

Re: Brokerage/Consulting Letter Agreement

This Letter Agreement for Employee Benefits consulting/brokerage services is made and entered into this 20th day of November, 2012, by and between USI ("USI") and the CITY OF REDLANDS.

1. SERVICES

Our clients reflect a variety of industries and corporate cultures; therefore, we strive to assist each client by customizing our services to meet each employer's specialized needs.

A. Services to be Provided

The outline of the services we shall provide to you are listed below:

Day to Day Administration:

- ☐ Group Benefits Administration support by USI Team
- ☐ Compliance Audit and Ongoing Compliance Review and Support Service for HIPAA, ERISA, FMLA, PPACA, and other State and Federal regulations
- ☐ Technical Bulletins (as appropriate)
- ☐ Seminars sponsored by USI

Renewal Process:

- ☐ Negotiate and report on carrier renewals/proposals
- ☐ Prepare bid specifications and market plans, as needed
- ☐ Use market leverage to obtain competitive quotes
- ☐ Analyze quotes and prepare reports
- ☐ Schedule carrier interviews, as needed
- ☐ Recommend a plan design, funding strategy and carrier(s)
- ☐ Open enrollment meetings, if needed

Other Services Provided to City of Redlands at no additional cost:

- ☐ USI Proprietary Health Care Cost Driver Auditing Platform
- ☐ On Staff Underwriting
- ☐ Quarterly Claims review on experience rated contracts
- ☐ Client Community 24/7 HR/Benefits Portal
- ☐ Employee Communications

B. Existing Insurance Policies

The services to be provided by USI hereunder are provided for the exclusive benefit of CITY OF REDLANDS. The services, recommendations, proposals and information provided by USI are not to be distributed to, used by or relied upon by other parties. Furthermore, if the services to be provided by USI hereunder shall be deemed by CITY OF REDLANDS to apply to any insurance policy/policies that was in effect prior to the effective date of this Letter Agreement, then USI's services shall not be assumed by CITY OF REDLANDS to remedy or resolve any deficiencies in such policy/policies. USI will neither assume

nor accept liability for any deficiencies, errors or oversights inherent in such policy/policies until such time as USI has had adequate opportunity to review such policy/policies and to provide recommendations to CITY OF REDLANDS concerning same.

C. Additional Services

The services described above are the only services to be provided by USI to CITY OF REDLANDS under this Letter Agreement. Any additional services requested by CITY OF REDLANDS, and the corresponding compensation therefore, shall be separately negotiated by USI and CITY OF REDLANDS and described in a written amendment to this Letter.

Notwithstanding the foregoing, to the extent that state law prohibits value added services that are unrelated to the insurance products being sold, this Agreement may be modified so that the scope of services and the corresponding compensation therefor is compliant under state law.

2. BASIS OF COMPENSATION

In consideration of the services provided by USI, USI will be paid commissions that are included in the existing insurance contracts held by CITY OF REDLANDS, as outlined in the RFP response submitted to CITY OF REDLANDS which is attached hereto as Exhibit "A."

In the event of mergers, acquisitions, or other substantial changes in CITY OF REDLANDS's business which result in a material increase in the services required of USI under this Letter Agreement, the compensation set forth above shall be subject to good faith re-negotiation. However, no renegotiation shall be valid until CITY OF REDLANDS signs a written memorandum specifying the additional compensation. In the event that CITY OF REDLANDS requests USI to place new lines of insurance, USI will be entitled to accept commissions on such placements, unless USI and CITY OF REDLANDS modify the compensation payable to USI under this Letter Agreement to take into account the additional services which will be provided to CITY OF REDLANDS.

3. TERM OF CONTRACT

The term of this Letter Agreement shall be for three years from the Effective Date.

4. TERMINATION OF THIS LETTER AGREEMENT

This Letter Agreement may be terminated by either party by prior written notice to the other party of at least thirty (30) calendar days. USI shall be entitled to receive the prorata portion of the services rendered hereunder prior to the date of termination. All Work Product provided by USI to CITY OF REDLANDS pursuant to this Letter Agreement shall be the property of CITY OF REDLANDS. USI will cooperate with new Broker of Record to facilitate an orderly transition of CITY OF REDLANDS's insurance matters and will be reimbursed for any reasonable costs incurred with respect to such transition.

5. REPORTING CHANGES IN EXPOSURE

CITY OF REDLANDS shall promptly notify USI with respect to all material changes in exposures and all changes in loss-related information. USI shall promptly notify the affected insurance companies of such changes.

6. INSURER SOLVENCY

USI does not guarantee the solvency of any insurer with which it places CITY OF REDLANDS's risks.

7. SEVERABILITY

If any part, term, or provision of this Letter Agreement shall be found by a court to be legally invalid or unenforceable, the invalidity or unenforceability of any such provision shall not affect the validity of any other provisions or portion of this Letter Agreement.

8. LETTER AGREEMENT CONSTRUED UNDER STATE LAWS

This Letter Agreement shall be governed by and construed in accordance with the laws of the State of California.

9. USI'S POLICY REGARDING CONTINGENT COMMISSIONS

USI may receive from insurers and insurance intermediaries additional compensation (monetary or non-monetary), which is contingent on volume, profitability or other factors pursuant to agreements USI may have with them relating to all or part of the business USI places with those insurers or through those intermediaries. Such agreements may be in effect with one or more of the insurers with whom CITY OF REDLANDS's insurance is placed, or with an insurance intermediary USI uses to place CITY OF REDLANDS's insurance. Such agreements do not affect or modify in any way USI's responsibilities to CITY OF REDLANDS. USI will be pleased to discuss further details of any contingent compensation agreements pertinent to CITY OF REDLANDS's insurance placements upon CITY OF REDLANDS's request.

Generally speaking, USI will annually receive from the various insurers with which it places risks about 1% to 1.5% of its total annual premium placements as contingent compensation. Historically, such compensation has been computed based upon a variety of factors and variables, including but not limited to the loss history of CITY OF REDLANDS's coverages, the volume of total coverages placed by USI with the insurer, the period of time over which the coverages were placed with the insurer, and other considerations. In any event, the CITY OF REDLANDS is invited to obtain as much detail as it wishes from USI on the computation of the particular contingent compensation applicable to its placement.

10. CHANGES TO BE IN WRITING

This Letter Agreement may be amended only by a written agreement executed by both USI and CITY OF REDLANDS.

11. WAIVERS

The failure of USI or CITY OF REDLANDS to insist on strict compliance with this Letter Agreement, or to exercise any right(s) hereunder shall not be construed as a waiver of any of the rights or privileges contained herein.

12. ENTIRE LETTER AGREEMENT

This Letter Agreement contains the entire understanding of the parties with respect to its subject matter. This Letter Agreement supersedes all prior agreements, arrangements and understandings between the parties, whether oral or written, with respect to its subject matter.

13. RECORD RETENTION

USI will retain its records of all matters relating to this Letter Agreement in accordance with USI's record retention policy, (a copy of which will be made available to CITY OF REDLANDS upon request), and all applicable laws and regulations.

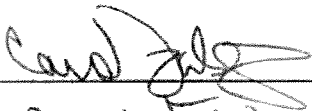
14. OWNERSHIP OF WORK PRODUCT, TRADE SECRETS AND TRADEMARKS

USI and CITY OF REDLANDS shall each retain individual ownership of all materials, ideas, concepts, inventions, discoveries, plans, product names, proprietary information, patents, copyrights, documents, data, programs, training materials, slogans, artwork, research data and results and marketing designs that each provides to this consulting effort (the "Existing Materials"). All Existing Materials shall be subject to the terms and conditions of the confidentiality provisions contained herein. Any and all ideas, concepts, inventions, discoveries, plans, product names, proprietary information, patents, copyrights, documents, data, programs, training materials, slogans, artwork, research data and results and marketing designs (the "Work Product") conceived or developed by or between USI or CITY OF

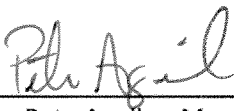
marketing designs (the "Work Product") conceived or developed by or between USI or CITY OF REDLANDS hereunder, to the extent that such Work Product is distinct from the individually-owned Existing Materials, shall become the sole and exclusive property of CITY OF REDLANDS. CITY OF REDLANDS agrees to hereby grant USI an unlimited non-exclusive license to use the Work Product, which license shall include use among USI's affiliates.

Please acknowledge your acceptance of the above terms of this Letter Agreement by signing both the original of this document, and the copy thereof, at your earliest possible convenience, and returning the signed copy to USI.

USI

By: 
Name: Carol Falstrup
Title: Vice President

CITY OF REDLANDS

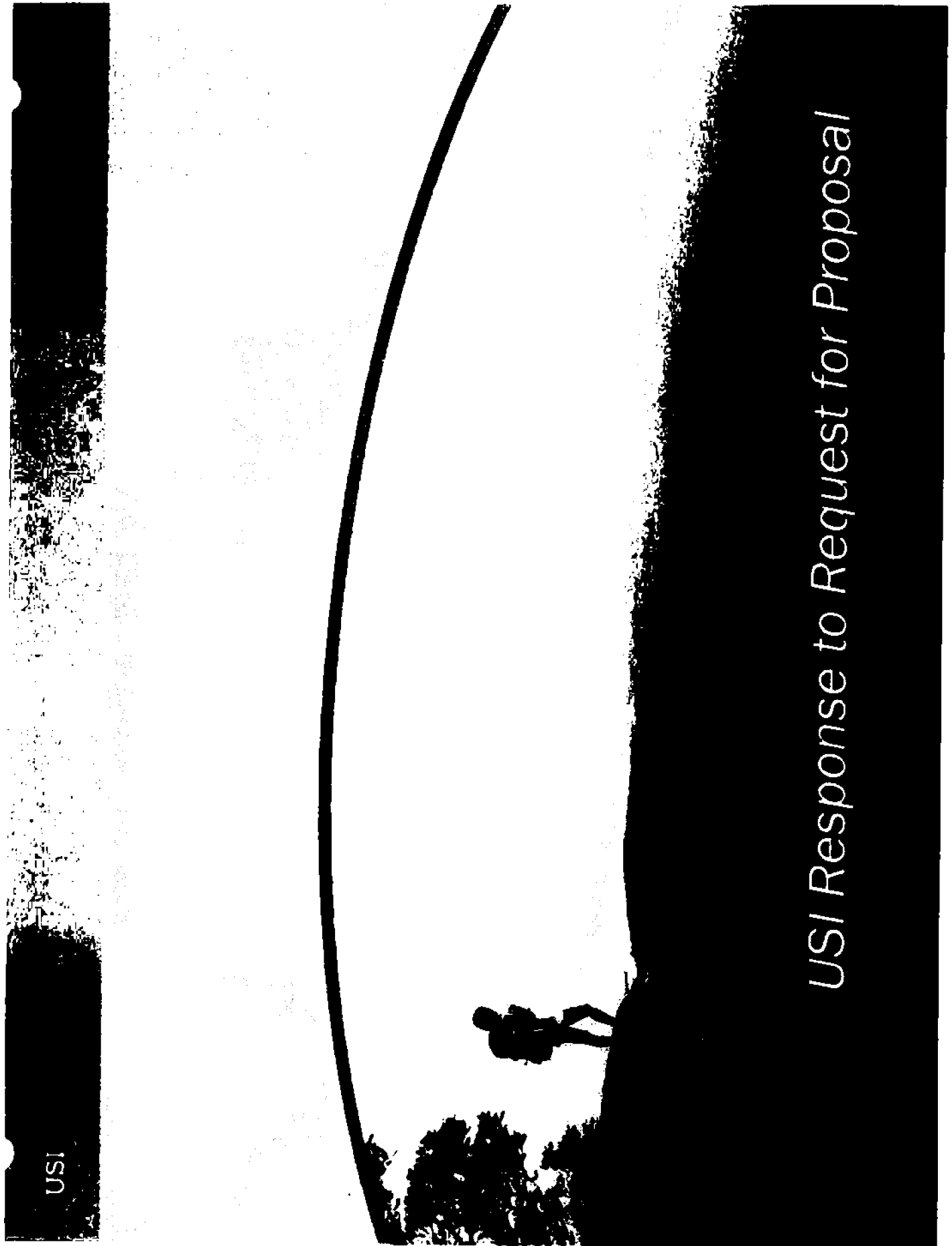
By: 
Pete Aguilar, Mayor

Effective Date: **November 20, 2012**

ATTEST:


Sam Irwin, City Clerk

EXHIBIT "A"



USI Response to Request for Proposal

USI



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USI Proposal In Response To The City of Redlands RFP

a) Names of the persons who will be authorized to make representations for the firm, their titles, addresses and phone numbers.

USI Address: 29A Technology Dr., Irvine, CA 92618, for all parties listed below:

Thom Lewis, President, 818-251-3090

John Nicoli, Executive Vice President, 949-790-9230

Carol Falstrup, MBA, Vice President, 949-790-9415

Tim Gross, Vice President, Underwriter, 949-790-9313

Ken Corizzi, Underwriter, 949-790-9412

Clancy Mendoza, J.D., ERISA and Employee Benefits Attorney, 949-790-9312

Kathy Yurek, Sr. Account Manager, 949-790-9254

Meredith Kramer, Benefit Analyst, 949-790-9205

Nick Myott, Graphic Designer, 949-790-9327

Lauren Kramer, Graphic Designer, 949-790-9424

Shannon Kain, Wellness Specialist, 949-790-9315

Beth Kramer, Wellness Specialist, 949-790-9289

b) A description of the firm, which includes location of the office, staffing level, office hours of operation, background, expertise and experience with public entities.

1. Location of office: USI Address: 29A Technology Dr., Irvine, CA 92618

2. Staffing level: USI is a National Insurance and Financial Services company with approximately 3,500 employees across the US in 80 offices. There are 40 employee benefits specialists in the Irvine office, including team leaders, two staff underwriters, account managers, benefit analysts and communication specialists. Carol Falstrup, Vice President, will continue to have overall account responsibility for the City of Redlands and will manage the support staff assigned to the City of Redlands. Kathy Yurek, Sr. Account Manager will continue to be the key day-to-day contact for the City. Meredith Kramer, Benefit Analyst, has also been assigned to provide administrative support to the team. Tim Gross and Ken Corizzi, our staff underwriters, will provide the actuarial expertise needed on your insured and self-funded programs. Nick Myott and Lauren Kramer, will provide employee communications support for the City. Clancy Mendoza, our local ERISA and Employee Benefits Attorney, will provide counsel on all State and Federal employee benefit compliance issues.

3. Office hours of operation: USI hours of operation: 8:00 a.m. – 5:00 p.m. Monday – Friday

4. Background, expertise and experience with public entities: USI is a National Insurance and Financial Services Company with a team of experts across the country who have experience with public entities. In Southern California, Carol Falstrup has had extensive broker experience working in the Public Sector and specifically working with Cities. Early in her career in 1989, while working for A. Foster Higgins, Carol worked on the CalPERS account for three years, being part of the team that negotiated the annual contracts for each of the benefits programs. Carol also managed the Southern California JPIA health benefits program from 1992 to 2000, which was comprised of approximately 40 cities. The



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program included a combination of self-funded and fully insured medical, dental, vision, life and disability coverages. Carol provided both day-to-day servicing as well as marketing and compliance services to each of the Cities. The program had approximately 2,000 participants. In addition to the JPIA program, Carol also provided service to Cities who were not part of the JPIA program (see under "d" below).

c) The relevant background and experience of the individuals who will be assigned the work on the City account.

As outlined in "b" above, Ms. Falstrup has had extensive experience providing benefits consulting services to Cities and other Public entities. Carol Falstrup will continue to be the lead consultant on the City of Redlands account along with Kathy Yurek. Kathy, who has been on the account since USI was hired by City of Redlands in 2009, has over 20 years of experience in benefits consulting, not only with Public Sector clients, but a broad range of organizations in a variety of industries.

The backgrounds on the rest of the team are included in the proposal binder, under TAB 5, and is part of the USI Capabilities Presentation, entitled "Your USI Team" on pages 5 - 7.

d) Identify similar public entity clients for which insurance brokerage services are being provided or have been provided in the past. Please be specific in describing the services and coverages marketed and provide a list of references with the name and phone number of the individuals to be contacted.

USI is currently managing the benefits program for the City of Redlands, and has done so since early 2009. Details of our achievements were discussed in the Executive Summary, in TAB 1 of the proposal binder. USI is providing consulting services to include: day-to-day servicing, marketing services, renewal negotiations, and extensive compliance review. We have also provided support during union contract negotiations, as it pertains to benefits. USI's resources are robust, allowing us to achieve great results for the City of Redlands.

As stated earlier, Carol worked on the CalPERS program for 3 years early in her career. During her time on the PERS account, she worked on the team that negotiated the contracts with the carriers for PERS. She attended public hearings up in Sacramento, participated in union negotiations as needed, and was part of the team that presented the recommended PERS program for final approval. Carol managed the Southern California JPIA benefits program from 1992 to 2000, as stated in "b 4" above. Ms. Falstrup also managed the benefits for some specific Cities outside of the JPIA program. Specifically, Ms. Falstrup worked with the City of Fountain Valley, the City of Commerce, and the City of Bell Gardens. Carol worked with each of these Cities from about 2002 to 2006.

Both the City of Commerce and the City of Fountain Valley participated in PERS for their medical coverage so Carol handled the ancillary coverages for both Cities. The City of Bell Gardens had it's own medical program outside of PERS through Anthem Blue Cross. For the City of Fountain Valley, Carol served as their broker for the dental, life, voluntary life, and disability coverages as well as voluntary coverages through Aflac. For the City of Commerce,



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Carol provided broker/consulting services for the self-funded dental, life, disability, voluntary life, vision and full mental health benefits. For the City of Bell Gardens, Carol managed all lines of coverage, to include Medical, Dental, Vision, Life and Disability coverages. Carol and her account management team provided the day-to-day service for the Cities and also provided marketing and compliance services as needed. Carol also assisted the Cities during their union negotiations.

The following is a list of client references handled by Carol Falstrup. In addition, there are also several municipality clients listed that are being handled by other USI Colleagues:

City of Delano – Managed by Bob Perasso based out of Stockton, CA since 1999
Noemi Zamudio, HR Director 661-720-2210; Medical, Dental, Life, Vision

New Orleans Sewage & Water Board – Managed by Michael Colburn
1,850 Employees; self-funded medical and dental programs
Mike Laporte, 504-585-2039

Accounts handled by Carol Falstrup (current and former clients):

Current Clients:

FIDM (Fashion Institute of Design and Merchandising) – Los Angeles – 1992 to Present
Peng Pinlac, Director of Payroll Service -- 213-624-1200
Of Employees: 1,200 employees; 600 benefit eligible employees; Medical, Dental, Life

Nishimoto Trading Company – Santa Fe Springs, CA – 2010 to Present
Lisa Tanaka, HR Manager – 562-229-3741
Of Employees: About 750 benefit eligible employees; Medical, Dental, Life, Vision

Western Mesquite Mines -- Brawley, CA – 2011 to Present
Eric Muths 928-834-1465 x 3212
Of Employees: About 280 benefit eligible employees; Medical, Dental, Life, Vision, Disability

Former Clients:

City of Commerce – Carol's Client from approximately 2002 - 2006
Maria Meneses, Community Services – 323-887-4460 x 2260
(Formerly worked with the City Administrator running the benefits program)

City of Fountain Valley – Carol's Client from approximately 2002 - 2006
Jean Hirai, Personnel Manager – 714-593-4462



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- e) Identify any specialized services included in your proposal or available from your firm at additional cost.**

In addition to the marketing, account management, and compliance services employers have grown to expect, USI also provides the following services at no additional cost to the City of Redlands:

- 1. Compliance Audit and Ongoing Compliance Review** – review current practices to make sure our clients are in compliance with State and Federal laws. The areas reviewed include but are not limited to: PPACA, COBRA, HIPAA, FMLA, CFRA, and Section 125 Cafeteria plans. This is provided at no cost to our clients.
- 2. On Staff Underwriting** – Tim Gross and Ken Corizzi are our on staff underwriters who both have 20+ years of underwriting experience with major insurance carriers. Having underwriters on our team gives us a huge advantage with renewal negotiations.
- 3. MyUSI** – a 24/7 benefits portal. You can check out a demo site at the following website: www.myusi.com User name: magtek Password: benefits
- 4. Client Community** -- a 24/7 HR/Compliance portal for our clients at no extra cost.
- 5. Employee Communications** -- Samples of the employee communications materials that USI has provided to the City of Redlands are included in this proposal under TAB 6. We have also included a sample of a new style of brochure that can be produced in-house, at no additional cost to the City of Redlands.

The Following Services are available to the City of Redlands and in some cases there will be additional costs, as noted:

1. PERS Medical Feasibility Marketing Project:

Several years ago, USI conducted a feasibility study for the City of Redlands to determine if it would be more cost effective for the City to move away from the PERS program to its own medical program. USI charged \$25,000 for this project, and USI agreed to give \$25,000 credit towards a new stand-alone medical contract, should the City have moved away from PERS to its own stand alone plan. At the time, we determined that it was best for the bulk of the City's employees to stay with PERS. The Police have continued to maintain their stand-alone medical program with Health Net.

On an annual basis, we have continued to monitor the market costs outside of PERS. At this point in time, the PERS program still offers the most competitive medical program for the City. USI will continue to monitor the market costs compared to PERS to ensure the City maintains the most competitive benefits packages.



USI Proposal In Response To The City of Redlands RFP

2. Health Advocate:

Health Advocate is a unique service staffed by registered nurses and physicians who understand the intricacies of the healthcare system and *how* to navigate through it. Each employee and their immediate family receive a Personal Health Advocate to assist them with care coordination, claims assistance, fee negotiation, grievance advice, physician referrals and much more. Employees save time and frustration and you gain employee productivity and loyalty! Because Health Advocate is a strategic partner of USI's, USI is able to offer this service to its clients for \$1.25/employee per month, paid directly by the City. If the medical benefits are written for the City's entire employee and retiree population outside of CalPERS and USI is the appointed broker for these programs, USI will pay for the entire cost of the Health Advocate program for the City of Redlands.

3. Benefits Service Center:

We offer a unique experience for both you and your employees: a Benefits Service Center. Our Benefits Service Center, staffed 8:00 a.m.–5:00 p.m. PST, Monday–Friday, is available to answer all benefits-related questions and provide benefits education for your employees. Our staff of experts can take the routine and complex benefit questions and issues off of your desk so you have time to focus on more strategic matters. This service is available at an additional cost. We would recommend having the City of Redlands purchase use of our Benefits Service Center if the entire City moved away from PERS to a stand-alone medical plan.

4. Health Fairs:

USI has assisted the City of Redlands in the past with organizing the on-site open enrollment and health fair. USI will continue to provide this service, as needed. Your employees can receive valuable information on their benefit plans from your organization's carriers, wellness and preventive information from community resources and attend blood pressure, cholesterol and flu shot clinics, all in a fun and educational atmosphere. This service may have additional costs depending on the scope of the project.

5. Online Surveys:

We can create customized online employee benefit satisfaction surveys that help you gauge your employees' perception of your benefit plans. The results can be instrumental in your future benefits strategy and/or benefits communication strategy. This service may have additional costs depending on the scope of the project.

6. Total Compensation Statements:

Often referred to as a "hidden paycheck," total compensation statements itemize the full value of benefits and pay in an easy-to-read format. These statements are personalized for each employee and are a great tool to highlight the value of your organization's sponsored benefits program. They are also a valuable opportunity to promote underutilized programs and encourage employee involvement. This service may have additional costs depending on the scope of the project.



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f) Identify additional services, limits and/or services not specified herein if such additions will save money and provide superior protection for the City.

1. USI Proprietary Health Care Cost Driver Auditing Platform

In the past year, USI has launched a proprietary Health Care Cost Driver Auditing Platform that includes about 90 different auditing steps that can be reviewed for our client's benefit programs. Not all of these auditing steps apply to all organizations. This program allows our underwriting team to take a deeper dive on claims and utilization data in an effort to manage the claims risk on our client's benefit plans without having to reduce benefits. Many organizations like the City of Redlands have a risk manager that manages the risk on the Workers' Comp plan. We are taking the same approach on the employee benefits. The bulk of this platform is focused on fully insured experience rated contracts as well as self-funded contracts. We have utilized this platform for the City of Redlands' current dental program and have achieved great results. If the City of Redlands moved away from PERS to a stand-alone medical contract, USI would be able to expand the auditing services to the medical program and would be able to achieve even more short term and long term savings. There is no additional cost for this service. This is part of our broker/consulting package.

2. USI Health Care Reform (PPACA) Penalty Calculator Model

In the past month, USI just launched a new Health Care Reform Penalty Calculator Model that we are beginning to use with our clients to project potential penalty risks associated with the benefits being offered come 2014 with the new law. With an election in November, and potential changes in Congress, there is still uncertainty as to whether Health Care Reform will survive. However, we feel it is important to be proactive with our clients, and to help to take out the mystery of this monumental legislation. We will be reviewing this model with the City of Redlands in the coming months.

3. Risk Management Approach – Continued Cost Savings for City of Redlands:

USI will continue to use its proactive, risk management approach to help manage the City of Redlands' benefit programs. We are ready and able to expand our services to manage the entire benefits package, including the medical benefits that are now managed under PERS. To summarize, USI has cumulatively saved the City of Redlands almost **\$1,000,000** over the course of our contract. We have also helped the City avoid an additional **\$450,000** of risk associated with the Life contract, identified an **\$339,000** of potential savings opportunities outside of PERS, and helped the City of Redlands apply for a **\$60,000** refund under ERRP.

A copy of the firm's latest Annual Report;

USI is a privately held Goldman Sachs Capital Partners Company. As a portfolio company, we do not produce an annual report. However, we have included Goldman Sachs' 2011 Annual Report in the proposal binder, TAB 10.