) days or less, the Servicing Carrier shall not write the policy on a direct voluntary basis or make arrangements for the employer to join a self-insurance pool, until thirty (30) days after giving notice to the agent of record of its intent to offer the employer such a policy or pool membership.

Section 11. Policyholder Relations. The Servicing Carrier shall provide each policyholder with information which is reasonably sufficient to enable it to understand and exercise its rights

Section 12. Initial Information. At the time of each policy issuance, the Servicing Carrier shall provide each policyholder with information which clearly describes: (1) the procedure for filing claims; (2) the terms of payment applicable to the policy, (3) the procedure for auditing payroll and billing or refunding based on final audit; (4) the loss control and safety services available through the Plan; (5) any other information which, in the judgment of the Servicing Carrier, the Commissioner and/or Plan Administrator, would be helpful to the policyholder; and (6) the procedure for obtaining answers to any questions the employer may have about its rights or obligations under the policy. The Servicing Carrier may propose a more efficient process for the distribution of these materials, subject to the approval of the Plan Administrator.

Section 13. Special Issues. The Servicing Carrier shall prepare literature which clarifies or explains in detail certain issues where policyholders' misunderstandings are common, or which would significantly promote the interests of the Plan. Such literature may include: (1) instructions concerning the recordkeeping necessary for accurate payroll reporting; (2) explanations of work classifications, experience modifications, rating, payroll estimation, and similar issues; (3) information regarding subcontractors; and (4) any other issues which the Servicing Carrier, the Commissioner and/or Plan Administrator considers are commonly misunderstood or inadequately understood. The Servicing Carrier shall distribute such literature to employers which it considers may benefit significantly from it, and shall make reasonable and appropriate revisions to such literature at the request of the Commissioner and/or Plan Administrator,

Section 14. Loss & Premium Report. Pursuant to the Servicing Carrier Minimum Performance Standards (and enhancements, if any), the Servicing Carrier shall, within thirty (30) days, comply with the reasonable written requests of a policyholder for a written statement concerning its losses and/or premiums under a current or recent Policy administered by the Servicing Carrier.

Section 15. Certificates of Coverage. The Servicing Carrier shall issue certificates of coverage as soon as reasonably possible, and no later than the time constraints found in the Servicing Carrier Minimum Performance Standards (and enhancements, if any). All certificates shall state whether the policyholder/employer, where applicable, has elected coverage for him/herself

Section 16. Disputes. As deemed appropriate by the Servicing Carrier or as requested by the Commissioner and/or Plan Administrator, the Servicing Carrier shall review with the Commissioner and/or Plan Administrator any complaint or dispute of a policyholder.

A) **Informal Disputes.** Informal complaints or disputes shall be handled by the Servicing Carrier in the ordinary course of business. However, should the MWCARP policyholder or the agent of record continue to disagree with the Servicing Carrier's attempt to resolve the issue, information must be provided to the complainant regarding the formal MWCARP Appeal Process as is described in subsection B of the Section.

B) **Formal Written Disputes – Appeal Procedure.** The purpose of this appeal procedure is to provide a system of recourse for MWCARP policyholders who may disagree with any action or ruling of a Servicing Carrier. In the event the policyholder chooses to challenge the Servicing Carrier for any reason, the following procedures shall apply:

1. **MWCARP Plan Administrator Review.** The policyholder shall submit to the Plan Administrator in writing, notification that they disagree with the Servicing Carrier action. The letter should specifically state the matter being questioned and provide all relevant facts supporting the insured's position. Once received, the Plan Administrator will contact the policyholder to acknowledge receipt of the letter and to detail how the appeal process works. Every attempt will be made to explain the workers compensation system and to gather additional information necessary to assist the policyholder and the Servicing Carrier in resolving the matter. Administrator staff will review the matter, make an initial decision, and advise the insured.

2. **Minnesota Department of Commerce Review.** In cases where the policyholder chooses to challenge the decision of the Plan Administrator, it may request that the Department conduct an additional review of the Plan Administrator's decision and take any action deemed appropriate to comply with applicable law.

Under this procedure, a request for review must be submitted in writing to the Department within thirty (30) days of receipt of notification and of the Plan Administrator's decision. That request should outline the basis for the requested review and the claimed errors or omissions in the decision of the Plan Administrator. The Plan Administrator will forward copies of the documents related to the matter to the Department. The Department will review the facts and make a decision. This investigation may include making verbal or written requests for additional information to the insured and the Plan Administrator.

Following the completion of this investigation, the Department will issue a written decision on the matter.

Section 17. Collections and Delinquencies. The Servicing Carrier shall make reasonable efforts to collect premium due on Policies, and any other money due to the Plan on behalf of Policies issued by the Servicing Carrier. If the Servicing Carrier finds any premium due to be uncollectible after normal and reasonable collection efforts have been made, the Servicing Carrier shall act as provided in subsection (A) or (B) below.

A) Small Delinquencies. On accounts where uncollectible premium due is less than \$100, the Servicing Carrier shall take such further steps to collect or write-off the account as, in the Servicing Carrier's discretion, are warranted and in the best interest of the Plan.

B) Large Delinquencies. On accounts where uncollectible premium due is \$100 or more, the Servicing Carrier shall diligently pursue collection of delinquent accounts until it is determined that the services of a collection agency will be required. The Servicing Carrier shall pursue collection of a delinquent account for no more than sixty (60) days from the billing date. The Servicing Carrier shall place all uncollected large delinquent accounts with a collection agency previously designated by the Commissioner on behalf of the Plan.

C) Service Fee. The Servicing Carrier shall not receive its fee on uncollectible premium which is referred to the designated collection agency for the Plan. However, the Servicing Carrier shall be paid its fee on the amount of premium collected by the designated collection agency for the Plan, net (less) of the collection agency fee. The Servicing Carrier shall report the amount of uncollectible premium referred to the designated collection agency for the Plan on its monthly transactions report. The collection agency fee is a Plan expense.

Section 18. Cancellation.

A) Cancellation Procedures. The Servicing Carrier shall cancel policies only at the request of the policyholder or for non-payment of premium or refusal to permit the completion of a payroll audit, unless otherwise authorized herein or by the Commissioner and/or Plan Administrator. If cancellation is initiated by the Servicing Carrier for non-payment of premium, written notice of cancellation shall be sent

to the policyholder with proof of mailing, permitting thirty (30) days for payment to be made. If cancellation is initiated by the Servicing Carrier for refusal to permit the completion of a payroll audit or for other reasons approved by the Commissioner and/or Plan Administrator, written notice of cancellation shall be sent to the policyholder, with proof of mailing, in accordance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any) sixty (60) days prior to the scheduled date of cancellation. The Servicing Carrier shall act on written requests for cancellation from the policyholder as soon as reasonably possible, and no later than three (3) business days after receipt of the request. The Servicing Carrier shall not honor requests to cancel policies retroactively beyond the date of request except in cases of duplicate coverage. A copy of the notice of cancellation shall be sent to the agent of record, if any, by regular mail. Notice of cancellation shall also be sent to the Commissioner's designee for assignments and data collection, with an indication of the reason for cancellation. Unearned premium shall be returned according to the provisions of subsection (C) below.

B) Third Party Requests for Cancellation. If the written request for cancellation originates from a party making payments on the policyholder's behalf, such as an agent or premium finance company, the Servicing Carrier shall initiate cancellation according to the procedures provided in subsection (A) above only after receiving (1) notice that the policyholder has defaulted on its obligations to the paying party; and (2) evidence that the paying party has obtained any required delegations of authority from the policyholder, such as power of attorney, permitting the paying party to request cancellation.

C) Return of Unearned Premium. Unless the policy was financed by a premium finance company, unearned premium shall be returned to the policyholder, and final earned premium shall be calculated (1) on the basis of a final audit; or (2) if the final audit cannot be conducted within seventy-five (75) days after the effective date of cancellation, on a pro rata basis determined by the Servicing Carrier's best estimate, provided that the policyholder shall pay no less than the minimum premium applicable to the governing classification. If the policy was financed by a premium finance company, unearned premiums shall be returned in accordance with Minn. Stat., Sect. 59A. 12.

D) Non-Payment of Premium. For the purposes of this section, the Servicing Carrier shall initiate cancellation for non-payment of premium: (1) for installment basis Policies, if premium due is not received by the installment due date, or received by mail postmarked on or before the installment due date and not received within ten (10) days after the due date; (2) for interim reporting basis Policies, if any payment is not received by the due date imposed pursuant to Section 8, subsection (E) above, to protect the Plan from being required to extend coverage without premium; or (3) for failure of the policyholder to repay a debt owed to the Plan for a previous policy in accordance with terms established by the Servicing Carrier.

E) Reinstatement. The Servicing Carrier shall reinstate a policy without lapse of coverage if the basis for cancellation is removed (in most cases, payment is received) before the cancellation is to take effect for renewal policies. If the basis for cancellation is removed after the cancellation has taken effect, the Servicing Carrier shall instruct the employer to re-apply to the Plan for coverage and shall indicate that the employer will not be accepted if it has an outstanding debt to the Plan. Any exceptions to this operational guideline must be approved by the Plan Administrator prior to execution.

F) Prior Policy Debts. Unless otherwise instructed by the Commissioner or Plan Administrator, the Servicing Carrier shall not issue a new policy when there is outstanding premium due

the Plan for coverage under a prior policy. The Servicing Carrier shall not issue a renewal policy when there is outstanding premium due the Plan for coverage under a prior policy unless the policyholder has agreed with the Servicing Carrier to repayment terms and is meeting such terms.

G) Non-Premium Cancellation. Minnesota statutes 60A.36 and 79.252 provide several non-premium reasons for cancellation where the policy has been in force for ninety (90) days or more. Such grounds may include but are not limited to the following:

1. Repeated submission by the employer of misleading or erroneous payroll information;
2. Flagrant disregard by the employer of the safety or loss control recommendations of the Servicing Carrier to the significant detriment of the Plan;
3. Refusal to provide information or otherwise cooperate with the Servicing Carrier to the significant detriment of the Plan.
4. Failure to complete the ERM-14 form (if there is an ownership change);
5. Failure to provide a complete business description, ownership information, and/or legal status verification.

SPECIAL NOTE: The Servicing Carrier should aggressively pursue the acquisition of the FEIN number and/or SSN number within the first 89 days of the policy term. Cancellation should be initiated if this information is not provided within the first 89 days of the policy term. Cancellation for failure to provide this information 90 days or more into the policy term is prohibited.

6. Failure to allow a loss control inspection.
7. Failure to complete an adequate payroll audit, as stated in Minnesota statute 79.252 subd. 3a "...persistently refuses to permit completion of an adequate payroll audit". We define this to mean the policyholder has failed to respond to two consecutive written requests for audit.
8. Failure to receive the Premium Finance Agreement is NOT sufficient grounds for initiating cancellation.

Section 19. Electronic Document Request and Delivery. Servicing Carriers shall make available to MWCARP policyholders, agents and others the request and delivery of various MWCARP documents, including policies, endorsements, contact information, Welcome Kits (information required in "Part A – Policy Issuance Services, Section 12 – Initial Information" of this document), Certificates of Insurance documents, and other miscellaneous documents. However, any documents regarding premium billing and payment and/or cancellation (including renewal quotes) must be delivered via statutorily appropriate means in a hard copy format.

While the design and development of any technological system that allows for the delivery of any approved documents is solely at the discretion of the Servicing Carrier, however, each such system must meet the following minimum conditions:

A) Access. At a minimum, any data request system developed by Servicing Carriers must be accessible to the policyholder and the agent of record. At a minimum, requests for any information must require a unique userid and password in order to gain access to the data system. Servicing Carriers will need to incorporate moderate levels of security into their technological system to ensure a reasonable

assurance that confidential information is only shared with the parties that have a right to receive such information. The same level of care, custody, and control that is currently required when sending this information via hard copy from a telephone/fax request.

B) Delivery Options/Changes. Any data request system developed by a Servicing Carrier must allow policyholders to select one of the following options for information delivery:

1. regular U.S. mail; or
2. electronic portal.

Any data request system shall allow the policyholder to change their choice of delivery method at any time, however, agents should be required to utilize the portal, if available.

C) Confirmation of Electronic Delivery. The delivery of electronic policy information to the “portal” will be deemed as delivered and no further confirmation is needed.

D) Legal Requirements. Each Servicing Carrier is responsible for ensuring compliance with any legal requirements associated with the electronic transmission of insurance documents. Such legal requirements that Servicing Carriers should review may include the following:

1. Terms of Use/Privacy Statements
2. Secure Environment for the portal
3. Secure Documents; Encryptions
4. Authentication
5. Authorization
6. E-Signature

E) Timeliness Requirements. Any of the Servicing Carrier’s time-sensitive service activities that are delivered via their data request system must be in compliance with any respective timeliness requirements that may be established in the Servicing Carrier Minimum Performance Standards (and enhancements, if any) or in these Servicing Carrier Operational Guidelines.

Part B. – Medical Cost Containment Services

Section 1. 24-Hour Telephone Line. As provided in the Servicing Carrier Minimum Performance Standards (and enhancements, if any) the Servicing Carrier shall maintain a 24-hour toll-free telephone line, appropriately staffed for purposes of disseminating information regarding the medical services available under the Servicing Carrier’s medical cost containment plan. The Servicing Carrier may provide this service under the same number used to provide claims information.

Section 2. Invoice Review. The Servicing Carrier shall adjudicate all medical invoices. The process will include 1) electronically reviewing each invoice for appropriateness of the charges and billing categories; 2) comparing the charges to the Minnesota approved fee schedule for workers’ compensation.

Section 3. Other Medical Cost Containment Services. The Servicing Carrier shall provide utilization review, case management and other medical cost containment services as described in its Bid Response.

Part C. – Premium Audits

Section 1. General. The Servicing Carrier shall audit Policies in conformance with the requirements and standards provided in the Workers' Compensation and Employers' Liability Manuals, any other guidelines and rules established by the Commissioner and/or Plan Administrator, including the Servicing Carrier Minimum Performance Standards (and enhancements, if any), and the following provisions:

A) Timeliness. Payroll audits shall be completed and recorded on the Servicing Carrier's records, and the final billing or return premium mailed no later than seventy-five (75) days after the cancellation or expiration of a policy issued through the Plan.

Section 2. Physical Audits. The Servicing Carrier shall conduct physical audits according to the requirements below.

A) On Non-Construction Policies the Servicing Carrier shall conduct physical audits; (1) annually on Policies producing an estimated annual net premium of more than \$10,000; (2) at least once every 3 years on Policies producing an estimated annual net premium of \$3,000 - \$10,000.

B) On Construction Policies the Servicing Carrier shall conduct physical audits annually on Policies producing an estimated annual net premium of more than \$3,000.

C) On All Policies less than \$3,000 (1) annually 20% of all policies producing an estimated annual net premium of less than \$3,000 must receive a physical audit, (a) half of the 20% must be **Construction** and (b) half of the 20% must be **Non-Construction**. Physical audits need not be performed on the other 80% of policies, producing an estimated annual net premium of less than \$3,000.

D) Whenever otherwise warranted in the Servicing Carrier's judgment by the type of business, questions concerning the amount of exposure or the accuracy of classifications, or the reliability of previous mail or physical audits.

E) Whenever requested by the policyholder on reasonable grounds.

F) Whenever requested by the Commissioner and/or Plan Administrator.

G) Physical audits may not be performed if there is consistent resistance by the policyholder or other obstacles erected by the policyholder. However, when such situations occur, the Servicing Carrier shall notify the policyholder that it will be in violation of the rules governing the Plan and shall effect cancellation of such policy.

H) If there is reason to doubt the accuracy of the exposure base as reported by the policyholder and a physical audit is resisted, the Servicing Carrier shall cancel the policy as provided in Part A. – Section 18.

I) The Servicing Carrier shall audit by mail all policyholders not audited physically.

Section 3. Division of Payroll. The Servicing Carrier shall divide the payroll of individual employees into more than one classification, or divide total payroll into multiple classifications where the Basic Workers' Compensation and Employers' Liability Manual allows such action in accordance with Minnesota Stat., Sect. 79.211, Subd. 2 and guidelines and rules governing such division of payroll.

Section 4. Employee Status. The Servicing Carrier shall include in its audits the payments made by the employer to persons who, in the Servicing Carrier's judgment, would probably be considered employees for workers' compensation purposes pursuant to the guidelines for distinguishing between

employees and independent contractors, or as determined by the Minnesota Department of Labor and Industry or a court. Such payments shall be included notwithstanding that the employer maintains the persons are not employees. The Servicing Carrier shall base its judgment on the statutes, rules, and court decisions which apply to employee and independent contractor status.

Section 5. Disputes. As deemed appropriate by the Servicing Carrier, or as requested by the Commissioner and/or Plan Administrator, the Servicing Carrier shall review with the Commissioner and/or Plan Administrator any complaint or dispute of a policyholder relating to a premium audit.

Part D. – Loss Control and Safety

Section 1. General. The Servicing Carrier shall provide policyholders with loss control, safety and industrial hygiene surveys, consultations, and related services in conformance with generally accepted insurance industry practices, and according to the specifications contained in this section. Providing such services does not warrant or promise, expressly or otherwise, to the Plan, Commissioner, the Plan Administrator, policyholder, or other persons, that any employer's place of business is free of risk either as to those items specifically surveyed or in general. Each policyholder shall retain and exercise sole responsibility for the institution and administration of its safety and health programs.

A) Mandated Surveys. In accordance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any), the Servicing Carrier shall perform loss control and safety surveys: (1) at least twice annually, spaced no more than six (6) months apart, for policyholders with estimated annual net premium of over \$75,000; (2) at least once annually, spaced no more than eighteen (18) months since the most recent inspection, for policyholders with estimated annual net premium of \$15,000 - \$75,000; (3) whenever otherwise warranted by the circumstances, experience or claims of a policyholder, according to the judgment of the Servicing Carrier; and (4) whenever reasonably requested by a policyholder, the Commissioner and/or Plan Administrator. In conducting loss control surveys for purposes of the safety rating program, the Servicing Carrier shall use procedures established and forms developed by the Commissioner and/or Plan Administrator.

B) Survey Procedures. In accordance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any), loss control and safety surveys shall include but are not limited to: (1) a description of operations for classification purposes; (2) an appraisal of the policyholder's loss potential; (3) an appraisal of the policyholder loss control activities; (4) recommendations for loss control activities to be undertaken by the policyholder, if any; (5) recommendations for continuing service; and (6) comments concerning the compliance of the policyholder with outstanding recommendations provided on the basis of past surveys.

C) Recommendations. The Servicing Carrier shall promptly transmit its recommendations and findings to the policyholder as required in the Servicing Carrier Minimum Performance Standards (and enhancements, if any).

D) Review of Claims Records. The Servicing Carrier shall review a policyholder's claims records to facilitate analysis of accident causes and to identify accident trends.

E) Small Employers. The Servicing Carrier shall develop, promote, and make available literature, seminars, or other methods for educating employers with estimated annual net premium of less than \$15,000 concerning loss control and safety.

F) Disputes. As deemed appropriate by the Servicing Carrier, or as requested by the Commissioner and/or Plan Administrator; The Servicing Carrier shall review with the Commissioner and/or Plan Administrator any complaint or dispute of a policyholder relating to loss control and/or safety matters.

Part E. – Claims Administration

Section 1. General. The Servicing Carrier shall handle claims and provide related services in conformance with generally accepted insurance industry practices, and in accordance with the Servicing Carrier Minimum Performance Standards (and enhancements, if any) including the following:

A) Initial Action. The Servicing Carrier shall screen all reports of injuries upon receipt. A file shall be established for all reported claims, and the claim shall be assigned to a qualified adjuster within two working days of receipt.

B) Lost Time Claims. For lost time accidents, the Servicing Carrier's staff shall initiate personal or telephone contact with the three primary parties involved within one (1) working day from the time assigned. Such accidents shall be investigated promptly as to the severity of injury, the potential extent of disability, compensability, jurisdiction, and/or liability actions. The Servicing Carrier shall administer the claim at all times in conformity with the requirements of Minn. Stat. Chapter 176.

C) WCRA Liaison. The Plan is a member of the Workers' Compensation Reinsurance Association (WCRA) and will periodically review its business to determine the appropriate retention limit. The Servicing Carrier shall be the Plan's claim contact for the WCRA for policies issued by the Servicing Carrier. The Servicing Carrier shall comply with the WCRA's plan of operation with regard to the claim contact including reporting large claims and coordinating handling of large claims.

D) Investigation. The Servicing Carrier's investigation of claims shall be substantially completed within fourteen (14) days after notice of the injury, in accordance with Minn. Stat. 176.221. Unless inappropriate, investigations shall include, but are not limited to: (1) timely contact with the injured employee, the employer and witnesses to verify details of the accident; (2) timely contact with the treating medical provider(s) to determine history, diagnosis, treatment, prognosis, return-to-work date, and causal relationship; (3) verification of the average wage; and (4) preparation of a summary report covering items of coverage, accident description, date of injury and first report, liability and medical investigation, subrogation potential, compensability judgment, and recommendations for future handling.

E) Reserving. The Servicing Carrier shall establish timely and accurate estimates of the amounts expected to be paid for each reported accident. All estimates should be made in consideration of the WCRA retention limit applicable to the Plan and reserves should be established in an amount that is gross of the applicable WCRA retention limit. The Servicing Carrier shall (1) revise estimates promptly to reflect additional information received concerning the status of a claim; (2) employ tables prescribed by the Minnesota Department of Commerce in setting estimates on pension, fatal, and permanent total

cases; (3) examine estimates for accuracy on an ongoing basis, or when requested by the Commissioner and/or Plan Administrator, and modify estimates as necessary.

F) Denial of Liability. If denial of liability is in order, the Servicing Carrier shall provide prompt notice thereof to the proper parties, including administrative filings where required. The Servicing Carrier shall provide a vigorous defense for non-meritorious claims. All medical bills shall be screened as to the reasonableness of charges and the necessity of treatment. Where questions of liability or reasonableness exist, the Servicing Carrier shall contact the medical provider promptly to explain why payment has not been made, and the time expected to be necessary for completing the investigation. In evaluating the reasonableness of charges and the necessity of treatment, the Servicing Carrier shall consult appropriate reference materials including, but not limited to cost surveys, peer review panels, and other sources of treatment expertise.

G) Settlement. The Servicing Carrier shall settle all contested claims in conformance with Minn. Stat., Chap. 176 and in the best interests of the Plan. To the extent feasible, settlement negotiations shall be conducted promptly after completion of the claim investigation. The Servicing Carrier shall use its discretion to settle contested claims by trial, by hearing or informally. The Servicing Carrier shall base all settlements of permanency or compromise settlements on sound claims judgment consistent with liability and medical evidence developed, in accordance with the statutory benefit structure. Upon concluding any settlement, the Servicing Carrier shall post the file with a settlement report which adequately and accurately explains the basis of the settlement and the propriety of the amounts paid. The Servicing Carrier shall prepare, or if there is outside counsel involved, cooperate in the preparation of, all settlement agreements, forms, correspondence with the Minnesota Department of Labor and Industry, and legal documents necessary to the settlement of claims. The Servicing Carrier shall insure that all cases are prepared prior to conference, hearing, or trial, and shall (1) be completely prepared in the areas at issue, such as coverage, liability, or medical issues; (2) have available all necessary lay and professional witnesses or their depositions; and (3) if the extent of disability and/or permanency are at issue, have available reports, opinions and/or witnesses ready for testimony or deposition

H) Supervision of Recovery. Insofar as appropriate in each case, the Servicing Carrier shall supervise and arrange for the provision of the most appropriate medical and rehabilitation services on behalf of each policyholder. The Servicing Carrier shall take such actions as it considers fitting to insure the promptness, quality and comprehensiveness of health care, for the soonest possible return to health and work by the employee. Such actions shall include, as appropriate: (1) continuing contact with and active liaison among the employer, the injured worker, the medical provider(s), and the rehabilitation provider(s); (2) obtaining independent medical examinations where there are questions of disability, causal relationship, or treatment, or where reports from the treating provider are not forthcoming; (3) if necessary, making activity checks consistent with the length of disability (4) if return to work appears medically infeasible or otherwise unlikely, exploring the availability of return to modified or light work duties consistent with medical restrictions; and (5) arranging vocational rehabilitation in the form of job placement, modified work, alternative work or schooling in compliance with Minnesota statutes and rules.

I) Payment. Where the Plan is liable, the Servicing Carrier shall; (i) manage claims made under the Policies, and where the Plan is liable, make compensation, medical and rehabilitation payments promptly, and in conformance with the requirements of Minnesota statutes and rules.

J) Reimbursements and Subrogation. The Servicing Carrier shall seek recovery for the Plan from the Special Compensation Fund, the Workers' Compensation Reinsurance Association, the Second Injury Fund, or through subrogation in appropriate cases.

K) Legal. The Servicing Carrier shall utilize legal counsel in the defense and settlement of claims in accordance with sound industry practices and in a manner consistent with its practices under prior agreement with the Plan and such policies as may from time to time be established by the Commissioner and/or Plan Administrator. The Servicing Carrier shall endeavor to avoid the unnecessary involvement of legal counsel at the expense of the Plan.

Section 2. Disputes. As requested by the Commissioner and/or Plan Administrator, the Servicing Carrier shall review with the Commissioner and/or Plan Administrator any complaint or dispute of a policyholder relating to a claim.