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Daniel E. Fosterling, CPCU  
Treat Underwriting Managers, LLC  
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## West Virginia Offices of the Insurance Commissioner

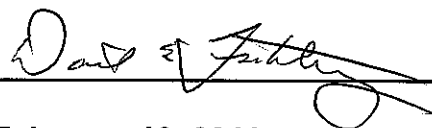
Request for Proposal:  
Workers Compensation Program for State Agencies  
RFP: INS11007

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WV PURCHASING  
DIVISION



February 10, 2011



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Treat Underwriting Managers, LLC

# **Table of Contents**

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▪ Attachment A: Vendor Response Sheet . . . . .	1
▪ Attachment B: Mandatory Specification Checklist . . . . .	2
▪ Purchasing Affidavit: West Virginia Code. . . . .	3

## **Attachment A: Vendor Response Sheet**

### **2.4.1 Goal/Objective 1:**

*To find an Enterprise Risk Management consultant to assist the OIC in formulating an optimal program for addressing West Virginia State Agency Workers' Compensation coverage options. The consultant will be able to fully identify and analyze the unique loss exposures associated with West Virginia State Workers' Compensation. To assist the OIC in both examination and selection of the most appropriate risk retention; purchasing group formation; as well as any others that may be of benefit to the State. Finally, to assist the OIC in selecting and implementing a monitoring program(s) for the selected risk management technique(s) and recommending how to revise the same as necessary.*

### **2.4.1 Vendor Response:**

Trean Corporation has three entities. They are Trean Re which designs, manages and places reinsurance programs for insurance carriers, risk retention groups, self-insured programs and other risk transfer programs. Another entity under the Trean Corporation banner is Benchmark Insurance Benchmark is an A-rated carrier that supports Trean clients as an issuing carrier. Trean Underwriting Managers (TUM) is the third entity of Trean Corporation. TUM provides consulting and program management services to public entities, state funds, state regulators, carriers and self-insured programs on their workers' compensation exposures and program design.

Workers' compensation programs represent approximately 60% of Trean's business. TUM has extensive experience in evaluating and recommending workers' compensation program design that includes retention level analysis, underwriting parameters, claim and return to work programs, appropriate financing of risk and address the unique issues of each program.

Once a program has been implemented, TUM provides program management services to ensure that the program is meeting its goals and is operating effectively for our clients. TUM will provide recommendations for program enhancements and additional value services when needed.

TUM provides advice and counsel to our clients on underwriting, claim, regulatory and operational issues on their workers' compensation programs.

### **2.4.2 Goal/Objective:**

*To find a consultant to assist the OIC who is fully familiar with State and Federal laws and regulations that affect Workers' Compensation coverage for the State of West Virginia and its agencies.*

### **2.4.2 Vendor Response:**

TUM works with clients on a country wide basis. We are very familiar with both state and federal workers' compensation laws and regulations. TUM has several clients that are the workers' compensation regulators in their state. The lead consultant on this response is familiar with West Virginia workers' compensation laws and regulations as he has consulted with some West Virginia clients in the past. TUM currently has clients in 15 states and has had past engagements in the majority of the states. We are well versed in the laws and regulations surrounding workers' compensation.

#### **2.4.3 Goal/Objective 3:**

*To find a consultant to assist the OIC who can analyze the previous and on-going State Agency Worker's Compensation program performance and provide written recommendations including pre-and -post loss goals; loss prevention, reduction, and mitigation strategies, etc.*

#### **2.4.3 Vendor Response:**

TUM has engaged the services of Alan Hapke, FCAS, MAAA as a partner in this project. Our approach will consist of the following:

- The gathering of experience data which will be relevant to and reflective of the expected experience of the future program. This will include evaluation of such data for coding inconsistencies, patterns of claim management, and completeness.
- The estimation of development patterns for both paid and incurred losses and associated loss adjustment expenses. The objective of this step will be to estimate ultimate losses incurred for several of the accident years in the current program. Several methods of estimation will be considered including paid and loss incurred development, IBNR to case reserve relationships, Bornheuter Ferguson methods, and others that we deem useful.
- The ultimate losses will be related to payroll experience collected for the experience period to obtain estimates of loss costs as a percentage of payroll exposures.
- Adjustments for inflationary trends and benefit level changes will be applied to these loss costs estimated from previous experience to obtain estimates of future loss costs that will represent funding requirements for future workers compensation coverage.
- Development of estimated expenses which will be considered in the estimate of funding requirements for future workers compensation coverage.
- Determine appropriate capital funding amounts to support the variation in actual loss cost results from the estimates, based upon the structure and funding process selected by the state of West Virginia.

#### **2.4.4 Goal/Objective 4:**

*To find a consultant to assist the OIC who can compare and contrast State Agency Workers' Compensation plan risk financing options and assist in the selection of the most appropriate techniques(s).*

#### **2.4.4 Vendor Response:**

The comparing and contrasting of risk financing options is done on a daily basis at TUM as we evaluate these issues for our clients and prospective clients. This is a fundamental process that we undergo to provide the best advice and most effective action plans for our clients. We will review for our clients a wide range of options that are potentially viable and will recommend our preferred option with our analysis of why this option is preferred. We are experienced in all risk financing options. We currently have clients with large deductible plans, self-insured plans, high retention plans, risk retention groups, captive companies and first dollar transfer plans. The unique goals and financial needs of our clients dictate which option best fits their needs. The goal of TUM is provide the best analysis and recommendations based on those needs.

**2.4.5 Goal/Objective 5:**

*To find a consultant to assist the OIC in selecting, establishing, administering and evaluating value-added services such as Premium Auditing, Claims Administration, or Return to Work Programs.*

**2.4.5 Vendor Response:**

The value-added functions of premium audit, claims, return to work, managed care, PPO networks, pharmacy programs, loss control and loss prevention plans, and loss data analysis are very important functions for the success of any workers' compensation program. Our clients are very focused on these issues and TUM works closely with them to effectively manage these processes.

TUM will work with our clients to develop these functions either internally through training and mentoring or will find partners to provide these services in a cost effective manner. We do monitor the ongoing effectiveness of these services and will work to improve them when needed. We will provide management reports on these functions to our clients to assist them in the management of their program.

**2.4.6 Goal/Objective 6:**

*To find a consultant who can assist the OIC in developing needed policies and procedures for effective administration and evaluation of the program(s) ultimately developed.*

**2.4.6 Vendor Response:**

Our clients expect that TUM will assist them in the implementation and the ongoing operation of their workers' compensation programs. Our goal is to partner with our clients to make their programs better with continuous focus on how to better operate the program for more positive outcomes. This is important to our clients due to the long tail nature of the workers' compensation exposure. We are committed to this process and would expect our service and advice would be relied on for the effective administration of the West Virginia's State Agency workers' compensation plan.

## **Attachment B: Mandatory Specification Checklist**

*2.5.1 The vendor must demonstrate that it has the training and experience necessary to meet all the project goals and objectives listed in 2.3.*

### **2.5.1 Vendor Response**

TUM consultants have a great amount of experience in workers' compensation issues and programs. The consultants all have industry educational and professional designations and have more than 25 years of industry experience. The attached resumes outline their experience and designations.

(Bios attached )

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## Steve Novak CPCU

### *Vice President*

Steve has over 29 years of experience in the workers' compensation insurance industry with carriers, retail brokers and reinsurance brokers. The last 20 years have active as a consultant to workers' compensation carriers, state funds, and regulators on their issues related to workers' compensation coverage's.

Example projects completed include:

**Nevada State Fund:** Assisted the Nevada monopolistic fund in the transition to a competitive marketplace. Our project focused on strategies and training in marketing, agent relations, underwriting, communications and customer service processes. In a competitive environment the Fund successfully retained significantly more premium than expected due to the implementation of these activities

**West Virginia Workers' Compensation Commission:** Identified strategies to deal with significant financial issues encountered by the State Fund in 2004. Recommendations here formed the basis of a number of reforms enacted in West Virginia in the mid 2000's. A second project assisted the Commission with issues encountered in entering the competitive marketplace in 2008.

**Workforce Safety and Insurance:** This is the monopolistic workers' compensation fund in North Dakota and Steve has been a consultant for them since 1993. Projects include the formation of a licensed carrier in an neighboring state , creating new other states coverage's and the, completion of numerous claim, underwriting and loss control reviews.

**California Department of Industrial Relations:** Part of a study team to evaluate the recent reforms in California workers' compensation statutes. This review was used to validate the reforms and to measure both the intended and unintended results. It was formally presented to the legislature in 2006.

Membership in workers' compensation industry groups include:

Southern Association of Workers' Compensation Administrators (SAWCA)

Associate member since 1997

Appointed Member of the Executive Committee (2002)

Co-Chair of the Self-Insurance and Insurance Committee (2001)

Co-Chair of the Associate Member Committee (2004)

Presenter at Annual Conferences – 2000/2002/2004/2006/2008

American Association of State Compensation Insurance Funds (AASCIF)

Associate member since 1994

Presenter ant All Committee meetings 2004/2008

AmComp member since 2000

Steve received a Bachelor of Arts degree from The University of Minnesota-Duluth and earned the Chartered Property Casualty Underwriter (CPCU) designation.

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**Daniel E. Fosterling**

*Vice President*

Dan has 34 years of experience in the insurance industry primarily in underwriting & underwriting management.

Until from 1976 to 1988 Dan was engaged in a variety of property and casualty underwriting and underwriting management responsibilities with Sentry Insurance Companies and Zurich Insurance Group focused primarily loss sensitive Workers Compensation and General Liability programs for national accounts and special risks.

From 1988 through 1996 Dan took his knowledge of self-insurance structures, unbundled services and catastrophe/excess underwriting to St. Paul Medical Services where he served as Senior Regional Underwriting Manager of Major Accounts, underwriting primarily large health care systems, all of which required a substantial self-insured retention to qualify as a "Major Account".

In late 1996 Dan became Chief Underwriting Officer for HCIF Management Company, a subsidiary of Trean Corporation managing an underwriting pool participated in by a cross section of the most prominent medical professional liability insurers in the country. In that capacity he underwrote Workers Compensation and Professional Liability excess reinsurance. At the same time Dan became Chief Und. Officer for Trean Corporation and was responsible for the development of several worker's compensation programs. This included the development of policies and procedures, licensing & compliance, staff & systems acquisition, etc. as part of launching Work Comp programs for two state dominant health insurers.

In 2000 Trean purchased controlling interest in a regional worker's compensation insurance company, made a variety of structural improvements, and sold the company in 2002 for a substantial return on investment.

In 2003 Trean purchased Benchmark Insurance Company, a national A- rated insurer whose largest line of coverage is Worker's Compensation.

Dan currently serves as Director & Vice President of Trean Underwriting Managers, Director & Vice President of Benchmark Insurance Company, and Chief Underwriting Officer of Trean Corporation. In his capacity at Trean Underwriting Managers Dan serves as a consultant to numerous independent insurers and captive programs

Dan received his Bachelor of Science from the University of Wisconsin and holds the Chartered Property Casualty Underwriter (CPCU), Associate in Commercial Underwriting (AU) and Associate in Reinsurance (ARe) designations. He is a member of the Nevada Commissioner's Property & Casualty Advisory Committee, the Professional Liability Underwriting Society and the American Society of CPCU.



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**Brian John Haas**

*Assistant Vice President of Underwriting*

Brian has 25 years of experience in the insurance industry, all in commercial underwriting with an emphasis on Workers' Compensation and General Liability lines of business. He began his career working in Aetna and since then has worked for several national P&C (Property & Casualty) carriers including Travelers, Kemper and Wausau Insurance (a Liberty Mutual Company). He has worked in both Field and Home Offices in MN, WI and OH.

From 1986 through 1999, Brian worked in several P&C Field Offices in several states and was responsible for underwriting and marketing of all lines of P&C business for assigned agents and brokers, interviewing and training of new employees and staff, wrote articles for national and local company newsletters and served as leader and spokesperson of a company sponsored national user group discussing computer systems and business priorities. He worked in the Wausau Insurance Home Office as a consultant and technical resource to field offices, conducted field office audits, did insurance product development, and served on internal committees to discuss and address insurance issues unique to niche business markets.

Brian first joined TREAN Corporation in 1999. He helped address underwriting issues of both existing and new programs. This included, for example, building a Workers' Compensation program from the ground up for Highmark Insurance in PA and NJ. In 2003 TREAN purchased Benchmark Insurance Company, a national A- rated insurer whose largest line of coverage is Worker's Compensation. Brian currently is an Assistant Vice President of Underwriting. He helps monitor and manage Workers' Compensation and General Liability programs on behalf of Benchmark Insurance Company. His duties include working with both internal and external partners on underwriting issues, accounts, developing guidelines, and conducting audits of programs. He also works closely with other internal and external business units (e.g. Loss Control, Claim, Premium Audit, Marketing and Reinsurance Brokers) to foster and build teamwork and communication.

Brian has a Bachelor of Business Administration (Finance) degree from the University of Notre Dame. He holds the Chartered Property and Casualty Underwriter (CPCU) designation and is a member of the American Society of CPCU. Brian also has obtained the Certified Insurance Counselors (CIC) and Certified Risk Managers (CRM) designations from the National Alliance for Insurance Education and Research. He also holds a Minnesota Property and Casualty Producer License.

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**AI Hapke, FCAS, MAAA, FCIA**

***EVP Streff Insurance Advisor***

AI Hapke began his consulting career in 1991 after a 13-year tenure at Sentry Insurance, where he held various positions in reserving and commercial lines pricing. In 2003, he continued consulting on behalf of Meadowbrook Insurance Group, along with internal pricing and reserving responsibilities as Actuarial Vice President. In 2006, he returned to consulting joining Streff Insurance Services (now EVP Streff). AI is currently the appointed actuary for seven companies or groups and also assists auditors in reviewing the actuarial work for several companies.

AI has a wealth of experience in Workers Compensation over the years as Pricing Actuary for Commercial Lines and National Accounts divisions of Sentry Insurance, a past member of several industry committees:

- National Council for Compensation Insurance (NCCI) Individual Risk Rating Committee
- Massachusetts Workers Compensation Insurance Rating Bureau (WCIRB) Actuarial Committee
- Board of Directors of the Minnesota Workers Compensation Insurance Association (MWCIA)

He is the appointed actuary for several WC carriers and also advises funding and claim liability estimates for self-insurance funds. Additionally, AI assists on public accounting audits of several carriers including those writing WC insurance. He has assisted government entities in the management of their insurance programs, including workers compensation insurance.

AI holds a BS degree in Mathematics and Psychology from the University of Wisconsin – Eau Claire. He received his Fellowship in the Casualty Actuarial Society (FCAS) in 1985 and is a Member of the American Academy of Actuaries (MAAA). He has presented at numerous educational forums including conferences for the CAS, national and regional IASA, NAMIC, and IDMA on the subjects of reserving and data management. AI resides in Stilwell, Kansas in the Kansas City metro area.

*2.5.2 The vendor must provide the OIC with the names and contact information for other clients for whom the vendor has supplied the same or substantially the same services.*

### **2.5.2 Vendor Response**

- Mr. Preston Williams  
Director  
Mississippi Workers' Compensation Commission  
428 Lakeland Drive  
Jackson, MS 39296-5300  
601-987-4207  
[pwilliams@mwcc.state.ms.us](mailto:pwilliams@mwcc.state.ms.us)
  
- Mr. John Halvorson  
COO  
Workforce Safety and Insurance  
1600 East Century Avenue  
Bismarck, ND  
701-328-6016  
[jhalvorson@nd.gov](mailto:jhalvorson@nd.gov)
  
- Mr. Bob Malooly  
Deputy Director  
Washington Department of Labor and Industries  
7273 Linderson Way SW  
Tumwater, WA 98501  
360-701-0951
  
- Mr. John Przedpelski  
Executive Vice President  
LIG Insurance  
400 Kelby Street  
15<sup>th</sup> Floor  
Fort Lee, NJ 07024  
201-720-2102  
[jp@ligmsi.com](mailto:jp@ligmsi.com)

*2.5.3 The vendor must provide the OIC with a detailed defensible work-plan demonstrating how it would address the OIC's needs as outlined in this RFP including specific timelines, as the successful program must be up and running by September 1, 2011. The vendor should estimate how many hours it believes will be necessary to complete the work needed from inception of the contract. The vendor should provide the resumes, experience and training of its key staff. The vendor should prepare a proposed timeline with a compilation of the major phases/activities to be accomplished from inception of the consultant contract to implementation of the program, and include proposed deliverables within the timeline.*

### **2.5.3 Vendor Response**

The work plan for this project will be divided into 4 major steps and decision points. We are anticipating a March 11, 2011 start date for this project. We understand that the select workers' compensation program for West Virginia State Agencies will be effective September 1, 2011.

#### Step 1

##### Review current program

- A. Review exposures by agency with a focus on severity
- B. Claim results (frequency and severity of loss)
- C. Analysis of current reserve levels and potential incurred but not reported development
- D. Current premium levels by agency
- E. Current risk financing strategy and its effectiveness in meeting the needs of West Virginia
- F. Review current use of loss control, return to work, managed care, premium audit, pharmacy program, nurse case managers, and other value-added services
- G. Interview agency staff to learn about the current workers' compensation program and to learn about their needs and wants in regards to workers' compensation issues.
- H. Review current policy and coverage issues
- I. Review current rate structure to determine the relationship between rate and exposure.
- J. Identify high hazard jobs and review any unique services being provided currently to mitigate those exposures.
- K. Provide a discussion on how other similar state agency programs are financed in other states.
- L. Review West Virginia workers' compensation statutes and regulations to understand the scope and potential issues of this program

TUM will provide a written document that will have our analysis of the current program, identify current and potential issues of the current program, and comment on the current level of service the State of West Virginia is receiving on their workers' compensation plan. We will deliver this document and present it to OIC staff by May 16<sup>th</sup>, 2011.

## Step 2

### Develop program goals and financing options

- A. Meet with OIC staff to determine future needs of their workers' compensation program.
- B. Determine the risk appetite of state agencies
- C. Assess the desire to implement aggressive risk management strategies to mitigate exposures and losses.
- D. Identify long term program design issues and exposures
- E. Identify the needs of OIC with a new workers' compensation program
- F. Develop all viable options for risk financing and program management based on our analysis.
- G. Identify the future use of value –added services by the state agencies and how they would access those services.

TUM will present our findings and potential program options to OIC staff by June 15<sup>th</sup>, 2011. We will also provide a written document that outlines the findings and program options with our analysis of each option.

## Step 3

### Recommend the preferred risk financing program to OIC

- A. Provide a recommendation for the preferred risk financing program to OIC
- B. Provide an implementation strategy for the preferred option
- C. Assist OIC in the implementation of the program
- D. Work with OIC to select a vendor to place the strategy in the marketplace if needed.
- E. Work with OIC to meet all regulatory requirements of the select strategy.

TUM will present the preferred option and a recommended implementation strategy by June 1<sup>st</sup>, 2011. The option selected should be fully implemented by August 1<sup>st</sup>, 2011.

#### Step 4

Provide ongoing support and administration after implementation of the risk financing strategy.

- A. Provide professional advice on value-added services and their effectiveness on a semi-annual basis.
- B. Provide support to OIC on an as needed basis as issues arise in the future
- C. Conduct claim and operational reviews on an annual basis
- D. Recommend any revisions to the program as need based on the reviews that are conducted

TUM will provide regular audits of the risk financing and operational areas of the new workers' compensation program for OIC. We will also be available on an as needed basis to OIC staff.

*2.5.4 The vendor must demonstrate its experience in structuring a Workers' Compensation program for at least one State government or other similarly sized project within the past five years.*

#### **2.5.4 Vendor Response:**

Trean Underwriting Managers and Trean Corporation have structured numerous Workers' Compensation programs over the past 15 years. Trean's role has been broad and diverse. In a number of cases Trean was responsible for all elements of program design, arrangements for and evaluation of reinsurance/risk transfer, and program services (underwriting, marketing, accounting, claims management, loss control/ risk management, premium audit and systems. Trean has provided some of these services directly but in most cases have evaluated and assigned vendors that best fit the program requirements. Trean has assisted a number of entities in the formation of insurance companies or self-insured groups. Trean's role may be purely foundational in creating a successful program launch or may involve a long term consulting/service providing relationship. Recent projects include:

- Compstar: Trean has an ongoing relationship with a related captive entity providing contractors liability in California and other western states. In 2010 Trean was engaged to develop a Workers' Compensation program for the same contractor oriented entity. Trean coordinated actuarial evaluations, exposure analysis, third party vendor support for operations, reinsurance support, and marketing requirements. This program incepted October 1, 2010 and as of Feb 1, 2011 has a \$12 million in Workers' Compensation premium. We expect that in a short while this program will generate \$20 million annual premium.
- LIG: LIG is the U.S. insurance subsidiary of the Korean conglomerate LG. Trean Underwriting Managers is constructing a multi-state Workers Compensation program with the client. This includes exposure assessment, pricing development and regularly filing support, reinsurance structure, writing, development and training in underwriting and procedure manuals, selection of third party vendors in systems, claims and loss control. This program is expected to launch in the spring of 2011 and will exceed \$20 million in annual premium.

- Argos: Trean's relationship with this entity began in the late 1990's when the predecessor of Argos was servicing a self-insurance fund in Alabama. Trean facilitated the launch of commercial insurance operations with this client in multiple states. This client formed its own domestic insurance company in Tennessee but relies on third party paper where an A.M. Best rating is required. Trean has an ongoing relationship in risk evaluation, reinsurance selection, compliance and systems evaluation and support and risk assumption via Trean's related entity, Benchmark Insurance Company. Annual premium is \$18.5 million.

*2.5.5 The vendor must demonstrate its experience in managing risk for a large deductible plan, or a self-insured plan, for a State government or other similarly sized project within the past five years.*

#### **2.5.5 Vendor Response**

Trean currently does not work and historically has not worked with any programs or clients who do not retain risk. While the risk retention may be through a self-insured plan or large deductible, it is most often through a first dollar program with a risk assuming captive.

The programs cited in 2.5.4 generally follow that risk retention structure with the exception of LIG who will have all Workers' Compensation premiums written through their licensed insurer. Trean Underwriting Managers have an ongoing relationship with a buyers group of specialized equipment dealers. Originally formed to give small retail dealers negotiating power with equipment manufacturers, dealers raised concerns about the availability of products liability coverage. Trean assisted in the formation of a captive insurance company and commercial insurer partnership where the captive self-insured initially \$250,000 per claim and now \$500,000 per claim. Trean Underwriting Managers has an on-going consulting contract with this entity to provide exposure analysis, rate level analysis, reinsurance structure, filing and other compliance support for a 46 state program. Annual premium is \$19 million.

*2.5.6 The vendor may provide other management consulting services related to this project for the OIC as needed. These additional services may include appearances by personnel of the consultant before legislative and executive bodies or others to respond to questions, give reports, and educate state agencies about the proposed risk management programs. These services may also include the preparation or written reports concerning risk management programs as deemed necessary by the OIC.*

#### **2.5.6 Vendor Response**

TUM has experience in appearing before legislative bodies and presenting our findings and opinions. We do expect in this project that we would do a significant amount of educating and presenting to state agency staff regarding the workers' compensation program needs processes. That educational process is needed to ensure that the state agencies understand and adopt the program goals and outcomes. We are committed to this process to enhance the value and success of the selected program.

*2.5.7 The vendor must identify and briefly describe either your ability to provide any of the following services by your firm, or by contracting the same with a third-party on behalf of your client:*

- 1. Insurance Policy Procurement/Marketplace knowledge and experience*
- 2. Claims Administration Services*
- 3. Establish risk pool participation and funding requirements for the Phase II Program*
- 4. Loss Control Services*
- 5. Return to Work Programs*
- 6. Rating/Underwriting Evaluation/Consulting*

**2.5.7 Vendor Response**

1. Trean has broad nationwide marketplace knowledge and experience and we have been monitoring the West Virginia marketplace in particular since the state ceased to be monopolistic. Trean has extensive experience in and ability to provide policy procurement.
2. While Trean provides claims audit services and has a small staff providing claims services for our affiliated insurance company and one of our self-insured Workers' Compensation clients we have an in-depth knowledge of the third-party claims vendors and are experienced in finding the best fit of local claims expertise and knowledge as well as pricing structure.
3. We anticipate providing an actuarial assessment of the program funding requirements.
4. Loss control services are most economically deployed on a local level and we see our role as identifying those vendors who provide value added services as well as assisting in setting performance standards.
5. We see Return to Work as a critical philosophy to be embraced by the insured or self-insured and a required element of good claims management.
6. As noted, Trean Underwriting Managers have extensive experience in the rating and underwriting evaluation of programs and providing technical consulting services. Our staff would provide the services.



I certify that the proposal submitted meets or exceeds all the mandatory specifications of this Request for Proposal. Additionally, I agree to provide any additional documentation deemed necessary the State of West Virginia to demonstrate compliance with said mandatory specifications.

Trean Underwriting Managers, LLC.  
(Company)

Daniel E. Fosterling, V.P.  
(Representative Name, Title)

952-974-2200 / Fx 952-974-2240.  
(Contact Phone/Fax Number)

09 FEB 11  
(Date)

RFQ No. IPS 11007

STATE OF WEST VIRGINIA  
Purchasing Division

**PURCHASING AFFIDAVIT**

**West Virginia Code §5A-3-10a states:** No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

**DEFINITIONS:**

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

**EXCEPTION:** The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (*West Virginia Code §61-5-3*), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated.

**WITNESS THE FOLLOWING SIGNATURE**

Vendor's Name: Trean Underwriting Managers

Authorized Signature: [Signature] Date: 04 FEB 2011

State of Minnesota

County of Hennepin, to-wit:

Taken, subscribed, and sworn to before me this 4<sup>th</sup> day of February, 2011.

My Commission expires 1-31, 2016.

AFFIX SEAL HERE

NOTARY PUBLIC [Signature]

