**Appendix 6**

**Program Requirements**

1. **Administrative Requirements**

Administrative responsibilities are currently divided among the Department, the Contractor, State Payroll Centers and Employers participating in the Program. Individuals, local Employers and State agencies are responsible for initial eligibility determinations, enrollment, collection and remittance of premiums, annual update of premium/coverage amounts, and submission of requests for premium waivers.

The Contractor’s responsibilities shall include, but not be limited to, the following administrative duties for the operation of the Program. These responsibilities apply to both the State and Local Plans unless otherwise stated.

1. **Enrollment**

**The Contractor shall:**

1. Process applications for Program insurance, including verification of eligibility and coverage amount; request corrections if necessary and notify Employers and the Department of effective date and amount of coverage.
2. Process and underwrite late enrollments, including requests to add coverage, and communicate results to the Employer, the Employee, and the Department.
3. Process cancellation forms.
4. In a mutually agreed upon time frame and in collaboration with the Department, develop a system permitting WRS participants to enroll in Program insurance coverage electronically.
5. Maintain insurance coverage and premium information for insured Employees and Retired Employees (both State and local).

6. Determine fact of coverage and certify amount of coverage and other required information as delegated by the Department when an insured individual retires, and work with Department staff and Employers to manage and coordinate premium collection and coverage issues related to the transition from active to retiree status.

7. Approve or deny medical evidence when an insured applies for a Living Benefit, and pay the approved benefit and maintain a record of the remaining death benefit.

8. Approve or deny Employee’s medical evidence when an Employee requests a waiver of premiums due to disability and follow up annually on the medical condition of persons whose premiums have been waived due to disability. Those persons approved for a Department-administered permanent disability benefit are exempt from the requirement for medical condition updates.

9. Administer the Life to Health/Long-Term Care Program. The Contractor determines the present value, remits monthly health insurance premiums to the Department and works with the Department staff to ensure that health insurance coverage is properly continued. For long-term care, the Contractor is responsible for remitting monthly long-term care premiums, working with the long-term care provider(s) to ensure that the proper amount of premium is remitted, tracking the balance of the insured’s account, notifying the insured of the remaining balance annually and assisting in the transition to another premium source when the account is depleted. For more information see <https://etf.wi.gov/publications/et2325/direct>.

10. Provide individual policies for persons eligible to convert group coverage upon termination of employment; maintain a supply of conversion brochures for distribution to eligible Employees; process conversion applications and bill for premium.

1. **Premium Reporting/Membership Information**

**The Contractor shall:**

1. Maintain a billing and membership information system for State and local Employees and provide on-line access to State and local Employers participating in the Program to view their Employee’s insurance information; provide authorized Department staff with on-line access to all Employee coverage and premium records. Such system must accommodate both the needs of State agency payroll personnel and Program requirements for accurate and complete membership and premium billing and payment information.

2. On an annual or semi-annual basis, direct-bill certain Retired Employees and other former Employees who cannot pay group insurance premiums by deduction from their WRS annuity.

3. Bill State and local Employers monthly for Employer premiums, via paper bill or electronically. Administer (notify, bill, and collect) back-charges, refunds and late payment penalties as necessary, and notify the Department of all Employers who pay late.

4 Assist the Department in transitioning an insured from active to retiree status. Tasks include certification of Post-Retirement Insurance coverage, determination of premium amounts, notification to the Employer, the insured, and the Department, coordination of premium collection between the Employer and the Department and adjustments resulting from changes in retirement date, prior year earnings reporting, etc.

5. Conduct an annual renewal census for State and local Employers to update coverage and premium information for each insured Employee.

6. Provide the Department with an annual ingest file to automatically update premium deduction and coverage amounts for Annuitants who have life insurance premiums deducted from their annuities.

7. Perform a monthly comparison of the Contractor’s premium and coverage records with the Department’s annuity deduction records and provide to the Department. Report any discrepancies to the Department and work with the Department to resolve.

**C. The Contractor’s Membership Information/Billing System Must Contain, at a Minimum, the Following Information:**

* 1. The full name, social security number or member ID number, and address of each insured and formerly insured Employee and Retired Employees.
  2. The member’s gender, date of birth, date of hire, and employment status (Active or Retiree).
  3. The member’s Employer(s).
  4. The types of coverage the member elected.
  5. The amount of coverage for each type of coverage.
  6. The date through which premiums have been paid.
  7. The dates of any change to coverage or other updates.
  8. Social Security numbers may be incorporated into the insured’s data file and may be used for identification purposes only and not disclosed or used for any other purpose. The Contractor must always keep a record of Social Security numbers for providing data and other reports to the Department or its authorized contractors and track the unique employee identification number that is assigned by the Department and/or Payroll Center. Any costs incurred by the Department because of Contractor’s failure to comply with this requirement shall be paid by the Contractor.
  9. For each Employer, the Contractor’s system must:

a. Contain Employer address.

b. Contain the insured’s gender, date of birth, date of hire, and employment status (Active or Retiree).

c. Be capable of retrieving a list of current insured Employees of that Employer.

d. List the insured’s total coverage in force and premium collected for each coverage level.

**D. Claims Administration**

**The Contractor shall:**

1. Administer and pay claims for life insurance, Living Benefits, AD&D Insurance, Aviation AD&D Insurance. (As delegated by the Department, the Contractor receives notice of death and is responsible for verifying enrollment, coverage, amount of insurance and beneficiary using the Department’s records and the Contractor’s records. The Contractor provides death notices and located beneficiaries to the Department. The Contractor provides all service pertaining to the investigation, approval, or denial of claims, makes claims payment to the beneficiary(ies) and notifies the Department as to the disposition of each claim.)
2. Document, certify, and audit death claims using the Department’s paper and electronic records.
3. Notify the Department of deaths reported to the Contractor by parties other than the Department to confirm no accounts receivable balance is to be withheld from the life insurance payment.
4. Hold the life insurance payment if notified by the Department of the need to recover funds and pay the Department funds as instructed.
5. Identify unpaid claims for which no beneficiary is found and make every reasonable effort to locate beneficiaries including the use of locating services and provide a list of unclaimed life insurance policies to the Department to be posted to the Department’s internet site with periodic updates as claims are paid or additional unclaimed policies are identified.

**E. Promotional Materials and Forms**

**The Contractor shall:**

1. Issue to the Department in a mutually agreeable format certificate-booklets setting forth the provisions of the policy to which the Employee is entitled.

2. Submit to the Department for approval, drafts of all literature, forms, or video presentations regarding the Program to be provided to insureds and Employers. All Program literature and other written or visual aids, prepared by the Contractor for use with the Program shall at all times be the property of the Department, and the Contractor shall not obtain or reserve any proprietary or literary rights on its own with respect thereto and, upon request of the Board, shall execute any assignments necessary to release any such proprietary rights.

3. Prepare, submit to the Department for approval, print and deliver in adequate numbers, enrollment applications (approximately 35,000 per year), evidence of insurability applications (approximately 15,000 per year), brochures, informational plan descriptions, and other selected forms for the Program.

4. Work with the Department, other State agencies and local Employers to communicate benefits through bulletins, brochures, benefit fairs, e-mails, web sites and other appropriate channels. (In 2019, seventy benefit fairs were held around the State. The Contractor will be required to attend the majority of the annual benefit fairs.)

5. Develop and implement a plan for offering the Program to nonparticipating local Employers, including visits, mailings, and customized reports to inform the Employers of plan features and changes, requirements, and estimated costs. The Contractor shall contact or provide every eligible Employer information about the plan to keep them informed of Program procedures and to review current questions.

6. Provide customized promotional materials that are mutually agreed upon by the Contractor and the Department. All costs associated with the design and printing of the promotional materials must be included in FORM I – Cost Proposal Workbook.

**F. Customer Service**

**The Contractor shall:**

1. Cooperate with the Department in preparing additional information for distribution to eligible Employees or Employers as may be necessary for the proper administration of the Program.

2. Provide non-discriminatory services to WRS participant’s that include services for the physically, visually and hearing impaired.

3. Provide adequate access to customer service by telephone, physical office, internet, email or other appropriate means.

4. Conduct surveys to solicit information from WRS participants or Employers and analyze results, upon request by the Board.

5. Provide a toll-free telephone number for customer service for State and local Employers, Department staff and insureds to handle claims and other service related issues.

6. Maintain communications with State and participating local governments regarding Program procedures, billing, coverage issues and questions.

7. Communicate frequently with the Department to review current questions on Program operations, claims and issues.

8. Assist the Department in addressing audit questions. The Contractor will participate in, and cooperate with the Department regarding audits that may be required. See Section 6.0 of RFP Appendix 2 – Department Terms and Conditions.

**G. Reports and Files**

The Contractor shall provide the following reports to the Department. Monthly reports shall be provided to the Department within thirty (30) Calendar Days from the end of each month; quarterly reports shall be provided to the Department within thirty (30) Calendar Days from the end of the calendar quarter.

1. A monthly report for Life to Health and Long-Term Care conversions.
2. Monthly report showing the comparison of the Contractor’s premium and coverage records with the Department’s annuity deduction records and provide to the Department. Discrepancies must be noted.
3. An annual Policy Year report of the financial status of the Program, disclosing value of program Assets, liabilities, analysis of cash receipts and disbursements, and other relevant information as may be reasonably requested by the Department annually, by May 31. A sample of this report and the memo in which it was presented to the Board is provided at <https://etf.wi.gov/boards/groupinsurance/2019/08/21/item7a/direct>.
4. An annual census file showing participant data, including gender, date of birth, date of hire, employment category, coverage amounts, by March 1.
5. An annual contribution file showing the portion of contributions attributed to the Post-Retirement Insurance by Employer, by April 1.
6. Annual data or files needed by the Department in compiling financial statements in accordance with Generally Accepted Accounting Principles, by March 15.An annual recommendation on the next Policy Year’s premium rates for the Department’s concurrence. If acceptable to the Department, the Department will present this recommendation to the Board for approval.
7. A quarterly report on the Contractor’s performance (based on the performance standards listed below).
8. A semi-annual report on the results of Contractor’s satisfaction surveys of participating Employers.
9. Actuarial and administrative studies on the feasibility and/or cost of proposed legislative or procedural changes as requested by the Department.
10. A list of Retired Employees enrolled in the Program, whose premiums are being deducted from their WRS annuity in a format and time frame that is acceptable to the Department.
11. A semi-annual death report.
12. Annually, on a date mutually agreed upon by the Contractor and the Department, a copy of Contractor’s Soc 1 Type 2 and Soc 2 Type 2 reports.
13. Annual audited statement of Contractor’s financial condition certified by an independent certified public accountant within one hundred twenty (120) Calendar Days of the end of the calendar year.

**H. General Administrative Responsibilities of the Department**

**The Department:**

* 1. Maintains all WRS participant and Employer records. These records are accessible as necessary to the Contractor through the following systems:
     1. WEBS (Wisconsin Employee Benefits System) is an on-line data system which is maintained by the Department. WEBS contains extensive information on employment and salary history of WRS participating Employees and inactives, address information for WRS monthly annuitants, and summary information on WRS participating Employers. It does not include individual insurance coverage information.
     2. MyETF - The Department maintains imaged records for Active Employees, inactives and annuitants and for current and former participating WRS Employers. The participating files contain original insurance applications, beneficiary designations, and other items pertaining to WRS participants’ insurance coverage. These files are used by the Department and the Contractor’s staff when a claim arises or the Employee retires, changes Employers, etc. Final determination of a WRS participant’s insurance status often depends on the Department record. The basic workflow system called MyETF is used by Department staff and made available to the Contractor to complete their job duties on-line, respond to member inquiries, and analyze the flow of work in order to improve the service provided to WRS participants and insureds.
     3. BPS - The Benefit Payment System (BPS) is the on-line annuitant ledger that contains the history of monthly WRS payments.
     4. PeopleSoft (referred to by Employers as STAR) is maintained by the Wisconsin Department of Administration and used by the Department for a variety of reasons, including tracking and managing overpayments.
  2. Deducts premiums from annuities of insured Retired Employees under age 65 and remits to Contractor.
  3. In consultation with the Contractor, revises all forms, Employer manuals and brochures as needed. Prints and distributes Employer manuals and selected forms.
  4. Counsels Employees and Retired Employees on their benefits under the Program.
  5. Assists Employers interested in participating in the Program, approves new Employers and responds to Employer questions about Program provisions and requirements.
  6. Reports to the Board on all things related to the Program.
  7. Communicates Program changes.
  8. Oversees the Program.
  9. Administers the appeal process.
  10. The Department will make available to the Contractor access to information in the applicable systems as described below:

# Access to the Department’s Systems

Data within the Department’s information systems may be needed to fulfill the Contractor’s obligations. The Department will provide the minimal access necessary to fulfill the Contract.

The Department has an established infrastructure to support system access by external entities. That infrastructure has implications for the Contractor’s side of the connection. Current infrastructure and its implications are described below.

The Department will maintain connectivity infrastructure at levels current to industry standards for security and performance. The nature of technology ensures that changes to improve the performance and safety of access to the Department’s systems will be made regularly. Changes may entail costs incurred on the part of the Contractor.

## Current Connectivity Approach

The Department has currently deployed a remote access portal running the Citrix Server software. The Contractor will be required to run the appropriate client version of the Citrix software and is expected to stay in sync with the Department’s version.

### Department Responsibilities

The Department shall:

* Maintain the Citrix server, applying all security patches in a timely manner. Patches may need to be coordinated with the Contractor.
* Minimize unscheduled downtime of the Citrix server.
* Respond to and troubleshoot from the server-side connectivity issues that the Contractor may encounter.

### Contractor Responsibilities

The Contractor shall:

* Provide for the Contractor’s staff client machines that will run the Citrix Client software.
  + Machines to run Citrix for the Contractor’s staff must be maintained to meet minimum requirements as specified by the company Citrix. The current requirements can be found at: <https://docs.citrix.com/en-us/citrix-workspace-app-for-windows/system-requirements.html>.
* Maintain the Citrix client software and machines, applying all security patches in a timely manner. Patches may need to be coordinated with the Department.
* Respect and protect the privacy concerns of the data. The Contractor and the Contractor’s representatives:
  + Will not transfer or copy the Department’s data using this Citrix based connectivity.
  + Will not print information from the Department’s systems.
  + Will not take screen images of the Department’s systems’ data.

### Other Infrastructure Notes

* As part of providing the minimum access necessary for the Contractor to fulfil its obligations under the Contract, the Department will not support printing to Contractor-side printers.
* Citrix software implements the concept of an application container. Citrix has named this feature “Workspaces.” A Citrix Workspace will be created for the Contractor to use that will provide only the applications necessary for the activities required under the Contract. Only in the case of a specific business requirement will more access be given.

**II. Financial Arrangement**

**A. Separation of Finances**

The Contractorshall maintain separate and independent financial records for the Assets related to the State Plan for Employees, the State Plan for Retired Employees, the Local Plan for Employees, the Local Plan for Retired Employees, the State Spouse and Dependent Plan, and the Local Spouse and Dependent Plan. Activity for pre-age 65 retirees and post-age 65 retirees shall also be maintained separately.

Assets shall be invested in the general account of the Contractor. (Proposers may suggest a different investment strategy in Tab 3 – Assumptions and Exceptions, of their Proposal. See RFP Section 2.4.2.) The Department may request a transfer of Assets when, in its judgment, a transfer would be in the long-term interests of the Program. The details of the transfer of Assets and its effect on the provisions of the Contract shall be negotiated by the Department and the Contractor at the time a transfer to a segregated account is requested by the Department.

**B. Responsibilities of the Contractor**

**The Contractor shall:**

1. Provide the reports and files specified in Appendix 6, Section I.G – Reports and Files.
2. Perform an annual experience calculation as the basis for the annual Policy Year report, see the example described in Exhibit 7 – Funding Arrangements. Also see the 2018 Policy Year Report at <https://etf.wi.gov/boards/groupinsurance/2019/08/21/item7a/direct>.
3. Immediately upon receipt, credit a percentage of Employee and Retired Employee premium contributions as premiums; credit a percentage of Employer premium contributions intended to pay for current year Employee claims or for Employer Aviation AD&D Insurance as premiums; and, deposit all other Employer premium contributions in a premium deposit fund (PDF) as described in Appendix 6, Section II.F, Reserves. Currently, for the Basic Plan: the Local Plan percentage is 20-40%; the State Plan percentage is 65.25%. For Supplemental Insurance: the Local Plan percentage is 20-40%; the State Plan percentage is 37.25%.

5. Examine and act upon all claims submitted for benefits under the policy/policies for the Program. RFP Exhibit 7 – Funding Arrangements describes the basis for determining the charges against the policy for such claims attributable to a Policy Year.

6. Pay all State premium taxes related to premiums under the Contractor’s policy/policies for the Program as required by [Wis. Stat. § 76.65](https://docs.legis.wisconsin.gov/statutes/statutes/76/III/65), and its successors. RFP Exhibit 7 – Funding Arrangements describes the basis for determining the charges against the policy for such premium taxes attributable to a Policy Year.

7. Annually reimburse the Department for life insurance administrative expenses incurred by the Department in connection with the Program.

8. Reimburse the Department for charges assessed by the Department’s external auditor for services incurred periodically in connection with the audit of the Contractor’s administrative practices and procedures. The Department’s external auditor will bill the Department and the Department will take amounts owed for such services out of amounts the Department owes the Contractor for premiums.

**C. Responsibilities of the Department**

**The Department will:**

1. Annually report to the Contractor the life insurance administrative expenses incurred by the Department in connection with the Program. The Department shall instruct the Contractor as to how to allocate the corresponding expense charges among the plans included in the Program.

2. Annually report to the Contractor the expenses related to the Program, e.g. charges for actuarial services, Department administrative expenses, and expenses related to audits. The Department shall instruct the Contractor as to how to allocate the corresponding expense charges among the plans included under the Program.

3. Forward to the Contractor in a timely fashion all Retired Employee premium contributions required to be paid under the policy. The State Payroll Centers and participating local government Employers will forward to the Contractor all Employee and Employer premium contributions required to be paid under the policy.

**D. Expense Charges**

**The Contractor shall:**

1. Assess an annual expense charge to the Program, described in Appendix 7 – Funding Arrangements, as proposed in RFP FORM I – Cost Proposal Workbook, as agreed to by the Department and the Contractor in the Contract. Contractor shall provide a detailed report to support how the expense charge was calculated.

2. Assess an annual risk charge to the Program. Proposer’s proposed annual risk charge shall be included in Proposer’s RFP FORM I – Cost Proposal Workbook, as agreed to by the Department and the Contractor in the Contract. Contractor shall provide a detailed report to support how the risk charge was calculated.

**E. Stop-Loss Provision**

The financial liability of the Department for claim charges, the State premium tax charge, the Contractor’s expense charge and the risk charge for the Policy Year shall be limited by the stop-loss provision. Contractor’s basis for determining and applying the Policy Year stop-loss limit shall be included in Proposer’s FORM I – Cost Proposal Workbook, see example in RFP Appendix 7 – Funding Arrangements. Final fees shall be agreed to by the Proposer and the Department during contract negotiations and included in the Contract.

**F. Reserves**

Benefits for Active Employees are paid from the Stabilization Reserve. Benefits for pre-age 65 and post-age 65 Retirees are paid first from the contingent liability reserve (CLR), and secondly from the Retiree premium deposit fund (Retiree PDF). For the State Plan, the CLR is zero (and closed) and benefits are therefore paid from the Retiree PDF. For the Local Plan, the CLR has a positive balance and benefits are paid from there rather than from the Retiree PDF. The Local Plan CLR is expected to be depleted in the relatively near future, after which the benefits will be paid from the Local Retiree PDF, and the Local CLR will be closed. Both the CLR funds and the Retiree PDF funds are dedicated exclusively to paying Retiree life benefits and these amounts are not available to support other Program benefits.

In addition to the reserves held for funding purposes described above, claim liabilities are backed by various claim reserves including waiver of premium for disability, incurred but not reported (IBNR), and pending reserves. Please refer to the 2018 Annual Report available at <https://etf.wi.gov/boards/groupinsurance/2019/08/21/item7a/direct> and Appendix 9 – Historical Claims Experience.

**The Contractor shall:**

1. Premium Deposit Fund or PDF

Deposit and hold Employer premium contributions and pre-age 65 experience credits intended to pay for Post-Retirement Insurance claims in a premium deposit fund to the credit of the Department for the purpose of funding future insurance claims and expenses.

2. Contingent Liability Reserve or CLR

Hold experience credits accumulated on Employee insurance plans and designate such as the Contingent Liability Reserve. The CLR along with the Premium Deposit Fund shall be held by the Contractor to the credit of the Department for the purpose of funding future insurance claims and expenses. Authority for accumulation of these funds for this purpose is provided in [Wis. Stat. § 40.03 (6)(e).](https://docs.legis.wisconsin.gov/statutes/statutes/40/I/03/6/e)

At the August 21, 2019 Board Meeting, the Board authorized closing the State Plan CLR and closing the Local Plan CLR after the funds in this reserve have been depleted, which is expected by 2022.

3. Stabilization Reserve

Deposit and hold premiums in excess of charges in a Stabilization Reserve. This reserve is maintained to minimize the impact on the plans in the event of fluctuations in claims experience and to stabilize rates.

4. Disability Claim Reserves

Contractor shall calculate the disability claims reserve in accordance with an actuarial reserve basis adopted by the Contractor and accepted by the Department for as long as the policy is in force. The reserve basis shall be based on a published waiver of premium claim experience study and shall reflect adjustments based on experience among disabled Employees under the Program.

5. Guarantee by Contractor

Contractor shall guarantee the principal amounts of the reserves, including all interest previously credited thereto for as long as the Department’s policy in in force. After cancellation of the policy, the Contractor makes no guarantee regarding the value of the unallocated reserves which will be paid to the Department as described in Appendix 6, Section III.E, Distribution of Unallocated Reserves.

**G.** **Sufficiency of Funds**

**The Contractor shall:**

1. Guarantee that payment of the Policy Year premium of each Policy Year shall be sufficient to provide for all insurance coverage under the Program for Active Employees and pre-age 65 Retirees plus waiver of premium for disability and coverage under the Spouse and Dependent Plan insurance. The Contractor does not guarantee that the funds accumulated for the Post-Retirement Insurance shall be sufficient.
2. Annually perform an actuarial valuation of the insurance plans available under the Program using reasonable actuarial assumptions of interest, mortality, withdrawals and salary scales as recommended by the Contractor and as approved by the Board. Note that this is unrelated to the annual Governmental Accounting Standards Board (GASB) valuations for the Retiree plan, and the Contractor will not be performing the GASB valuations. The Contractor will be required to provide data to the Department and the Department’s actuary for the GASB valuation and work with the Department’s actuary to complete such valuation.
3. The Department and the Contractor shall agree upon the actuarial assumptions for the annual valuation. Annually, the Contractor shall advise the Department of the results of this valuation including both the estimated excess of the present value of future benefits to Retired Employees over the present value of future premiums to be paid by these Retired Employees, and the estimated excess of the present value of future Post-Retirement Insurance benefits to current Employees over the present value of future Employer premiums to be paid on behalf of these Employees.

**H. Interest Credits and Charges**

**The Contractor shall:**

1. On Reserves

Credit interest on Program reserves held by Contractor in accordance with the investment year interest crediting method. See FORM I – Cost Proposal Workbook, Questions Tab, question 2.

1. On Cash Flow

Calculate the interest credits and charges on cash flow each Policy Year. See FORM I – Cost Proposal Workbook, Questions Tab, question 3.

**III. Financial Provisions in the Event of Cancellation of the Policy**

**A. Allocation of Reserves for Continuing Coverage**

If either the Spouse and Dependent Insurance or the Employer Aviation AD&D Insurance is canceled by the Department, either independently or as part of the cancellation of the policy/policies under the Program, the Contractor shall combine the balance of the Stabilization Reserve held for Spouse and Dependent insurance or for Employer Aviation AD&D Insurance with the balance of the Stabilization Reserve held for Employee insurance.

**B. Employees and Retired Employees beyond the Insurance Reduction Age**

If the policy is canceled by the Department, the Contractor shall, subject to the limitations imposed by Appendix 6, Section II.G, Sufficiency of Funds, immediately allocate a portion of the combined CLR, Stabilization Reserve and PDF to provide for insurance on insured Employees and Retired Employees beyond the Insurance Reduction Age on the date of cancellation. Such funds shall continue to be held by the Contractor.

**C. Disabled Employee**

After cancellation of the policy, the premium waiver for disability for Basic Insurance on disabled Employees under the Insurance Reduction Age at the discontinuance of the policy shall continue in effect as provided by the policy. The premium waiver for disability for supplemental and additional insurance on disabled Employees under the Insurance Reduction Age at the discontinuance of the policy shall cease upon their attainment of the Insurance Reduction Age as provided by the policy. Disability claim reserves shall be recomputed on the date of cancellation as described further in Appendix 6, Section II.F.4, Disability Claim Reserves, and any additional amounts required for disability claim reserves as a result of cancellation of the policy shall be included as claim charges in the final annual experience calculation. The disability claim reserves for disabled Employees under the Insurance Reduction Age at discontinuance of the policy shall continue to be held by the Contractor.

**D. Initial Reserve Determination and Financial Accounting**

Upon cancellation of the Program policy, the Contractor shall perform a final accounting for each plan within two (2) to twelve (12) months of the cancellation date, as agreed upon by the Department and the Contractor during Contract negotiations, to determine the reserves to be held by the contractor for claim liabilities incurred prior to the termination date. These liabilities include:

* Future benefits for retirees as of the termination date
* Future benefits for waiver of premium claims incurred prior to the termination date

The Department, its independent actuary and the Contractor shall agree upon the actuarial assumptions for determining these reserves. Any remaining unallocated reserves shall be transferred to the Department within thirty (30) Calendar Days of the final accounting.

**E. Distribution of Unallocated Reserves**

After determination of the portion of the contingent liability reserve, stabilization reserve and premium deposit fund to be retained by the Contractor upon cancellation of the policy as described in the preceding section, the Contractor shall pay the remaining unallocated contingent liability reserve, stabilization reserve and premium deposit fund to the Department within three (3) years, as agreed upon by the Department and the Contractor during Contract negotiations, of the final accounting.

Upon cancellation of the Program policy, the Contractor shall provide the Department with a detailed report of the current Program assets held by the Contractor. As the Contractor sells the assets, the Contractor shall provide the Department with detailed monthly cashflow reports on the sale and transfer of the assets.

**IV. Technical Assistance/Staffing**

The Contractor’s staff shall work with the Department as needed on all administrative matters required for the efficient and effective operation of the Program.

**The Contractor shall:**

1. Develop, revise, and implement Program policies and procedures, under the direction of the Department, as may be required to comply with changes in federal or State law or regulations.
2. Comply with all applicable State and federal insurance laws and administrative rules affecting the operation of the Program.
3. Provide counsel and defense on contested claims. In addition, the Contractor shall work with the Department on all legal matters associated with the Program.
4. Provide counsel and defense for the Contractor when the Contractor has been named as a defendant by a plaintiff. In accordance with [Wis. Stat. § 40.03(3)](https://docs.legis.wisconsin.gov/statutes/statutes/40/I/03/3), this representation shall not extend to the State, Department or Board absent a special, express agreement for that purpose.
5. Within reasonable limitations given its staff and resources, upon the request of the Department, provide assistance to the Department on legal matters associated with the Program, including technical and legal questions that relate to proposed legislation, administrative rule and code changes, Contract changes and Department and Board recommendations.
6. Fully cooperate with the Department and the Board regarding any claim or litigation against any or all of the State, Department or Board regarding a matter pertaining to the Program, including but not limited to providing relevant records, technical assistance and witnesses if necessary, to the defense of such litigation. With respect to any litigation to which the Department and the Board is not a party, the Contractor shall keep the Department and the Board fully apprised concerning particulars of any litigation or threatened litigation directly concerning the Program or benefits thereunder, including settlement discussions. In litigation to which the Department and the Board are not a party, the Contractor shall have sole responsibility regarding any claim or litigation filed by an insured or the insured's beneficiary.
7. Provide all renewal information and attend meetings as determined by the Department.
8. Maintain a claims and service office to adequately serve participating Employers and insured Employees and Retired Employees enrolled in the Program.
9. Designate a "program manager" who shall be available to the Department as needed to confer in person or by telephone regarding current questions on program operations, claims, and unusual problems.
10. Assist any State department or agency, or any local public Employer which is eligible to participate or participates in the Program with such technical, administrative, and other services as necessary for the Employer to offer the Program to its Employees. A response to such request for assistance shall be provided within thirty (30) Calendar Days of the request.
11. Provide staff assistance pertaining to the life insurance program to the Department. Perform tasks and schedule assistance in a mutually agreed upon manner.
12. Provide hardware and software necessary for staff to access the Department’s electronic records and ensure that its staff is trained to use this system to obtain employment, salary, and related information on insureds participating in the Program.
13. Assist in resolving system access issues for the Department including, but not limited to password, authorization problems, slow response time and system down-time.
14. Cooperate with the Department’s designated data warehouse vendor by submitting a standard file on a regular basis, on a schedule to be determined by the Department. Follow the data transmission instructions provided by the Department’s data warehouse vendor, which shall include industry-standard electronic methods via secure internet technology.
15. Cooperate with the Department’s insurance administration system vendor by submitting a standard file on a regular basis, on a schedule to be determined by the Department. (The Department is currently upgrading its administration systems, which will result in the need for the Contractor to interface with the selected solution(s).)
16. Share data and provide strategic coordination with the Department’s contractors and/or third party administrators, such as the Department’s data warehouse vendor, participating health insurers and the Board’s consulting actuary.
17. Perform other duties as agreed upon between the Contractor and the Department which are necessary for the efficient and effective operation of the Program.

**V. Responsibilities of the Department**

1. **Communication**

The Department will assist the Contractor in communicating the provisions of the Program to all Employees eligible to participate or who are participating in the Program. Responsibilities include, but are not limited to the following:

* 1. In consultation with the Contractor, the Department will revise all forms, Employer manuals, and brochures as needed and print and distribute Employer manuals and selected forms.
  2. Counsel Employees and Retired Employees on their benefits under the Program.
  3. Counsel Employers interested in participating in the Program; approve new Employers; respond to routine and unusual Employer questions about Program provisions and requirements.
  4. Publish official notice in its Employer Bulletin on premium rates, statutory or Contract changes, policies and procedures pertaining to the program.
  5. Review and approve or disapprove all descriptive literature, advertising material and visual aids proposed by the Contractor as a means for communicating and presenting the Program to the eligible Employers.

1. **Program Administration**

**The Department will:**

1. Require an Employer seeking group life insurance coverage pursuant to [Wis. Stat. § 40.03(6)(b)](https://docs.legis.wisconsin.gov/statutes/statutes/40/I/03/6/b) or Wis. Stat. § [40.70](https://docs.legis.wisconsin.gov/statutes/statutes/40/VI/70) to adopt and file a resolution under terms and conditions determined by the Board and on forms prescribed by the Department.
2. Maintain records from which may be determined the names of all insured State Employees and Retired Employees. The Department shall make available to the Contractor such information concerning insureds under the policy as may reasonably be considered to have a bearing on the insurance, subject to the provisions of [Wis. Stat. § 40.07](https://docs.legis.wisconsin.gov/statutes/statutes/40/I/07). The records of the Department which have a bearing on the insurance under the policy shall be open for inspection by the Contractor at any time.
3. Maintain WRS participant and Employer records and make these records available as necessary for the administration of the Program, subject to statutory restrictions.
4. Be responsible for making all decisions, or providing the Contractor with the Board’s decisions, that are necessary for the appropriate operation of the Program, including determinations regarding:
   * 1. The classification of any person as being an eligible Employee.
     2. The fact and date of (a) separation of an Employee from service of the state and (b) a status of leave or temporary layoff during which no earnings are received.
     3. The annual earnings of any Employee.
     4. The fact that any insured Employee is entitled to continue insurance under the policy with or without the requirement of any contribution toward premium.
     5. The application of statutes and contract provisions regarding the fact of coverage, whether an Employee is entitled to enroll or to continue coverage after termination of employment, and similar matters.
     6. To the extent not delegated to the Contractor, the review and approval or denial of requests from Employers for enrollment of Employees based on Employer error.
5. Accept and maintain all beneficiary designations and provide proper designation to the Contractor at the time of a claim. When necessary, assist the Contractor to determine eligible beneficiary(ies) under [Wis. Stat. § 40.02(8)](https://docs.legis.wisconsin.gov/statutes/statutes/40/I/02/8). All decisions relating to determination of eligible beneficiary(ies) will be the responsibility of the Department.
6. Administer the appeal process by which interested parties may contest the Department’s determinations related to the Program. These appeals are ultimately decided by the Board.
7. Fully cooperate with the Contractor regarding any claim or litigation against any or all of the Department, the Board and the Contractor including but not limited to providing relevant records, technical assistance and witnesses if necessary, to the defense of such litigation.
8. **Premium Payment and Reporting**

**The Department will:**

1. Require each Employer to remit to the Contractor directly the total monthly premium due for its active insured Employees.

2. Deduct premiums from annuities of insured Retired Employees under age 65 and remit to the Contractor.

1. **Reports**

The Department will provide the Contractor the following reports:

1. Prior-year salary information in electronic format for each Employee of participating local government units by March 1 and each Employee of the State by February 1.

2. Monthly Annuitant premium file.

**VI. State and Federal Tax Reporting Requirements**

The Contractor shall be responsible for preparing and filing all reports required by federal and State taxing authorities including those required for the last year of the Contract and filed the year after the termination of the Contract or any extension thereof.

**VII.**  **Contractor Performance Standards and Penalties**

1. The Contractor shall meet or exceed the performance standards listed below. For each standard not achieved during the Policy Year, the Contractor will be assessed the penalty listed below.

2. Performance standards identified for noncompliance shall be assessed at the close of the Policy Year based on the Contractor’s annual performance results.

* 1. The Department, at its discretion, may waive any penalty.
  2. Penalty amounts assessed shall be accompanied by documentation from the Department identifying the specific area of noncompliance.

c. The Contractor shall have fifteen (15) Calendar Days from the receipt of the Department’s penalty documentation to respond in writing to the Department.

d. The Contractor shall have thirty (30) Calendar Days from date of receipt of the Department’s payment request to pay the amount due.

e. If the Contractor agrees with the facts and penalty amount calculated, the penalty shall be assessed as stated above.

f. If the Contractor disagrees with the facts and/or penalty calculation, the Contractor shall provide a defense or explanation of the issue.

g. If the Department disagrees with the Contractor’s explanation, the Department and the Contractor shall meet within fifteen (15) Calendar Days to resolve the disagreement.

h. In the event of Contract termination, the penalties assessed to the Contractor shall be determined as provided above except that any penalty payment owed to the Department shall be due from the Contractor at the time the assessment of the penalty is resolved.

1. Performance Standards and Penalties

The Contractor shall meet or exceed the performance standards as stated below:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Penalty** | |
|  | **PERFORMANCE Standard** | **For each whole**  **percentage point**  **below the**  **performance standard** | **Maximum**  **Annual Amount** |
| a | Pay 95% of all death and dismemberment claims within ten (10) Calendar Days after receipt of all necessary proof | $20,000 | $100,000 |
| b | Mail 99% of all initial requests for death certificates, verification of beneficiary forms, medical evidence of dismemberment or loss of use forms, and any other required documentation within seven (7) Calendar Days of receipt of Notice of Death (ET-6301) and other documentation from the Department | $10,000 | $50,000 |
| c | Approve or reject 99% of all applications eligible for processing within seven (7) Calendar Days after the receipt of the completed application | $6,000 | $30,000 |
| d | Approve or request additional information deemed necessary for making an underwriting decision on 99% of all applications requiring evidence of insurability within seven (7) Calendar Days after receipt of the completed application | $6,000 | $30,000 |
| e | Make a final disposition of 99% of all evidence of insurability applications (with notification mailed to the applicant) within seven (7) Calendar Days after receipt of all necessary information | $10,000 | $50,000 |
| f | For new waiver of premium disability claims, request additional information for 99% of such claims within seven (7) Calendar Days after receipt of claim | $6,000 | $30,000 |
| g | Make final disposition of 95% of new waiver of premium disability claims within ten (10) Calendar Days after receipt of all necessary information | $8,000 | $40,000 |
| h | Make final disposition of 95% of continuing waiver of premium disability claims within ten (10) Calendar Days after receipt of all necessary information | $6,000 | $30,000 |
| i | Process 95% of all Life to Health applications, amendments, conversions, changes, adjustments and cancellations reported to the Contractor on or before the fifth (5th) day of the month and include such in Contractor’s remittance due to the Department by the twentieth (20th) of that same month (see Appendix 6, Section I.A.9) | $8,000 | $40,000 |
| **Surveys: The Contractor shall conduct a bi-annual satisfaction survey of the State and local Employers that participate in the Program, to include, but not be limited to, questions regarding Contractor’s customer service, Program enrollment, evidence of insurability and claims payments. With respect to the Employer satisfaction surveys, the Contractor shall achieve:** | | | |
|  |  | **For each whole**  **percentage point**  **below the performance standard** | **Maximum**  **Annual Amount** |
| j | 90% customer satisfaction with overall service | $8,000 | $40,000 |
| k | 90% customer satisfaction with processing of enrollments and evidence of insurability | $4,000 | $20,000 |
| l | 90% customer satisfaction with processing of claims | $4,000 | $20,000 |
| m | 90% customer satisfaction with support and training | $4,000 | $20,000 |
| **Reports and Files: The Contractor shall provide the Department with the reports and files listed in RFP Appendix 6, Section I.G, on the timeframe listed in RFP Appendix 6, Section I.G. The penalty for late reports/files shall be as follows:** | | | |
| n | Provide the reports and files required in Appendix 6, Section I.G by the due date specified | $1,000 per day late fee | $5,000 per late report per due date |
| **Implementation** | | | |
| o | All Services shall take effect and be fully operational on the date(s) specified in the implementation plan as agreed upon by the Department and the Contractor | $50,000 for the first day beyond the date specified in the implementation plan agreed upon by the Department and the Contractor; $5,000 for each subsequent day | No limit |

**VIII.** **Record Retention**

In addition to the records retention requirements specified in RFP Appendix 2 – Department Terms and Conditions, the Contractor shall retain information/documents related to the Program according to the Department’s records retention schedules, which may change from time to time. As of the date of this document, those schedules are as listed below:

**RDA #00138 Life Insurance Billing Files:** 7 years after reconciled and audited - Destroy confidential. Includes: monthly premium billings submitted to Contractor by Local Government WRS Employers.

**RDA #0114A Life Insurance Claim Files – Death & Disability (Electronic):** 10 years after claim is paid - Destroy confidential. Includes life insurance claim files for death and disability claims. Claim files consist of various forms and correspondence used in paying out the claim. Per Wis. Stat. § 137.20, the original paper applications will be imaged by the Contractor and subjected to Contractor’s review to ensure the images of these applications are electronically stored correctly and the quality of the images is acceptable. Upon verification of the quality and retention of the electronic images, the paper documents will be kept on site (at Contractor’s location) for two years for audit/quality control purposes and then confidentially destroyed by Contractor.

**RDA # 00139 Life Insurance Annual Renewal Census Files:** 7 years after created - Destroy confidential. Includes: annual renewal census schedule and exception reports which are maintained by the Contractor for the Program.

**RDA # 00117A Life Insurance Underwriting Files:** 10 years after created - Destroy confidential. Includes: Contractor’s underwriting files maintained electronically in Contractor’s imaging system. These files consist of correspondence, underwriting forms, medical records, etc. per Wis. Stat. § 137.20, the original paper applications will be imaged by the Contractor and subjected to review, to ensure the images of these applications are electronically stored and the quality of these images is acceptable. Upon verification of the quality and retention of the electronic images, the paper documents will be kept on site (at Contractor’s location) for two years for audit/quality control purposes and then confidentially destroyed by Contractor.

**RDA # 00037 Life Remittance Reports and Transmittals**: 7 years after reconciled and audited - Destroy confidential: Includes: WRS Employer monthly remittance reports for transmittal of coverage data and funds for the Program.

**RDA # 00076 State Agency Insurance Programs Allocation and Documentation:** 7 years after closed – Destroy. Includes: remittance documents showing allocation of contributions by fund/appropriation resulting from the depositing of State agency life premiums; maintained by month.

**IX. Termination of the Contract**

1. **Contractor Responsibilities Upon Termination** 
   * + 1. In addition to other requirements under the Contract, at the termination of the Contract, the Contractor shall turn over all physical files and all required data pertaining to the Program in an electronic media format, acceptable to the Department, that includes a record layout and data description of the information contained on the electronic media or in an alternative format mutually agreeable to the Department and the Contractor. The Contractor shall release all files and data to the Department or the Department’s designee in a mutually agreeable time frame but in no case later than ninety (90) Calendar Days after notification of nonrenewal of the Contract. The Contractor shall cooperate with both the Department and the new administrator in meeting any reasonable requests.
       2. The Contractor shall provide the Department one final report and file listed in Appendix 6, Section I.G – Reports and Files and for each of the reports and files provide information provided for the period from the last report or file date to the Contract end date within one hundred eighty (180) Calendar Days from the Contract end date.
       3. The Contractor shall provide an independent audit of the Program prepared by a Certified Public Accounting firm that is acceptable to the Board for the business reporting period from the last Program audit to the Contract termination date that provides an audit of all business activities for that period and financial position as of the Contract termination date.