BEST AND FINAL OFFER
FOR
GROUP AUTO AND HOME INSURANCE PROGRAM
FOR
EMPLOYEES
OF THE
COMMONWEALTH OF PENNSYLVANIA

COST SUBMITTAL

Presented by

Aon Consulting

August 17, 2007

Section 10. Cost Submittal

The information requested in this Part II, Section II-10 shall constitute the Cost Submittal. The Cost Submittal shall be placed in a separate sealed envelope within the sealed proposal, separated from the technical submittal. The total proposed cost shall be broken down into the following components for each insurance product proposed.

Provide a rate card(s) detailing biweekly rates for each product offered, as described in Part I and Part IV. Age means Insured's age as of January 1 for the year insurance is elected. Rates proposed must represent the amount paid by employees who authorize payroll deductions and employees or spouses/dependents who utilize direct bill. For Gender, Annual Salary, and Age of employees eligible under the RFP, please refer to Appendix F. Additional information is available at http://www.workforcereport.state.pa.us.
Tables 18 and 19 of the Workforce Report provide information regarding occupational groupings.

If proposing any of the following benefits, please base your biweekly rates on the following cost units:

- *Life Insurance*
  - *Employee* *per $1,000 of insurance*
  - *Spouse* *per $1,000 of insurance*
  - *Child* *per $1,000 of insurance*

- *Long Term Disability (LTD)*
  - *Per $100 of covered payroll*
- *Long Term Care (LTC)*
  - *Per $10 of daily benefit allowance (DBA)*

a) *Please see Appendix D – Sample Rate Card for format information. Please adhere to this format as closely as possible. Rate card(s) should also be provided in spreadsheet format (Microsoft Excel or similar).*

Group Auto and Home Insurance Program

Travelers has provided annual premium quotations for auto and home insurance based upon the sample specifications contained in "Insurance Facts for Pennsylvania Consumers."

To help confirm that Travelers offers competitive rates in Pennsylvania, included in the rate chart are the premiums charged by State Farm, the market leader in Pennsylvania with a 17% market share.

Auto Coverage Specifications (based on Pennsylvania's "Your Guide to Auto Insurance Premiums"):

Bodily Injury	$50,000/$100,000
Property Damage	$25,000
Medical Payments	10,000
Uninsured/Underinsured Motorist	$50,000/$100,000 (unstacked)
Comprehensive	$100 deductible
Collision	$500 deductible
Full Tort	no restriction on right to sue

Driver and Operating Specifications:

- Married male, age 35, is only operator (assume optimum credit score, if needed)
- Experienced operator, no accidents, no violations in 3 years
- Insured by another company
- 2004 Ford Taurus SE, 4 door sedan
- Driven to work 5 miles one way, 12,000 miles per year
- Dual front air bags, anti-lock brakes, passive anti-theft device

Zip Codes for Annual Premium:

Zip Code	Location	County	Travelers* Annual Rate	State Farm** Annual Rate
15027	Conway	Beaver	**$432**	$788
15122	Pittsburgh	Allegheny	**$490**	$764
15301	Washington	Washington	**$458**	$764
15370	Waynesburg	Greene	**$434**	$851
15425	Connellsville	Fayette	**$458**	$851
15501	Somerset	Somerset	**$454**	$741
15522	Bedford	Bedford	**$446**	$777
15627	Derry	Westmoreland	**$466**	$794
15665	Manor	Armstrong	**$446**	$826
15728	Clymer	Indiana	**$454**	$826
15825	Brookville	Jefferson	**$438**	$783
15834	Emporium	Cameron	**$440**	$804
15853	Ridgway	Elk	**$442**	$804
15931	Ebensburg	Cambria	**$432**	$741
16001	Butler	Butler	**$470**	$764
16101	New Castle	Lawrence	**$424**	$788
16125	Greenville	Mercer	**$420**	$826
16314	Cochranton	Crawford	**$468**	$826
16353	Tionesta	Forest	**$450**	$804
16365	Warren	Warren	**$438**	$804
16373	Emlenton	Venango	**$460**	$826
16501	Erie	Erie	**$538**	$813
16648	Hollidaysburg	Blair	**$440**	$777
16652	Huntingdon	Huntingdon	**$426**	$777
16701	Bradford	McKean	**$422**	$804
16823	Bellefonte	Centre	**$400**	$679
16830	Clearfield	Clearfield	**$434**	$783

Zip Code	Location	County	Travelers* Annual Rate	State Farm** Annual Rate
16901	Willsboro	Tioga	**$478**	$804
16915	Coudersport	Potter	**$430**	$804
17013	Carlisle	Cumberland	**$390**	$649
17042	Lebanon	Lebanon	**$432**	$649
17044	Lewistown	Mifflin	**$404**	$679
17059	Mifflintown	Juniata	**$402**	$679
17068	New Bloomfield	Perry	**$402**	$679
17101	Harrisburg	Dauphin	**$458**	$649
17201	Chambersburg	Franklin	**$402**	$679
17233	McConnellsburg	Fulton	**$434**	$777
17325	Gettysburg	Adams	**$408**	$679
17401	York	York	**$444**	$649
17601	Lancaster	Lancaster	**$414**	$736
17701	Williamsport	Lycoming	**$430**	$679
17745	Lockhaven	Clinton	**$402**	$679
17801	Sunbury	Northumberland	**$424**	$679
17821	Danville	Montour	**$414**	$679
17837	Lewisburg	Union	**$398**	$679
17842	Middleburg	Snyder	**$410**	$679
17901	Pottsville	Schuylkill	**$430**	$794
18040	Easton	Northampton	**$432**	$794
18101	Allentown	Lehigh	**$538**	$794
18229	Jim Thorpe	Carbon	**$476**	$794
18324	Bushkill	Pike	**$556**	$910
18344	Mount Pocono	Monroe	**$532**	$910
18431	Honesdale	Wayne	**$478**	$910
18503	Scranton	Lackawanna	**$460**	$794
18657	Tunkhannock	Wyoming	**$430**	$804
18701	Wilkes-Barre	Luzerne	**$474**	$883
18801	Montrose	Susquehanna	**$466**	$804

Zip Code	Location	County	Travelers* Annual Rate	State Farm** Annual Rate
18825	Jackson	Columbia	**$484**	$679
18848	Towanda	Bradford	**$442**	$804
19007	Bristol	Bucks	**$642**	$913
19064	Springfield	Delaware	**$584**	$1,009
19102	Philadelphia	Philadelphia	**$928**	$1,568
19380	West Chester	Chester	**$544**	$972
19401	Norristown	Montgomery	**$662**	$959
19601	Reading	Berks	**$582**	$794

* Travelers rates include a 5% group discount and a 2% payroll deduction discount.

** State Farm Mutual Automobile Insurance Company rates are taken from "Your Guide to Auto Insurance Premiums," which is found on the Pennsylvania Insurance Department Website.

Average Auto Rates for Market Leaders in Pennsylvania from "Your Guide to Auto Insurance Premium" on the Pennsylvania Insurance Department Website:

Carrier	Market Share	Average Rate*	Travelers' Savings
1. State Farm Mutual	17.0%	$792	42%
2. Erie Exchange	13.0%	$612	25%
3. Allstate F&C	11.0%	$645	29%
4. Nationwide Mutual	9.0%	$651	30%
5. Progressive Halcyon	4.9%	$612	25%
6. Travelers	1.6%	**$458**	- -
7. Liberty Mutual	1.2%	$938	51%

* All rates used in the comparison are the lowest rates shown for the carrier based on the specified coverages, including full tort elector. Rates are current as of 6/7/06 according to the Pennsylvania Insurance Department Website. Travelers' rates are current as of 8/07.

Homeowners Coverage Specifications (based on Pennsylvania's "Your Guide to Homeowners Insurance"):

Example 1. HO-3, $150,000 frame dwelling 10 years old, smoke alarm, $500 deductible, replacement cost coverage on dwelling and contents, no prior losses, $100,000 Liability, $1,000 Medical Payments.

Example 2. HO-4, $30,000 contents with replacement cost in frame multi family house, smoke alarm, $500 deductible, no prior losses, $100,000 Liability, $1,000 Medical Payments.

Zip Codes for Annual Premium:

			Travelers Annual Rate*	
Zip Code	**Location**	**County**	**Example 1**	**Example 2**
15027	Conway	Beaver	$370	$146
15122	Pittsburgh	Allegheny	$326	$139
15301	Washington	Washington	$386	$170
15370	Waynesburg	Greene	$394	$130
15425	Connellsville	Fayette	$404	$141
15501	Somerset	Somerset	$343	$145
15522	Bedford	Bedford	$337	$139
15627	Derry	Westmoreland	$331	$142
15665	Manor	Armstrong	$376	$137
15728	Clymer	Indiana	$352	$142
15825	Brookville	Jefferson	$399	$137
15834	Emporium	Cameron	$386	$134
15853	Ridgway	Elk	$386	$134
15931	Ebensburg	Cambria	$330	$139
16001	Butler	Butler	$354	$159
16101	New Castle	Lawrence	$407	$137
16125	Greenville	Mercer	$404	$154
16314	Cochranton	Crawford	$361	$149
16353	Tionesta	Forest	$399	$146
16365	Warren	Warren	$365	$141
16373	Emlenton	Venango	$405	$135

			Travelers Annual Rate*	
Zip Code	**Location**	**County**	**Example 1**	**Example 2**
16501	Erie	Erie	$376	$158
16648	Hollidaysburg	Blair	$337	$127
16652	Huntingdon	Huntingdon	$327	$137
16701	Bradford	McKean	$386	$139
16823	Bellefonte	Centre	$309	$139
16830	Clearfield	Clearfield	$372	$141
16901	Willsboro	Tioga	$354	$159
16915	Coudersport	Potter	$376	$137
17013	Carlisle	Cumberland	$321	$127
17042	Lebanon	Lebanon	$285	$125
17044	Lewistown	Mifflin	$327	$137
17059	Mifflintown	Juniata	$327	$137
17068	New Bloomfield	Perry	$356	$137
17101	Harrisburg	Dauphin	$321	$127
17201	Chambersburg	Franklin	$275	$125
17233	McConnellsburg	Fulton	$338	$173
17325	Gettysburg	Adams	$299	$127
17401	York	York	$275	$125
17601	Lancaster	Lancaster	$297	$125
17701	Williamsport	Lycoming	$343	$142
17745	Lockhaven	Clinton	$326	$139
17801	Sunbury	Northumberland	$325	$135
17821	Danville	Montour	$337	$139
17837	Lewisburg	Union	$326	$146
17842	Middleburg	Snyder	$325	$135
17901	Pottsville	Schuylkill	$394	$135
18040	Easton	Northampton	$301	$125
18101	Allentown	Lehigh	$342	$125
18229	Jim Thorpe	Carbon	$393	$137
18324	Bushkill	Pike	$394	$139
18344	Mount Pocono	Monroe	$429	$139
18431	Honesdale	Wayne	$408	$146

Zip Code	Location	County	Travelers Annual Rate* Example 1	Example 2
18503	Scranton	Lackawanna	$379	$139
18657	Tunkhannock	Wyoming	$417	$146
18701	Wilkes-Barre	Luzerne	$353	$141
18801	Montrose	Susquehanna	$407	$146
18825	Jackson	Columbia	$413	$156
18848	Towanda	Bradford	$399	$149
19007	Bristol	Bucks	$643	$166
19064	Springfield	Delaware	$427	$161
19102	Philadelphia	Philadelphia	$860	$254
19380	West Chester	Chester	$365	$158
19401	Norristown	Montgomery	$410	$176
19601	Reading	Berks	$269	$125
Average Annual Premium			$370	$143

* All Travelers' quotes assume 5 miles to nearest fire station, 1,000 feet from nearest hydrant. For Example 1, assume home built in 1997. For Example 2, assume 10 unit building built in 2004.

Note: State Farm is the largest homeowners writer in the country with 22.2% market share. Travelers has a 4.2% market share and is the 5th largest writer. Based on the "Your Guide to Homeowners Insurance Premium" on the Pennsylvania Insurance Department Website, State Farm's average homeowners rate is $602 and its average tenant's rate is $101. Travelers recently reduced their Homeowners rates an average of 1.7% in Pennsylvania. This reduction is not included in the above rates. **Travelers' average rate for homeowners is 39% less than State Farm's and 42% higher for tenants insurance.**

a) *What has been your average Loss Ratio (paid and incurred) for voluntary insurance services over the past three years? Provide individual Loss Ratio (paid and incurred) information for each insurance product proposed.)*

Product	Loss Ratio
Group Auto and Home Insurance	52%, 59%, 62% (auto), 67%, 35%, 52% (home)

b) *What has been your average expense ratio for voluntary insurance services over the past three years? Provide individual expense ratio information for each insurance product proposed.*

Product	Expense Ratio
Group Auto and Home Insurance	36% (auto), 37% (home) in 2005

c) *How will renewals be calculated and how will they be handled?*

Renewals will be automatically issued by The Travelers. Auto and Home policies are issued at least 30 days prior to the renewal date. The carrier is under no obligation to renew the policies, although less than 1% of policies are non-renewed due to underwriting reasons. Premiums for a renewal are based on the rates in-force at the time of the renewal.

d) *Indicate if the firm will provide a rate guarantee for three years. If the firm is willing to guarantee the rate for longer, please specify.*

Product	Rate Guarantee
Group Auto and Home Insurance	Rates are guaranteed for the policy period

e) *Termination Charges. The Commonwealth will not agree to the inclusion of termination charges as may be assigned to policy holders as part of this contract.*

There are no termination charges for any of the products that are offered.

f) *Broker Costs. Please indicate the overall percentage of premium costs allocated to broker costs (fees). In addition, please break out the percentages of broker cost allocated to the following categories, where applicable (and as needed):*

i. *Wages (Direct Labor)*
ii. *Labor Overhead*
iii. *Travel/Subcontractor Travel*
iv. *Subcontractor Costs*
v. *Supplies/materials*
vi. *Other Direct*
vii. *General Overhead*
viii. *Subcontractor Overhead*
ix. *Equipment*
x. *Audit*
xi. *Facilities*
xii. *Fee (Profit)*

If broker costs vary by product offering, please provide separate cost break-outs for each product proposed.

Aon Consulting will receive compensation from The Travelers as follows:

Product	Total Compensation	Aon's Compensation	Partner/Subcontractor
Group Auto and Home Insurance	3% of Premium	2.7% of Premium	.3% of Premium

Aon does not break out its internal costs so we are unable to provide any percentages of broker costs allocated to the various categories.