



CITY of NOVI CITY COUNCIL

www.cityofnovi.org

Agenda Item 10
August 13, 2007

SUBJECT: Approval of Consultant Review Committee's recommendation to award the Health Benefits Consulting contract to The Rains Group for a two-year period with an option for a third year effective August 14, 2007.

SUBMITTING DEPARTMENT: Assistant City Manager *PP*

CITY MANAGER APPROVAL: *[Signature]*

BACKGROUND INFORMATION:

The City received six proposals in response to our RFQ related to Health Benefits Consulting services. Staff from Human Resources, City Manager's Office, Finance and the City Clerk's office reviewed the proposals. The following criteria were used to evaluate the proposals.

Criteria:

1. Firm's ability to perform required work
2. Adequate number of resources assigned to the City
3. Related public, municipal, and union experience
4. Budget, cost controls experience and results
5. Ability to provide training/seminars on various topics

Based on the outcome of the rankings of the three firms and a review of the fees proposed, staff interviewed three firms – JS Clarke, The Rains Group, and McGraw Wentworth. Based on the review of the proposals, fees proposed, and the interviews with the two firms, staff recommended that the Consultant Review Committee (CRC) interview the Staff's top two rated firms: The Rains Group and McGraw Wentworth. The CRC interviewed the two firms on July 23rd. After interviewing The Rains Group and McGraw Wentworth, the CRC concurred with the staff recommendation to recommend approval of a contract with The Rains Group.

If approved by Council, the agreement would be effective on August 14, 2007 and run for a period of two years with an option of a one-year extension.

RECOMMENDED ACTION: Approval of Consultant Review Committee's recommendation to award the Health Benefits Consulting contract to The Rains Group for a two-year period with an option for a third year effective August 14, 2007.

	1	2	Y	N
Mayor Landry				
Mayor Pro Tem Capello				
Council Member Gatt				
Council Member Margolis				

	1	2	Y	N
Council Member Mutch				
Council Member Nagy				
Council Member Paul				

August 8, 2007

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Elizabeth M. Kudla
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Tia Gronlund-Fox, Director of Human Resources
City of Novi
45175 West Ten Mile Road
Novi, Michigan 48375-3024

**Re: Consulting Agreement
Gallagher Benefit Services, Inc. - Employee Benefits Consultant
Our File No: 55142.NOV**

Dear Ms. Gronlund-Fox:

We have received and reviewed the following revised Consulting Agreement between the City and Gallagher Benefit Services, Inc., that you provided us today.

The enclosed revised form of Consulting Agreement is satisfactory with the minor changes made by the Consultant's Attorney and may be placed on City Council's agenda for approval, subject to your approval of the manner of compensation provided in the Compensation Disclosure Statement provided, and the scope of the consultant's services as set forth in the attached Exhibit A.

Please feel free to contact me directly with any questions or comments regarding the proposed revisions.

Very truly yours,

ELIZABETH M. KUDLA

EMK

Enclosure

C: Maryanne Cornelius, Clerk (w/Enclosure)
Thomas R. Schultz, Esquire (w/Enclosure)

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CONSULTING AGREEMENT

This Consulting Agreement (this "Agreement") is made on this _____ day of _____, 2007, by and between The Rains Group, a Division of Gallagher Benefit Services, Inc., a Delaware corporation ("GBS"), and the City of Novi, a Michigan Municipal Corporation, whose address is 45175 W. 10 Mile Road, Novi, MI 48375 (the "Client").

The Client wishes to enter into a consulting relationship with GBS with the terms and conditions set forth in this Agreement, and GBS is willing to accept such a consulting relationship.

In consideration of and in reliance upon the previous paragraph and the terms and conditions contained in this Agreement, the Client and GBS agree as follows:

1. *Engagement*

The Client engages GBS as an employee benefits consultant as stated in this Agreement and GBS accepts this engagement. During the time that GBS is performing services for the Client under this Agreement, and for all purposes outlined in this document, GBS' status will be that of an independent contractor of the Client.

In the performance of this Agreement, the relationship of GBS to the Client shall be that of an independent contractor and not that of an employee or agent of Client. GBS is and shall perform under this Agreement as an independent contractor, and no liability or responsibility with respect to benefits of any kind, including without limitation, medical benefits, workers' compensation, pension rights, or other rights or liabilities arising out of or related to a Agreement for hire or employer/employee relationship shall arise or accrue to either party as a result of the performance of this Agreement.

GBS, as an independent contractor, is not authorized to enter into or sign any agreements on behalf of the Client or to make any representations to third parties that are binding upon the Client. Although GBS is required under this Agreement to advise, make recommendations to and to a limited extent represent the Client, all agreements, applications, submittals, policies and any other information relating to the Agreement must be submitted to and approved by the Client or the Client's authorized official prior to being disseminated to any third party and shall only be so disseminated if such dissemination is approved in advance by the Client or an authorized Client official.

2. *Term and Termination*

The Effective Date of this Agreement is _____. The term of GBS' engagement under this Agreement (the "Consulting Period") will begin as of the Effective Date and will remain in effect for one (1) year from the Effective Date. Either party may terminate this Agreement by giving the other party at least thirty (30) days written notice of its intent to terminate. In the event such termination is effective during the Consulting Period (including any renewed Consulting Period), Client shall be responsible to GBS for any services performed prior to the date of termination and GBS shall be responsible to Client to continue to provide services in connection with the coverages placed with the carriers listed in Section 4 below until the date of termination of this Agreement.

Subject to the terms of the related Business Associate Agreement, and all applicable laws and regulations, prior to the effective date of any termination of this Agreement, GBS shall deliver to the Client all reports, opinions, compilations, research agreement, studies, data, materials, artifacts, samples, documents, policies, correspondence, ledgers, applications, manuals, Agreements; accountings, schedules, logs, invoices, billings, and other materials in its possession or control that is gathered or generated in the course of performing the Agreement or that relates to the agreement in any way. The Client shall be permitted to withhold any payments and reimbursements otherwise owing to GBS under the terms of this

Agreement until all such materials are delivered to the Client in accordance with the terms and conditions of this Agreement.

It is expressly acknowledged and agreed that all reports, opinions, compilations, research work, studies, data, materials, samples, documents, policies, correspondence, ledgers, applications, Agreements, accountings, schedules, logs, invoices, billings, and all other materials generated by and/or coming in to the possession of GBS during the term of this Agreement, and any extension thereof, that directly relates to the performance of work by GBS under this Agreement, belong exclusively to the Client and shall be promptly delivered to the Client upon the termination of this Agreement or, at any time, upon the Client's request; provided, however, GBS shall not be required to deliver to Client any intellectual property that is proprietary to GBS including, but not limited to, computer software.

3. *Services*

GBS will provide employee benefits management consulting services to the Client and consult with its employees, representatives, agents and contractors as to such matters as more fully described in Exhibit A attached to this Agreement and incorporated herein in a competent and thorough manner, and in compliance with the terms and conditions of this Agreement and related Business Associate Agreement. GBS will perform other services as the Client and GBS mutually agree in writing.

GBS will not charge Client for necessary corrections to its work and will be responsible for any increased cost incurred by the Client as a result of any inaccuracies in the work, excepting inaccuracies resulting from incorrect information provided by the Client, other consultants, the Client's insurance and benefits providers and/or other public sources.

4. *Compensation*

Subject to any changes as may be mutually agreed by the parties, GBS will receive, as compensation for its services under this Agreement, commissions as described in Exhibit B of this agreement. Such payments, if any, are in exchange for and consideration of the timely and satisfactory performance and completion of the Agreement required under the pursuant to this Agreement. All costs and expenses incurred by GBS in the course of performing the Agreement under this Agreement are deemed to be included in the commissions outlined in Exhibit B, unless specifically identified as reimbursable expenses within this Agreement and such expenses have been approved by the Client or its designee.

GBS will obtain written approval of the Client prior to proceeding with any services or Agreement that is not stated on Exhibit A; otherwise, the Client will not be billed for such extra/additional services or Agreement.

In the event an insurance company cancels or refuses to renew an insurance coverage that had been placed by GBS, on behalf of the City of Novi, GBS will use its best efforts to obtain appropriate replacement coverage from another insurance company. GBS shall immediately notify Client of such termination and replacement of coverage.

5. *Performance and Scope*

(a) GBS Not a Fiduciary Under ERISA. To the extent that one or more of the Client's employee benefit plans are subject to the Employee Retirement Income Security Act, as amended (ERISA) and in spite of any other provision of this Agreement to the contrary, the parties agree and acknowledge that:

(i) GBS' services under this Agreement are not intended in any way to impose on GBS or any of its affiliates a fiduciary status under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") ; and

(ii) this Agreement does not provide GBS, and the Client will not cause or permit GBS to assume, without prior written consent of GBS, any:

(A) discretionary authority or discretionary control respecting management of any "employee benefit plan" within the meaning of Section 3(3) of ERISA (an "ERISA Plan"),

(B) authority or control respecting management or disposition of the assets of any ERISA Plan, or

(C) discretionary authority or discretionary responsibility in the administration of any ERISA Plan.

(b) Reliance. In the performance of its duties, GBS may rely upon, and will have no obligation to independently verify the accuracy, completeness, or authenticity of, any written instructions or information provided to GBS by the Client or its designated representatives and reasonably believed by GBS to be genuine and authorized by the Client.

(c) No Practice of Law. GBS will not be obligated to perform, and the Client will not request performance of, any services which may constitute unauthorized practice of law. The Client will be solely responsible for obtaining any legal advice, review or opinion as may be necessary to ensure that its own conduct and operations, including the engagement of GBS under the scope and terms as provided herein, conform in all respects with applicable State and Federal laws and regulations (including ERISA, the Internal Revenue Code, State and securities laws and implementing regulations) and, to the extent that the Client has foreign operations, any applicable foreign laws and regulations.

(d) Subcontractors. Subject to prior approval by Client, GBS may cause another person or entity, as a subcontractor of GBS, to provide some or all of the services required to be performed by GBS hereunder.

(e) Conflict of Interest. GBS' engagement under this Agreement will not prevent it from taking similar engagements with other clients who may be competitors of the Client. GBS will, nevertheless, exercise care and diligence to prevent any actions or conditions which could result in a conflict with Client's best interest.

(f) Acknowledgements. In connection with GBS' services under this Agreement, Client agrees that:

(i) Although GBS will apply its professional judgment to access those insurance companies it believes are best suited to insure the Client's risks, there can be no assurance that the insurance companies GBS has accessed are the only or are the best suited ones to insure the Client's risks.

(ii) Any compensation of the types described above and disclosed to it does not constitute a conflict of interest and the Client expressly waives any claims alleging any such conflict of interest.

(iii) The final decision to choose any insurance Client has been made by the Client in its sole and absolute discretion. The Client understands and agrees that GBS does not take risk, and that GBS does not guarantee the financial solvency or security of any insurance Client.

(iv) The compensation payable to GBS is solely for the services set forth under this Agreement, including Exhibit A. Any additional administrative, claims representative or other services (collectively, "Additional Services") will be governed by the terms of a separate agreement covering the Additional Services.

(v) The Client is responsible for immediate payment of GBS' fees (if applicable) and payment of premiums for all insurance placed by GBS on Client's behalf. If any amount is not paid in full when due, including premium payments to insurance companies, that nonpayment will constitute a material breach of this Agreement that will allow GBS to immediately terminate this Agreement, at its option, without notice to the Client, and may allow a insurance Client for the Client's risks to cancel any applicable policies in accordance with the terms of such policies.

6. Confidentiality

(a) Client Information. GBS recognizes that certain confidential information may be furnished by the Client to GBS in connection with its services pursuant to this Agreement ("Confidential Information"). GBS agrees that it will disclose Confidential Information only to those who, in GBS' reasonable determination, have a need to know such information. Confidential Information will not include information that (i) is in the possession of GBS prior to its receipt of such information from the Client, (ii) is or becomes publicly available other than as a result of a breach of this Agreement by GBS, or (iii) is or can be independently acquired or developed by GBS without violating any of its obligations under this Agreement. However, disclosure by GBS of any Confidential Information pursuant to the terms of a valid and effective subpoena or order issued by a court of competent jurisdiction, judicial or administrative agency or by a legislative body or committee will not constitute a violation of this Agreement.

(b) HIPAA Privacy. In spite of Sections 6(a) above, GBS and the Client will each comply with any prohibitions, restrictions, limitations, conditions, or other requirements to the extent they apply to them directly or indirectly pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and its implementing regulation concerning privacy of individually identifiable health information as set forth in 45 CFR Parts 160-164, as amended from time to time. Where required, the Client, as a representative of the health plans and GBS will enter into a separate Business Associate Agreement.

(c) Use of Names: Public Announcements. No party will use, in any commercial manner, the names, logos, trademarks or other intellectual property of the other party without its prior written consent. Except as may be required by law, no party will issue any press releases or make any public announcements of any kind regarding the relationship between the parties without the other party's prior consent.

7. *Indemnification*

(a) GBS agrees to indemnify, defend, protect, save, and keep harmless Client from any and all loss, cost, damage, or exposure arising from the negligent acts or omissions of GBS.

(b) Client agrees to indemnify, defend, protect, save, and keep harmless GBS, its affiliates and subsidiaries, from any and all loss, cost, damage, or expense from:

(i) any financial obligation to pay premiums to any insurer, excess insurer, or reinsurer;

(ii) the legality or validity of the operations, organization, or structure of Client;
and

(iii) the negligent acts or omissions of Client.

GBS shall provide evidence of adequate professional liability insurance coverage in amounts that are consistent with that maintained by other consultants similarly situated. Such insurance shall be maintained at the specified level of coverage throughout the term of this Agreement, including any extension of such term, and will cover all work, acts and omissions by and on behalf of GBS in connection with this Agreement, with the Client named as an additional insured, but with such coverage being primary and non-contributory.

8. *Notices*

Any notices, requests and other communications pursuant to this Agreement will be in writing and will be deemed to have been duly given, if delivered in person or by courier, telegraphed, or by facsimile transmission (provided that the sender received electronic confirmation of receipt by recipient) or sent by express, registered or certified mail, postage prepaid, addressed as follows:

If to the Client: City of Novi
45175 W. Ten Mile Road
Novi MI 48375
Attention: Tia Gronlund-Fox
(Fax: 248-735-5684)

If to GBS: Gallagher Benefit Services, Inc.
30150 Telegraph Road, Suite 408
Bingham Farms, MI 48025
Attention: Kelley Demiryman
(Fax: 248-540-6015)

Either party may, by written notice to the other, change the address to which notices to such party are to be delivered or mailed.

9. *Miscellaneous*

(a) Severability. The various provisions and subprovisions of this Agreement are severable and if any provision or subprovision or part thereof is held to be unenforceable by any court of competent jurisdiction, then such enforceability will not affect the validity or enforceability of the remaining provisions or subprovisions or parts thereof in this Agreement.

(b) Entire Agreement; Amendment. This Agreement, including all exhibits hereto, constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether oral or written, between the parties regarding the subject matter hereof. This Agreement may be modified or amended only by a written instrument executed by both parties.

(c) Governing Law; Rule of Construction. This Agreement will be construed, interpreted and enforced in accordance with the laws of the State of [state where Client is located] without giving effect to the choice of law principles thereof or any canon, custom or rule of law requiring construction against the drafter.

(d) Successors. This Agreement shall be binding upon and shall inure to the benefit of all assigns, transferees and successors in the interest of the parties hereto.

(e) Counterparts. This Agreement may be executed by the parties in several counterparts, each of which shall be deemed to be an original copy.

(f) Compliance with Laws. This Agreement and all of GBS' work and practices shall be subject to all applicable state, federal and local laws, ordinances, rules or regulations, including without limitation, those which apply because Client is a public governmental agency or body. GBS represents that it is in compliance with all such laws and eligible and qualified to enter into this Agreement.

(g) Governing Law. This Agreement shall be governed by the laws of the State of Michigan, and applicable federal laws and regulations.

(h) Assignment. GBS shall not assign this Agreement or any part thereof without the written consent of the Client. This Agreement shall be binding on the parties, their successors, assigns and legal representatives.

(i) Changes. Any changes in the provisions of this Agreement must be in writing and signed by the Client and Consultant.

(j) Waivers. No waiver of any term or condition of this Agreement shall be binding and effective unless in writing and signed by all parties, with any such waiver being limited to that circumstance only and not applicable to subsequent actions or events.

(k) Jurisdiction and Venue of Agreement. This agreement shall be considered for all purposes, including the establishment of jurisdiction and venue in any court action between the parties, as having been entered into and consummated in the City of Novi, Oakland County, Michigan.

(l) Conflict. In the event of any conflict or inconsistency between the above provisions of this Agreement and either or both of the attached Schedules, the provisions in the above text shall govern.

(m) Survival of Provisions. Sections 2, 4, 6 and 7 will survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Consulting Agreement to be duly executed on the date first written above.

CITY OF NOVI, a Michigan municipal corporation

By: _____

Name: _____

Title: _____

THE RAINS GROUP, A DIVISION OF GALLAGHER BENEFIT SERVICES, INC.

By: Gordon C. Rains

Name: GORDON C. RAINS

Title: Chairman

EXHIBIT A SCOPE OF SERVICES

Subject to any changes and additions as may be mutually agreed by the parties, Gallagher/Rains will:

CONSULTING SERVICES PROVIDED ON AN "AS NEEDED BASIS"

Renewal analysis

- Review by GBS underwriters of carrier projections
- Preparation of "shadow" renewal projection
- Carrier negotiation
- Employee contribution modeling
- Benchmarking of projected cost
- Development of working rates
- Assistance with budget projections
- Renewal alternatives with cost impact of benefit plan changes

Financial Reports*:

- Utilization review*
- Comparison to prior claim period
- Plan trends
- Tracking of large claims*
- Comparison of claims to aggregate Stop-loss (when appropriate)
- Identification of costs of specific line of coverage (e.g. medical, dental, Rx, vision etc.)
- Executive summary of program expenses
- Comparison of current costs to renewal costs
- Future plan costs projections
- Percent of benefit dollars paid by employee
- Claims by size*
- Physician visit details*
- Benefits paid by type of service*
- Other ad hoc reports as needed

*Reporting capabilities will be directly impacted by both funding methods of coverages and reporting capabilities of carriers.

Legislative and Corporate Compliance Support

- Provide legislative updates
- Evaluate plan design to confirm compliance with state and federal regulations
- Review of benefit plan documents
- Conduct comprehensive review of summary plan descriptions, contracts, employee summaries, and policies/procedures to outline variances and inconsistencies which may lead to employee litigation
- Conduct periodic seminars on regulatory issues for *Client* management
- Ensure that COBRA processes are in compliance
- Evaluate compliance with, FMLA, etc.
- Technical Bulletins
- Training on HIPAA legislation to insure compliance with all aspects of this cumbersome law

Carrier Marketing and Negotiations

- Strategy development to identify goals, analyze program costs and review both current and alternative funding arrangements
- Management of the renewal with the current carrier is geared to achieving lower costs.
- Renewal strategy results in a management decision on whether or not to go to market to explore alternatives to the current carrier
- Develop timeline covering every aspect from RFP preparation to the delivery of employee communications
- Analysis of employee disruption report and preparation of geo-access report
- RFP development involves tailoring the RFP to the exact desires, needs and financial directions provided by *Client* management instead of using a generic RFP
- Exploration of funding alternatives
- Evaluation of vendor responses to identify variations in coverage and costs are identified
- Conduct finalist interviews to explore intangibles such as personalities, service orientation and responsiveness
- Renewal analysis report, based on renewal negotiation, covers program and claims cost projections as well as complete information on benefit designs
- Finalizing decisions involves close collaboration with the GBS team and *Client*' HR management and *Client* executives
- Full orchestration of plan and vendor implementation
- Claim issue resolution
- Billing and eligibility issue resolution
- Contract and amendment review and problem resolution
- Development and procurement of employee booklets
- Ongoing vendor management – day to day interface and issues management

 Benefits Communication and Enrollment Services

- Intranet website content management
- Open enrollment process management
- Onsite employee meeting facilitation
- Customized employee communication development
- Open enrollment newsletter printing
- Vendor supply management
- Evaluation of online enrollment and eligibility management systems and implementation assistance
- Access to online portal for HR/Benefits team

 Market Benchmarking Studies

- Local Area Surveys
- Industry Surveys

EXHIBIT B
GALLAGHER BENEFIT SERVICES, INC.
COMPENSATION DISCLOSURE STATEMENT

One of the core values highlighted in *The Gallagher Way* states, "We are an Open Society," and our open society extends to the compensation Gallagher receives. As our industry moves toward complete disclosure of all forms of compensation, we embrace this effort and are committed to leading the way. To achieve this purpose, we have disclosed in the attached disclosure schedule the commission or fee we will earn on each and every coverage we will place on your behalf.

In general, Gallagher may be compensated as follows:

1. Gallagher companies are primarily compensated from commissions or fees received from the brokerage and servicing of policies handled for a client's account. As permitted by law, Gallagher companies may receive both commissions and fees.
2. Gallagher companies may access other facilities, including wholesalers, reinsurance intermediaries, underwriting managers and others that act as intermediaries for both Gallagher and other brokers in the insurance marketplace. If such a facility was utilized in the placement of a client's account, it may have earned and retained brokerage commission or fees for its work.
3. In placing, renewing, consulting on or servicing any retail insurance policy, entities acquired by Gallagher companies may continue for three years after the acquisition date to participate in contingent commission agreements in place at the time of acquisition with insurance companies that provide for additional retail contingent compensation if underwriting, profitability, volume and retention goals are achieved.

For Employers and Plan Sponsors Subject to ERISA:

This Disclosure Statement is being given to the Buyer (1) to make sure Buyer knows about GBS' and GBS affiliates' income before purchasing the insurance product and (2) for plans subject to ERISA, to comply with the disclosure, acknowledgment and approval requirement of Prohibited Transaction Class Exemption No. 84-24¹, which protects both Buyer and GBS².

It should also be noted that:

- **GBS is not an affiliate of the insurer whose Contract is recommended.** This means the insurer whose contract is recommended does not directly or indirectly have the power to exercise a controlling influence over the management or policies of GBS.
- **GBS' ability to recommend other insurance contracts is not limited by an agreement with the Insurance Carrier.**
- **GBS is effecting the transaction for the Plan(s) in the ordinary course of GBS business.**

¹ Which allows an exemption from a prohibited transaction under Section 408(a) of the **Employee Retirement Income Security Act of 1974 (ERISA)**.

² In making these disclosures, no position is taken, nor is one to be inferred, regarding the use of assets of a plan subject to ERISA to purchase such insurance.

- The transaction set forth is at least as favorable to the Plan(s) as an arm's length transaction with an unrelated party.
- **GBS** is not a trustee of the Plan(s).
- **GBS** is neither the Plan Administrator of the Plan(s), a fiduciary of the Plan(s), nor an employer which has employees in the Plan(s).

For Plans subject to ERISA:

As stated above, ERISA requires Gallagher Benefit Services, Inc. (GBS) to make certain disclosures to you concerning the sale of insurance, and the compensation that GBS will receive from it. Disclosure must be made to an independent plan fiduciary for the ERISA Plan(s), and your acknowledgement confirms that you are agreeing that this is a reasonable transaction in the best interest of participants in your ERISA Plan(s). Please review the following disclosure schedule, and indicate your desire to proceed.

For more information on Gallagher's compensation arrangements, please visit www.ajg.com/compensation.

ANNUAL COMPENSATION DISCLOSURE SCHEDULE

What follows is the disclosure of our actual fees and/or commissions related to City of Novi ("Buyer's") Group Health Plan(s) and any relationships, or agreements The Rains Group, a Division of Gallagher Benefit Services, Inc. ("GBS") has with the insurance company involved in this transaction.

GBS, as agent of record, will receive the following initial and renewal sale commissions expressed as percentage of gross premium payments, or fees as agreed upon by City of Novi. GBS and the City of Novi agree to renegotiate the commission percentages with the applicable carriers for 2008 so that the dollar amount of compensation to GBS will not increase from 2007 levels.

Line of Coverage	Insurance Company	Effective Date	Sales Commissions ¹	Additional Commissions ²	Contingent Commissions ¹	Fee for Services ²	Wholesaler, MGU, or Intermediary	Owned by AJG/GBS Yes (Y) No (N)
Medical and Vision	Blue Cross Blue Shield of Michigan		1% of premium	N/A	N/A	N/A	N/A	N/A
Medical	Health Alliance Plan		2% of first \$25,000; 5% between \$25,001 to \$100,000; 5.5% between \$100,001 to \$250,000; 4.5% between \$250,001 to \$400,000; 1% between \$400,001 to \$1,000,000; and 0.5% for \$1,000,001 and above.	N/A	N/A	N/A	N/A	N/A
Group Life and Short Term Disability	Sun Life		10%	N/A	N/A	N/A	N/A	N/A
Long Term Disability	Sun Life		15%	N/A	N/A	N/A	N/A	N/A

¹ Commissions / fees paid to GBS that are attributable to a contract or policy between a plan and an insurance company, or insurance service. This includes indirect fees that are paid to GBS paid by a third party, and includes, among other things, the payment of "finders' fees" or other fees to GBS for a transaction or service involving the plan.

² Entities acquired by GBS may continue for three years after the acquisition date to participate in contingent commissions agreements in place at the time of acquisition with certain of its insurance carrier markets providing for contingent compensation to be paid to GBS by such carrier generally with respect to underwriting, profitability, volume and retention goals that are achieved with that carrier (i.e., all insurance policies with that carrier where GBS is the broker).

Thank you for your business and continued confidence in the services GBS provides to you and your employees. If you have any questions regarding this information or would like more detail, please feel free to contact me.

The Rains Group, a Division of Gallagher Benefit Services, Inc.

By: *Jonathan C. Rains* 8-8-07
Date Signed

Title: *Chairman*

If clients have specific questions about the compensation received by Gallagher and its affiliates in relation to their insurance placements, please contact your Gallagher representative for more details.

In the event a client wishes to register a formal complaint regarding compensation Gallagher receives, please send an email to Compensation_Complaints@ajg.com or send a letter to:

AVC Compliance Officer
c/o Internal Audit Department
Arthur J. Gallagher & Co.
Two Pierce Place
Itasca, IL 60143

¹ This commission percentage is an additional commission amount provided to GBS by the carrier. Additional commissions have no contingent requirements and do not impact specific case level rates and premiums. The additional commissions included in the table above are as follows:

² Compensation to GBS paid for directly by the plan sponsor.