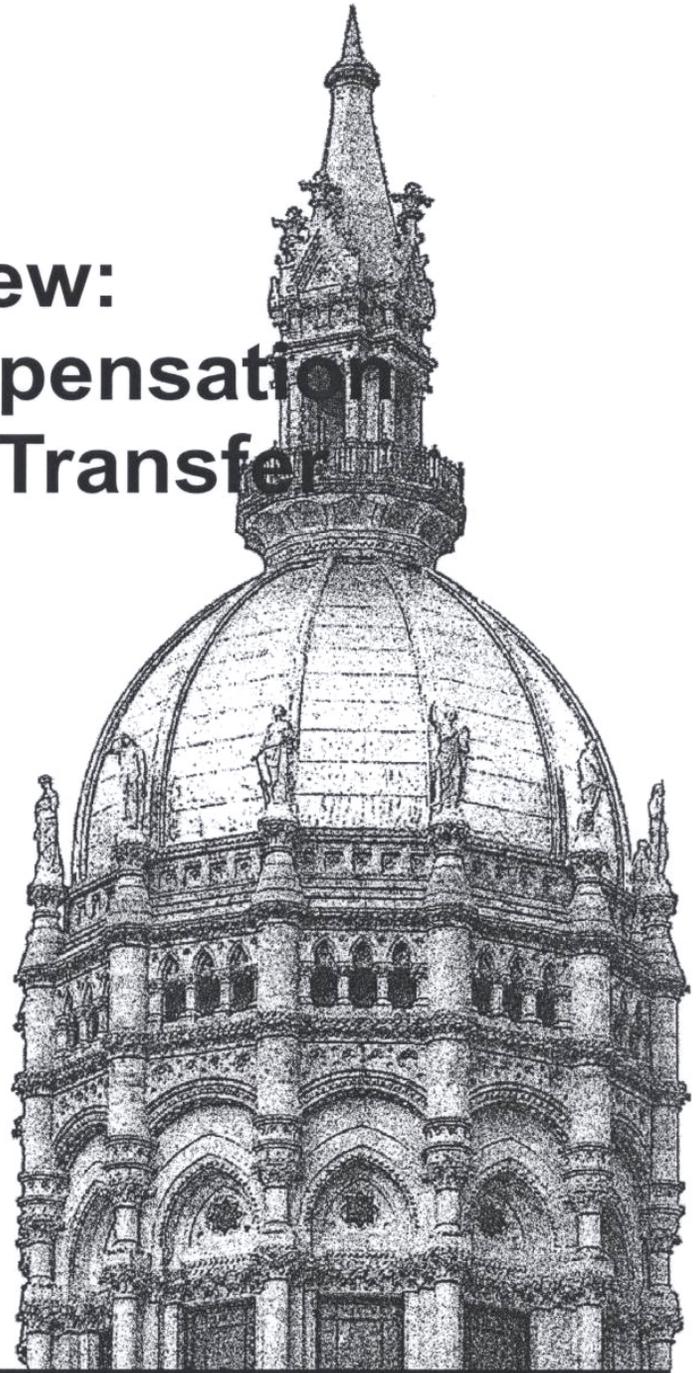


Case Review: Workers' Compensation Loss Portfolio Transfer

April 2008



**Legislative Program Review and
Investigations Committee**

Connecticut General Assembly

Targeted Case Review

WORKERS' COMPENSATION LOSS PORTFOLIO TRANSFER

This targeted case review of the loss portfolio transfer (LPT) of several hundred workers' compensation cases focuses on four areas:

- the process used to determine the number of state workers' compensation cases to be transferred to a private insurer, and how those cases were selected;
- the process for selection of the brokers and the insurer in the loss portfolio transfer (also known as the loss portfolio arrangement);
- the performance provisions written in the contract for the portfolio transfer, and whether the state has ensured accountability of those provisions; and
- the trends in the state's financial liabilities (aggregate and per-case) for the non-transferred cases.

As much as possible, given the constraints -- time elapsed since this transaction took place; the fact that many of the parties involved no longer work in state government nor live in the state; and the death of a key party -- these areas are addressed.

Program review staff received cooperation from the following in conducting this targeted case review:

- current Department of Administrative Services (DAS) staff;
- staff of the Office of the Attorney General;
- staff of the Workers' Compensation Commission;
- the Retirement Division of the Office of the State Comptroller;
- the state bond counsel of Robinson and Cole;
- the state auditors; and
- staff of the Connecticut Interlocal Risk Management Agency (CIRMA).

All provided access to materials, answered questions, and provided information regarding this transfer of claims.

This report contains: 1) overall conclusions concerning the loss portfolio transfer; 2) additional background and findings regarding the four focus areas; and 3) an attachment with a listing and summary description of major parties.

OVERALL CONCLUSIONS

The state, particularly the Department of Administrative Services, appeared to turn its responsibilities for arranging and overseeing this loss portfolio transfer (LPT) over to a private consulting firm, MRM Consulting, and did not perform due diligence functions that would have determined whether this transfer was a prudent action for the state to take. Program review staff cannot explain why more considered determination was not taken before reaching the decision to implement the loss portfolio transfer, especially given the amount of money involved.

The Department of Administrative Services officials accepted what MRM consultants told them without question, did not consult other agencies in any area of the transfer, and did not examine whether alternatives to the loss portfolio transfer made better sense financially or administratively.

In hindsight, this loss portfolio transfer does not appear to have been a financially beneficial program for the state to undertake. The state expended approximately \$80 million – about \$52 million in a bond authorization and about \$28 million in surplus funds in 2001 to fund this loss portfolio transfer. Five years later (as of November 2006) only about \$59 million of the \$80 million has been spent on settling and paying claims.

Section 12 of P.A. 01-7 (the Bond Authorization Act) provided the Department of Administrative Services the statutory authority to implement this loss portfolio transfer. However, this authorization was not subject to a separate public hearing before the committee of cognizance, the Labor and Public Employees Committee. The bond authorization act (an early version) was given a public hearing before Finance, Revenue, and Bonding on March 19, 2001. At that hearing, [then] Secretary of the Office of Policy and Management Marc Ryan spoke briefly about the LPT, in response to a question from the committee. Sec. Ryan stated “I believe it is good public policy taking on some debt through bonding is a good public policy because it liquidates the out year cost of roughly 700 plus [workers’ compensation] claims that could reach as high as \$200 million [of liability].”

Only after the legislation passed authorizing the bond funding and giving DAS authority to implement it did DAS seek an outside legal opinion (i.e., from the attorney general) about the loss portfolio transfer. At that point, the questions revolved more around how to structure the contract (i.e., insurance policy) than around other legal questions about whether the state could in fact transfer liability, or about future liability of the claims.

There did not seem to be any exploration on the part of DAS with anyone in any other agency about whether this was a sound policy route to take, or whether there might be alternatives that would better serve the state’s interests. For example:

- At the time the loss portfolio transfer was being discussed, the Second Injury Fund (SIF) had settled several hundred claims (2,544 between FY 98 and FY 00) using state bond funds and had hired (on a contract basis, not as state employees) a number of people with experience in settling workers compensation claims. This SIF effort closed the cases with a settlement; it did

not transfer the case or liability elsewhere. The efforts were touted as being successful.

- According to a senior staff person at the Second Injury Fund, suggestions were made to DAS that this might be a route for DAS to follow with specific cases that became part of the loss portfolio transfer. The timing would have been favorable, especially since the SIF work was winding down and DAS could have hired some of the claims settlement people that had done the SIF work. DAS did not pursue this suggestion.
- DAS did not appear to verify information consulting firm MRM was providing about the benefits of implementing a loss portfolio transfer. For example, CIRMA was not consulted, even though it had done the municipal workers' compensation claims reserving that were transferred in New Haven.
- Also, MRM provided DAS a listing of other states that MRM indicated had engaged in loss portfolio transfers. The list did not state where or how the information was collected, and it does not appear that DAS checked on the veracity of the information, since program review staff called on a number of the states on the list about their state workers' compensation programs and were told that loss portfolio transfers were not used.
- According to staff in the Retirement Division in the Office of the State Comptroller (OSC), the division was not contacted to discuss the impact settling workers' compensation cases would have on retirement benefits of state workers. According to the staff person, when workers' compensation benefits are paid on an ongoing basis (periodic indemnity), there is an offset from retirement benefits; however, there is no offset when a lump sum settlement is made.
- DAS ignored its own staff's cautionary memos. An internal auditor at DAS wrote that he believed transferring the liability for widows and permanent total disability cases made sense, but that other cases – retired, separated, and temporary total claimants – should be reviewed on a case-by-case basis before transferring. That advice was not taken.
- The Office of the Attorney General was not consulted about the administrative transfer of cases until after the loss portfolio transfer was completed. The attorney general's office represents state agencies (as the employer) in workers' compensation cases, and thus a great many of the transferred claims were being handled by that office.

- The attorney general's office was also not consulted about projected settlement values for any of the cases. As attorneys familiar with workers' compensation claims, the staff there might have been able to provide useful information.
- Program review staff contacted the chairman of the Workers' Compensation Commission to inquire whether he had been consulted with respect to the loss portfolio transfer, and he stated that he had not. While he might not have been able to comment on the soundness of the loss portfolio transfer as public policy, he may have been able to offer input about the impact of the transfer on the state's liability as an employer for these cases.

Full disclosure in an open forum regarding the way this loss portfolio transfer transpired and was implemented has never taken place. The legislature's Labor and Public Employees Committee held a public hearing on January 22, 2002, (the contract was signed in November 2001) on the loss portfolio transfer. The Office of the Attorney General presented written testimony, which was read by a legislative staff member. In that statement, the attorney general indicated his negative conclusions about the wisdom of the LPT and DAS' handling of the transfer.

Officials from the Department of Administrative Services and the chief executive officer of MRM Consulting testified at that January 2002 hearing. However, since the transaction was so new and very little was known about it or how it had come about, the committee's background knowledge about the deal was not extensive, and DAS staff and consultant did not face probing questions.

However, several committee members, including committee co-chair, Senator Edith Prague, asked DAS for additional information and answers to specific questions to be submitted to the Labor and Public Employees Committee following the hearing. Program review staff checked with Senator Prague, the labor committee clerk, the State Library and the legislative liaison of the Department of Administrative Services, and no one could locate or remember seeing any of the requested follow-up information.

One of the questions raised at that January 2002 public hearing was how much MRM was paid. Adrien Theriault, CEO of MRM Consulting stated: "I don't think it reached \$100,000", when in actuality, MRM was paid somewhat more than \$700,000.

This loss portfolio transfer has been the subject of two whistleblower complaints investigated by the Office of the Attorney General. The attorney general issued his report on the workers' compensation loss portfolio arrangement (aka loss portfolio transfer) on January 31, 2008. That report indicates the analysis and advice given to DAS leading to the LPT was seriously flawed.

Thus, to summarize, the Department of Administrative Services turned much of its authority for the loss portfolio transfer over to MRM Consulting and then little was done to ensure any performance on the part of MRM, or to verify any of the information provided by

MRM. The following section presents additional background and findings in the four specific focus areas of the targeted case review.

Focus 1. The process used to determine the number of cases and how the cases were selected.

Typically, loss portfolio transfers are used to transfer liability for a certain type of case. For example, the city of New Haven transferred liability for its heart and hypertension workers' compensation cases in 1997. Transferring liability -- according to experts and the literature -- for a certain type of case makes good sense especially if there will be no more of that type of case coming in the future (e.g., a law change excluding a particular exposure), or if there is certainty that a person will not have a new claim.

With the state of Connecticut's loss portfolio transfer, there was no one type of workers' compensation case selected and no formal process was ever used to determine the number or type of cases that would be transferred.

The number of cases changed several times over the course of two years (1999-2001). Initially, the MRM proposal (dated 12/19/00) suggesting the loss portfolio transfer to DAS indicated a total of 726 cases. The number of cases broken down by category does not appear in the 12/19/00 MRM proposal; however, in other documents program review staff reviewed, the number of cases by category was:

Widows	44
Permanent total disability	85
Separated from state service (reviewed)	50
Retired (reviewed)	273
Separated (not reviewed)	162
Retired (not reviewed)	112
Total	726

The OFA fiscal note of June 2001 indicated that about 700 workers compensation cases would be transferred. The RFP soliciting proposals (August 2001) stated 678 claims would be transferred. Ultimately, 660 claims were transferred, but for 640 individuals. It is not clear why there were 18 fewer claims in the final transaction than in the RFP.

MRM (the consulting firm DAS contracted with) had consulted on a similar transaction in New Haven in 1998. This was the only municipal LPT transaction ever done in Connecticut (Program review staff verified that with the Connecticut Interlocal Risk Management Agency). MRM initially suggested a LPT to DAS in January 1999 as it related to heart and hypertension workers' compensation cases; that was one selection criterion that was used in the city of New Haven case transfer. However, unlike municipalities in the state, the State of Connecticut has never had liability for workers' compensation heart and hypertension cases, and DAS workers' compensation staff should have known that.

The Department of Administrative Services began completing computer runs of claims that could be transferred around April 2000. Initially the potential transfer portfolio was to include claims where a payment had been made in the last six months ranked from highest to lowest dollar amount. Another entry states that the LPT claims include all **open** claims three years or older and further sought data on those workers' compensation claimants who had retired or separated during the [previous] two years. Yet another entry states data will be collected on all open claims five years or older. *In other words, there were no established criteria for which claims would be selected.*

MRM represented to DAS that it had reviewed the cases for the portfolio *in depth*. As Table 1 indicates, 274 of the 726 initial cases (almost 40 percent) *were never reviewed*.

DAS knowledge and oversight of communication between MRM and other parties appears to have been minimal. Since DAS (and the state) would be the ultimate payer for the transfer, program review staff finds it surprising that the agency was not more involved in what the consultant was indicating on the agency's behalf. For example, in a December 2000 letter from MRM's CEO, Adrien Theriault, to Hagedorn (the broker who will solicit insurers) he states the following:

- “Believe the 726 claimants risk is an excellent risk for assumption. The primary reason for the state's consideration of this transaction is that it will *serve to reduce a meaningful portion of the overall current administration.*” (At the same time, MRM is indicating to the state the reason for the LPT is to *shed liability for the cases*).
- “Great care has been taken at assembling the individual data sheets since these individual data sheets plus the individual paid loss data information will serve as your primary sources of data.” *In fact, MRM used five college interns to collect most of the data, and the data collected was quite rudimentary.*
- “Also, for purposes of your development of related contract costs, you should use a non-admitted company to write this business. This will enable you to avoid premium taxes normally paid by Connecticut companies.” (The CT Department of Insurance defines a non-admitted insurance company as: an insurance company not licensed to do business in a particular state; such a company may sell excess and surplus insurance in the state if admitted insurers decline to write a risk.) *In other words, a consultant hired and compensated by the state of Connecticut is advising that the payment of premium taxes to the state of Connecticut can be circumvented by hiring an unlicensed insurer.*

In the spring of 2001, it was determined that temporary total claims should be added to the proposed portfolio. This was apparently done because a number of the earlier claims had already been closed by the state's third party administrator for workers' compensation claims, and thus the portfolio would have fewer cases. At first, 156 temporary total (TT) claims were

added and then an additional 67 TT claims were added for a total of 223 temporary total disabled claims. It is important to note that this is the largest group of claims and these claims were not individually reviewed by MRM.

In the December 2000 report to DAS promoting the LPT, MRM discusses its reserving methodology and calculates the reserves necessary for the loss portfolio proposed cases at between \$127 and \$152 million (as opposed to the almost \$75 million that the state's third party administrator, Berkley had reserved). However, when MRM discussed these cases with insurers that might be interested, it used the Berkley reserves of \$75 million.

During this targeted case review, program review staff contacted personnel in three large agencies -- listed in 2001 documents as being staff for workers' compensation -- about whether they had any input into the selection of cases for the portfolio; they indicated they did not.

Focus 2. The process for selection of the brokers and the insurer in the loss portfolio arrangement

Program review staff determined that much of the selection of brokers and insurers was also turned over to MRM Consulting.

MRM initially worked through Hagedorn to get initial pricing on the claims. A meeting took place in New York City at Hagedorn's office in January 2001 with MRM and several insurers. After that meeting, and based solely on MRM's presentation of the portfolio (726 claims), six insurers offered initial pricing proposals. It appears from documents reviewed that no one represented the state of Connecticut at that meeting. Further, MRM was not able to produce (upon subpoena from the attorney general's office) what it had presented to Hagedorn and the insurers at that meeting.

In January 2001, six insurers made initial bids on several alternatives – bids ranged from \$50 million to \$107 million -- depending on various aggregate and claim limits. Three of those insurers received dates to audit the files at Berkley, the state's TPA. *MRM handled the scheduling of auditing the files.*

MRM had suggested the two-step approach to implementing the loss portfolio transfer – 1) RFQ to select qualified brokers to “market” the portfolio, and 2) RFP to bring actual bids from insurers and select an insurer for the portfolio. A RFQ was developed in March 2001. MRM assisted in the development of the RFQ for brokers, created the format for evaluating the RFQs, and all communication regarding the RFQ was to be directed to MRM, although final submissions were to be sent to Joseph Prevuznak at DAS.

It is not clear to program review staff what value or benefit this RFQ step added to the process, but appears to be another example of DAS accepting MRM's advice without question. The RFQ was sent to 10 different brokers and only two responded – Marsh and McLennan and Hagedorn (and MRM had already met with Hagedorn in January 2001). DAS decided to accept both brokers' proposals and sends each broker a letter that includes a list of insurers from which to solicit bids. The Marsh list included: 1) ACE; 2) Safety National; 3) Munich American Re; 4) Commercial Risk; and 5) PMA Group. Hagedorn's list included: 1) AIG; 2) Hartford Specialty; 3) Swiss Re; 4) Cologne Re; and 5) XL Nac Re. *The letter also stated that brokers should advise MRM of any insurers who decline to submit pricing.*

Insurers were limited in terms of reviewing cases. An early version of the RFP states the sample of audit should be limited to 90 cases and insurers would have up to five business days to complete the on-site visit at Berkley. The final RFP, issued in August 2001 did not limit the sample number, but rather requested the sample of cases for audit be submitted to DAS before being conducted.

At the same time MRM was assisting DAS with the development and selection process for the loss portfolio transfer, it was also assisting the department with the development of an RFP for selecting a new third party administrator for the state's workers' compensation cases.

Interestingly, MRM had been very disparaging of Berkley [the state's TPA prior to the LPT] in memos to DAS. Berkley's contract with the state was not renewed, and the state selected GAB Robins as the state's TPA beginning in 2002. However, Berkley was hired by ACE, (the company to which the state's loss portfolio was transferred) as its administrator to handle the transferred cases. While perhaps not legally prohibited, the timing and circumstances of the Berkley hiring raises a perception of a conflict of interest.

Focus 3 -- The performance provisions written in the contract for the portfolio transfer and whether the state has ensured accountability of those provisions.

Given the significant sum of money (\$80 million) involved with this Loss Portfolio Transfer, the transaction does not appear to have had a thorough review for the legal or financial impact on the state before signing.

There was a review by the state's bond counsel – Robinson and Cole. However a letter from the bond counsel dated November 8, 2001 indicates the limitations of that review due to both timing and the scope of bond counsel authority.

Technically, there is no contract between the state and the vendor/insurer ACE Financial. There is an insurance policy in effect between the State of Connecticut and Illinois Union Insurance Company (which is part of ACE Financial Services), which was signed by [then] Deputy Commissioner Alan Mazzola. That document states: “the terms of this policy and our obligations hereunder are agreed to and accepted as of the 16th day of November, 2001.” The only review for legal sufficiency was performed by DAS attorney, James Neill. According to the attorney general's office, department counsel is not legally authorized to do such reviews.

Overall, provisions in the insurance policy appear more favorable to the insurer than to the state.

The policy established two important limits of liability for the insurer:

- *a maximum aggregate loss limit of \$150 million; and*
- *a maximum per claim limit of \$1.5 million*

This latter provision was a change from the August 2001 RFP indicating that there would be two claims that would have significantly higher limits – one at \$10.5 million and the other at \$2 million. It is not clear exactly why this change was made, but appears to have been a result of late negotiations between the vendor and DAS. *Obviously, the per-claim cap changes favor the insurer and not the state.*

The only performance-related provision in the contract that the insurer must fulfill is to provide the state (Department of Administrative Services) with annual reports which detail paid claims on a per claim basis and aggregate loss basis. This has been done.

The personal service agreements that DAS had with MRM do not include performance measures.

Invoices show MRM was paid on an hourly basis for work performed that totaled over \$700,000 from 1999-2002, without much in the way of product. In fact, all written reports or products received from this vendor were stamped draft or confidential, generally escaping public scrutiny.

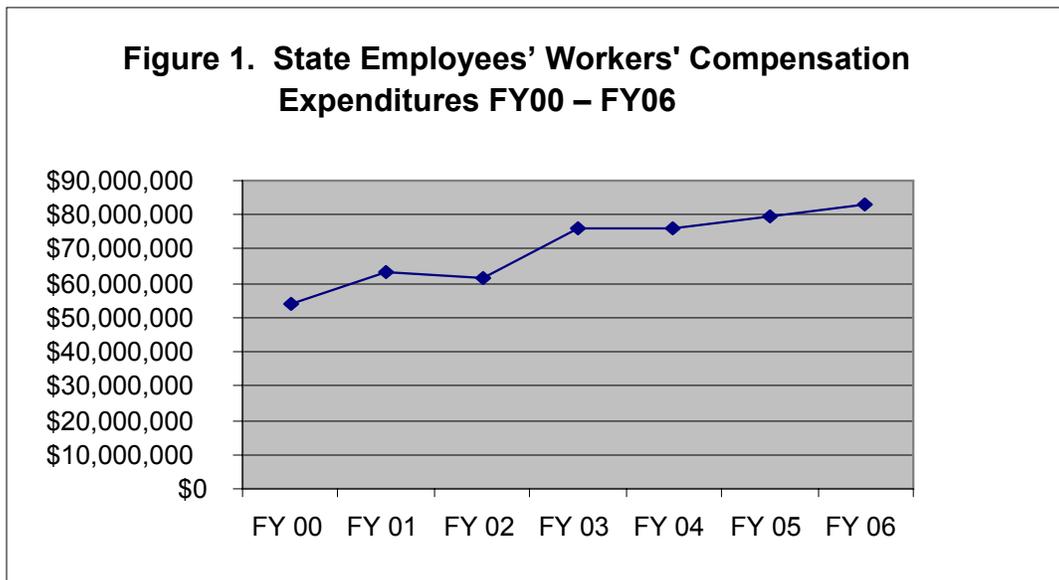
Some staff in DAS recognized that this particular vendor's work was questionable, and that oversight was lacking. A DAS internal memo of May 19, 2001 states:

When it comes to this particular vendor, it appears as though we [DAS] are the only ones concerned with meeting deadlines and timeframes. Isn't there supposed to be somebody that is responsible/accountable for the vendor's dealings with the state? I know these are very high level projects with a lot of twists and turns, but it does seem apparent that even the slightest bit of attention to detail would provide immeasurable benefits.

Again, this memo suggesting a more cautious approach appears to have been ignored by DAS officials.

Focus 4. Trends in the state’s financial liabilities (aggregate and per-case) for the non-transferred cases.

Overall, the loss portfolio transfer has not reduced the state’s expenditures for state employees’ workers’ compensation. While there was a slight reduction in total expenditures -- \$1.8 million (or about 3 percent) between FY01 and FY02 when ACE would have taken over the LPT cases -- these savings were erased by FY 03, when the expenditures increased by more than \$14 million.



At the time the bond package was discussed, the Office of Fiscal Analysis had prepared a fiscal note that was skeptical of the projected savings the transfer would yield. Net savings (after debt service costs on the bond debt) were anticipated to be \$11.3 million in FY 02 and \$1.3 million in FY 03, with “lesser savings expected in the out years.” In other words, the projected savings would not even come close to the \$80 million (without interest on the debt) the state would spend on the transfer. This should have had some impact on the decision to pass this part of the bill, but the bond package and budget were approved.

It is difficult to assess the aggregate and per-case liability for non-transferred cases, because in many instances the state retained some liability for the cases that were transferred to ACE. This is because the state did not transfer *individual claimants, or all claims for an individual, but rather only particular types of claims. For example, an individual may have had several workers’ compensation claims with the state, but only one of those claims was transferred to ACE (by date of occurrence), with the state retaining liability for all the other claims for that individual.*

The loss portfolio arrangement appears to have financially benefited the insurer, but not the state:

- It was always anticipated that insurers would be interested in this arrangement because the premium (\$80 million) was paid in a lump sum, so the insurer had the investment opportunities of the premium even if, after a number of years, the payments for the claims exceeded the premiums.
- However, in the case of the loss portfolio to ACE five years after the premium was paid, ACE has expended only \$58 million of the \$80 million by paying or settling claims (according to ACE 11/06 report to DAS). Thus ACE has had use of more than \$20 million for more than five years, as well as any investment opportunities the original \$80 million continues to provide ACE.
- ACE has settled (through approved stipulated agreements) 400 of the 660 claims (according to data on stipulated settlements from the Workers' Compensation Commission) totaling \$31.8 million. This leaves about 220 claims that are still "open", where ACE is paying or could pay.
- However, there are about 100 claims where Ace paid out nothing – either in settlements or in payments on claims. (An internal ACE underwriting report on the Connecticut loss portfolio transfer dated 2/13/02 indicates "120 of the 660 are already closed and [ACE] has contemplated the re-open potential for each claim and anticipates approximately 25 claims to reopen.")
- Because not all workers' compensation claims related to an individual were transferred, the state has retained liability for those people where some of their workers' compensation claims remained with the state. In response to a PRI request for this case review, DAS had GAB Robins (its current third-party administrator) produce a report on the amount of claims paid since November 2001 for the people where a number of claims remained with the state. The state has paid \$11.9 million to individuals where some claims were transferred and others the state retained. About one-third of the 640 individuals transferred (238) received payments from the state for non-transferred cases since November 2001, averaging \$53,065 per individual.
- The per-case limit has been reached in one case. (This was one of the two cases that had been specifically mentioned in the August 2001 RFP as needing a higher -- \$10 million -- limit, but this provision was not in the final contract). This case has now come back to the state and since November 2001, the state has paid \$3.2 million.
- The state (DAS), prior to making the decision, apparently only considered MRM's "reserving methodology" and did not consider, or ask for, an assessment of what values the cases could be settled for. The table below gives a comparison of stipulated settlements for the past few years.

Table 2. Comparison of Stipulated Settlements			
<i>State of Connecticut (state employee cases)</i>			
Fiscal Year	Total Amount	Number Settled	Average
<i>FY 00</i>	\$3,173,063	95	\$33,401
<i>FY 01</i>	\$5,139,931	99	\$51,918
<i>FY 02</i>	\$1,624,270	61	\$26,627
<i>FY 03</i>	\$1,965,993	65	\$30,244
<i>FY 04</i>	\$1,225,947	49	\$25,019
<i>FY 05</i>	\$2,643,048	68	\$38,868
<i>FY 06</i>	\$2,054,615	49	\$41,931
<i>ACE (state employee cases)</i>			
<i>Pre 01</i>	\$265,000	9	\$29,500
<i>11/01 – 6/02</i>	\$8,895,933	108	\$82,369
<i>FY 03</i>	\$11,538,463	157	\$73,493
<i>FY 04</i>	\$6,546,661	79	\$82,869
<i>FY 05</i>	\$2,430,000	24	\$101,250
<i>FY 06</i>	\$2,136,500	19	\$112,447
<i>All Stipulations approved By Workers' Compensation Commission (calendar years)</i>			
<i>2001</i>	\$169,373,851	5,646	\$29,998
<i>2002</i>	\$156,230,548	6,100	\$25,611
<i>2003</i>	\$152,110,707	6,040	\$25,183
<i>2004</i>	\$163,594,756	6,497	\$25,180
<i>2005</i>	\$194,119,152	6,410	\$30,283
<i>2006</i>	\$182,474,438	6,143	\$29,704
<i>Source of Data: State Workers' Compensation Commission</i>			

- Thus, it appears that if the state had considered other financial aspects such as past settlement activity and average settlement value, the state might have used the \$80 million in a different, more beneficial, type of transaction. For example, by even using a gross estimation of the state's highest average settlement cost of about \$52,000 X 670 cases = about \$35 million. Even if estimated administrative costs were about one-third, which would be high, that would translate to a total of \$46.5 million, considerably less than the \$80 million the state spent.

Administrative savings: MRM also indicated in December 2000 that it would require that all future administrative costs for the claims be part of the LPT price. That requirement was projected to save the state approximately \$2.5 million in future claim administration costs. *These administrative savings have also not been realized.* The state is paying the current third party administrator – GAB Robins – as much per year to administer its workers' compensation claims as it had to prior to the loss portfolio transfer. In fact, one could argue the administrative "costs" actually increased, because the actual physical transfer of some of the files that were at the attorney general's office had to be transferred to ACE.

In addition, both the third party administrator and DAS sent letters to claimants whose files had been transferred informing them of the transfer, an administrative action that would not have been necessary had the claims not been transferred. Further, because not all claims for an

individual person were transferred, anecdotal information indicates the administration of these cases may have become more difficult because of disputes about which party (the state or ACE) has liability for a claim.

Attachment A

Identification and Brief Description of Parties Discussed in This Report.

Berkley Administrators – The third party administrator (TPA) for State of Connecticut workers' compensation claims at the time of the loss portfolio transfer. Berkley became the state's TPA in 1997 through acquiring ConnectiComp, the then third party administrator for the state. Berkley lost the contract for that business in late 2001. However, Berkley became the administrator for the cases that were transferred to ACE Financial through the loss portfolio transfer. The founder and CEO of the company, William R. Berkley, lives in Greenwich CT.

GAB Robins – The company is currently the state's third party administrator for workers' compensation claims under a three-year contract 2005-2008 that totals \$16 million. It was initially awarded a three-year contract, replacing Berkley, in early 2002 in response to an RFP.

Hagedorn and Company – a nationwide insurance brokerage company. Initially (around December 2000-January 2001) Hagedorn was informally requested by MRM to gauge interest on and obtain pricing for the loss portfolio transfer. Later, in the spring of 2001 an official RFQ was developed for this purpose. Hagedorn was one of two brokerage companies that responded – Marsh and McLennan was the other – and both were awarded the RFQ. DAS assigned Hagedorn a list of potentially interested insurers to work with on developing proposals for the loss portfolio transfer.

Marsh and McLennan Companies – a nationwide insurance brokerage company. One of two brokerage companies that responded to a DAS RFQ; both were awarded. Once award made, Marsh and McLennan was given a list from DAS of five insurers, including Ace Financial, to seek cost proposals for taking over the loss portfolio.

MRM Consulting – Insurance consulting firm based in Westport, Connecticut. At the time (2001) was a certified insurance consultant (# 001047910) by state Insurance Department. Chief Executive Officer of company is Adrien Theriault. During 2001, MRM Consulting was being compensated by the state for work on four different projects: 1) the Adriaen's Landing owner-controlled insurance program (OCIP); 2) loss portfolio transfer; 3) the development of the RFQ and RFP and selection process of the state's third party administrator (TPA) for workers' compensation; and 4) a feasibility study of a state-managed owner-controlled insurance program for state-financed school building projects (idea later abandoned). Altogether, the state paid MRM more than \$700,000, all through personal service agreements and amendments to them.