

**CONTRACT BETWEEN**  
**COMMONWEALTH OF PENNSYLVANIA**  
**GOVERNOR'S OFFICE OF ADMINISTRATION**

**AND**

**AON CONSULTING, INC.**  
**FOR**  
**GROUP AUTO AND HOME INSURANCE**

THIS Contract executed between AON Consulting, Inc. (AON), Federal ID Number 22-2945469 and SRM Vendor Number 317212, and the Commonwealth of Pennsylvania, Commonwealth of Pennsylvania ("Commonwealth"), effective \_\_\_\_\_.

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

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

WHEREAS, the Commonwealth has the authority to contract for Optional Group Auto and Home Insurance coverages as specified in law; and

WHEREAS, the Commonwealth has evaluated AON's Technical Proposal and determined that the AON 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 dated August 17, 2007
- C-3: Premium Rate Sheets Best and Final Offer dated August 17, 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 17, 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. AON will offer through its Subcontractor, Travelers, insurance policies to employees of the Commonwealth, subject to the following provisions, in addition to all other provisions of the Contract. The existence of Travelers as a subcontract shall not change the obligations of AON to the Commonwealth under this Contract. AON will remain responsible to the Commonwealth for provision of all of the services provided under this Contract, and the Commonwealth will look only to AON related to provisions of such services. AON's use of a subcontractor in no way changes the contractual relationship between the

Commonwealth and AON, nor does it alter the responsibilities set out under the Contract.

The language contained in AON's Technical Proposal to the Commonwealth's Request for Proposals to provide voluntary insurance benefits to Commonwealth employees; in any representations made in writing to the Commonwealth by AON; 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 Contract shall be resolved in favor of language contained in AON's Technical Proposal, any written presentations or representations by AON to the Commonwealth, or this Contract. The existence of Travelers as a subcontract shall not change the obligations of AON to the Commonwealth under this Contract.

- (i) Definitions: For purposes of this section, the following definitions apply:

"Travelers" means The Travelers Indemnity Company and its property casualty subsidiaries and affiliates that write insurance for the Affinity Program.

"Affinity Program" means personal automobile and homeowners lines of insurance offered by Travelers to the Affinity Group.

"Affinity Group" means all eligible full-time and part-time employees of the Commonwealth.

- (ii) Subject to its underwriting practices and applicable eligibility requirements, Travelers will offer individual policies of insurance to individuals within the Affinity Group.
- (iii) An individual within the Affinity Group may apply for but is not obligated to purchase insurance from Travelers.
- (iv) Any insurance Travelers issues will be provided through individual policies of insurance. Travelers may terminate any policy in accordance with the terms and conditions of the policy and Travelers' underwriting practices.

(v) Payroll Deduction: In the event that premium is deducted by the Commonwealth through payroll or other account deduction means, the Commonwealth agrees:

(a) Any eligible employee of the Commonwealth may, at the time of applying for coverage with Travelers, authorize the Commonwealth to deduct from his or her paycheck or account, as applicable, amounts owed to Travelers for the policy; and

(b) To remit the funds referenced in paragraph (a), above, to Travelers as soon as practicable from the date it deducts such funds from an individual's paycheck or account. The Commonwealth will: (i) have no property interest in such funds; and (ii) not use such funds for any purpose except as AON may specifically authorize in writing; and

(c) The Commonwealth will, as soon as practicable, notify Travelers of any individual insured under the Program: (i) whose relationship with the Commonwealth ends, or (ii) does not have sufficient monies to allow the Commonwealth to make the proper deduction.

(vi) The Commonwealth must approve the marketing plan for the Affinity Program. The Program will include but not be limited to two annual home mailings to members of the Affinity Group. Once approved, the marketing plan will become part of this contract as though originally included within it.

#### 4. FINANCIAL ARRANGEMENTS

a. The policies issued to employees by Travelers are non-participating. Sample premium rates as of August 2007 are noted in Attachment C-3. Increases or decreases in premium rates are filed by Travelers with Pennsylvania's Insurance Department for approval. AON will notify the Commonwealth when premium rate changes have been implemented and provide sample premium rates as noted in Attachment C-3 as soon as practicable. AON's compensation for its performance pursuant to the Contract is solely

through the receipt of commissions based upon paid premium, as set forth in the Attachments, payable by Travelers.

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

5. PERFORMANCE STANDARDS AND GUARANTEES

- a. AON agrees that, in part, work provided by AON on behalf of the Commonwealth employees, and their dependents will be in accordance with the performance standards set forth in Attachment C-4, with liquidated damages payable as provided therein.
- b. Notwithstanding the foregoing, with respect to the Performance Standards set forth in Attachment C-4, the Commonwealth shall not assess liquidated damages for failure to meet a performance standard in the event of the occurrence of any of the following, with respect to such standard:
  - 1. The Commonwealth has waived the penalty;
  - 2. The failure to meet a performance standard is due to any of the reasons set forth in Paragraph 18 (Force Majeure) of the Standard Terms and Conditions;
  - 3. The action or inaction of the Commonwealth caused the failure or inability to meet a performance standard; or

6. OTHER CLAUSES, TERMS AND CONDITIONS

- a. AON will arrange to have individual policies of insurance mailed to each employee who purchases insurance provided herein.
- b. The Commonwealth may, from time to time, adjust incorrect data provided to AON. In so doing, the employment termination effective date of an employee may be altered. When an employee terminates employment, payroll deductions cease and premiums are billed direct to the employee at home. Termination of employment does not affect the coverage provided by the policy. All premiums paid by the employee through payroll deductions are fully credited to the policy.

c. Eligibility to apply for coverage under this contract ceases when an employee is no longer in an active pay status. 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 and eligible dependents. For purposes of this contract, an employee approved for 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 AON 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 AON:  
Bob Moriarty  
AON Consulting, Inc.  
199 Water Street  
New York, NY 10038

e. Termination

AON may terminate the contract in the event that the relationship between Travelers Indemnity Company and AON is terminated and a replacement agreement is not effectuated to the satisfaction of the

Commonwealth and to the satisfaction of AON with respect to AON's ability to perform the Contract.

## 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 10<sup>th</sup> business day for interim milestones or 30<sup>th</sup> 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. 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.

- 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.

- (3) 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.

10. The Commonwealth acknowledges and agrees that various services to be provided by Aon pursuant to the Contract, including and as set forth in the Attachments, shall be provided by Travelers as Aon's subcontract, including specifically the provision and underwriting of insurance coverage in accordance with Paragraph B.3 of this Contract. The existence of Travelers as a subcontract shall not change the obligations of AON to the Commonwealth under this Contract. AON will remain responsible to the Commonwealth for provision of all of the services provided under this Contract, and the Commonwealth will look only to AON related to provisions of such services. AON's use of a subcontractor in no way changes the contractual relationship between the Commonwealth and AON, nor does it alter the responsibilities set out under the Contract.

11. With respect to the Paragraph 6 of the Standard Terms, products which are used for marketing and other documentary purposes relating to the Contract shall be provided to, and approved by, the Commonwealth prior to distribution to employees of the Commonwealth.

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.

AON CONSULTING, INC.

By:  2/29/08  
President or Vice-President (Date)  
*EXECUTIVE*

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