CONTRACT BETWEEN
COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE OF ADMINISTRATION

AND

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
For
OPTIONAL LONG TERM DISABILITY INSURANCE

THIS Contract executed between The Prudential Insurance Company of America (Prudential), Federal ID Number 22-1211670, and the Commonwealth of Pennsylvania, Commonwealth of Pennsylvania ("Commonwealth"), effective _____.

WHEREAS, the Commonwealth has need for the services of an insuring organization; and

WHEREAS, the Commonwealth issued a request for proposal (RFP) for Voluntary Benefits on December 12, 2006, and Prudential submitted a proposal in response to the RFP; and

WHEREAS, the Commonwealth has the authority to contract for Optional Long Term Disability coverages as specified in law; and

WHEREAS, the Commonwealth has evaluated Prudential's Technical Proposal and determined that the Contractor has available all qualified personnel, facilities, materials and software necessary to provide the voluntary benefits identified in its Proposal.

NOW, THEREFORE, for and in consideration of the foregoing premises and mutual promises hereinafter set forth, the parties hereto agree, with the intention of being legally bound as follows:

A. The following documents attached hereto and are incorporated into and become a part of this Contract:

Attachment A: Standard Contract Terms and Conditions For Services

Attachment B: RFP, including all addenda issued related thereto.

Attachment C:

C-1: Contractor's original technical proposal dated February 23, 2007

C-2: Contractor's Best and Final Offer technical proposal dated August 21, 2007

C-3: Premium Rate Sheets Best and Final Offer dated August 21, 2007

C-4: Performance Standards and Guarantees dated February 13, 2008

Attachment D:

D-1: Disadvantaged Business Submittal dated February 23, 2007

D-2: Disadvantaged Business Best and Final Offer dated August 21, 2007

B. The following paragraphs set out terms and conditions that are supplemental to the terms and conditions set out in Attachment A. To the extent that they may be in conflict with Attachment A, the following terms and conditions take precedent:

1. This Contract shall be effective commencing on the Effective Date as defined in paragraph 1 of the Standard Contract Terms and Conditions For Services and shall terminate on June 30, 2011 unless extended by the Commonwealth Project Office prior to that date.

2. This Contract shall be governed by the laws of the Commonwealth of Pennsylvania and, for all purposes, shall be construed in accordance with those laws and the decisions of the courts of the Commonwealth of Pennsylvania, and shall be binding upon the parties and their respective successors and assigns. No amendment, or modification, of this Contract shall have any force or effect unless it is in writing and signed by the Parties.

3. Prudential will issue a Long Term Disability (LTD) Group Contract Number G-91475-PA and Group Long Term Disability Insurance Certificates (Group Contract), which is acceptable to the Commonwealth. The Group Contract will incorporate the standard terms and conditions under which voluntary benefits will be paid to the employees covered under Prudential's agreement with the Commonwealth. However, notwithstanding any language in any such Group Contract, the language contained in Prudential's Technical Proposal to the Commonwealth's Request for Proposals to provide Optional LTD insurance benefits to Commonwealth employees; in any representations made in writing to the Commonwealth by Prudential; and in this Contract shall be the governing language. Subject to any provisions of the insurance law of the Commonwealth of Pennsylvania, conflicts arising from language contained in such Group Contract shall be resolved in favor of language contained in Prudential's Technical Proposal, any written presentations or representations by Prudential to the Commonwealth, or this Contract.

4. FINANCIAL ARRANGEMENTS

   a. The Group Contract between the Commonwealth and Prudential is fully insured and non-participating. The premium rates to be paid by the Commonwealth to Prudential as noted in Attachment C-3 for the initial two contract years for Optional LTD benefits, specified as the Effective Date through June 30, 2010. No premium rate increase will be allowed during the initial two (2) contract years unless required by law or Pennsylvania Insurance Department regulation. Regardless of the reason for a proposed increase in premium rates, Prudential and the Commonwealth agree to enter good faith negotiation concerning any increase prior to implementation.

   b. Prudential agrees that during the third contact year (July 1, 2010 through June 30, 2011) and should the contract be extended for a fourth and fifth year, any premium rate increases applied in contract years three, four and five, specified as July 1, 2010 through June 30, 2011, July 1, 2011 through June 30, 2012 and July 1, 2012 through June 30, 2013 for Optional LTD benefits will be negotiated in good faith or as

required by law or Pennsylvania Department regulation or unless the amount of increase is altered to an extent that it significantly alters Prudential's risk. Prudential agrees that after the initial two years, rates will be extended for an additional third, fourth and fifth year with any increases subject to the following applicable percentages based on the participation plan levels. If participation is 25% or more, the rates will not increase by more than 15%. If the participation is 15% or more but less than 25%, the rates will not increase by more than 25%. If the participation is less than 15%, the rates will be recalculated. Regardless of the reason for a proposed increase in premium rates, Prudential and the Commonwealth agree to enter good faith negotiation and jointly agree to any premium increase prior to implementation.

c. Payment of premiums will be consistent with the provisions of Attachment B.

5. PERFORMANCE STANDARDS AND GUARANTEES

a. Prudential agrees that, in part, work performed on behalf of the Commonwealth employees will be judged according to performance standards using the specified methods for monitoring those standards and, for failure to meet or exceed the standards, to have the monies specified either deducted from future payments or returned to the Commonwealth as outlined in Attachment C-4.

6. OTHER CLAUSES, TERMS AND CONDITIONS

a. Contractor will mail Certificates to each insured employee.

b. The Commonwealth may, from time to time, adjust incorrect data provided to Prudential. In so doing, the coverage or termination effective date of an employee's insurance may be altered. If the effective date of an employee's coverage is altered to allow retroactive coverage (with the exception of errors and omissions in the enrollment process) and if a covered claim has ensued in the interim, Prudential will pay the claim, minus any applicable premiums owed for

the retroactive coverage. If the effective date of the employee's coverage is altered to allow retroactive termination of coverage, Prudential will extend coverage through the premium paid date and Prudential's legal obligations for claims payment for the terminated insurance shall cease.

c. Eligibility for coverage under this contract ceases when an employee is no longer in an active pay status (working at least 50% of regular full time hours). For purposes of this contract, active pay status includes those periods of leave during which the employee continues to make contributions on behalf of themselves. For purposes of this contract, an employee approved for Optional LTD benefits shall also be considered to be in an active pay status. An employee whose coverage would ordinarily cease because they are no longer in an active pay status (as defined above) but who continues to be an employee within the rules established and so designated to Prudential by the Commonwealth, may continue his/her coverage under this program by paying the premiums. Failure to make the required premium payments on the part of such an employee will be cause for termination of coverage.

d. The Parties agree that all notices pursuant to this Contract shall be in writing and mailed by certified mail, return receipt requested, or by overnight mail, and all other communications shall be in writing and mailed, prepaid first-class, to the following addresses of the respective Parties, or to such other address as may be designated from time to time by the Parties:

To Commonwealth:
Tara Long
513 Finance Building
Harrisburg, PA 17120

To Prudential:
John Hafner
Account Executive
2101 Welsh Road
Dresher, PA 19025

7. INSPECTION AND ACCEPTANCE

a. Acceptance of Contractor's ability to demonstrate satisfactory handling of employee file data transfers will occur in accordance with the Approval Plan ("Plan") submitted by the Contactor and approved by the Commonwealth. Upon approval of the Plan by the Commonwealth it becomes part of this Contract. The Plan will provide for a Final Acceptance Test, and may provide for Interim Milestone Acceptance Tests. Each Acceptance Test will be designed to demonstrate that the Contractor conforms to the requirements of this Contract. Contractor shall notify the Commonwealth when it is ready for acceptance testing. The Commonwealth will not unreasonably delay commencement of acceptance testing.

b. Contractor shall certify, in writing, to the Commonwealth when it is ready for acceptance (hereinafter Acceptance). Unless otherwise agreed to by the Commonwealth, the Acceptance period shall be ten (10) business days for interim milestones, if any, and thirty (30) days for final milestones. On or before the 10th business day for interim milestones or 30th business day for the final milestone, following receipt by the Commonwealth of Contractor's certification of completion of a particular milestone, the Commonwealth shall either: (1) provide the Contractor with Commonwealth's written conditional acceptance of the milestone, subject to the Commonwealth's final acceptance, or (2) identify to Contractor, in writing, the failure of the Contractor to comply with the specifications, listing all such errors and omissions with reasonable detail.

c. Upon Contractor's receipt of the Commonwealth's written notice of rejection, which must identify the reasons for the failure of the completed milestone to comply with the specifications, the Contractor shall have fifteen (15) business days, or such other time as the Commonwealth and Contractor may agree is reasonable, within which to correct all such failures, and resubmit the corrected milestone, certifying to the Commonwealth, in writing, that the failures have been corrected, and that the milestone has been brought

into compliance with the contract. Upon receipt of such corrected and resubmitted milestone and certification, the Commonwealth shall have thirty (30) business days to test the corrected milestone to confirm that they are in compliance with the contract. If the corrected milestone is in compliance with the contract, then the Commonwealth shall provide the Contractor with Commonwealth's Acceptance.

d. If, in the opinion of the Commonwealth, the corrected milestone still contains material failures, the Commonwealth may either:

(1) repeat the procedure set forth above; or

(2) terminate the contract.

8. SIGNATURES

a. The fully executed Contract will not contain "ink" signatures by the Commonwealth. The Contractor understands and agrees that the receipt of an electronically-printed Contract with the printed name of the Commonwealth purchasing agent constitutes a valid, binding contract with the Commonwealth. The printed name of the purchasing agent on the Contract represents the signature of that individual who is authorized to bind the Commonwealth to the obligations contained in the Contract. The printed name also represents that all approvals required by Commonwealth contracting procedures have been obtained.

9. PURCHASE ORDERS

a. The Commonwealth may issue Purchase Orders against the Contract as agreed to by the parties. These orders constitute the Contractor's authority to make delivery. All Purchase Orders received by the Contractor up to and including the expiration date of the Contract are acceptable and must be performed in accordance with the Contract. Contractors are not permitted to accept Purchase Orders which require performance extended beyond those performance time periods specified in the Contract but in no event longer than ninety (90) days after the expiration date

of the Contract period. Each Purchase Order will be deemed to incorporate the terms and conditions set forth in the Contract and nothing in any such Purchase Order shall be construed to alter the terms of the Contract without the mutual agreement of the parties in writing..

b. Purchase Orders will not include an "ink" signature by the Commonwealth. The electronically-printed name of the purchaser represents the signature of that individual who has the authority, on behalf of the Commonwealth, to authorize the Contractor to proceed.

c. Purchase Orders may be issued electronically or through facsimile equipment. The electronic transmission of a purchase order shall require acknowledgement of receipt of the transmission by the Contractor. Receipt of the electronic or facsimile transmission of the Purchase Order shall constitute receipt of an order. Orders received by the Contractor after 4:00 p.m. will be considered received the following business day.

d. The Commonwealth and the Contractor specifically agree as follows:

(1) No handwritten signature shall be required in order for the Contract or Purchase Order to be legally enforceable.

(2) Upon receipt of a Purchase Order, the Contractor shall promptly and properly transmit an acknowledgement in return. Any order which is issued electronically shall not give rise to any obligation to deliver on the part of the Contractor, or any obligation to receive and pay for delivered products on the part of the Commonwealth, unless and until the Commonwealth transmitting the order has properly received an acknowledgement.

(3) The parties agree that no writing shall be required in order to make the order legally binding, notwithstanding contrary requirements in any law. The parties hereby agree not to

contest the validity or enforceability of a genuine Purchase Order or acknowledgement issued electronically under the provisions of a statute of frauds or any other applicable law relating to whether certain agreements be in writing and signed by the party bound thereby. Any genuine Purchase Order or acknowledgement issued electronically, if introduced as evidence on paper in any judicial, arbitration, mediation, or administrative proceedings, will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither party shall contest the admissibility of copies of genuine Purchase Orders or acknowledgements under either the business records exception to the hearsay rule or the best evidence rule on the basis that the order or acknowledgement were not in writing or signed by the parties. A purchase order or acknowledgment shall be deemed to be genuine for all purposes if it is transmitted to the location designated for such documents.

(4) Each party will immediately take steps to verify any document that appears to be obviously garbled in transmission or improperly formatted to include re-transmission of any such document if necessary.

IN WITNESS WHEREOF, the Parties to this Contract have executed it, through their respective duly-authorized representatives, as of the dates written below. Execution by the Commonwealth will be as described in paragraph 1 of Attachment A.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: [redacted] 2/28/08
President or Vice President (Date)

COMMONWEALTH OF PENNSYLVANIA

By: _____
Secretary, Office of Administration

Certification as to Availability of Funds

_____
Comptroller

Approved as to form and legality

_____
Office of Chief Counsel

_____
Office of General Counsel

_____
Office of Attorney General