



Group Benefits Proposal For:
State of Nebraska

RFP #5953 Z1
Life Insurance Plans

December 2018



Products and services marketed under the Dearborn National® brand and the star logo are underwritten and/or provided by Dearborn National® Life Insurance Company (Downers Grove, IL) and certain of its affiliates.

WORKING WITH YOU

TO ENHANCE OUR CUSTOMERS' FINANCIAL WELL-BEING

Partnership. Solutions. Strength.



We help financially protect our customers with our comprehensive product portfolio and unique approach to customer care.

CUSTOMER FOCUSED

We listen to our customers so we can better understand and anticipate their needs.

Each year, we:

- ▲ Survey our various customers
- ▲ Implement innovation projects to enhance our customers' experience
- ▲ Recognize innovative employees for finding ways to better serve our customers

We handle more than:



114,000¹
PHONE INQUIRIES

AND



105,000¹
EMAILS

CREDIBLE CREDIT

- ▲ A (Excellent) by A.M. Best Company²
- ▲ A (Strong) by Standard & Poor's³

STRONG PARENT COMPANY

Proud ancillary subsidiary of Health Care Service Corporation (HCSC), the largest non-investor owned health care insurer in the United States and the fourth largest overall.

EXPERIENCE AT WORK

Founded in 1969, we are among the leading providers of group insurance benefits in the United States.

- ▲ \$118.6 billion of life insurance in force⁴
- ▲ \$1.8 billion in assets⁴



TRUSTED BY MILLIONS

Currently serve nearly **3 million customers⁴**

—including some of the largest and most recognized companies in the United States.

For agent/employer use.

¹As of 1/31/17. ²Affirmed 8/31/17. A.M. Best Company rates the overall financial condition of a company using a scale of A++ (Superior) to F (In Liquidation). ³For financial strength in its most recent report, 12/16/17, Standard & Poor's Insurer Financial Strength Rating uses a scale ranging from AAA (Extremely Strong) to R (Experienced Regulatory Action). ⁴As of 12/31/17.

This piece is for illustrative purposes only and is not a contract. It is intended to provide only a brief summary of the type of policy and insurance coverage advertised. The policy provides the actual terms of coverage, including any exclusions, conditions and limitations to coverage. Products and services marketed under the Dearborn National[®] brand and the star logo are underwritten and/or provided by Dearborn National[®] Life Insurance Company (Downers Grove, IL) in all states (excluding New York), the District of Columbia, the U.S. Virgin Islands and Puerto Rico. Product features and availability vary by state. 7/17 0051-0517 (03/18)



December 10, 2018

Teresa Fleming
State Purchasing Bureau
1526 K Street, Suite 130
Lincoln, NE 68508

RE: RFP #5953 Z1 – Life Insurance Plans

Dear Ms. Fleming:

On behalf of Dearborn National, I am pleased to provide a proposal for Life/Accidental Death & Dismemberment (AD&D), and Supplemental Life/AD&D, insurance benefit plans for the employees of the State of Nebraska.

Dearborn National is a wholly owned subsidiary of Health Care Service Corporation, a Mutual Legal Reserve Company, which operates health insurance plans in Illinois, Montana, New Mexico, Oklahoma and Texas. We have strong financial ratings and the strength to fulfill our promises to our partners, clients and customers both now and in the future. We are rated “A” by both A.M. Best Company¹ and Standard & Poor’s.² These superior financial ratings demonstrate the financial security your employees will have with their coverages insured by Dearborn National.

We confirm receipt of Addendums 1, 2, 3 & 4. For your convenience, the following is a summary of the proposal highlights:

- A six-year rate guarantee.
- Our proposal includes the following value-added services at no additional cost:
 - Addition of DearbornCaresSM: provides an advance payment of the life insurance benefit to help beneficiaries cover their immediate expense, such as funeral costs and medical bills.
 - Pays up to \$10,000 per beneficiary of Employer-Paid Basic Life insurance claims in advance
 - Available for covered employees and retirees
 - Applies to claims with 1, 2 or 3 named beneficiaries
 - No death certificate required
 - Beneficiary Resource ServicesTM: Grief, Legal, and Financial counseling and other services for beneficiaries or those employees applying for accelerated death benefits. This valuable service includes 5 face-to-face sessions if needed. There is also a Funeral Planning website which assists beneficiaries at their time of need.

¹Affirmed August 31, 2017. A.M. Best Company rates the overall financial result of a company using a scale of A++ (Superior) to F (In Liquidation).

²Affirmed November 15, 2017. Standard & Poor’s Insurer Financial Strength Rating uses a scale ranging from AAA (extremely Strong) to R (Experienced Regulatory Action)

1020 31st Street ▲ Downers Grove, IL 60515 ▲ Phone: 630-824-5242 ▲ Mobile: 630-310-2682

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- **Travel Resource Services™:** Travel assistance and other related services for employees when they are over 100 miles from home and need assistance with medical and other issues. Services include medical evacuation, assistance with stranded dependents, language assistance, help with prescriptions and glasses, etc. Also includes access to a web site 24/7 that is an excellent resource for planning a trip.

We appreciate the opportunity to provide an insurance solution for your employees and I look forward to discussing our proposal with you soon.

Sincerely,

A handwritten signature in blue ink that reads "Greg D'Aprile".

Greg D'Aprile
National Accounts Sales Executive
Dearborn National
1020 31st Street, 4th Floor
Downers Grove, IL 60515
Phone: 630-824-5242
Mobile: 630-310-2682
E-mail: Greg_DAprile@dearbornnational.com

Enclosures

1020 31st Street ▲ Downers Grove, IL 60515 ▲ Phone: 630-824-5242 ▲ Mobile: 630-310-2682

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Proposed Plan of Group Insurance Benefits

Designed for:

State of Nebraska RFP #5953 Z1 – Life Insurance Plans

December 2018

Prepared By:



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State of Nebraska

RFP 5953 Z1 Life Insurance Plans

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Signature Forms

**Form A
Bidder Contact Sheet**

Request for Proposal Number 5953 Z1

Form A should be completed and submitted with each response to this RFP. This is intended to provide the State with information on the bidder's name and address, and the specific person(s) who are responsible for preparation of the bidder's response.

Preparation of Response Contact Information	
Bidder Name:	Dearborn National Life Insurance Company
Bidder Address:	701 E. 22 nd Street Lombard, IL 60148
Contact Person & Title:	Greg D'Aprile, National Accounts Sales Executive
E-mail Address:	Greg_Daprile@bcbsil.com
Telephone Number (Office):	630-824-5242
Telephone Number (Cellular):	630-310-2682
Fax Number:	(312) 540-3108

Each bidder should also designate a specific contact person who will be responsible for responding to the State if any clarifications of the bidder's response should become necessary. This will also be the person who the State contacts to set up a presentation/demonstration, if required.

Communication with the State Contact Information	
Bidder Name:	Dearborn National Life Insurance Company
Bidder Address:	701 E. 22 nd Street Lombard, IL 60148
Contact Person & Title:	Greg D'Aprile, National Accounts Sales Executive
E-mail Address:	Greg_Daprile@bcbsil.com
Telephone Number (Office):	630-824-5242
Telephone Number (Cellular):	630-310-2682
Fax Number:	312-540-3108

REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES FORM

BIDDER MUST COMPLETE THE FOLLOWING

By signing this Request for Proposal for Contractual Services form, the bidder guarantees compliance with the procedures stated in this Request for Proposal, and agrees to the terms and conditions unless otherwise indicated in writing and certifies that bidder maintains a drug free work place.

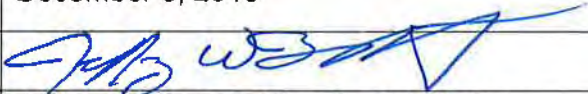
Per Nebraska's Transparency in Government Procurement Act, Neb. Rev Stat § 73-603 DAS is required to collect statistical information regarding the number of contracts awarded to Nebraska Contractors. This information is for statistical purposes only and will not be considered for contract award purposes.

_____ NEBRASKA CONTRACTOR AFFIDAVIT: Bidder hereby attests that bidder is a Nebraska Contractor. "Nebraska Contractor" shall mean any bidder who has maintained a bona fide place of business and at least one employee within this state for at least the six (6) months immediately preceding the posting date of this RFP.

_____ I hereby certify that I am a Resident disabled veteran or business located in a designated enterprise zone in accordance with Neb. Rev. Stat. § 73-107 and wish to have preference, if applicable, considered in the award of this contract.

_____ I hereby certify that I am a blind person licensed by the Commission for the Blind & Visually Impaired in accordance with Neb. Rev. Stat. §71-8611 and wish to have preference considered in the award of this contract.

FORM MUST BE SIGNED USING AN INDELIBLE METHOD (NOT ELECTRONICALLY)

FIRM:	Dearborn National Life Insurance Company
COMPLETE ADDRESS:	701 E. 22nd Street Lombard, IL 60148
TELEPHONE NUMBER:	800-348-4512
FAX NUMBER:	312-540-3108
DATE:	December 3, 2018
SIGNATURE:	
TYPED NAME & TITLE OF SIGNER:	Jeffrey W. Barrett, Vice President, Sales

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Corporate Overview



Corporate Overview

1. CORPORATE OVERVIEW

The Corporate Overview section of the Technical Proposal should consist of the following subdivisions:

a. BIDDER IDENTIFICATION AND INFORMATION

The bidder should provide the full company or corporate name, address of the company's headquarters, entity organization (corporation, partnership, proprietorship), state in which the bidder is incorporated or otherwise organized to do business, year in which the bidder first organized to do business and whether the name and form of organization has changed since first organized.

Dearborn National Life Insurance Company (Dearborn National) is an Illinois corporation and a wholly owned subsidiary of Health Care Service Corporation (Blue Cross Blue Shield of Illinois, Montana, New Mexico, Oklahoma and Texas), a Mutual Legal Reserve Company. Dearborn National's headquarters is in Chicago, Illinois with administrative offices in Lombard, Illinois and Richardson, Texas. With the relationship to our parent company, Dearborn National has the backing of a premier health insurance company. This allows us to expand our capabilities and keep up-to-date with changes in the industry.

Dearborn National is a corporation, that was founded and incorporated in the state of Illinois in 1966 to provide ancillary insurance products and services to the customers of our parent company, HCSC. In September of 2012, the Ancillary Benefits Division of our parent company, Health Care Service Corporation announced a change in our name from Fort Dearborn Life Insurance Company to Dearborn National Life Insurance Company.

b. FINANCIAL STATEMENTS

The bidder should provide financial statements applicable to the firm. If publicly held, the bidder should provide a copy of the corporation's most recent audited financial reports and statements, and the name, address, and telephone number of the fiscally responsible representative of the bidder's financial or banking organization.

If the bidder is not a publicly held corporation, either the reports and statements required of a publicly held corporation, or a description of the organization, including size, longevity, client base, areas of specialization and expertise, and any other pertinent information, should be submitted in such a manner that proposal evaluators may reasonably formulate a determination about the stability and financial strength of the organization. Additionally, a non-publicly held firm should provide a banking reference.

The bidder must disclose any and all judgments, pending or expected litigation, or other real or potential financial reversals, which might materially affect the viability or stability of the organization, or state that no such condition is known to exist.

The State may elect to use a third party to conduct credit checks as part of the corporate overview evaluation.

Dearborn National is a privately held, and wholly owned subsidiary of Health Care Service Corporation. We have included our most recent audited financial statement in the Exhibits section of our proposal.

Dearborn National was founded and incorporated in the state of Illinois in 1966 to provide ancillary insurance products and services to the customers of our parent company, Health Care Service Corporation (HCSC). HCSC, a mutual legal reserve company conducts business as Blue Cross and Blue Shield of Illinois, Montana, New Mexico, Oklahoma and Texas. HCSC is the largest health care insurance provider in the state of Illinois and is the 4th largest medical carrier nationally. HCSC is a wholly-owned, not-for-profit, Mutual Legal Reserve Company established and licensed to sell insurance in 1938, under the statutes of the State of Illinois.



Corporate Overview

Dearborn National provides employer groups with a comprehensive portfolio of insurance products and services including Group and Voluntary Term Life Insurance, Accidental Death & Dismemberment (AD&D), Critical Illness, Short and Long-Term Disability, Vision and Dental plans. We are licensed in all 50 states, (Dearborn National Life Insurance Company of New York is licensed in New York), as well as the District of Columbia, the U.S. Virgin Islands and Puerto Rico. We have a proven success record with public sector clients similar in size and complexity to the State. Our expertise includes insuring and administering benefits for hundreds of public sector clients including counties, cities, school districts, colleges and universities. Dearborn National has been providing Life and AD&D insurance for over 47 years, and Disability insurance coverage for over 33 years. We have been serving the industry since 1969. We have \$91.7 billion of life insurance in force¹ and \$2.2 billion in assets².

The State can rest assured that Dearborn National is financially stable. Our strength is reflected in the solid and consistent financial ratings we receive from A.M. Best Company and Standard & Poor's.

*Dearborn National Life Insurance Company is rated A (Excellent) by A.M. Best Company³
Dearborn National Life Insurance Company is rated A (Positive) by Standard & Poor's⁴*

These ratings speak to our commitment to manage our business well. By maintaining a strong balance sheet backed by conservative investments, we are positioned to meet our obligations and fulfill our promises. The State's employees will be protected because we manage our business with prudence to remain financially strong.

Bank Reference for Dearborn National:

J.P. Morgan Chase
Sharon McGlover
2200 Ross Ave, 6th floor, TX-12944
Dallas, TX 75201
214-985-2681

Any past and pending litigation or claims filed against us have largely been beneficiary disputes (cases where various parties contested the right to benefits). None of this litigation has been material, nor would it adversely impact our performance under an agreement with the State.

c. CHANGE OF OWNERSHIP

If any change in ownership or control of the company is anticipated during the twelve (12) months following the proposal due date, the bidder should describe the circumstances of such change and indicate when the change will likely occur. Any change of ownership to an awarded vendor(s) will require notification to the State.

There are no plans for any change in ownership or control of the company.

d. OFFICE LOCATION

The bidder's office location responsible for performance pursuant to an award of a contract with the State of Nebraska should be identified.

Tyler Lisenby will be your assigned Account Manager. Tyler is located in our Downers Grove, Illinois. The Customer Service and Claims department is located in Illinois, as well. Tyler will be engaged beginning with the pre-implementation process and provide ongoing day-to-day account management.

¹ As of 12/31/15

² As of 09/30/15

³ As of August 31, 2017. A.M. Best Company rates the overall financial result of a company using a scale of A++ (Superior) to F (In Liquidation).

⁴ As of November 15, 2017. Standard & Poor's Insurer Financial Strength Rating uses a scale ranging from AAA (extremely Strong) to R (Experienced Regulatory Action)



Corporate Overview

Tyler will be responsible for coordinating our Dearborn National team and she will be dedicated to meeting your needs. The Account Manager will be responsible for coordinating our Dearborn National team and will be dedicated to meeting your needs. The Account Manager is your advocate and liaison to all other areas and resources within Dearborn National.

e. **RELATIONSHIPS WITH THE STATE**

The bidder should describe any dealings with the State over the previous three (3) years. If the organization, its predecessor, or any Party named in the bidder's proposal response has contracted with the State, the bidder should identify the contract number(s) and/or any other information available to identify such contract(s). If no such contracts exist, so declare.

We have no prior contracts or dealings with the State of Nebraska.

f. **BIDDER'S EMPLOYEE RELATIONS TO STATE**

If any Party named in the bidder's proposal response is or was an employee of the State within the past two (2) years, identify the individual(s) by name, State agency with whom employed, job title or position held with the State, and separation date. If no such relationship exists or has existed, so declare.

No such relationship exists, nor has existed.

If any employee of any agency of the State of Nebraska is employed by the bidder or is a Subcontractor to the bidder, as of the due date for proposal submission, identify all such persons by name, position held with the bidder, and position held with the State (including job title and agency). Describe the responsibilities of such persons within the proposing organization. If, after review of this information by the State, it is determined that a conflict of interest exists or may exist, the bidder may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

No such relationship exists, nor has existed.

g. **CONTRACT PERFORMANCE**

If the bidder or any proposed Subcontractor has had a contract terminated for default during the past three (3) years, all such instances must be described as required below. Termination for default is defined as a notice to stop performance delivery due to the bidder's non-performance or poor performance, and the issue was either not litigated due to inaction on the part of the bidder or litigated and such litigation determined the bidder to be in default.

It is mandatory that the bidder submit full details of all termination for default experienced during the past three (3) years, including the other Party's name, address, and telephone number. The response to this section must present the bidder's position on the matter. The State will evaluate the facts and will score the bidder's proposal accordingly. If no such termination for default has been experienced by the bidder in the past three (3) years, so declare.

If at any time during the past three (3) years, the bidder has had a contract terminated for convenience, non-performance, non-allocation of funds, or any other reason, describe fully all circumstances surrounding such termination, including the name and address of the other contracting Party.

No such termination for default has been experienced.



Corporate Overview

h. SUMMARY OF BIDDER'S CORPORATE EXPERIENCE

The bidder should provide a summary matrix listing the bidder's previous projects similar to this RFP in size, scope, and complexity. The State will use no more than three (3) narrative project descriptions submitted by the bidder during its evaluation of the proposal.

The bidder should address the following:

i. Provide narrative descriptions to highlight the similarities between the bidder's experience and this RFP. These descriptions should include:

- a) The time period of the project;
- b) The scheduled and actual completion dates;
- c) The Contractor's responsibilities;
- d) For reference purposes, a customer name (including the name of a contact person, a current telephone number, a facsimile number, and e-mail address); and
- e) Each project description should identify whether the work was performed as the prime Contractor or as a Subcontractor. If a bidder performed as the prime Contractor, the description should provide the originally scheduled completion date and budget, as well as the actual (or currently planned) completion date and actual (or currently planned) budget.

We have listed three current accounts that Dearborn National performs services for as the prime contractor.

Our services include the following:

- Implementation and installation of the account including ongoing meetings and status reports
- Plan design and contract review and delivery
- Training on administrative procedures with ongoing support
- Report delivery and review
- Performance guarantee monitoring and review (if applicable)
- Enrollment meetings
- Quarterly meetings
- Customer satisfaction survey reviews (if applicable)
- Fast, accurate payment of claims
- Toll-free customer service
- Follow up, issue resolution and ongoing evaluations
- Providing the technical expertise needed in your employee benefit planning
- Supplying accurate and useful reports
- Providing printed materials for all presentations at no charge.

Our commitment to you as our customer is to provide quality customer service from implementation to claim payment. We consistently monitor our progress in each functional area, looking for ways to improve. Our staff is available to assist our employer groups in all aspects of administration, including customer service, evidence of insurability processing and claim payment.



Corporate Overview

Current references for Dearborn National:

State of Connecticut

55 Elm Street
Hartford, CT 06106
Contact: Rae-Ellen Roy, Retirement & Benefits Coordinator
Phone: 860-702-3435
E-mail: rae-ellen.roy@ct.gov
Number of employees: 58,050
Coverages: Basic Life, Voluntary Life
Effective date: 7/1/1997 - current

Metro Nashville Public Schools

2601 Bransford Ave
Nashville, TN 37204
Contact - David Hines, Human Resources Manager
Phone: 615-513-8418
E-mail: David.Hines@mnps.org
Number of employees: 7,260
Coverages: Basic Life, Supplemental Life/AD&D, Voluntary STD, Voluntary LTD
Effective date: 1/1/2013

Amsted Industries, Inc.

180 N Stetson Ave., Suite 1800
Chicago, IL 60601
Contact: Joanne Nahstradt
Phone: 312-819-8497
E-mail: jkn@amsted.com
Number of employees: 7,822
Coverages: Basic Life/AD&D, Supplemental Life, STD, LTD
Effective date: 1/1/2013

- ii. **Contractor and Subcontractor(s) experience should be listed separately. Narrative descriptions submitted for Subcontractors should be specifically identified as Subcontractor projects.**

We are not subcontracting for this bid.

- iii. **If the work was performed as a Subcontractor, the narrative description should identify the same information as requested for the Contractors above. In addition, Subcontractors should identify what share of contract costs, project responsibilities, and time period were performed as a Subcontractor.**

Not applicable.

I. **SUMMARY OF BIDDER'S PROPOSED PERSONNEL/MANAGEMENT APPROACH**

The bidder should present a detailed description of its proposed approach to the management of the project.

The bidder should identify the specific professionals who will work on the State's project if their company is awarded the contract resulting from this RFP. The names and titles of the team proposed for assignment to the State project should be identified in full, with a description of



Corporate Overview

the team leadership, interface and support functions, and reporting relationships. The primary work assigned to each person should also be identified.

The bidder should provide resumes for all personnel proposed by the bidder to work on the project. The State will consider the resumes as a key indicator of the bidder's understanding of the skill mixes required to carry out the requirements of the RFP in addition to assessing the experience of specific individuals.

Resumes should not be longer than three (3) pages. Resumes should include, at a minimum, academic background and degrees, professional certifications, understanding of the process, and at least three (3) references (name, address, and telephone number) who can attest to the competence and skill level of the individual. Any changes in proposed personnel shall only be implemented after written approval from the State.

We have included Account Team Biographies with the requested information in the Exhibits section of our proposal.

j. **SUBCONTRACTORS**

If the bidder intends to subcontract any part of its performance hereunder, the bidder should provide:

- i. name, address, and telephone number of the Subcontractor(s);
- ii. specific tasks for each Subcontractor(s);
- iii. percentage of performance hours intended for each Subcontract; and
- iv. total percentage of Subcontractor(s) performance hours.

We are not subcontracting for this bid.

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Completed Sections II through VI

II. TERMS AND CONDITIONS


Bidders should complete Sections II through VI as part of their proposal. Bidder is expected to read the Terms and Conditions and should initial either accept, reject, or reject and provide alternative language for each clause. The bidder should also provide an explanation of why the bidder rejected the clause or rejected the clause and provided alternate language. By signing the RFP, bidder is agreeing to be legally bound by all the accepted terms and conditions, and any proposed alternative terms and conditions submitted with the proposal. The State reserves the right to negotiate rejected or proposed alternative language. If the State and bidder fail to agree on the final Terms and Conditions, the State reserves the right to reject the proposal. The State of Nebraska is soliciting proposals in response to this RFP. The State of Nebraska reserves the right to reject proposals that attempt to substitute the bidder's commercial contracts and/or documents for this RFP.

The bidders should submit with their proposal any license, user agreement, service level agreement, or similar documents that the bidder wants incorporated in the Contract. The State will not consider incorporation of any document not submitted with the bidder's proposal as the document will not have been included in the evaluation process. These documents shall be subject to negotiation and will be incorporated as addendums if agreed to by the Parties.

If a conflict or ambiguity arises after the Addendum to Contract Award have been negotiated and agreed to, the Addendum to Contract Award shall be interpreted as follows:

1. If only one Party has a particular clause then that clause shall control;
2. If both Parties have a similar clause, but the clauses do not conflict, the clauses shall be read together;
3. If both Parties have a similar clause, but the clauses conflict, the State's clause shall control.

A. GENERAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			Notwithstanding anything previously stated to the contrary, the policy documents shall also be incorporated into the final services agreement and shall govern for all issues of coverage, claims administration, and claims adjudication.

The contract resulting from this RFP shall incorporate the following documents:

1. Request for Proposal and Addenda;
2. Amendments to the RFP;
3. Questions and Answers;
4. Contractor's proposal (RFP and properly submitted documents);
5. The executed Contract and Addendum One to Contract, if applicable ; and,
6. Amendments/Addendums to the Contract.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a future contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to the executed Contract with the most recent dated amendment having the highest priority, 2) executed Contract and any attached Addenda, 3) Amendments to RFP and any Questions and Answers, 4) the original RFP document and any Addenda, and 5) the Contractor's submitted Proposal.

Any ambiguity or conflict in the contract discovered after its execution, not otherwise addressed herein, shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.

B. NOTIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			


Contractor and State shall identify the contract manager who shall serve as the point of contact for the executed contract.

C. GOVERNING LAW (Statutory)

Notwithstanding any other provision of this contract, or any amendment or addendum(s) entered into contemporaneously or at a later time, the parties understand and agree that, (1) the State of Nebraska is a sovereign state and its authority to contract is therefore subject to limitation by the State's Constitution, statutes, common law, and regulation; (2) this contract will be interpreted and enforced under the laws of the State of Nebraska; (3) any action to enforce the provisions of this agreement must be brought in the State of Nebraska per state law; (4) the person signing this contract on behalf of the State of Nebraska does not have the authority to waive the State's sovereign immunity, statutes, common law, or regulations; (5) the indemnity, limitation of liability, remedy, and other similar provisions of the final contract, if any, are entered into subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity; and, (6) all terms and conditions of the final contract, including but not limited to the clauses concerning third party use, licenses, warranties, limitations of liability, governing law and venue, usage verification, indemnity, liability, remedy or other similar provisions of the final contract are entered into specifically subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity.


The Parties must comply with all applicable local, state and federal laws, ordinances, rules, orders, and regulations.

D. BEGINNING OF WORK

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			

The bidder shall not commence any billable work until a valid contract has been fully executed by the State and the successful Contractor. The Contractor will be notified in writing when work may begin.

E. CHANGE ORDERS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			


The State and the Contractor, upon the written agreement, may make changes to the contract within the general scope of the RFP. Changes may involve specifications, the quantity of work, or such other items as the State may find necessary or desirable. Corrections of any deliverable, service, or work required pursuant to the contract shall not be deemed a change. The Contractor may not claim forfeiture of the contract by reasons of such changes.

The Contractor shall prepare a written description of the work required due to the change and an itemized cost sheet for the change. Changes in work and the amount of compensation to be paid to the Contractor shall be determined in accordance with applicable unit prices if any, a pro-rated value, or through negotiations. The State

shall not incur a price increase for changes that should have been included in the Contractor's proposal, were foreseeable, or result from difficulties with or failure of the Contractor's proposal or performance.


No change shall be implemented by the Contractor until approved by the State, and the Contract is amended to reflect the change and associated costs, if any. If there is a dispute regarding the cost, but both parties agree that immediate implementation is necessary, the change may be implemented, and cost negotiations may continue with both Parties retaining all remedies under the contract and law.

F. NOTICE OF POTENTIAL CONTRACTOR BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			

If Contractor breaches the contract or anticipates breaching the contract, the Contractor shall immediately give written notice to the State. The notice shall explain the breach or potential breach, a proposed cure, and may include a request for a waiver of the breach if so desired. The State may, in its discretion, temporarily or permanently waive the breach. By granting a waiver, the State does not forfeit any rights or remedies to which the State is entitled by law or equity, or pursuant to the provisions of the contract. Failure to give immediate notice, however, may be grounds for denial of any request for a waiver of a breach.


G. BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			Notwithstanding anything previously stated to the contrary, any termination must be in line with the terms and conditions of the policy documents.

Either Party may terminate the contract, in whole or in part, if the other Party breaches its duty to perform its obligations under the contract in a timely and proper manner. Termination requires written notice of default and a thirty (30) calendar day (or longer at the non-breaching Party's discretion considering the gravity and nature of the default) cure period. Said notice shall be delivered by Certified Mail, Return Receipt Requested, or in person with proof of delivery. Allowing time to cure a failure or breach of contract does not waive the right to immediately terminate the contract for the same or different contract breach which may occur at a different time. In case of default of the Contractor, the State may contract the service from other sources and hold the Contractor responsible for any excess cost occasioned thereby.

The State's failure to make payment shall not be a breach, and the Contractor shall retain all available statutory remedies and protections.

H. NON-WAIVER OF BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			

The acceptance of late performance with or without objection or reservation by a Party shall not waive any rights of the Party nor constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

I. SEVERABILITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>JS</i>			

If any term or condition of the contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and conditions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the provision held to be invalid or illegal.

J. INDEMNIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>JS</i>			

1. GENERAL

The Contractor agrees to defend, indemnify, and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials ("the indemnified parties") from and against any and all third party claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses ("the claims"), sustained or asserted against the State for personal injury, death, or property loss or damage, arising out of, resulting from, or attributable to the willful misconduct, negligence, error, or omission of the Contractor, its employees, Subcontractors, consultants, representatives, and agents, resulting from this contract, except to the extent such Contractor liability is attenuated by any action of the State which directly and proximately contributed to the claims.

2. INTELLECTUAL PROPERTY

The Contractor agrees it will, at its sole cost and expense, defend, indemnify, and hold harmless the indemnified parties from and against any and all claims, to the extent such claims arise out of, result from, or are attributable to, the actual or alleged infringement or misappropriation of any patent, copyright, trade secret, trademark, or confidential information of any third party by the Contractor or its employees, Subcontractors, consultants, representatives, and agents; provided, however, the State gives the Contractor prompt notice in writing of the claim. The Contractor may not settle any infringement claim that will affect the State's use of the Licensed Software without the State's prior written consent, which consent may be withheld for any reason.

If a judgment or settlement is obtained or reasonably anticipated against the State's use of any intellectual property for which the Contractor has indemnified the State, the Contractor shall, at the Contractor's sole cost and expense, promptly modify the item or items which were determined to be infringing, acquire a license or licenses on the State's behalf to provide the necessary rights to the State to eliminate the infringement, or provide the State with a non-infringing substitute that provides the State the same functionality. At the State's election, the actual or anticipated judgment may be treated as a breach of warranty by the Contractor, and the State may receive the remedies provided under this RFP.

3. PERSONNEL

The Contractor shall, at its expense, indemnify and hold harmless the indemnified parties from and against any claim with respect to withholding taxes, worker's compensation, employee benefits, or any other claim, demand, liability, damage, or loss of any nature relating to any of the personnel, including subcontractor's and their employees, provided by the Contractor.

4. SELF-INSURANCE

The State of Nebraska is self-insured for any loss and purchases excess insurance coverage pursuant to Neb. Rev. Stat. § 81-8,239.01 (Reissue 2008). If there is a presumed loss under the provisions of this agreement, Contractor may file a claim with the Office of Risk Management pursuant to Neb. Rev. Stat. §§ 81-8,829 – 81-8,306 for review by the State Claims Board. The State retains all rights and immunities under the State Miscellaneous (Section 81-8,294), Tort (Section 81-8,209), and Contract Claim Acts (Section 81-8,302), as outlined in Neb. Rev. Stat. § 81-8,209 et seq. and under any other provisions of law and accepts liability under this agreement to the extent provided by law.

5. The Parties acknowledge that Attorney General for the State of Nebraska is required by statute to represent the legal interests of the State, and that any provision of this indemnity clause is subject to the statutory authority of the Attorney General.

K. ATTORNEY'S FEES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>qs</i>			

In the event of any litigation, appeal, or other legal action to enforce any provision of the contract, the Parties agree to pay all expenses of such action, as permitted by law and if order by the court, including attorney's fees and costs, if the other Party prevails.

L. ASSIGNMENT, SALE, OR MERGER

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>qs</i>			

Either Party may assign the contract upon mutual written agreement of the other Party. Such agreement shall not be unreasonably withheld.

The Contractor retains the right to enter into a sale, merger, acquisition, internal reorganization, or similar transaction involving Contractor's business. Contractor agrees to cooperate with the State in executing amendments to the contract to allow for the transaction. If a third party or entity is involved in the transaction, the Contractor will remain responsible for performance of the contract until such time as the person or entity involved in the transaction agrees in writing to be contractually bound by this contract and perform all obligations of the contract.

M. CONTRACTING WITH OTHER NEBRASKA POLITICAL SUB-DIVISIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>qs</i>			

The Contractor may, but shall not be required to, allow agencies, as defined in Neb. Rev. Stat. §81-145, to use this contract. The terms and conditions, including price, of the contract may not be amended. The State shall not be contractually obligated or liable for any contract entered into pursuant to this clause. A listing of Nebraska political subdivisions may be found at the website of the Nebraska Auditor of Public Accounts.

N. FORCE MAJEURE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>gus</i>			

Neither Party shall be liable for any costs or damages, or for default resulting from its inability to perform any of its obligations under the contract due to a natural or manmade event outside the control and not the fault of the affected Party ("Force Majeure Event"). The Party so affected shall immediately make a written request for relief to the other Party, and shall have the burden of proof to justify the request. The other Party may grant the relief requested; relief may not be unreasonably withheld. Labor disputes with the impacted Party's own employees will not be considered a Force Majeure Event.

O. CONFIDENTIALITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>gus</i>			

All materials and information provided by the Parties or acquired by a Party on behalf of the other Party shall be regarded as confidential information. All materials and information provided or acquired shall be handled in accordance with federal and state law, and ethical standards. Should said confidentiality be breached by a Party, the Party shall notify the other Party immediately of said breach and take immediate corrective action.

It is incumbent upon the Parties to inform their officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a (i)(1), which is made applicable by 5 U.S.C. 552a (m)(1), provides that any officer or employee, who by virtue of his/her employment or official position has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.

P. EARLY TERMINATION


Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		<i>gus</i>	Notwithstanding anything previously stated to the contrary, any termination must be in line with the terms and conditions of the policy documents.

The contract may be terminated as follows:

1. The State and the Contractor, by mutual written agreement, may terminate the contract at any time.
2. The State, in its sole discretion, may terminate the contract for any reason upon thirty (30) calendar day's written notice to the Contractor. Such termination shall not relieve the Contractor of warranty or other service obligations incurred under the terms of the contract. In the event of termination the Contractor shall be entitled to payment, determined on a pro rata basis, for products or services satisfactorily performed or provided.
3. The State may terminate the contract immediately for the following reasons:
 - a. if directed to do so by statute;
 - b. Contractor has made an assignment for the benefit of creditors, has admitted in writing its inability to pay debts as they mature, or has ceased operating in the normal course of business;

- c. a trustee or receiver of the Contractor or of any substantial part of the Contractor's assets has been appointed by a court;
- d. fraud, misappropriation, embezzlement, malfeasance, misfeasance, or illegal conduct pertaining to performance under the contract by its Contractor, its employees, officers, directors, or shareholders;
- e. an involuntary proceeding has been commenced by any Party against the Contractor under any one of the chapters of Title 11 of the United States Code and (i) the proceeding has been pending for at least sixty (60) calendar days; or (ii) the Contractor has consented, either expressly or by operation of law, to the entry of an order for relief; or (iii) the Contractor has been decreed or adjudged a debtor;
- f. a voluntary petition has been filed by the Contractor under any of the chapters of Title 11 of the United States Code;
- g. Contractor intentionally discloses confidential information;
- h. Contractor has or announces it will discontinue support of the deliverable; and,
- i. In the event funding is no longer available.

Q. CONTRACT CLOSEOUT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			


Upon contract closeout for any reason the Contractor shall within 30 days, unless stated otherwise herein:

1. Transfer all completed or partially completed deliverables to the State;
2. Transfer ownership and title to all completed or partially completed deliverables to the State;
3. Return to the State all information and data, unless the Contractor is permitted to keep the information or data by contract or rule of law. Contractor may retain one copy of any information or data as required to comply with applicable work product documentation standards or as are automatically retained in the course of Contractor's routine back up procedures;
4. Cooperate with any successor Contractor, person or entity in the assumption of any or all of the obligations of this contract;
5. Cooperate with any successor Contractor, person or entity with the transfer of information or data related to this contract;
6. Return or vacate any state owned real or personal property; and,
7. Return all data in a mutually acceptable format and manner.

Nothing in this Section should be construed to require the Contractor to surrender intellectual property, real or personal property, or information or data owned by the Contractor for which the State has no legal claim.

III. CONTRACTOR DUTIES

A. INDEPENDENT CONTRACTOR / OBLIGATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			Notwithstanding anything previously stated to the contrary, "Subcontracting" does not include contracts or entities under contract with the Seller as of the effective date of this Contract, or entities that will not perform work exclusively for this Contract, or the affiliates of Seller.

It is agreed that the Contractor is an independent contractor and that nothing contained herein is intended or should be construed as creating or establishing a relationship of employment, agency, or a partnership.

The Contractor is solely responsible for fulfilling the contract. The Contractor or the Contractor's representative shall be the sole point of contact regarding all contractual matters.

The Contractor shall secure, at its own expense, all personnel required to perform the services under the contract. The personnel the Contractor uses to fulfill the contract shall have no contractual or other legal relationship with the State; they shall not be considered employees of the State and shall not be entitled to any compensation, rights or benefits from the State, including but not limited to, tenure rights, medical and hospital care, sick and vacation leave, severance pay, or retirement benefits.

By-name personnel commitments made in the Contractor's proposal shall not be changed without the prior written approval of the State. Replacement of these personnel, if approved by the State, shall be with personnel of equal or greater ability and qualifications.

All personnel assigned by the Contractor to the contract shall be employees of the Contractor or a subcontractor, and shall be fully qualified to perform the work required herein. Personnel employed by the Contractor or a subcontractor to fulfill the terms of the contract shall remain under the sole direction and control of the Contractor or the subcontractor respectively.

With respect to its employees, the Contractor agrees to be solely responsible for the following:

1. Any and all pay, benefits, and employment taxes and/or other payroll withholding;
2. Any and all vehicles used by the Contractor's employees, including all insurance required by state law;
3. Damages incurred by Contractor's employees within the scope of their duties under the contract;
4. Maintaining Workers' Compensation and health insurance that complies with state and federal law and submitting any reports on such insurance to the extent required by governing law; and
5. Determining the hours to be worked and the duties to be performed by the Contractor's employees.
6. All claims on behalf of any person arising out of employment or alleged employment (including without limit claims of discrimination alleged against the Contractor, its officers, agents, or subcontractors or subcontractor's employees)

If the Contractor intends to utilize any subcontractor, the subcontractor's level of effort, tasks, and time allocation should be clearly defined in the bidder's proposal. The Contractor shall agree that it will not utilize any subcontractors not specifically included in its proposal in the performance of the contract without the prior written authorization of the State.

The State reserves the right to require the Contractor to reassign or remove from the project any Contractor or subcontractor employee.

Contractor shall insure that the terms and conditions contained in any contract with a subcontractor does not conflict with the terms and conditions of this contract.

The Contractor shall include a similar provision, for the protection of the State, in the contract with any Subcontractor engaged to perform work on this contract.

B. EMPLOYEE WORK ELIGIBILITY STATUS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>gus</i>			

The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of an employee.

If the Contractor is an individual or sole proprietorship, the following applies:

1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at <http://das.nebraska.gov/materiel/purchasing.html>
The completed United States Attestation Form should be submitted with the RFP response.
2. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation required to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.
3. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.

C. COMPLIANCE WITH CIVIL RIGHTS LAWS AND EQUAL OPPORTUNITY EMPLOYMENT / NONDISCRIMINATION (Statutory)

The Contractor shall comply with all applicable local, state, and federal statutes and regulations regarding civil rights laws and equal opportunity employment. The Nebraska Fair Employment Practice Act prohibits Contractors of the State of Nebraska, and their Subcontractors, from discriminating against any employee or applicant for employment, with respect to hire, tenure, terms, conditions, compensation, or privileges of employment because of race, color, religion, sex, disability, marital status, or national origin (Neb. Rev. Stat. §48-1101 to 48-1125). The Contractor guarantees compliance with the Nebraska Fair Employment Practice Act, and breach of this provision shall be regarded as a material breach of contract. The Contractor shall insert a similar provision in all Subcontracts for services to be covered by any contract resulting from this RFP.

D. COOPERATION WITH OTHER CONTRACTORS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>gus</i>			

Contractor may be required to work with or in close proximity to other contractors or individuals that may be working on same or different projects. The Contractor shall agree to cooperate with such other contractors or individuals, and shall not commit or permit any act which may interfere with the performance of work by any other contractor or individual. Contractor is not required to compromise Contractor's intellectual property or proprietary information unless expressly required to do so by this contract.

E. PERMITS, REGULATIONS, LAWS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>gws</i>			

The contract price shall include the cost of all royalties, licenses, permits, and approvals, whether arising from patents, trademarks, copyrights or otherwise, that are in any way involved in the contract. The Contractor shall obtain and pay for all royalties, licenses, and permits, and approvals necessary for the execution of the contract. The Contractor must guarantee that it has the full legal right to the materials, supplies, equipment, software, and other items used to execute this contract.

F. OWNERSHIP OF INFORMATION AND DATA / DELIVERABLES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		<i>gws</i>	Contractor cannot agree to transfer rights, title or interest in its proprietary work. By way of example, but not limitation, Contractor policies, rates, rating methodologies, fulfillment materials, reporting mechanisms, and information technology are solely the property of Contractor and may only be used by the State for the purposes of evaluating the Proposer's response and/or executing the purpose for which they were produced.

The State shall have the unlimited right to publish, duplicate, use, and disclose all information and data developed or obtained by the Contractor on behalf of the State pursuant to this contract.

The State shall own and hold exclusive title to any deliverable developed as a result of this contract. Contractor shall have no ownership interest or title, and shall not patent, license, or copyright, duplicate, transfer, sell, or exchange, the design, specifications, concept, or deliverable.

G. INSURANCE REQUIREMENTS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		<i>gws</i>	Much of the language is geared towards construction. We have struck the sections that did not apply to this type of engagement. Policies are not available for release to third parties. They are ISO form or equivalent.

The Contractor shall throughout the term of the contract maintain insurance as specified herein and provide the State a current Certificate of Insurance/Acord Form (COI) verifying the coverage. The Contractor shall not commence work on the contract until the insurance is in place. ~~If Contractor subcontracts any portion of the contract the Contractor must, throughout the term of the contract, either:~~

- ~~1. Provide equivalent insurance for each subcontractor and provide a COI verifying the coverage for the subcontractor;~~
- ~~2. Require each subcontractor to have equivalent insurance and provide written notice to the State that the Contractor has verified that each subcontractor has the required coverage; or,~~
- ~~3. Provide the State with copies of each subcontractor's Certificate of Insurance evidencing the required coverage.~~

~~The Contractor shall not allow any Subcontractor to commence work until the Subcontractor has equivalent insurance. The failure of the State to require a COI, or the failure of the Contractor to provide a COI or require subcontractor insurance shall not limit, relieve, or decrease the liability of the Contractor hereunder.~~

In the event that any policy written on a claims-made basis terminates or is canceled during the term of the contract or within one (1) year of termination or expiration of the contract, the contractor shall obtain an extended discovery or reporting period, or a new insurance policy, providing coverage required by this contract for the term of the contract and one (1) year following termination or expiration of the contract.

If by the terms of any insurance a mandatory deductible is required, or if the Contractor elects to increase the mandatory deductible amount, the Contractor shall be responsible for payment of the amount of the deductible in the event of a paid claim.

Notwithstanding any other clause in this Contract, the State may recover up to the liability limits of the insurance policies required herein.

1. WORKERS' COMPENSATION INSURANCE

The Contractor shall take out and maintain during the life of this contract the statutory Workers' Compensation and Employer's Liability Insurance for all of the contractors' employees to be engaged in work on the project under this contract and, in case any such work is sublet, the Contractor shall require the Subcontractor similarly to provide Worker's Compensation and Employer's Liability Insurance for all of the Subcontractor's employees to be engaged in such work. This policy shall be written to meet the statutory requirements for the state in which the work is to be performed, including Occupational Disease. **The policy shall include a waiver of subrogation in favor of the State. The COI shall contain the mandatory COI subrogation waiver language found hereinafter.** The amounts of such insurance shall not be less than the limits stated hereinafter. For employees working in the State of Nebraska, the policy must be written by an entity authorized by the State of Nebraska Department of Insurance to write Workers' Compensation and Employer's Liability Insurance for Nebraska employees.

2. COMMERCIAL GENERAL LIABILITY INSURANCE AND COMMERCIAL AUTOMOBILE LIABILITY INSURANCE

The Contractor shall take out and maintain during the life of this contract such Commercial General Liability Insurance and Commercial Automobile Liability Insurance as shall protect Contractor ~~and any Subcontractor~~ performing work covered by this contract from claims for damages for bodily injury, including death, as well as from claims for property damage, which may arise from operations under this contract, ~~whether such operation be by the Contractor or by any Subcontractor or by anyone directly or indirectly employed by either of them,~~ and the amounts of such insurance shall not be less than limits stated hereinafter.

The Commercial General Liability Insurance shall be written on an **occurrence basis**, and provide Premises/Operations, Products/Completed Operations, Independent Contractors, Personal Injury, and Contractual Liability coverage. **The policy shall include the State, and others as required by the contract documents, as Additional Insured(s).** This policy shall be primary, and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory. **The COI shall contain the mandatory COI liability waiver language found hereinafter.** The Commercial Automobile Liability Insurance shall be written to cover all Owned, Non-owned, and Hired vehicles.

REQUIRED INSURANCE COVERAGE	
COMMERCIAL GENERAL LIABILITY	
General Aggregate	\$1,000,000 per occurrence / \$2,000,000 aggregate
Products/Completed Operations Aggregate	\$2,000,000
Personal/Advertising Injury	\$1,000,000 per occurrence
Bodily Injury/Property Damage	\$1,000,000 per occurrence
Medical Payments	\$10,000 any one person
Damage to Rented Premises (Fire)	\$300,000 each occurrence
Contractual	Included
Independent Contractors	Included
<i>If higher limits are required, the Umbrella/Excess Liability limits are allowed to satisfy the higher limit.</i>	
WORKER'S COMPENSATION	
Employers Liability Limits	\$500K/\$500K/\$500K
Statutory Limits- All States	Statutory - State of Nebraska
Voluntary Compensation	Statutory
COMMERCIAL AUTOMOBILE LIABILITY	
Bodily Injury/Property Damage	\$1,000,000 combined single limit
Include All Owned, Hired & Non-Owned Automobile liability	Included
Motor Carrier Act Endorsement	Where Applicable
UMBRELLA/EXCESS LIABILITY	
Over Primary Insurance	\$3,000,000 per occurrence
PROFESSIONAL LIABILITY	
Professional liability (Medical Malpractice) Qualification Under Nebraska Excess Fund	Limits consistent with Nebraska Medical Malpractice Cap
All Other Professional Liability (Errors & Omissions)	\$10,000,000 Per Claim / \$20,000,000 Aggregate
COMMERCIAL CRIME	
Crime/Employee Dishonesty Including 3rd Party Fidelity	\$2,000,000
CYBER LIABILITY	
Breach of Privacy, Security Breach, Denial of Service, Remediation, Fines and Penalties	\$2,000,000
MANDATORY COI SUBROGATION WAIVER LANGUAGE	
"Workers' Compensation policy shall include a waiver of subrogation in favor of the State of Nebraska."	
MANDATORY COI LIABILITY WAIVER LANGUAGE	
"Commercial General Liability & Commercial Automobile Liability policies shall name the State of Nebraska as an Additional Insured and the policies shall be primary and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory as additionally insured."	

If the mandatory COI subrogation waiver language or mandatory COI liability waiver language on the COI states that the waiver is subject to, condition upon, or otherwise limit by the insurance policy, a copy of the relevant sections of the policy must be submitted with the COI so the State can review the limitations imposed by the insurance policy.

3. EVIDENCE OF COVERAGE

The Contractor shall furnish the Contract Manager, with a certificate of insurance coverage complying with the above requirements prior to beginning work at:

Department of Administrative Services
Employee Wellness and Benefits
Attn: Contract Manager
1526 K Street, Suite 110
Lincoln, NE 68508

These certificates ~~or the cover sheet~~ shall reference the RFP number, and the certificates shall include the name of the company, policy numbers, effective dates, dates of expiration, and amounts and types of coverage afforded. If the State is damaged by the failure of the Contractor to maintain such insurance, then the Contractor shall be responsible for all reasonable costs properly attributable thereto.

Reasonable notice of cancellation of any required insurance policy must be submitted to the contract manager as listed above when issued and a new coverage binder shall be submitted immediately to ensure no break in coverage.

4. DEVIATIONS

The insurance requirements are subject to limited negotiation. Negotiation typically includes, but is not necessarily limited to, the correct type of coverage, necessity for Workers' Compensation, and the type of automobile coverage carried by the Contractor.

H. ANTITRUST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>gus</i>			

The Contractor hereby assigns to the State any and all claims for overcharges as to goods and/or services provided in connection with this contract resulting from antitrust violations which arise under antitrust laws of the United States and the antitrust laws of the State.

I. CONFLICT OF INTEREST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>gus</i>			

By submitting a proposal, bidder certifies that there does not now exist a relationship between the bidder and any person or entity which is or gives the appearance of a conflict of interest related to this RFP or project. The bidder certifies that it shall not take any action or acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its services hereunder or which creates an actual or an appearance of conflict of interest. The bidder certifies that it will not knowingly employ any individual known by bidder to have a conflict of interest.

The Parties shall not knowingly, for a period of two years after execution of the contract, recruit or employ any employee or agent of the other Party who has worked on the RFP or project, or who had any influence on decisions affecting the RFP or project.

J. SITE RULES AND REGULATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
<i>gus</i>			

The Contractor shall use its best efforts to ensure that its employees, agents, and Subcontractors comply with site rules and regulations while on State premises. If the Contractor must perform on-site work outside of the daily operational hours set forth by the State, it must make arrangements with the State to ensure access to the facility

and the equipment has been arranged. No additional payment will be made by the State on the basis of lack of access, unless the State fails to provide access as agreed to in writing between the State and the Contractor.

K. ADVERTISING

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
gub			

The Contractor agrees not to refer to the contract award in advertising in such a manner as to state or imply that the company or its services are endorsed or preferred by the State. Any publicity releases pertaining to the project shall not be issued without prior written approval from the State.

L. NEBRASKA TECHNOLOGY ACCESS STANDARDS (Statutory)

Contractor shall review the Nebraska Technology Access Standards, found at <http://nitc.nebraska.gov/standards/2-201.html> and ensure that products and/or services provided under the contract are in compliance or will comply with the applicable standards to the greatest degree possible. In the event such standards change during the Contractor's performance, the State may create an amendment to the contract to request the contract comply with the changed standard at a cost mutually acceptable to the parties.

M. DISASTER RECOVERY/BACK UP PLAN

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
gub			

The Contractor shall have a disaster recovery and back-up plan, of which a copy should be provided upon request to the State, which includes, but is not limited to equipment, personnel, facilities, and transportation, in order to continue services as specified under the specifications in the contract in the event of a disaster.

N. DRUG POLICY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
gub			

Contractor certifies it maintains a drug free work place environment to ensure worker safety and workplace integrity. Contractor agrees to provide a copy of its drug free workplace policy at any time upon request by the State.

IV. PAYMENT

A. PROHIBITION AGAINST ADVANCE PAYMENT (Statutory)

Payments shall not be made until contractual deliverable(s) are received and accepted by the State.

B. TAXES (Statutory)

The State is not required to pay taxes and assumes no such liability as a result of this solicitation. Any property tax payable on the Contractor's equipment which may be installed in a state-owned facility is the responsibility of the Contractor.

C. INVOICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		<i>gws</i>	Our proposal is based on Self-administration. All enrollment and individual coverage information will be kept by the employer. Only total coverage information with premium due will need to be remitted to us.

Invoices for payments must be submitted by the Contractor to the agency requesting the services with sufficient detail to support payment. Invoices should be sent to Department of Administrative Services, Employee Wellness and Benefits, 1526 K Street, Suite 110, Lincoln, NE 68508.

The invoice must contain the State's Account number and or ID number and the Coverage Period being billed. The invoice must list each plan and rates for the plans. Premiums are deducted via payroll on a Bi-Weekly and/or Monthly basis. After the close of business each month the total premiums deducted are paid to the Contractor via ACH payment. Premiums are not paid in advance. Example, August premiums would not be paid to the Contractor until after close of business on August 31st. In the example above, the 45 days starts on September 1st. As premiums are sent via ACH an Excel or PDF Report will be generated and provided to the Contractor by the State as backup documentation for the premiums paid. The report is produced manually and date of completion may vary from month to month.

The terms and conditions included in the Contractor's invoice shall be deemed to be solely for the convenience of the parties. No terms or conditions of any such invoice shall be binding upon the State, and no action by the State, including without limitation the payment of any such invoice in whole or in part, shall be construed as binding or stopping the State with respect to any such term or condition, unless the invoice term or condition has been previously agreed to by the State as an amendment to the contract.

D. INSPECTION AND APPROVAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		<i>gws</i>	Notwithstanding anything previously stated to the contrary, this provision does not relate to the business of Insurance and should be precluded.

~~Final inspection and approval of all work required under the contract shall be performed by the designated State officials.~~

~~The State and/or its authorized representatives shall have the right to enter any premises where the Contractor or Subcontractor duties under the contract are being performed, and to inspect, monitor or otherwise evaluate the work being performed. All inspections and evaluations shall be at reasonable times and in a manner that will not unreasonably delay work.~~

E. PAYMENT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
gus			

State will render payment to Contractor when the terms and conditions of the contract and specifications have been satisfactorily completed on the part of the Contractor as solely determined by the State. (Neb. Rev. Stat. Section 73-506(1)) Payment will be made by the responsible agency in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2401 through 81-2408). The State may require the Contractor to accept payment by electronic means such as ACH deposit. In no event shall the State be responsible or liable to pay for any services provided by the Contractor prior to the Effective Date of the contract, and the Contractor hereby waives any claim or cause of action for any such services.

F. LATE PAYMENT (Statutory)

The Contractor may charge the responsible agency interest for late payment in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2401 through 81-2408).

G. SUBJECT TO FUNDING / FUNDING OUT CLAUSE FOR LOSS OF APPROPRIATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
gus			

The State's obligation to pay amounts due on the Contract for a fiscal years following the current fiscal year is contingent upon legislative appropriation of funds. Should said funds not be appropriated, the State may terminate the contract with respect to those payments for the fiscal year(s) for which such funds are not appropriated. The State will give the Contractor written notice thirty (30) calendar days prior to the effective date of termination. All obligations of the State to make payments after the termination date will cease. The Contractor shall be entitled to receive just and equitable compensation for any authorized work which has been satisfactorily completed as of the termination date. In no event shall the Contractor be paid for a loss of anticipated profit.

H. RIGHT TO AUDIT (First Paragraph is Statutory)

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
gus			

The State shall have the right to audit the Contractor's performance of this contract upon a 30 days' written notice. Contractor shall utilize generally accepted accounting principles, and shall maintain the accounting records, and other records and information relevant to the contract (Information) to enable the State to audit the contract. The State may audit and the Contractor shall maintain, the Information during the term of the contract and for a period of five (5) years after the completion of this contract or until all issues or litigation are resolved, whichever is later. The Contractor shall make the Information available to the State at Contractor's place of business or a location acceptable to both Parties during normal business hours. If this is not practical or the Contractor so elects, the Contractor may provide electronic or paper copies of the Information. The State reserves the right to examine, make copies of, and take notes on any Information relevant to this contract, regardless of the form or the Information, how it is stored, or who possesses the Information. Under no circumstance will the Contractor be required to create or maintain documents not kept in the ordinary course of contractor's business operations, nor

will contractor be required to disclose any information, including but not limited to product cost data, which is confidential or proprietary to contractor.

The Parties shall pay their own costs of the audit unless the audit finds a previously undisclosed overpayment by the State. If a previously undisclosed overpayment exceeds one-half of one percent (.5%) of the total contract billings, or if fraud, material misrepresentations, or non-performance is discovered on the part of the Contractor, the Contractor shall reimburse the State for the total costs of the audit. Overpayments and audit costs owed to the State shall be paid within ninety days of written notice of the claim. The Contractor agrees to correct any material weaknesses or condition found as a result of the audit.





V. PROJECT DESCRIPTION AND SCOPE OF WORK

A. PROJECT OVERVIEW

The State of Nebraska (“the State”), through Administrative Services, provides State employees access to life insurance. The State is seeking proposals from qualified life insurance companies to provide a fully-insured Life Insurance Plans for the State of Nebraska employees for approximately 16,125 eligible state employees effective on July 1, 2019. The State is committed to offering a life insurance program which promotes cost-effective services. The current provider is Aetna under Contract [55660 O4](#).

The State’s objectives are:

1. Minimize the cost and rate of future rate increases.

Dearborn National recognizes that cost is an important consideration for the State and have priced our plan competitively while ensuring the plan’s long term sustainability.

Dearborn National recognizes the need for employer groups to offer quality benefits to employees in the most affordable way possible. Our commitment is to monitor our company expenses in order to provide the best coverage to you and your employees at the lowest possible cost. Dearborn National has streamlined many of our administrative services to stay in the lead in the life insurance industry with the most responsive levels of service and support. Our administrative systems have been updated to remain on the cutting edge of technology, and to enhance our existing high quality services. We’ve reduced internal operating expenses significantly by implementing new state-of-the-art technologies. These technological advances allow us to pass on the administrative savings to our customers by providing a complete benefit package at an affordable price.

The cost for our products and services remain low, without compromising our commitment to customer service, flexibility, quality and accuracy. We have made every attempt to provide the most competitive rates possible to the State in our enclosed proposal.

2. Improve employee satisfaction with the life insurance program.

Customer Centricity

Dearborn National strives to continually foster a customer-centric, corporate environment. We do this by regularly obtaining customer feedback to optimize processes and service delivery throughout our organization. From contracts and billing to enrollment and claims, we are devoted to the customer experience from the top down.

This corporate philosophy is not just a temporary initiative. It is an ongoing way in which we do business. By listening to our customers, we can better understand and anticipate their needs. As a result, we make it easier for companies to do business with us. More importantly, our employer groups and their members get customized, data-driven solutions from an insurance partner who puts customers at the center of everything we do.

Dearborn National has included a range of enhanced product services to complement our existing product lines, benefits that are satisfying to employees:

Enhanced Product Services

At Dearborn National, we have created a range of enhanced product services to complement our existing product lines. These are included with our proposed Life Insurance benefit for the employees of the State.

- DearbornCaresSM
Available at no additional cost with Basic Life Insurance plans. DearbornCares provides an advance payment of the life insurance benefit to help beneficiaries cover their immediate expense, such as funeral costs and medical bills.
 - Pays up to \$10,000 per beneficiary of Employer-Paid Basic Life insurance claims in advance



- Available for covered employees and retirees
 - Applies to claims with 1, 2 or 3 named beneficiaries
 - No death certificate required
- **Beneficiary Resource Services™**
Available at no additional cost with Life Insurance plans. Employees and family members experience unique issues resulting from a terminal illness or the loss of a loved one. Our Beneficiary Resource Services program helps beneficiaries and their families cope with sorrow and change. The program provides help through a combination of legal, grief and financial counseling services, as well as online funeral planning. A network of counselors and advisors provide members unlimited phone contact and five face-to-face working sessions, as well as referral support services.
 - **Travel Resource Services™**
Available at no additional cost with Life Insurance plans. The Travel Resource Services program helps insured employees and their families deal with unexpected emergencies that take place while traveling. Employees have access to 24-hour services that can help them access emergency assistance when traveling 100 or more miles from home, including medical monitoring, medical evaluation, traveling companion assistance, dependent children assistance and visits by family members or friends.

3. Establish performance targets to assess and monitor carrier's performance.

We will provide performance guarantees with meaningful amounts at risk and parameters beneficial to the State in the following functional areas:

- Customer service
- Claims accuracy and turnaround time
- Implementation
- Account management

Any performance guarantees mutually agreed upon are based on objective measurable criteria and not subjective measures of customer satisfaction. Performance results are provided to client on a quarterly basis. Results are averaged together each quarter, and financial penalties (if any) will be paid annually if the above results are not met. All items are based on Dearborn National's total block of business.

Proposed performance guarantees include 2% of estimated annual premium in aggregate by product across all performance guarantee categories. Our goal is to exceed expectations for quality service. We promise to stand by our work and to uphold a standard of excellence in the service of your account.

4. Provide portability and conversion provisions to employees.

Dearborn National's portability and conversion application processes are simple and efficient for both the employee and the employer. Forms are available on our web site with instructions regarding the application process. It will be the responsibility of the employer to provide the application to employees and submit them to Dearborn National.

Portability (Included with Option 2)

A portability option is included with our Option 2 proposal for Basic and Supplemental life benefits which allows insured employees and their spouses the right to continue their life insurance without evidence of insurability if their coverage ceases. It is necessary that election of portability be made by the employee within 31 days of policy cancellation.

Affordable age-bracketed rates are applicable and will be direct billed on a quarterly, semi-annual or annual basis.



B. PROJECT ENVIRONMENT

The State provides eligible permanent full-time employees with a basic life insurance benefit of \$20,000 at no cost to the employee and to eligible permanent part-time employees for a minimal monthly charge. It is mandatory for all full-time employees to enroll for the \$20,000 basic life insurance. Part-time employees have the option to choose to enroll in the coverage.

At the employees' expense, the State makes Supplemental Life Insurance (Employee), Supplemental Life Insurance (Dependent) and Accidental Death and Dismemberment (AD&D) insurance available to all eligible permanent and part-time employees.

Employees currently may purchase supplemental life in the amount of .5x, 1x, 1.5x, 2x, 3x, 4x and 5x their annual salary.

Eligible employees may elect supplemental life insurance for their spouse and dependent child(ren) up to age 26. The plan must offer two dependent life options to choose from and both include coverage for spouse and or child(ren). Eligible employees must be enrolled in Basic Life to elect Supplemental Life and AD&D insurance.

Currently a Waiver of Premium is in place. Contractor must provide a conversion option available for any employee that leaves employment and wants to take their current coverage with them. The employee will be responsible for the cost. (The cost will not be related to group coverage with the State.)

Employees who have been approved for the life waiver of premium prior to the effective date of July 1, 2019, will remain the liability of the current life insurance company.

The current insurance plan includes coverage for three State of Nebraska employee groups: Active Nebraska Department of Labor (NDOL) employees employed prior to July 1, 1991; Retired NDOL employees; and all other Eligible Permanent Employees with the State of Nebraska. Group life benefits vary by these groups as described in Attachment B: Plan Structure – Basic and Supplemental.

The Contractor must offer the exact same current plan to the NDOL employees due to NDOL employees being grandfathered into the Plan. There will not be any new enrollees added to this group.

Of the State's approximately 16,125 eligible permanent employees, approximately 15,158 are enrolled in the current basic life plan. The State maintains the same life insurance plans for employees under the labor contract as it does for those who are not covered under the labor contract. The premium contribution for Supplemental Life Insurance (Employee), Supplemental Life Insurance (Dependent) and Accidental Death and Dismemberment (AD&D) Insurance is 100% by the employee.

A census with the current participation in both basic and supplemental life is available in Attachment C: Census Report. The current rates have been in effect since July 1, 2013. The Current Rate Structure – Supplemental Life, Dependent Life and AD&D can be found in Attachment D: Current Rates. Claim Experience and Premium History can be found in Attachment E.

Dearborn National has included our Proposal – Summary of Benefits in this section of our proposal.

Dearborn National's intent is to match the intent of the current benefits with our filed contract language along with an amendatory rider.

C. CONTRACTOR REQUIREMENTS

Bidder to complete Attachment A: Contractor Requirements Matrix

We have completed the Attachment A: Contractor Requirements Matrix, and included it in this section of our proposal.



VI. PROPOSAL INSTRUCTIONS

This section documents the requirements that should be met by bidders in preparing the Technical and Cost Proposal. Bidders should identify the subdivisions of "Project Description and Scope of Work" clearly in their proposals; failure to do so may result in disqualification. Failure to respond to a specific requirement may be the basis for elimination from consideration during the State's comparative evaluation.

Proposals are due by the date and time shown in the Schedule of Events. Content requirements for the Technical and Cost Proposal are presented separately in the following subdivisions; format and order:

A. PROPOSAL SUBMISSION

1. REQUEST FOR PROPOSAL FORM

By signing the "RFP for Contractual Services" form, the bidder guarantees compliance with the provisions stated in this RFP, agrees to the Terms and Conditions stated in this RFP unless otherwise agreed to, and certifies bidder maintains a drug free work place environment.

The RFP for Contractual Services form must be signed using an indelible method (not electronically) and returned per the schedule of events in order to be considered for an award.

Sealed proposals must be received in the State Purchasing Bureau by the date and time of the proposal opening per the Schedule of Events. No late proposals will be accepted. No electronic, e-mail, fax, voice, or telephone proposals will be accepted.

It is the responsibility of the bidder to check the website for all information relevant to this solicitation to include addenda and/or amendments issued prior to the opening date. Website address is as follows: <http://das.nebraska.gov/materiel/purchasing.html>

Further, Sections II through VII must be completed and returned with the proposal response.

Understood. Dearborn National has included our signed "RFP for Contractual Services" form, in section 1 of our proposal.

2. CORPORATE OVERVIEW

The Corporate Overview section of the Technical Proposal should consist of the following subdivisions:

Dearborn National has included our Corporate Overview in Section 2 of our proposal.

a. BIDDER IDENTIFICATION AND INFORMATION

The bidder should provide the full company or corporate name, address of the company's headquarters, entity organization (corporation, partnership, proprietorship), state in which the bidder is incorporated or otherwise organized to do business, year in which the bidder first organized to do business and whether the name and form of organization has changed since first organized.

b. FINANCIAL STATEMENTS

The bidder should provide financial statements applicable to the firm. If publicly held, the bidder should provide a copy of the corporation's most recent audited financial reports and statements, and the name, address, and telephone number of the fiscally responsible representative of the bidder's financial or banking organization.

If the bidder is not a publicly held corporation, either the reports and statements required of a publicly held corporation, or a description of the organization, including size, longevity, client base, areas of specialization and expertise, and any other pertinent information, should be submitted in such a manner that proposal evaluators may reasonably formulate a determination about the stability and financial strength of the organization. Additionally, a non-publicly held firm should provide a banking reference.



The bidder must disclose any and all judgments, pending or expected litigation, or other real or potential financial reversals, which might materially affect the viability or stability of the organization, or state that no such condition is known to exist.

The State may elect to use a third party to conduct credit checks as part of the corporate overview evaluation.

c. CHANGE OF OWNERSHIP

If any change in ownership or control of the company is anticipated during the twelve (12) months following the proposal due date, the bidder should describe the circumstances of such change and indicate when the change will likely occur. Any change of ownership to an awarded vendor(s) will require notification to the State.

d. OFFICE LOCATION

The bidder's office location responsible for performance pursuant to an award of a contract with the State of Nebraska should be identified.

e. RELATIONSHIPS WITH THE STATE

The bidder should describe any dealings with the State over the previous three (3) years. If the organization, its predecessor, or any Party named in the bidder's proposal response has contracted with the State, the bidder should identify the contract number(s) and/or any other information available to identify such contract(s). If no such contracts exist, so declare.

f. BIDDER'S EMPLOYEE RELATIONS TO STATE

If any Party named in the bidder's proposal response is or was an employee of the State within the past two (2) years, identify the individual(s) by name, State agency with whom employed, job title or position held with the State, and separation date. If no such relationship exists or has existed, so declare.

If any employee of any agency of the State of Nebraska is employed by the bidder or is a Subcontractor to the bidder, as of the due date for proposal submission, identify all such persons by name, position held with the bidder, and position held with the State (including job title and agency). Describe the responsibilities of such persons within the proposing organization. If, after review of this information by the State, it is determined that a conflict of interest exists or may exist, the bidder may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

g. CONTRACT PERFORMANCE

If the bidder or any proposed Subcontractor has had a contract terminated for default during the past three (3) years, all such instances must be described as required below. Termination for default is defined as a notice to stop performance delivery due to the bidder's non-performance or poor performance, and the issue was either not litigated due to inaction on the part of the bidder or litigated and such litigation determined the bidder to be in default.

It is mandatory that the bidder submit full details of all termination for default experienced during the past three (3) years, including the other Party's name, address, and telephone number. The response to this section must present the bidder's position on the matter. The State will evaluate the facts and will score the bidder's proposal accordingly. If no such termination for default has been experienced by the bidder in the past three (3) years, so declare.

If at any time during the past three (3) years, the bidder has had a contract terminated for convenience, non-performance, non-allocation of funds, or any other reason, describe



fully all circumstances surrounding such termination, including the name and address of the other contracting Party.

h. SUMMARY OF BIDDER'S CORPORATE EXPERIENCE

The bidder should provide a summary matrix listing the bidder's previous projects similar to this RFP in size, scope, and complexity. The State will use no more than three (3) narrative project descriptions submitted by the bidder during its evaluation of the proposal.

The bidder should address the following:

- i. Provide narrative descriptions to highlight the similarities between the bidder's experience and this RFP. These descriptions should include:
 - a) The time period of the project;
 - b) The scheduled and actual completion dates;
 - c) The Contractor's responsibilities;
 - d) For reference purposes, a customer name (including the name of a contact person, a current telephone number, a facsimile number, and e-mail address); and
 - e) Each project description should identify whether the work was performed as the prime Contractor or as a Subcontractor. If a bidder performed as the prime Contractor, the description should provide the originally scheduled completion date and budget, as well as the actual (or currently planned) completion date and actual (or currently planned) budget.
- ii. Contractor and Subcontractor(s) experience should be listed separately. Narrative descriptions submitted for Subcontractors should be specifically identified as Subcontractor projects.
- iii. If the work was performed as a Subcontractor, the narrative description should identify the same information as requested for the Contractors above. In addition, Subcontractors should identify what share of contract costs, project responsibilities, and time period were performed as a Subcontractor.

Dearborn National has included our Corporate Overview in Section 2 of our proposal.

i. SUMMARY OF BIDDER'S PROPOSED PERSONNEL/MANAGEMENT APPROACH

The bidder should present a detailed description of its proposed approach to the management of the project.

The bidder should identify the specific professionals who will work on the State's project if their company is awarded the contract resulting from this RFP. The names and titles of the team proposed for assignment to the State project should be identified in full, with a description of the team leadership, interface and support functions, and reporting relationships. The primary work assigned to each person should also be identified.

The bidder should provide resumes for all personnel proposed by the bidder to work on the project. The State will consider the resumes as a key indicator of the bidder's understanding of the skill mixes required to carry out the requirements of the RFP in addition to assessing the experience of specific individuals.

Resumes should not be longer than three (3) pages. Resumes should include, at a minimum, academic background and degrees, professional certifications, understanding of the process, and at least three (3) references (name, address, and telephone number) who can attest to the competence and skill level of the individual. Any changes in proposed personnel shall only be implemented after written approval from the State.



Dearborn National has included our approach to management of the project within our Corporate Overview, in Section 2 of our proposal.

j. SUBCONTRACTORS

If the bidder intends to subcontract any part of its performance hereunder, the bidder should provide:

- i. name, address, and telephone number of the Subcontractor(s);**
- ii. specific tasks for each Subcontractor(s);**
- iii. percentage of performance hours intended for each Subcontract; and**
- iv. total percentage of Subcontractor(s) performance hours.**

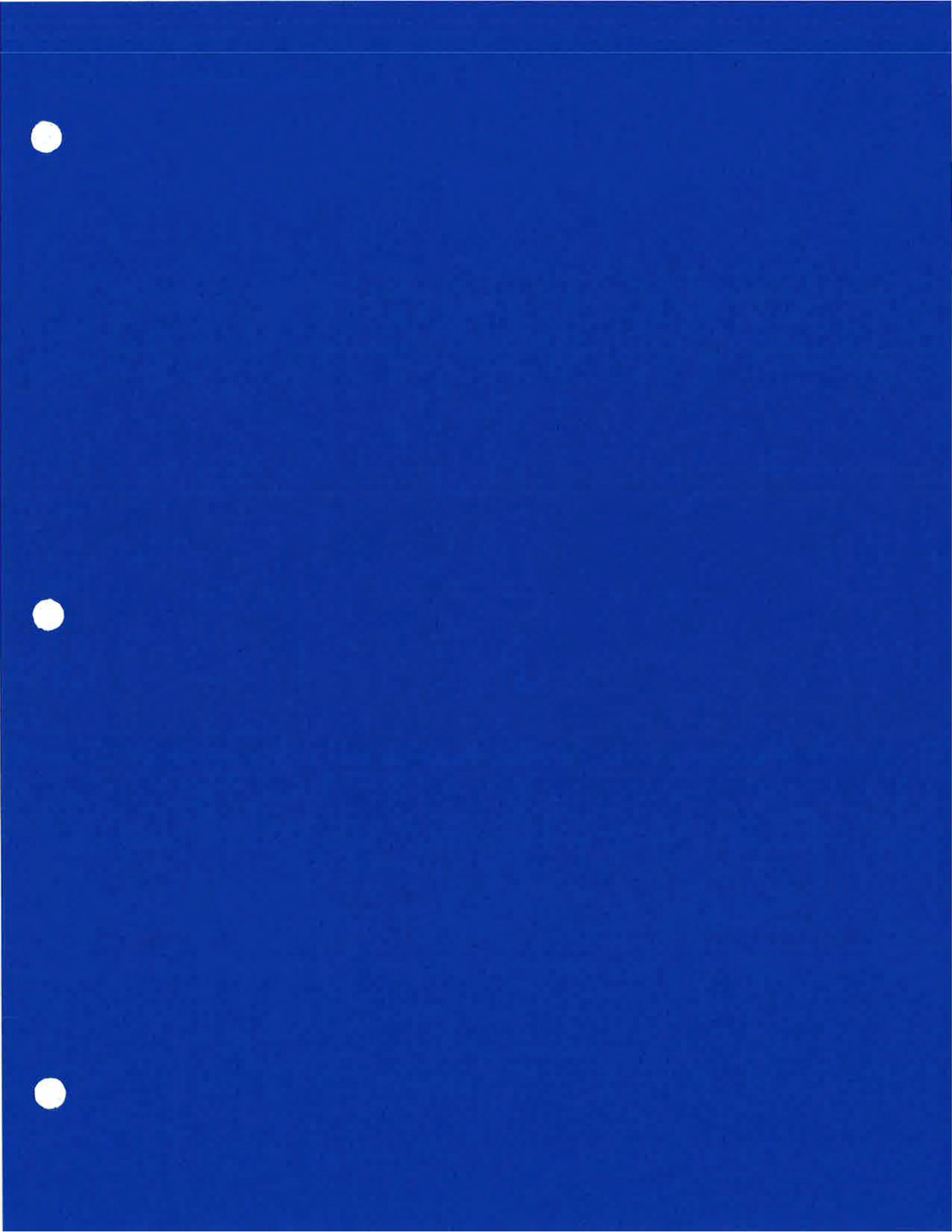
We are not subcontracting for this bid.

3. TECHNICAL APPROACH

The technical approach section of the Technical Proposal should consist of the following subsections:

- a. Understanding of the project requirements;**
- b. Proposed development approach;**
- c. Technical considerations;**
- d. Detailed project work plan; and**
- e. Deliverables and due dates.**

We have included our Technical Approach in this section of our proposal.





1. **TECHNICAL APPROACH**

The technical approach section of the Technical Proposal should consist of the following subsections:

- a. **Understanding of the project requirements;**
- b. **Proposed development approach;**
- c. **Technical considerations;**
- d. **Detailed project work plan; and**
- e. **Deliverables and due dates.**

Dearborn National is committed to providing strategic account management and consultative services to the State of Nebraska. As part of our service to you, Tyler Lisenby, Account Manager will be engaged during the pre-implementation process through ongoing account management and will coordinate a team dedicated to meeting your needs.

Responsibilities include:

- Establishing and maintaining open communication with the State and all appropriate parties
- Understanding your challenges to maximize value
- Gathering, analyzing and disseminating information according to agreed-upon time frames
- Developing, presenting and implementing strategic business plans annually
- Coordinating and facilitating client meetings using a formalized agenda with discussion surrounding performance, claims and service trends
- Participating in quarterly and/or annual meetings
- Demonstrating an understanding of the State's needs by providing consultative solutions and recommendations for benefit plan designs
- Attending enrollment meetings, as requested
- Engaging and supporting the State during the renewal process
- Participating in every facet of the implementation to ensure a seamless transition
- Providing consultative input and recommendations based on your changing needs

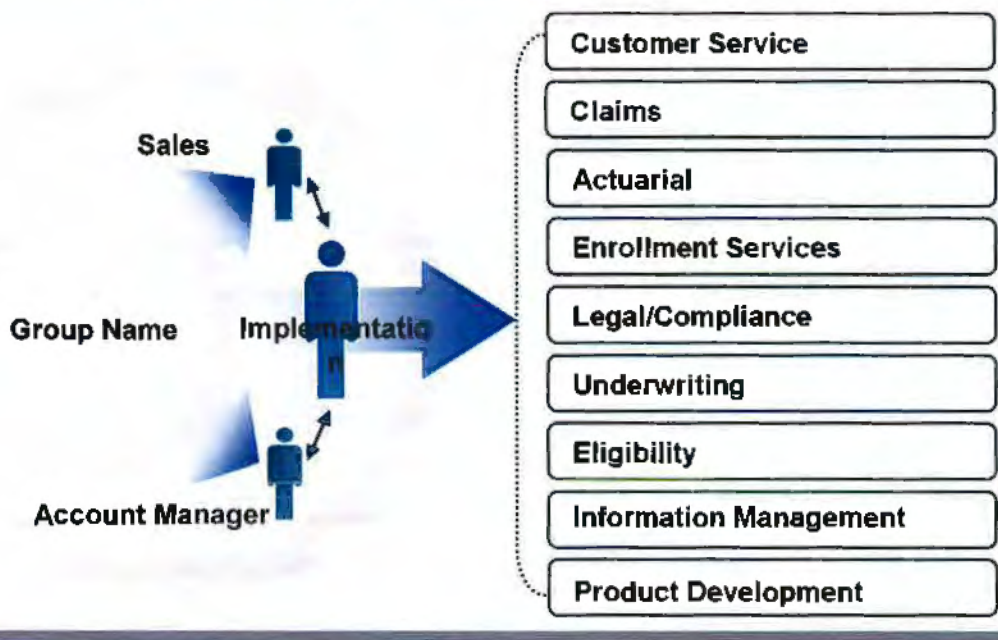
Implementation Overview

Working in tandem with your Account Manager, your Implementation Coordinator, Tarra Fuller, will be charged with the installation of your account with Dearborn National. Tarra will lead a team of experienced professionals to ensure a smooth transition from your prior carrier to Dearborn National.

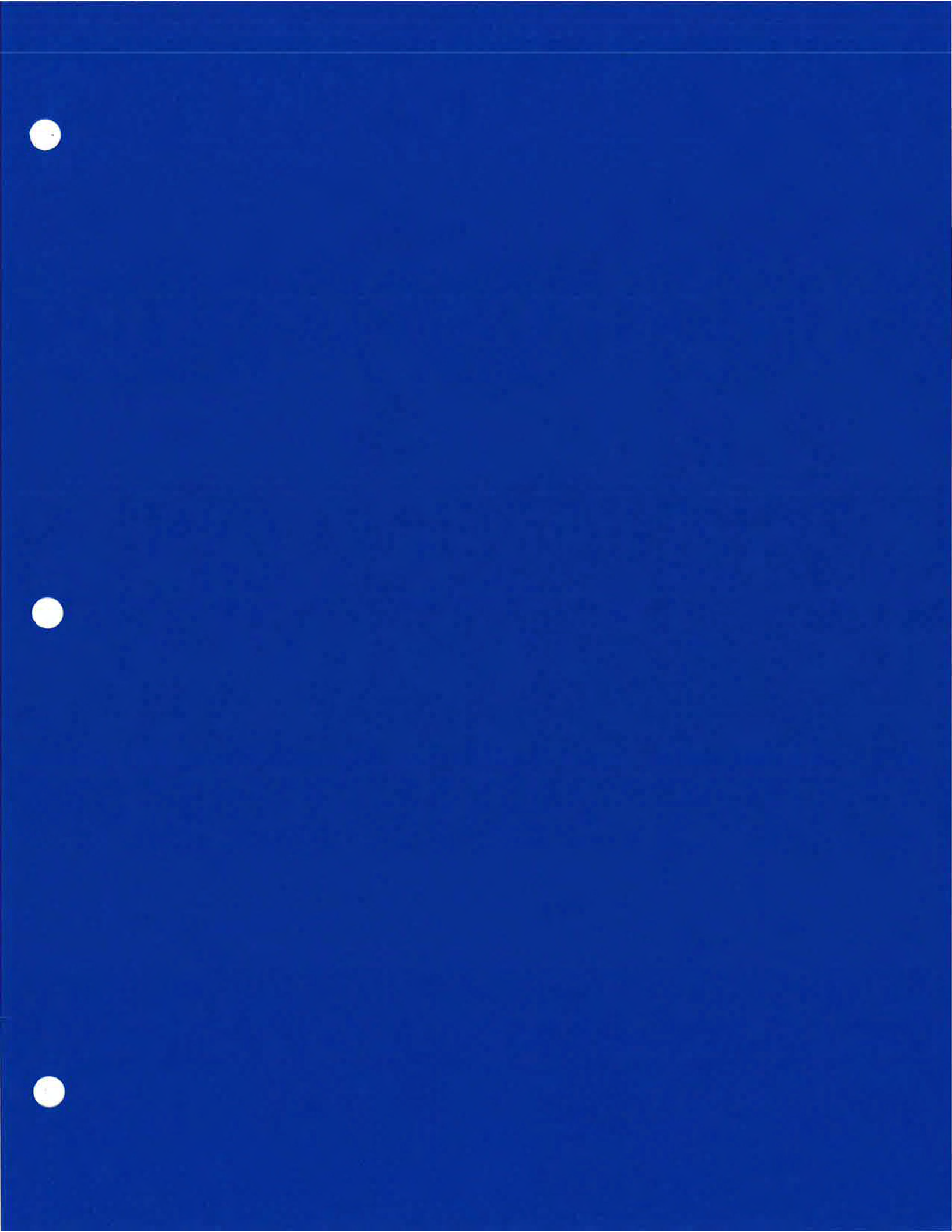
An initial meeting will be conducted and coordinated by your Implementation Coordinator. You will receive an Implementation Plan highlighting the detailed steps we will take to ensure your transition is timely and seamless. Established project management principles will be applied to your implementation process, which will include constant communication to the individuals designated by you.



Dearborn National's Integrated Service Approach



We are committed to exceeding the State's service requirements through your Account Manager. The State will be assigned an Account Management Team equipped to provide a seamless transition and effective maintenance of your account. We will provide the resources and solutions necessary to meet your existing and evolving needs.





GROUP BENEFITS PROPOSAL

Prepared for
State of Nebraska

Proposal valid for two months following July 01, 2019

**DEARBORN NATIONAL
SALES REPRESENTATIVE:**

Greg D'Aprile
630.824.5242
greg_daprile@bcbsil.com

Visit us at: www.dearbornnational.com

Underwritten by Dearborn National[®] Life Insurance Company

Products and services marketed under the Dearborn National[®] brand and the star logo are underwritten and/or provided by Dearborn National[®] Life Insurance Company; (Downers Grove, IL) in all states (excluding New York), the District of Columbia, the United States Virgin Islands, Guam and Puerto Rico.



Prepared for:
State of Nebraska

We Are Dearborn National

Dearborn National[®] offers a broad selection of insurance and financial products that cover many markets - Voluntary and Employer Paid Group Benefits, along with a wide array of enhanced product services. We serve groups and individuals, including some of the largest companies and most recognized names in the United States.

A Strong Parent Company

Our parent company, Health Care Service Corporation, a Mutual Legal Reserve Company, (HCSC) is the largest non-investor owned health insurer in the United States and the fourth largest overall. HCSC offers a wide variety of health and life insurance products and related services, through its operating divisions and subsidiaries; including Blue Cross and Blue Shield of Illinois, Blue Cross and Blue Shield of Montana, Blue Cross and Blue Shield of New Mexico, Blue Cross and Blue Shield of Oklahoma, and Blue Cross and Blue Shield of Texas. To learn more about the family of companies that make up HCSC, please visit www.hcsc.com.

Strong Ratings

The ratings of the Dearborn National companies speak to our commitment to managing our business well and remaining financially strong. Benefit programs in this proposal are underwritten by Dearborn National[®] Life Insurance Company.

Dearborn National[®] Life Insurance Company is rated **A (Excellent)**¹ by A.M. Best Company and **A (Positive)**² by Standard & Poor's for financial strength in it's most recent report.

A National Presence

Through the underwriting companies of Dearborn National[®] Life Insurance Company and Dearborn National[®] Life Insurance Company of New York, we are licensed in all 50 states as well as the District of Columbia.

¹ Affirmed August 31, 2017. A.M. Best Company rates the overall financial results of a company using a scale of A++ (Superior) to F (In Liquidation).

² Affirmed November 15, 2017. Standard & Poor's Insurer Financial Strength Rating uses a scale ranging from AAA (Extremely Strong) to R (Experienced Regulatory Action).

Products and services marketed under the Dearborn National[®] brand and the star logo are underwritten and/or provided by Dearborn National[®] Life Insurance Company (Downers Grove, IL) in all states (excluding New York), the District of Columbia, the United States Virgin Islands and Puerto Rico.



Prepared for:
State of Nebraska

Group Life and Accidental Death and Dismemberment Insurance

Group Life and Accidental Death and Dismemberment Insurance plans provide security to those families that have suffered the loss of a loved one.

Basic Life Summary

Proposed Effective Date*: July 01, 2019

Option 1

Basic Life

- All Other Active Permanent Employees who routinely work at least 40 hours per week

# of Lives	Estimated Volume
15,158	\$303,160,000

- All Other Active Permanent Employees who routinely work at least 20 hours per week

# of Lives	Estimated Volume
32	\$640,000

- All Active NDOL Employees hired prior to 07/01/1991 (Closed Class)

# of Lives	Estimated Volume
14	\$746,300

- All Retired NDOL Employees hired prior to 07/01/1991 age 65 and older (Closed Class)
- All Retired NDOL Employees hired prior to 07/01/1991 under age 65 (Closed Class)

# of Lives	Estimated Volume
156	\$2,174,000

Basic AD&D • All Active NDOL Employees hired prior to 07/01/1991 (Closed Class)

# of Lives	Estimated Volume
14	\$746,300

Basic Dependent Life

- All Active NDOL Employees hired prior to 07/01/1991 (Closed Class)

Coverage	# of Lives
Dep Life	8

- All Active Permanent Employees - \$5,000 Plan (Spouse under age 70)

Coverage	# of Lives
Dep Life	507

- All Active Permanent Employees - \$5,000 Plan (Spouse age 70 and older)

Coverage	# of Lives
Dep Life	16

- All Active Permanent Employees - \$10,000 Plan (Spouse under age 70)

Coverage	# of Lives
Dep Life	4,760

- All Active Permanent Employees - \$10,000 Plan (Spouse age 70 and older)

Coverage	# of Lives
Dep Life	137



Prepared for:
State of Nebraska

Supplemental Life

- All Other Active Permanent Employees

Supplemental AD&D

- All Other Active Permanent Employees

Rate Guarantee Period:	72 months
Basic Life/AD&D Coverage(s):	0% flat commission
Supplemental Life Coverage:	0% flat commission

Commission percentage does not include any overrides, additional incentives or fees, if applicable.

****Quote valid for two months following the proposed effective date***

Enhanced Product Services Offered with Group Term Life Insurance

- Travel Assistance Services (Available to groups with 50 or more lives; Not available in all states)
- Beneficiary Resource Services

DearbornCares^(SM) provides an advance payment of the basic life benefit to help beneficiaries cover immediate expenses

- Pays up to \$10,000 of Employer-Paid Basic Life Insurance
- Available for covered employees and retirees
- Available on claims with 1 or 2 named beneficiaries
- No death certificate required and check mailed within 48 hours of confirmation

Important Notes:

The above rates and premium estimates are based on the employee data submitted by you. Final rates and premiums will be based on the plan and employee data provided by you at inception. This proposal is subject to exclusions and limitations in the policy issued by us. In addition, if coverage was in force prior to the effective date of coverage, the rates quoted are subject to revisions based on acceptance and review of the in force carrier's policy.

Changes in risk that may impact the rates quoted include, but are not limited to:

- The composition of the group, employees or dependents, changes by more than 15%
- The employer contribution changes
- Any of the plan designs are changed
- A change in applicable law requires a change in the insurance provided by the policy or the classes of persons eligible for insurance under the policy.



Prepared for:
State of Nebraska

Group Life Insurance Plan Design Summary

Basic Term Life - Employee

Eligibility	All Other Active Permanent Employees who routinely work at least 40 hours per week	All Other Active Permanent Employees who routinely work at least 20 hours per week
Basic Life Benefit	\$20,000	\$20,000
Guarantee Issue	\$60,000	\$60,000
Waiver of Premium	Included	Included
Elimination Period	6 Months	6 Months
Conversion	Included	Included
Accelerated Death Benefit*	75% of Benefit Amount	75% of Benefit Amount
Maximum	\$500,000	\$500,000
Age Reduction Schedule**	None	None
Policyholder Contribution	100%	50%

**For groups with Basic and Supplemental or Voluntary Life coverage, the Accelerated Death Benefit maximum applies to all coverages*

***Benefits are reduced by the percentage indicated and are calculated from the original amount at the attainment of the age shown.*



Prepared for:
State of Nebraska

Basic Term Life - Employee

Eligibility	All Active NDOL Employees hired prior to 07/01/1991 (Closed Class)	All Retired NDOL Employees hired prior to 07/01/1991 age 65 and older (Closed Class)
Basic Life Benefit	One (1) Times Annual Earnings Plus \$2,000	Amount of insurance on file at the time of retirement
Minimum	\$20,000	\$1,000
Maximum	\$60,000	\$60,000
Benefit Rounding	To Next Higher \$1,000	To Next Higher \$1,000
Definition of Earnings	Earnings excl Comm & Bonus	Amount of insurance on file at the time of retirement
Guarantee Issue	\$60,000	\$60,000
Waiver of Premium	Included	Not Included
Elimination Period	6 Months	
Conversion	Included	Included
Accelerated Death Benefit*	75% of Benefit Amount	Not included
Maximum	\$500,000	None
Age Reduction Schedule**	35% at age 70	100%
Policyholder Contribution	33%	

**For groups with Basic and Supplemental or Voluntary Life coverage, the Accelerated Death Benefit maximum applies to all coverages*

***Benefits are reduced by the percentage indicated and are calculated from the original amount at the attainment of the age shown.*



Prepared for:
State of Nebraska

Basic Term Life - Employee

Eligibility	All Retired NOOL Employees hired prior to 07/01/1991 under age 65 (Closed Class)
Basic Life Benefit	Amount of insurance on file at the time of retirement
Minimum	\$1,000
Maximum	\$60,000
Benefit Rounding	To Next Higher \$1,000
Definition of Earnings	Amount of insurance on file at the time of retirement
Guarantee Issue	\$60,000
Conversion	Included
Age Reduction Schedule**	None
Policyholder Contribution	0%

***Benefits are reduced by the percentage indicated and are calculated from the original amount at the attainment of the age shown.*



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Basic AD&D - Employee

Eligibility

**All Active NDOL Employees
hired prior to 07/01/1991
(Closed Class)**

Basic AD&D Benefit

Same as Basic Life

Seat Belt

Included

Percentage

10%

Maximum

\$25,000

Air Bag

Included

Percentage

5%

Maximum

\$5,000

Education Benefit

Included

Percentage

5%

Annual Maximum

\$5,000

Duration

4 Years

Repatriation Benefit

Actual costs to
\$5,000

Day Care Benefit

Included

Percentage

3%

Annual Maximum

\$2,000

Duration

4 Years

Spouse Training Benefit

\$5,000

Coma Benefit

Included

Percentage

5%

Maximum

\$1,000

Duration

11 Months



Prepared for:
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Basic Term Life Dependents

Eligibility	All Active NDOL Employees hired prior to 07/01/1991 (Closed Class)	All Active Permanent Employees - \$5,000 Plan (Spouse under age 70)
Spouse Benefit	\$2,000	\$5,000
Not to Exceed	Includes Domestic Partners	Includes Domestic Partners
Spouse Guarantee Issue	50% of Employee Amount	50% of Employee Amount
Child Benefit	\$2,000	\$5,000
3 days - 14 days	\$500	\$5,000
15 Days - 6 months	\$500	\$5,000
6 Months - Maximum	\$1,000	\$5,000
Child Maximum Age	26	26
Student Maximum Age	26	26
Child Guarantee Issue	\$1,000	\$5,000
Dependent Waiver of Premium	Included if Employee Disabled	Included if Employee Disabled
Accelerated Death Benefit	Included	Included
Dependent Portability	Not Included	Not Included
Dependent Conversion	Included	Included



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Basic Term Life Dependents

Eligibility	All Active Permanent Employees - \$5,000 Plan (Spouse age 70 and older)	All Active Permanent Employees - \$10,000 Plan (Spouse under age 70)
Spouse Benefit	\$5,000	\$10,000
Not to Exceed	Includes Domestic Partners	Includes Domestic Partners
Spouse Guarantee Issue	50% of Employee Amount	50% of Employee Amount
Child Benefit	\$5,000	\$10,000
3 days - 14 days	\$5,000	\$10,000
15 Days - 6 months	\$5,000	\$10,000
6 Months - Maximum	\$5,000	\$10,000
Child Maximum Age	26	26
Student Maximum Age	26	26
Child Guarantee Issue	\$5,000	\$10,000
Dependent Waiver of Premium	Included if Employee Disabled	Included if Employee Disabled
Accelerated Death Benefit	Included	Included
Dependent Portability	Not Included	Not Included
Dependent Conversion	Included	Included



Prepared for:
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Basic Term Life Dependents

Eligibility	All Active Permanent Employees - \$10,000 Plan (Spouse age 70 and older)
Spouse Benefit	\$10,000 Includes Domestic Partners
Not to Exceed	50% of Employee Amount
Spouse Guarantee Issue	\$10,000
Child Benefit	
3 days - 14 days	\$10,000
15 Days - 6 months	\$10,000
6 Months - Maximum	\$10,000
Child Maximum Age	26
Student Maximum Age	26
Child Guarantee Issue	\$10,000
Dependent Waiver of Premium	Included if Employee Disabled
Accelerated Death Benefit	Included
Dependent Portability	Not Included
Dependent Conversion	Included



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Supplemental Life - Employee

Eligibility

All Active Permanent Employees

Supplemental Life Benefit

- Option 1: 0.50 times annual salary
- Option 2: 1.00 times annual salary
- Option 3: 1.50 times annual salary
- Option 4: 2.00 times annual salary
- Option 5: 3.00 times annual salary
- Option 6: 4.00 times annual salary
- Option 7: 5.00 times annual salary

Minimum
Maximum

\$10,000
\$2,000,000 (combined with Basic Life)

- Benefit Rounding**
- Definition of Earnings**
- Guarantee Issue**
- Grandfathering**
- Waiver of Premium**
- Conversion**
- Accelerated Death Benefit***
- Age Reduction Schedule****
- Policyholder Contribution**

To Next Higher \$1,000
 Same as Basic Life
 \$750,000
 Included: \$2,000,000
 Same as Basic Life
 Included
 Same as Basic Life
 Same as Basic Life
 0%

Supplemental AD&D - Employee

Eligibility

All Active Permanent Employees

Supplemental AD&D Benefit

- Option 1: \$5,000
- Option 2: \$7,500
- Option 3: \$10,000

**For groups with Basic and Supplemental or Voluntary Life coverage, the Accelerated Death Benefit maximum applies to all coverages*

***Benefits are reduced by the percentage indicated and are calculated from the original amount at the attainment of the age shown.*



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Underwriting Considerations for Group Life Coverage

Underwriting Conditions

- Employees must be legally working in the United States in order to be eligible for coverage.
- Insured Persons enrolling more than 31 days after their initial eligibility date must submit satisfactory Evidence of Insurability for all benefit amounts.
- Coverage for amounts in excess of the Guarantee Issue amount is not effective until the date we approve the application.
- This proposal illustrates the cost of the insurance program proposed and is based upon the information submitted. Any deviations in the program or information may require rate revisions. The actual cost will be determined after an application has been accepted and will depend upon data obtained when the program becomes effective.
- Product features and provisions may be slightly different due to state requirements. When sold, the actual policy for the state in which the policy is issued will reflect the state's requirements.
- This proposal provides only basic information on the features of our policy. In the event of conflict between this proposal and our policy, the terms of our policy will govern. The proposal is not intended to duplicate the terms and conditions of any existing contract. In the event of a conflict between this proposal and the incumbent contract, the terms of the proposal will govern.
- The Supplemental Life guarantee issue amount shown in this proposal are offered to employees whose initial eligibility date (new hires) is on or after the effective date of coverage.
- All current amounts in force will be grandfathered, subject to the plan design maximums and the grandfathering limits stated in the Plan Design Summary. The Guarantee Issue amount shown in this proposal will only be offered to employees whose initial eligibility date (new hires) is on or after the effective date of coverage. Employees not previously covered, or those who have selected to increase their coverage, will need to provide satisfactory Evidence of Insurability.

Transition of Coverage from Previous Carrier

Most group life carriers have standardized provisions in their policies that address issues concerning employees who are not actively at work at the time of the transition. The provisions are designed to ensure that those employees do not lose their coverage if a condition of the new policy is that they be actively at work on the new policy's effective date.

If the policy with the terminating carrier includes a Waiver of Premium provision, it is recommended that disabled employees file for Waiver of Premium with the terminating carrier. Assuming that such employees meet the requirements of the Waiver of Premium provision, the terminating carrier remains responsible for their coverage.

Actively at Work

Actively at work requirements will be waived, provided premiums are paid when due, for employees who:

- Are covered with the terminating carrier on the day immediately preceding our policy effective date; and,
- Were on lay-off, non-medical leave of absence or sabbatical leave; and were being provided an extension of benefits with the terminating carrier

Coverage under the Dearborn National policy will continue for the balance of the time provided for under the terminating carrier's policy, not to exceed 12 months.

Continuity of Coverage

Any disabled employee who was insured for coverage with the terminating carrier, but not actively at work on the day immediately preceding our policy effective date may be covered, subject to premium payment. However, it is recommended that these employees file for Waiver of Premium with the



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terminating carrier. Totally disabled employees who have not been approved or who have not filed for Waiver of Premium with the terminating carrier will be covered until the earliest of:

- The date the employee returns to active work;
- The last day of the 12th month following the Dearborn National policy's effective date
- The last day the employee would have been covered under the terminating policy had it not terminated
- The date the employee is approved for Waiver of premium with the terminating policy
- The date the Dearborn National policy terminates

The coverage amount will be the lesser of:

- the amount payable under the terminating policy; OR
- the amount payable under the Dearborn National policy:
 - In force, paid or payable under the prior policy, or
 - Which would have been payable if timely election had been made under the terminating policy.

VOLUNTARY INSURANCE BENEFITS COMMUNICATION AND ENROLLMENT STRATEGY

Employers want to provide comprehensive benefit programs to attract and retain valuable employees. Dearborn National has developed a flexible program of Voluntary, employee-funded benefits. By offering a valuable Voluntary program, an employer can significantly enhance its benefit portfolio at no additional cost.

Offering Voluntary benefits to your employees empowers them to select the coverage that meets their needs and the needs of their families. It is important that employees are aware of these benefits and understand their value. This is accomplished with a well-planned Communication and Enrollment strategy. Proper communication of benefits is important to the success of any Group Insurance Plan. It is essential that all insureds have a thorough understanding of exactly what the coverage provides.

Offering of voluntary coverage, also includes the Communication and Enrollment Strategy as outlined here.

EMPLOYER ANNOUNCEMENT LETTER

The group agrees to distribute a letter on its letterhead (paper or electronic) informing employees that the Voluntary benefits will be offered. This correspondence should be distributed three to four weeks before the enrollment.

POSTERS TO RAISE AWARENESS

The group agrees to display awareness posters in gathering areas, cafeterias, break rooms or elevator banks. These posters will create awareness of the upcoming benefit(s) being offered and inform employees where and when they can get more information and attend an enrollment meeting. The posters should be on display two weeks before the enrollment meeting is held.

HOLD ENROLLMENT MEETINGS

Many employees need additional information to make a sound benefits selection. An enrollment meeting provides an opportunity for employees to ask questions and receive answers from a benefit specialist. The group agrees to allow the broker/enroller to conduct informational enrollment meetings.

DISTRIBUTE BENEFIT SUMMARIES

Group-specific Benefit Summaries provide detailed information on available plans, empowering employees to make the best decision for their individual needs. The broker/enroller and group agree to distribute Benefit Summaries to all employees during the enrollment meetings.

Products and services marketed under the Dearborn National[®] brand and the star logo are underwritten and/or provided by Dearborn National[®] Life Insurance Company (Downers Grove, IL) in all states (excluding New York), the District of Columbia, the United States Virgin Islands, the British Virgin Islands, Guam and Puerto Rico.



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Benefit Highlights

Basic and Supplemental Life

Eligibility

Eligibility is as indicated in the Plan Design Summary. To be eligible, employees must be legally working in the United States and meet the eligibility requirements indicated in the Plan Design Summary. Insured Persons may have to complete a Waiting Period. Seasonal, part-time and temporary employees are not eligible.

Effective Date

If an insured person is absent from work due to injury or sickness on the last day of work prior to their effective date, the effective date of coverage will be delayed until 12:01 a.m. on the day coinciding with or next following their return to active work for a period of one day.

Guarantee Issue

Life Insurance Amounts up to the Guarantee Issue amount stated in the Plan Design Summary are offered with no need for Evidence of Insurability. Amounts in excess of the Guarantee Issue amount are subject to underwriting approval before becoming effective.

Conversion

Insureds who terminate employment, or lose a portion of their life coverage, may be able to convert their Life coverage to individual policies. Upon coverage termination administrators have 31 days after coverage ends to inform the insureds of their right to convert to an individual policy without evidence of insurability. Conversion does not apply to AD&D or Waiver of Premium amounts.

Accelerated Benefits

Insureds who are diagnosed as being terminally ill can access a portion of their life insurance benefits while they are alive. The insured can accelerate a percentage of their life insurance amount, up to the maximum amount, as indicated in the Plan Design Summary. If life insurance benefits are subject to age reductions within 12 months of receiving proof of terminal illness, the accelerated death benefit will reduce accordingly. The minimum amount that can be accelerated and the definition of Terminally Ill are shown in the Additional Plan Features.

Waiver of Premium

We will continue coverage for insureds who become totally disabled and complete the Elimination Period shown on the Plan Design Summary. Life Insurance will be extended to the age as indicated in the Plan Design Summary, with no premium charge. The onset of the disability must occur before the insured reaches the age indicated in the Additional Plan Features and they must meet the definition of disability for the entire elimination period. The amount of insurance extended will be the amount of Life Insurance in force immediately prior to the date of the Total Disability. This amount is subject to any reductions under the policy.

Reduction of Benefits

The Insured's life insurance amount will reduce upon reaching the ages as indicated in the Plan Design Summary. All reduction percentages are calculated from the original amount.



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Limitations and Exclusions

Supplemental Life benefits, including Waiver of Premium, are not payable for a loss which is caused by a suicide or attempted suicide within one year of the effective date of coverage.

Termination of Coverage

The insured's life insurance will terminate on the earliest of the following dates:

- The date the policy is terminated;
- The date the insured stops making any required contribution toward payment of premiums;
- The date the insured is no longer a member of an eligible class;
- The date the insured requests termination of coverage.
- The date the insured is no longer covered as a result of a disability, layoff, leave of absence, sabbatical or military leave.

Extension of Coverage

If an employee is no longer Actively at Work as a result of a disability, layoff, leave of absence, sabbatical or military duty, they may be able to continue to be eligible for group Life insurance coverage as follows:

Disability - Until the end of the month following the period indicated in the Additional Plan Features after which the disability began, provided all premiums have been paid and the policy is still in force and has not been replaced with a new carrier.

Layoff - Until the end of the month following the period indicated in the Additional Plan Features after which the layoff began, provided all premiums have been paid and the policy is still in force and has not been replaced with a new carrier.

Leave of Absence - Until the end of the month following the period indicated in the Additional Plan Features after which the leave of absence began or the period of time in accordance with FMLA, provided all premiums have been paid and the policy is still in force and has not been replaced with a new carrier.

Sabbatical - Until the end of the month following the period indicated in the Additional Plan Features after which the sabbatical began, provided all premiums have been paid and the policy is still in force and has not been replaced with a new carrier.

Military Leave - Until the end of the month following the period indicated in the Additional Plan Features after which the disability began, provided all premiums have been paid and the policy is still in force and has not been replaced with a new carrier.

Extension of Coverage for FMLA Leave

If an insured is eligible for and receives approval for leave under the Family and Medical Leave Act of 1993 (FMLA) or any applicable state, family and medical leave law, insurance will continue (provided premium continues to be paid) for a period up to the later of:

- The leave period permitted by FMLA and any amendments; or
- The leave period permitted by applicable state law.

Transition of Coverage from a Previous Carrier

As an established group life insurance carrier, it has been our experience that most carriers have standardized procedures when it comes to determining responsibility for employee transition situations.

Our position has been that the terminating carrier is responsible for anyone who was insured under their contract, but is disabled and does not meet the requirements of becoming insured under our contract. This person may or may not be eligible for Waiver of Premium under the prior policy.



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It is our recommendation that this issue be discussed with the terminating carrier to identify any insured's who may not be eligible for coverage on the effective date of our policy. While awaiting the decision of the terminating carrier, it is recommended that the impacted employee apply for conversion.

We will cover any eligible insureds who may be on vacation, leave of absence, observing a holiday, etc. on the effective date of our policy.



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Basic Accidental Death and Dismemberment

Accidental Death and Dismemberment (AD&D) plan pays an additional benefit when a covered insured loses their life, or a limb due to an accident. Benefits are paid based on the following schedule.

AD&D SCHEDULE OF LOSSES	BENEFIT AMOUNT
Loss of Life	100%
Loss of Both Hands or Both Feet	100%
Loss of One Hand and One Foot	100%
Loss of Speech and Hearing	100%
Loss of Sight of Both Eyes	100%
Loss of One hand and the Sight of One Eye	100%
Loss of One Foot and the Sight of One Eye	100%
Quadriplegia	100%
Paraplegia	50%
Hemiplegia	50%
Loss of Sight of One Eye	50%
Loss of One Hand or One Foot	50%
Loss of Speech or Hearing	50%
Loss of Thumb and Index Finger of Same Hand	25%
Uniplegia	25%

The following additional benefits are included with our Accidental Death & Dismemberment plan. For amount and availability of benefits, please refer to the Plan Design Summary.

Seat Belt Benefit

Pays an additional benefit, up to the percentage and maximum amounts indicated in the Plan Design Summary, if the covered insured dies in an automobile accident while wearing a properly worn seat belt.

Air Bag Benefit

Pays an additional benefit, up to the percentage and maximum amounts indicated in the Plan Design Summary, if the covered insured dies in an automobile accident while seated in a seat containing a factory installed air bag.

Education Benefit

Pays an additional benefit, up to the percentage and annual maximum indicated in the Plan Design Summary, if a covered insured dies in an accident and has qualified dependent children attending a school of higher learning. The benefit is payable for each insured child and up to four annual payments.

Repatriation

If a covered insured dies as a result of an accident more than 75 miles from their principal place of residence, the benefit pays the actual costs, up to the maximum amount indicated in the Plan Design Summary, for the preparation and transportation of the insured employee's body back to their home.



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Day Care Benefit

If a covered insured dies as the result of an accident, a day care benefit, up to the percentage and annual maximum indicated in the Plan Design Summary, is payable for reimbursement of eligible day care expenses for each qualified dependent enrolled in a licensed day care facility. The benefit is payable each year up a maximum five years.

Spouse Training Benefit

If a covered insured dies as the result of an accident, a benefit is payable to the insured's spouse to cover their cost of education, up to the maximum amount indicated in the Plan Design Summary, if they enroll in a school of higher learning within one year of the insured's death.

Coma Benefit

If a covered insured is injured in an accident, becomes comatose within 31 days of the accident, and remains comatose for a period of at least 60 days, we will pay a percentage of the insured's benefit amount, on a monthly basis. The percentage, monthly maximum and number of months are as indicated in the Plan Design Summary.

Reduction Schedule

Benefits reduce according to the schedule indicated in the Plan Design Summary. All reduction percentages are from the original amount.

Exclusions

Unless specifically covered in the policy, or required by state law, we will not pay any AD&D benefit for any loss that, directly or indirectly, results in any way from or is contributed to by:

- Disease of the mind or body, or any treatment thereof;
- Infections, except those from an accidental cut or wound;
- Suicide or attempted suicide;
- Intentionally self-inflicted injury;
- War or act of war;
- Travel or flight in any aircraft while a member of the crew;
- Commission of or participation in a felony;
- Under the influence certain drugs, narcotics or hallucinogens unless properly used as prescribed by a physician;
- Intoxication as defined in the jurisdiction where the accident occurred;
- Participation in a riot.



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Dependent Life

Dependent Effective Date of Coverage

If the insured meets the effective date requirements, then the dependents are eligible for coverage unless confined to a hospital. If hospitalized dependent coverage will become effective on the date the eligible dependent is no longer hospital confined.

Spouse Coverage

A covered spouse, which includes Domestic Partners where permitted, will be covered for the amount indicated in the Plan Design Summary.

In order for a spouse to be covered, the eligible insured person must also be covered. A spouse cannot be insured for more than 50% of the coverage amount.

Spouse Guarantee Issue

Spouse amounts up to the Guarantee Issue amount stated in the Plan Design Summary are offered with no need for Evidence of Insurability. Amounts in excess of the Guarantee Issue amount are subject to underwriting approval before becoming effective.

Dependent Child Coverage

Eligible Dependent Children will be covered for the amounts as indicated in the Plan Design Summary. Dependent children are covered until reaching the ages indicated in the Plan Design Summary.

Waiver of Premium

If the covered insured person becomes Totally Disabled and qualifies for Waiver of Premium, Life coverage for eligible dependents will also continue, at no cost, as long as the covered insured person continues on Waiver of Premium.

Accelerated Death Benefit

Covered Dependents diagnosed as being terminally ill can access a portion of their life insurance benefits while they are alive. They can accelerate the percentage of their life insurance amount, up to the maximum amount, as indicated in the Plan Design Summary. The minimum amount that can be accelerated is and the definition of Terminal Illness are shown in the Additional Plan Features.

Conversion

Dependents whose coverage terminates may be able to convert their Life coverage to individual policies. Upon coverage termination administrators have 31 days after coverage ends to inform the dependents of their right to convert to an individual policy without evidence of insurability. Conversion does not apply to Waiver of Premium amounts.

Termination of Dependent Life Insurance

Dependent Life Insurance will end on the earliest of the following:

- The date the insured person is no longer covered under the policy;
- The date the Policy is terminated;
- The date any required premiums cease to be paid; or
- The date the dependent is no longer an eligible dependent under the policy.



Prepared for:
State of Nebraska

Enhanced Product Services Included with Group Term Life

Beneficiary Resource Services™ : A Wellness Plan for Life

When a loved one dies, families often face complex issues ranging from estate planning, legal questions, funeral planning, coping with grief and financial uncertainties. That's why Dearborn National offers Beneficiary Resource Services, a program that combines family wellness and security at the most difficult of times. Services include grief and financial counseling, funeral planning, legal support as well as online will preparation. Beneficiary Resource Services is provided by Bensinger, DuPont & Associates (BDA).

Services for insureds and their families.

Online Will Preparation- A will is one of the most important documents every adult should have, and creating one has never been easier. Insureds and their families will have access to a full legal library with many estate planning documents, including an online will. Insureds can create their own wills online in a safe and secure way, right from their homes. The will can be saved and updated as family situations change. Creating a will provides security and peace of mind for several reasons:

- Appoints a guardian for children
- Controls where property and assets go
- Provides family security
- Without one, the state can make these decisions

Funeral Planning - Insureds and beneficiaries have access to an online funeral planning site that features a variety of helpful tools and information, such as:

- A downloadable funeral planning guide for insureds to document vital information their loved ones will need when making final arrangements
- Calculators to estimate and compare expenses for various types of funeral arrangements
- Information on funeral requirements and various religious customs
- Directories to locate funeral homes and cemeteries in the insured's area

Services for beneficiaries (and their families) after a death claim or for those that qualify for an accelerated death benefit

Unlimited Phone Contact - Available for up to one year with a grief counselor, legal advisor or financial planner.

Face-to-Face Working Sessions* - Five face-to-face working sessions are available to the insured person or beneficiary. All five sessions may be used with one grief counselor or legal advisor, or they may be split among the two types of counselors or advisors in geographically accessible locations. A one-hour financial consultation on the phone is also available.

**May include face-to-face sessions, over-the-phone sessions or time taken for research or document preparation.*

Referrals and Support Services - BDA maintains a comprehensive directory of qualified and accessible grief counselors and legal and financial consultants.



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Follow Up - Counselors will initiate follow-up calls when necessary for up to one full year from the date of initial contact.

BDA's nationwide network of experienced professionals can offer counseling for individuals facing difficult emotional, financial or legal issues. BDA's counselors are available 24 hours a day, 365 days a year. All calls are completely confidential.

Travel Resource Services¹

In today's global economy, the need for world travel is now greater than ever. However, a trip, whether for business or pleasure, can be disrupted by the unexpected. A medical emergency, a lost prescription or even emergencies involving a spouse, child or traveling companion can jeopardize a trip.

To provide the support people need while traveling on business or pleasure, we provide Travel Resource Services², a program that assists travelers if the unexpected happens.

Services are available to insureds and their families traveling 100 or more miles from their primary residence, and include:

- Medical Search and Referral
- Medical Evacuation/Return Home
- Dependent Children Assistance
- Return of Mortal Remains
- Emergency Message Relay
- Emergency Cash
- Legal Assistance/Bail
- Pre-Trip Information
- Medical Monitoring
- Traveling Companion Assistance
- Visit by Family Member/Friend
- Replacement of Medication and Eyeglasses
- Emergency Travel Arrangements
- Locating Lost or Stolen Items
- Interpretation/Translation

¹ Travel Assistance Services are provided to groups with 50 or more employees; Not available in all states.

² We contract with Europ Assistance USA, Inc. to provide the Travel Resource Services. We do not provide any part of the Travel Resource Services.



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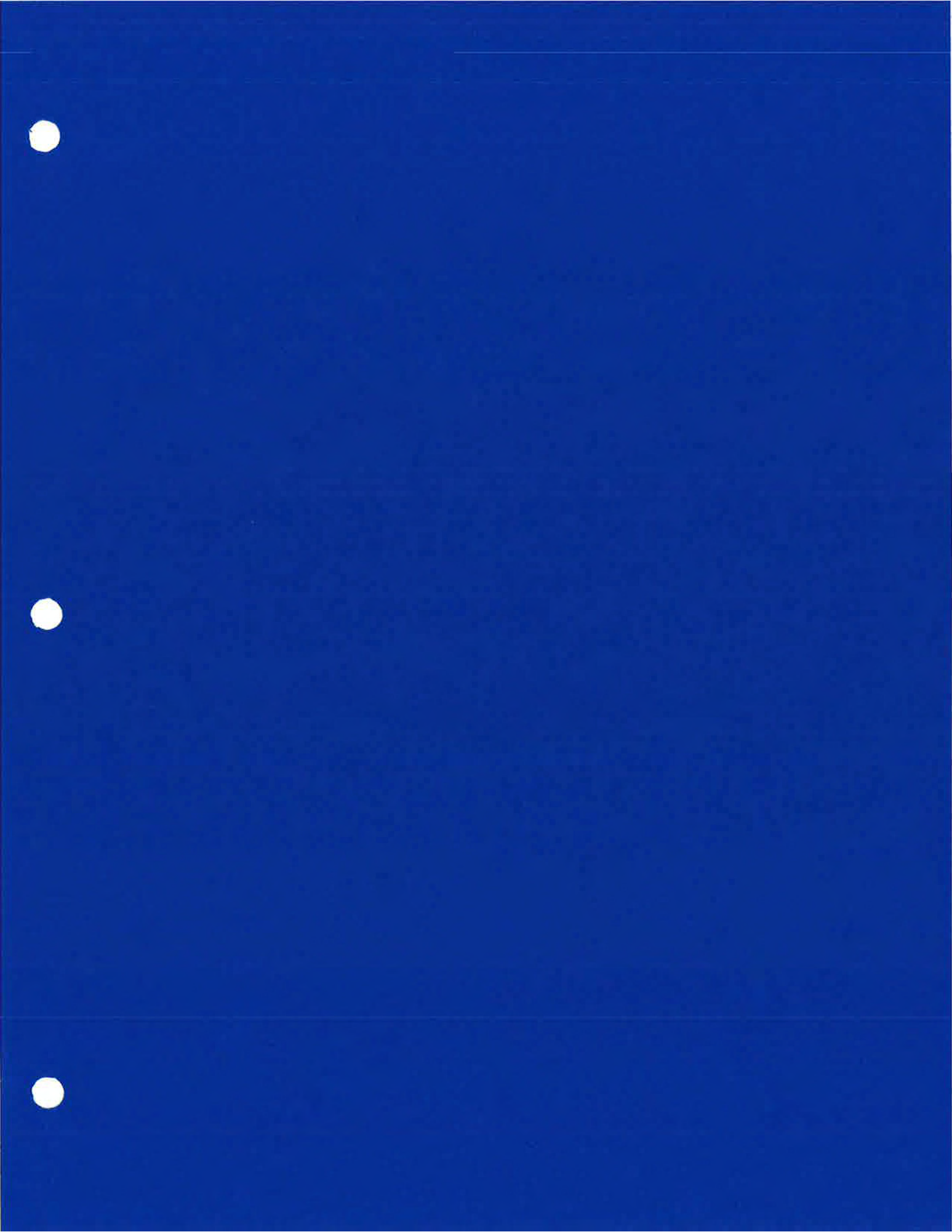
Additional Plan Features

Basic Life	All Active NDOL Employees hired prior to 07/01/1991 (Closed Class)	All Retired NDOL Employees hired prior to 07/01/1991 under age 65 (Closed Class)	All Retired NDOL Employees hired prior to 07/01/1991 age 65 and older (Closed Class)	All Other Active Permanent Employees who routinely work at least 40 hours per week
Option	Option 1	Option 1	Option 1	Option 1
Waiver of Premium - Definition of Disability	Any Occupation	Not Applicable	Not Applicable	Any Occupation
Waiver of Premium - Maximum Qualifying Age	60	Not Applicable	Not Applicable	60
Waiver of Premium - Specific Conditions Benefit	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Extended Insurance Benefit - Definition of Disability	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Extended Insurance Benefit - Maximum Qualifying Age	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Extended Insurance Benefit - Duration	Not Applicable	Not Applicable	Not Applicable	Not Applicable
FMLA Extension	Included	Included	Included	Included
Extension				
Disability	defined by group	defined by group	defined by group	defined by group
Layoff	defined by group	defined by group	defined by group	defined by group
Leave	defined by group	defined by group	defined by group	defined by group
Sabbatical	defined by group	defined by group	defined by group	defined by group
Military Leave	defined by group	defined by group	defined by group	defined by group
Accelerated Death - Minimum	\$5,000	Not Applicable	Not Applicable	\$5,000
Accelerated Death Benefit - Definition of Terminal Illness	24 Months	Not Applicable	Not Applicable	24 Months



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Basic Life	All Other Active Permanent Employees who routinely work at least 20 hours per week
Option	Option 1
Waiver of Premium - Definition of Disability	Any Occupation
Waiver of Premium - Maximum Qualifying Age	60
Waiver of Premium - Specific Conditions Benefit	Not Applicable
Extended Insurance Benefit - Definition of Disability	Not Applicable
Extended Insurance Benefit - Maximum Qualifying Age	Not Applicable
Extended Insurance Benefit - Duration	Not Applicable
FMLA Extension	Included
Extension	
Disability	defined by group
Layoff	defined by group
Leave	defined by group
Sabbatical	defined by group
Military Leave	defined by group
Accelerated Death - Minimum	\$5,000
Accelerated Death Benefit - Definition of Terminal Illness	24 Months





DearbornCaresSM

Support for Life Insurance Beneficiaries When They Need It

Losing a loved one can be emotionally and financially overwhelming.

DearbornCares provides an advance payment of the life insurance benefit to help beneficiaries cover their immediate expenses, such as funeral costs and medical bills.

- ▲ Pays up to \$10,000 per beneficiary of Employer-Paid Basic Life insurance claims
- ▲ Applies to claims with 1, 2 or 3 named beneficiaries
- ▲ Available for covered employees and retirees
- ▲ No death certificate required
- ▲ Employer is required to submit the claim form with all required information

DearbornCares Claim Process¹

1. **Employer** notifies Dearborn National about the life insurance claim by submitting the completed claim form.
2. **Employer** provides current beneficiary designation information.
3. **Dearborn National** confirms that the deceased employee qualifies for the DearbornCares benefit.
4. **Dearborn National** then mails the payment check within 48 hours of confirmation of eligibility. Any remaining Basic Life benefit, if available, will be handled using our standard processes.

While we know this service won't fix everything, we hope it makes a difficult time a little easier.

Advance Payment of up to **\$10,000** in 48 hours². **Why? Because we care.**

Contact your Dearborn National sales representative to learn more.

Submit your claim **ONLINE!**

Online claim submission through Benefits Manager is the easiest way to get the claim paid quickly.

Register for Benefits Manager at www.dearbornnational.com.

Don't forget to include the Beneficiary Designation and complete ALL required information on the claim form, including:

- ▲ Date of Hire
- ▲ Last Day Worked/Retirement Date
- ▲ Class
- ▲ Hours Worked

¹TPA Groups are not eligible for the DearbornCares program. ²Pays up to \$10,000 per beneficiary (to max. of 3 beneficiaries) of Employer-Paid Basic Life insurance claims in 48 hours of confirmation of eligibility. For agent and employer use only. This information is only a product highlight. DearbornCares has exclusions and limitations. The service may be canceled by the insurer at any time. Products and services marketed under the Dearborn National® brand and the star logo are underwritten and/or provided by Dearborn National® Life Insurance Company (Downers Grove, IL) in all states (excluding New York), the District of Columbia, the U.S. Virgin Islands and Puerto Rico. Service features and availability vary by state.

Beneficiary Resource Services[™]

Benefits Beyond a Check

When a loved one dies, families often face complex issues ranging from estate planning, legal questions, funeral planning, coping with grief and financial uncertainties. That's why Dearborn National offers Beneficiary Resource Services, a program that combines family wellness and security at the most difficult of times. Services include grief and financial counseling, funeral planning, legal support, as well as online will preparation. Beneficiary Resource Services is provided by Morneau Shepell.

Services for Beneficiaries and Their Families

The following services are available after a death claim or for those who qualify for an accelerated death benefit:

Unlimited Phone Contact

Available for up to one year with a grief counselor, legal advisor or financial planner.

Face-to-Face Working Sessions*

Five face-to-face working sessions are available to you or your beneficiaries. All five sessions may be used with one grief counselor or legal advisor or they may be split among the two types of counselors or advisors in geographically accessible locations. A one-hour financial consultation on the phone is also available.

Referrals and Support Services

Morneau Shepell maintains a comprehensive directory of qualified and accessible grief counselors and legal and financial consultants.



Follow Up

Counselors will initiate follow-up calls when necessary for up to one full year from the date of initial contact.

Morneau Shepell's nationwide network of experienced professionals can offer counseling for those facing emotional, financial or legal issues. Morneau Shepell's counselors are available 24 hours a day, 365 days a year. All calls are completely confidential.

BENEFICIARY RESOURCE SERVICES

Counseling:

(800) 769-9187

www.beneficiaryresource.com

Username: Dearborn National

Dearborn  National[®]

BENEFICIARY RESOURCE SERVICES

Counseling:

(800) 769-9187

www.beneficiaryresource.com

Username: Dearborn National

Dearborn  National[®]

Services for Insureds and Their Families

Online Will Preparation

A will is one of the most important documents every adult should have, and creating one has never been easier. You and your family have access to a full legal library with many estate planning documents, including an online will. You can create your own will online in a safe and secure way, right from your home. The will can be saved and updated as family situations change. Creating a will provides security and peace of mind for several reasons:

- ▲ Appoints a guardian for children
- ▲ Controls where property and assets go
- ▲ Provides family security
- ▲ Without one, the state can make these decisions

Create your will by visiting www.beneficiaryresource.com and entering the username: Dearborn National.

**TO ACCESS THESE VALUABLE
RESOURCES, VISIT**

www.beneficiaryresource.com

Username: Dearborn National



Online Funeral Planning

You have access to an online funeral planning site that features a variety of helpful tools and information, such as:

- ▲ A downloadable funeral planning guide to document vital information your loved ones will need when making final arrangements
- ▲ Calculators to estimate and compare expenses for various types of funeral arrangements
- ▲ Information on funeral requirements and various religious customs
- ▲ Directories to locate funeral homes and cemeteries in your area

For employee distribution.

**May include face-to-face sessions, over-the-phone sessions or time taken for research or document preparation.*

Beneficiary Resource Services is provided by Morneau Shepell. Dearborn National® Life Insurance Company does not provide or insure any part of Beneficiary Resource Services. Legal services will not be provided for court proceedings or for the preparation of briefs for legal appearances or actions or for any action against any party providing Beneficiary Resource Services. Legal services provided under Beneficiary Resource Services are not intended for adversarial matters. Neither Morneau Shepell nor Dearborn National® Life Insurance Company is responsible or liable for care or advice rendered by any referral resources.

This brochure is for illustrative purposes only and is not a contract. It is intended to provide a general overview of the services described. Only the service agreement can provide the actual terms, coverages, services, amounts and conditions. Products and services marketed under the Dearborn National® brand and the star logo are underwritten and/or provided by Dearborn National® Life Insurance Company, (Downers Grove, IL) in all states (excluding New York), the District of Columbia, the U.S. Virgin Islands and Puerto Rico. Product features and availability vary by state.

BENEFICIARY RESOURCE SERVICES

Counseling:

(800) 769-9187

www.beneficiaryresource.com

Username: Dearborn National

Dearborn  national

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Username: Dearborn National

Dearborn  national

Travel Resource Services

Your Ticket to Safe and Worry-Free Travel

Whether traveling for business or pleasure, a trip can be disrupted by a medical emergency, a lost prescription or instability in a foreign country. This is why Dearborn National® Life Insurance Company has teamed up with Generali Global Assistance, Inc. to offer employees an easy and convenient way to get the assistance they need should the unexpected happen.

Available to All New Group Life Customers with 50 or More Employees

Generali Global Assistance, Inc. (GGA) provides 24-hour services that can help an employee access emergency assistance when traveling more than 100 miles from home. GGA is there when a crisis strikes to help employees obtain the care and attention they need.

Key Services:

Medical Search and Referral

GGA will assist in finding physicians, dentists and medical facilities.

Medical Monitoring

During the course of a medical emergency, professional case managers, including physicians and nurses, will monitor the case to determine whether the care is appropriate or if evacuation/repatriation is needed.

Medical Evacuation/Return Home

In the event of a medical emergency, when a physician designated by GGA determines that it is medically necessary for the employee to be transported under medical supervision to the nearest hospital or treatment facility or be returned to their place of residence for treatment, GGA will arrange and pay for the transport under proper medical supervision.

Traveling Companion Assistance

If a travel companion loses previously-made travel arrangements due to the employee's medical emergency, GGA will arrange for the traveling companion's return home.



Dependent Children Assistance

If any dependent children under the age of 16 traveling with the employee are left unattended because the employee is hospitalized, GGA will arrange and pay for their economy class transportation home. Should transportation with an attendant be necessary, GGA will arrange for a qualified escort to accompany the children.

Visit by Family Member/Friend

If the employee is traveling alone and must be or is likely to be hospitalized for seven consecutive days, GGA will arrange and pay for round trip transportation for one member of their immediate family, or one friend designated by the employee, from their home to the employee's place of hospitalization.

Return of Mortal Remains

In the event of the employee's death while traveling, GGA will arrange and pay for all necessary government authorization, including a container appropriate for transportation and for the return of the remains to place of residence for burial.

Replacement of Medication and Eyeglasses

GGA will arrange to fill a prescription that has been lost, stolen or requires a refill, subject to local law, whenever possible. GGA will also arrange for shipment of replacement eyeglasses. Costs of shipping of medication and eyeglasses, or a prescription refill, etc. are the responsibility of the employee.

Generali Global Assistance, Inc. (GGA) provides 24-hour services that can help an employee access emergency assistance when traveling more than 100 miles from home.

Emergency Travel Arrangements

If appropriate, GGA will make new travel arrangements or change airline, hotel and car rental reservations.

Emergency Cash

GGA will advance up to \$500 after satisfactory guarantee of reimbursement from the employee. Any fees associated with the transfer or delivery of funds are the responsibility of the employee.

Legal Assistance/Bail

GGA will locate an attorney and advance bail bond where permitted by law, with satisfactory guarantee of reimbursement from the employee. (The employee also pays attorney fees.)

Interpretation/Translation

GGA will assist with telephone interpretation in all major languages or will refer the employee to an interpretation or translation service for written documents.

Pre-Trip Information

GGA offers a wide range of informational services before an employee leaves home, including:

- ▲ Visa, Passport, Inoculation and Immunization Requirements
- ▲ Cultural Information
- ▲ Temperature and Weather Conditions
- ▲ Embassy and Consulate Referrals
- ▲ Foreign Exchange Rates
- ▲ Travel Advisories

When are employees eligible for these services?

Employees, their spouses and dependent children are eligible for this program. Pre-trip informational services are available at any time. All other services take effect when the covered person is on a trip 100 miles or more from home, lasting 90 days or less.

Who is responsible to pay for these services?

After coverage has been verified, GGA will arrange and pay for the following, to a limit of \$150,000 and subject to the program guidelines:

- ▲ Medical Evacuation/Return Home
- ▲ Visit by a Family Member or Friend
- ▲ Return of Mortal Remains
- ▲ Dependent Children Assistance

Conditions and Exclusions

GGA shall not evacuate or repatriate anyone if an GGA designated Physician determines that such transport is not medically advisable or necessary or if the injury or illness can be treated locally.

GGA provides the services in all countries of the world. However, GGA may determine that services cannot be provided in certain countries or locales because of situations such as war, natural disaster or political instability. GGA will attempt to assist the employee consistent with the limitations presented by the prevailing situation in the area. GGA cannot be held responsible for failure to provide, or for delay in providing services when such failure or delay is caused by conditions beyond its control, including but not limited to flight conditions, labor disturbance and strike, rebellion, riot, civil commotion, war or uprising, nuclear accidents, natural disasters, acts of God or where rendering service is prohibited by local law or regulations.



Attachment A
Contractor Requirements Matrix
Request for Proposal Number 5953 Z1

Bidder Name: Dearborn National Life Insurance Company

Bidders should provide a response to each of the following Contractor requirements below.

CONTRACT ADMINISTRATION	
1.	<p>Contractor must include a Waiver of Premium provision for employees becoming disabled on or after the program effective date of July 1, 2019.</p> <p>Response: Confirmed</p>
2.	<p>Provide the Schedule of Life Insurance Benefits including all options (.5x, 1x, 1.5x, 2x, 3x, 4x and 5x annual salary) and the Basic and Supplemental Aggregate Maximum and Minimum coverage. State if you allow exceptions in excess of the maximum amount of 5x. Example: An employee may elect 5x their salary which exceeds the maximum coverage.</p> <p>Response: Confirmed</p>
3.	<p>Provide coverage on a discontinuance and replacement basis (no loss, no gain) for eligible employees participating in the current plans on the effective date of the new coverage.</p> <p>Response: Confirmed</p>
4.	<p>Adhere to the inclusion of provisions to protect the State from multiple deaths in a single occurrence.</p> <p>Response: In the event of a major catastrophe, Dearborn National would work with the State to ensure that all death claims would be processed in a timely manner with minimal interruption to your operations. We will institute a change in procedures to accommodate all claims and to service the beneficiaries in a manner that would cause the least amount of stress for the families of the victims.</p>
5.	<p>Refrain from issuing any external communications material that mentions the State's benefit plans without written approval from the State. This includes newsletters and publications to agents, brokers and consultants.</p> <p>Response: Confirmed</p>
6.	<p>Provide ongoing assistance in administration, claim adjudication, and general problem solving. Periodic account servicing meetings will be held with the account manager and claims support group.</p> <p>Response: Confirmed</p>
7.	<p>Accept the current enrollment and beneficiary designations for the State's employees.</p> <p>Response: Confirmed. However, we can accomplish enrollment using a census that contains the necessary information. Employees who are applying for benefit amounts over the guarantee issue limit or who are enrolling late will be asked to complete an evidence of insurability application. Beneficiary designations are maintained by the employer under the self-administration process and only sent to Dearborn National when a death claim is filed.</p>
8.	<p>Describe proof of loss required before a life or AD&D claim is filed.</p>

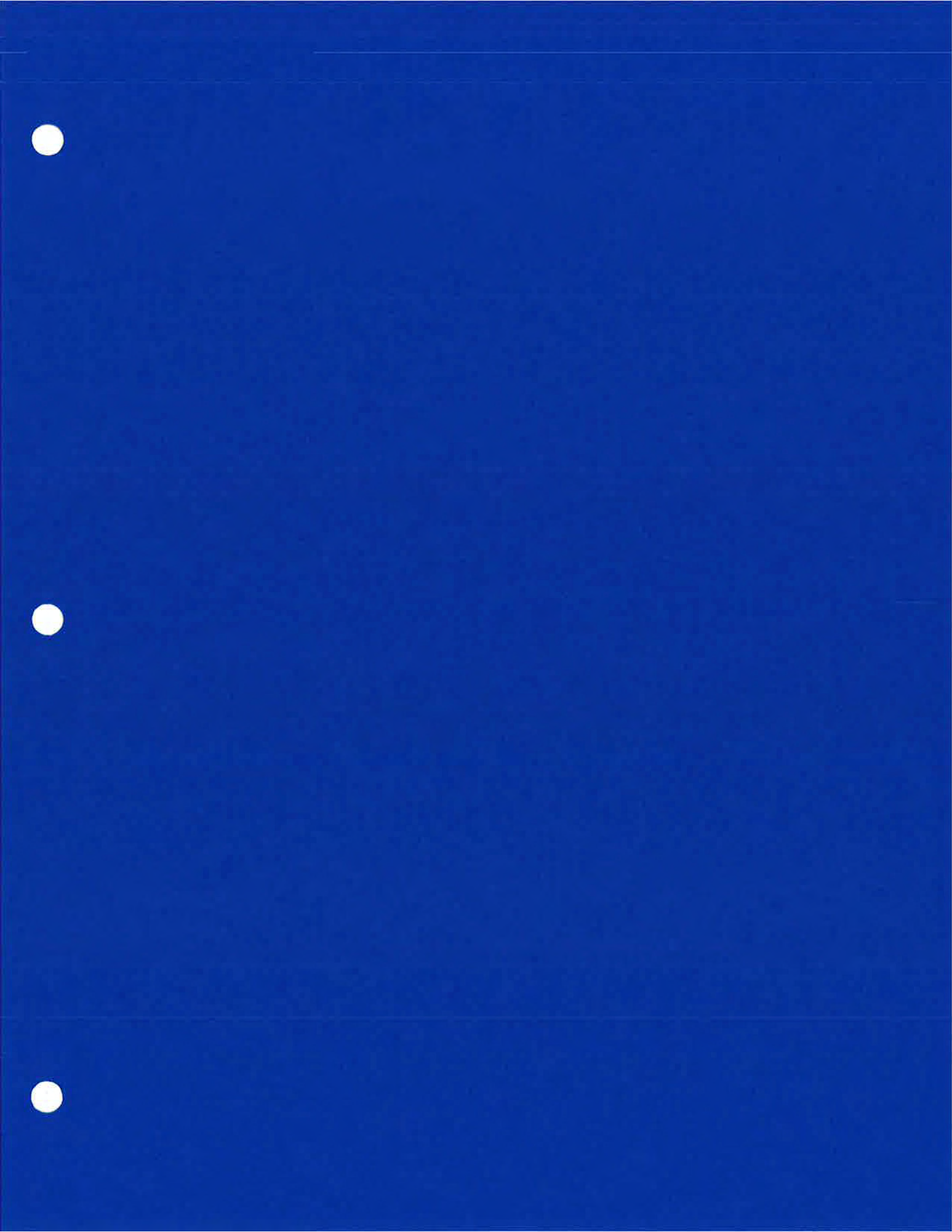
	<p>Response: Proof of loss consists of:</p> <ul style="list-style-type: none"> • Properly completed claim form • Certified copy of death certificate (Life/AD&D) • Enrollment form or beneficiary designation • Any supporting documentation (i.e., police report, coroner's report, newspaper clippings, etc.)
	<p>Maintain an internal audit program and provide the State with a copy of the most recent internal audit report upon request.</p>
9.	<p>Response: Dearborn National has an internal Quality Audit (QA) team whose primary responsibility is to conduct audits on approximately 20% of each claim examiner's case block. These audits consist of a random selection of paid and denied claims. We work in concert with training and policies and procedures to ensure that we are providing ongoing training as identified through our audits, whether it be at an individual level or department-wide.</p> <p>In addition, each audit result is provided to the appropriate manager as they are completed. At the end of each month and quarter, each manager is provided a report of all audits by individual and the Claims Department overall. We are able to quickly provide additional coaching and/or training at the individual or department level, if needed. We are also able to identify areas of strength and utilize individuals who demonstrate strengths to help with coaching of others who may need additional support.</p> <p>In regard to providing a copy to the State, we will provide only information authorized by the participant/insured and in compliance with federal and state privacy regulations.</p>
	<p>Review all plans, draft plan abstracts, and confirm plan provisions with the State.</p>
10.	<p>Response: Dearborn National's intent is to match the intent of the current benefits with our filed contract language along with an amendatory rider.</p>
	<p>Draft, revise, and finalize the policy and benefit summaries (Summary Plan Descriptions (SPB)/booklets) for review by the State before February 12 of each calendar year.</p>
11.	<p>Response: Confirmed, provided we've received complete information in a timely manner.</p>
	<p>Provide SPDs in an electronic format for access via internet or intranet.</p>
12.	<p>Response: Confirmed</p>
	<p>Provide one claim office with a dedicated unit and an assigned account executive to assist the State in the ongoing administration of the program.</p>
13.	<p>Response: Claims administration is the cornerstone of our business and the State would have designated claim examiners for all of its claims activity. When we initially receive claims they are assigned as soon as the intake process is complete and are distributed to the claim examiners based on the group number and group name indicated on the claim form. Claims will be handled in our administrative office located in Lombard, Illinois.</p>
	<p>Design, submit for approval, and print enrollment forms with the State's logo for use by plan participants to enroll, designate beneficiaries, and change their coverages, in accordance with plan provisions.</p>
14.	<p>Response: We can accomplish enrollment using a census that contains the necessary information. We do not require our clients to provide a data feed of enrollments and changes. The State will have the option of housing the data and providing it in the event of a claim. We will give guidance to the State regarding transmission of enrollment data to Dearborn National. The State can provide us with a census in lieu of enrollment forms.</p>
15.	<p>When customized printing is requested by the State, present a complete draft and subsequent proof to the State for sign-off. The Contractor must ensure that logo placement and color requirements are met. Contractor will be responsible for costs of printing booklets, certificates, or SPDs as required.</p>

	Response: Confirmed.
	Provide routine underwriting and actuarial services.
16.	Response: Confirmed
	Deliver an Administration Manual containing all user guidelines on such matters as eligibility, reports, plan summaries and procedures 60 days prior to plan year.
17.	Response: Confirmed
	Provide employer portal to monitor the status of claims, EOI, etc.
	Response: Dearborn National's secure web-based <i>Benefits Manager</i> web portal provides employers with a wide variety of online tools, services and information to help them administer their group benefits. The online services available through <i>Benefits Manager</i> are shown below.
18.	<p>Billing & Payments: Self-administration clients</p> <ul style="list-style-type: none"> • Access past billing and payment information, including: <ul style="list-style-type: none"> – Billing & payment summaries – Billing address & frequencies – Payment amounts and received dates – Policyholder information <p>Note: Self-administered clients can view the above billing information. However, through the self-administration process, the information is generated by the Employer rather than being generated by Dearborn National.</p> <p>Evidence of Insurability and Claims</p> <ul style="list-style-type: none"> • Generate and view EOI status reports • Generate and view pending claims reports and claims status reports <p>Policies and Documents</p> <ul style="list-style-type: none"> • View plan documents including: <ul style="list-style-type: none"> – Group policy – Group certificate – Amendments – Group application – Miscellaneous documents • Sort documents by account number, document title or creation date • Download or print plan documents <p>Online Claim Submission</p> <ul style="list-style-type: none"> • For Life, AD&D, Waiver of Premium and Accelerated Death Benefit claims • Enter member information • Display coverages and products applicable to the claim being submitted • Attach supporting documentation to the claim* <p>*All groups may submit life/ADD claims online and attach supporting documents. For life claims less than \$25,000, that documentation may include a copy of the death certificate. If the claim is over \$25,000 they may still submit the claim online and provide supporting documents, but they will need to submit the certified death certificate by mail.</p> <p>Additional Services</p> <ul style="list-style-type: none"> • Access group benefit forms • Access administrative guides • Access a comprehensive help section with FAQ and a glossary

	Communications (phone calls, emails) should be responded to within 24 hours. Describe your customer service process, including the hours of operation and methods of contact.
19.	Response: Dearborn National's Group Customer Service team provides front line service to our clients' inquiries regarding membership, billing and claims. A majority of the inquiries are resolved at the "point of service" with our ability to process membership changes, additions and terminations via the telephone, and are resolved in the first call. Our Customer Service toll-free number hours of operation are Monday through Friday, 7:00 a.m. to 7:00 p.m. Central Standard Time. Inquiries can be made by telephone, email or in writing. We will endeavor to respond to emails within 24 hours; however, our standard is within two business days.
	Maintain claim files to support payment, denials and appeals. Documentation must be legally acceptable and readily accessible.
20.	Response: Confirmed
	Indicate settlement processes and options available to beneficiaries. Specify the interest credit on claims from the date of death or proof of death until payment to beneficiary.
21.	Response: The settlement option available is Lump Sum payment by check sent by mail, and it is released the business day following the approval for payment of benefit. Interest credit is payable from the date the certified death certificate is received.
	Make determinations with respect to submitted claims, including claim investigation and analysis prior to payment.
22.	Response: Confirmed
	100% of life claims will be processed within 15 business days of the receipt of required documentation.
23.	Response: Confirmed. Our standard is within seven business days of receipt of complete information.
	Contractor must have a process for finding missing beneficiaries.
24.	Response: Confirmed
	Provide the exact same current plan to the NDOL employees due to NDOL employees being grandfathered into the Plan.
25.	Response: Confirmed. Dearborn National's intent is to match the intent of the current benefits with our filed contract language along with an amendatory rider.
IMPLEMENTATION	
	Provide a detailed timeline and implementation plan including deadlines set forth in this RFP including State resources and personnel required.
26.	Response: Confirmed. We will develop a detailed implementation plan with tasks, deliverables, target completion dates and responsible parties once Dearborn National has been selected as your carrier. Implementation begins with an initial meeting to introduce the assigned Implementation Team to the State. This first meeting will also involve discussion of: <ul style="list-style-type: none"> • Materials necessary for implementation

	<ul style="list-style-type: none"> • Data transfer and reporting needs • Development of a schedule of meetings and deliverables • <p>Once implementation begins, weekly status meetings will be scheduled as conference calls and/or webinars. Status meetings will allow us to measure our progress and identify outstanding tasks. We will work closely with the State during contract discussions and will provide a draft of the policy and certificate of coverage for review. Communication materials will be discussed and developed according to the State's needs. Once educational needs are established, we will provide training to equip your staff to answer employee questions. We will be there to facilitate and/or assist with enrollment meetings and to prepare the State for self-administration.</p> <p>A sample Implementation Plan is included in the Exhibits section of our proposal.</p>
27.	<p>Load, audit and insure clean eligibility data a minimum of 30 days prior to program effective date of July 1, 2019.</p> <p>Response: Confirmed; however, we do not require our clients to provide a data feed of enrollments and changes. The State will have the option of housing the data and providing it in the event of a claim. We will give guidance to the State regarding transmission of enrollment data to Dearborn National. The State can provide us with a census in lieu of enrollment forms; however, employees who are applying for benefit amounts over the guarantee issue limit or who are enrolling late will be asked to complete an evidence of insurability application.</p>
28.	<p>Identify any programs, systems, or administrative opportunities that your organization can provide during the implementation process that would be beneficial to the State.</p> <p>Response: We understand the importance of ensuring a smooth transition, flawless implementation and successful ongoing maintenance of the account. In order to demonstrate our commitment to service, we will provide an account service team consisting of management level staff from each of our functional areas. These individuals are selected based on their experience with implementation and account management and knowledge of systems and procedures. The account management team will work closely with the Account Manager and client to coordinate data transfer and to develop procedures, policies and reports.</p> <p>The Implementation Plan is always a work in progress and may change as your needs change. Established project management principles will be applied to your implementation process, which will include constant communication to the individuals designated by you. Our Implementation Coordinator will be responsible for providing the contact information, Agenda, and notes for all implementation meetings to all participants. He will maintain and distribute all of the meeting notes and keep open task log up to date.</p> <p>We recommend one or two onsite meetings to begin the implementation process, followed by weekly status meetings. Weekly status meetings are typically scheduled as conference calls or webinars to review progress, identify outstanding tasks and/or provide training. We will provide training in person or through webinars. We will provide the resources and solutions necessary to meet your existing and evolving needs.</p>
29.	<p>Attach a description of your conversion process and include a copy of your conversion request form, if applicable.</p> <p>Response: Dearborn National will provide our conversion policy for employees who are canceling their coverage. When an employee separates from the employer or otherwise becomes ineligible for group term life insurance while the policy is in force, he/sha will then have the guaranteed right to convert the amount of group term life insurance to a whole life policy. The initial premium and written application for insurance must be received within 31 days after the date of termination of his term life insurance.</p> <p>The premium rates will be the rates for his attained age for the plan of insurance and the amount of insurance converted. The effective date of insurance will be 31 days after the date of the cancellation of group insurance. In any event, he will always have 31 days of insurance without cost. No evidence of insurability will be required. A Conversion application is included in the Exhibits section of our proposal.</p>
REPORTING	

	Monthly and quarterly claims paid/denied reports must be available no later than the end of the month following the close of the period in question.
30.	Response: We will provide a Paid Claims report quarterly. The employer will have access to claim activity online 24/7. Available through our Benefits Manager employer portal, administrators have quick, convenient and secure access to their pending and paid claim reports.
	A year-end financial accounting for the program within 60 days of the contract anniversary date.
31.	Response: Confirmed
	Annual generation of eligibility listing in hard copy or online reporting. Describe your online reporting function(s).
32.	Response: The employer will have access to claim activity online through our Benefits Manager employer portal, administrators have quick, convenient and secure access to their pending and paid claim reports.
PERFORMANCE GUARANTEES	
	Do you have a formal performance guarantee program? If so, please provide a copy.
33.	Response: Yes, please see Performance Guarantees included in the Exhibits section of our proposal.
BILLING	
	Attach a description of premium billing procedures. Include information on the timing of billing, billing-payment reconciliations, and ability to provide for client self-billing.
34.	Response: We have included our Self-Administration Guidelines in the Exhibits section of our proposal.



DEPARTMENT OF INSURANCE

CERTIFICATE OF AUTHORITY

DEARBORN NATIONAL LIFE INSURANCE COMPANY

DOMICILED IN THE STATE OF ILLINOIS

IS HEREBY AUTHORIZED AND LICENSED TO TRANSACT THE BUSINESS OF INSURANCE IN THE STATE OF NEBRASKA AS DESCRIBED BY THE FOLLOWING SUB-SECTION(S) OF SECTION 44-201 OF THE STATUTES OF NEBRASKA:

01 Life Insurance
03 Variable Annuities
04 Sickness and Accident Insurance

147863

NEBRASKA IDENTIFICATION NUMBER

May 1, 2018

DATE ISSUED

April 30, 2019

DATE EXPIRES



SIGNED AT LINCOLN, NEBRASKA

Bruce R. Ramage

DIRECTOR OF INSURANCE

Dearborn  National[®]

Completed State Cost Proposal Template

Dearborn  National[®]

Exhibits



Account Management Team State of Nebraska

Greg D'Aprile

National Account Sales Executive

Dearborn National Life Insurance Company

1020 31st Street

Downers Grove, IL 60515

Phone: 630-824-5242

E-mail: Greg_DAprile@dearbornnational.com

Greg D'Aprile joined Dearborn National as a National Account Sales Executive in 2017. He has more than seventeen years of experience in the sale of ancillary insurance products and services. Throughout his career, he has developed relationships with key brokers, consultants, and customers nationally. Greg has extensive experience in the health and welfare industry with a focus on the 1000+ employer market. In his role as a National Account Sales Executive, Greg works directly with brokers and consultants in order to match the needs of employers with solutions offered by Dearborn National. His key focus is developing long term, affordable benefit programs for employers and employees. Prior to Dearborn National, Greg was with Cigna and Standard Insurance Company. He holds a Bachelor of Science from the University of South Carolina.

For this account, Greg will be involved in initial implementation, finalist presentations and client negotiations. Proposed time dedicated to the State: Approximately 20% primarily during implementation

Tyler Lisenby, PMP

Account Manager

Dearborn National Life Insurance Company

1020 31st Street

Downers Grove, IL 60515

Phone: 630-824-6846

Fax: 312-565-4049

E-mail: Tyler_Lisenby@bcbsil.com

Tyler Lisenby joined Dearborn National in 2005. In Tyler's current role as National Accounts Implementation Coordinator, he oversees all aspects of implementation and quality assurance, securing the smooth and successful implementation of our National Accounts clients. Tyler holds a Bachelor's degree in Management of Information Systems from Bradley University (Peoria, IL). He is a certified Project Management Professional (PMP) by the Project Management Institute (PMI) and is also certified in Information Systems Project Management by Northwestern University (Evanston, IL).

For this account, Tyler will be extremely involved during initial implementation, and thereafter all ongoing issue resolution. As the central contact for the State, Tyler will dedicate approximately 30% of his time on the implementation and ongoing service of your account.



Account Management Team State of Nebraska

Tarra Fuller
Senior Account Implementation Coordinator
Dearborn National Life Insurance Company
1001 East Lookout Drive
Richardson, TX 75082
Phone: 972-996-9354
E-mail: Tarra_Fuller@dearbornnational.com

Tarra Fuller joined Dearborn National in 1997. She has over fifteen years' experience in employee benefits with over ten years of servicing large national accounts employers. In Tarra's current role as Senior Accounts Implementation Coordinator, she oversees all aspects of implementation and quality assurance, securing the smooth and successful implementation of our National Accounts clients. Throughout her career, Tarra has been responsible for managing key business relationships, quality control initiatives and training. She has also been involved in multiple implementations of new products and services and has worked on various committees for product development and technology enhancements.

For this account, Tarra will be involved during initial implementation. As the Implementation Coordinator, Tarra will dedicate approximately 80% of her time to the JPS Health Network, ensuring a flawless implementation.

Abena Mihdawi
Manager, Medical Underwriting
Dearborn National Life Insurance Company
1001 East Lookout Drive
Richardson, TX 75082
Phone: 972-664-5104
E-mail: Abena_Mihdawi@dearbornnational.com

Manager of Group Health Underwriting, Abena Mihdawi, is responsible for establishing financially sound medical underwriting procedures that result in profitable growth and financial stability for Dearborn National. She manages an underwriting staff of nine and is accountable for effective preliminary review, risk evaluation, and prompt and accurate processing of applications requiring proof of good health. Abena joined Dearborn National in 2018 from the Small Group Underwriting team at our parent company HCSC, where she served as the Unit Manager and worked with the Texas 1-150 sales and account management team. She has over 8 years of experience with both medical and risk underwriting. Abena has her Master's in Healthcare Management and her Bachelor's in Economics and Finance from the University of Texas at Dallas. In addition to her degrees, she also holds the following professional designations from AHIP: Managed Healthcare Professional, Health Insurance Associate, and Professional Health Insurance Advanced Studies. She also holds a Yellow Belt in Lean/Six Sigma.

For this account, Abena will be involved in initial implementation, open enrollment and ongoing issue resolution. Proposed time dedicated: 15% or as needed primarily during implementation.



Account Management Team State of Nebraska

Minnie Titus-Glover

Director of Claims Operations

Dearborn National Life Insurance Company

701 East 22nd Street

Lombard, IL 60148

Phone: 630-519-0662

E-mail: Minnie.Titus-Glover@dearbornnational.com

Minnie Titus-Glover joined Dearborn National as the Senior Manager of Claims Administration in 2014, bringing with her over 25 years' experience in the Insurance industry. Minnie is responsible for Dearborn National's Group Life and Waiver of Premium Claim operations. She is accountable for the development and execution of overall claim strategy, financial metrics and performance guarantees associated with claim management, budget development and management. As Senior Manager of Claims Administration, she has been extremely successful at establishing aggressive customer experience metrics and continues to raise the bar on behalf of our customers and beneficiaries. In 2017, Minnie was promoted to Director of Claims Administration. In her new role, she continues to lead the Life and Waiver Claims team as well as the Individual Medical Underwriting team. Minnie holds a Bachelor of Arts degree from the University of Ghana and is pursuing a Masters of Business Administration from Keller Graduate School of Management of DeVry University.

For this account, Minnie will be involved in initial implementation, ongoing claim oversight and all appeals process. Proposed time dedicated: as needed.

Joseph A. Jania, ACS

Senior Manager, Operations

Dearborn National Life Insurance Company

701 East 22nd Street

Lombard, IL 60148

Phone: 630-519-0604

E-mail: Joseph.Jania@dearbornnational.com

Joseph Jania, Senior Manager of Operations for Dearborn National has over 20 years of experience in the insurance industry. Currently, Joseph's responsibilities include overseeing Agent/Sales Compensation, Licensing and Contracting, Billing, Premium Application, Policy Issue and Membership Administration. Joseph's accomplishments include multiple MAR Blue Diamonds, Policy Issue and Membership cycle time reductions along with the automation of multiple processes. Since Joseph has been with Dearborn National, he has been instrumental in improving the efficiency of our premium application department, proving himself a valuable asset to the company. Joseph has achieved the Associate Customer Service (ACS) designation from the Life Office Management Association (LOMA). He has served as President of the Chicago Policy Owners Service Association and is currently a member of LOMA, Securities Insurance Licensing Association (SILA) and a member of the National Insurance Advisory Council focusing on broker licensing, contracting and administration for General Information Services (GIS).

For this account, Joe's team will be involved in initial implementation, certificate booklet preparation, all policy provisions and changes. Proposed time dedicated: 15% or as needed primarily during implementation.



Account Management Team State of Nebraska

Mark Gentile

Senior Underwriting Manager – National Accounts

Dearborn National Life Insurance Company

701 East 22nd Street

Lombard, IL 60148

Phone: 630-458-5627

E-mail: Mark_Gentile@dearbornnational.com

Mark Gentile joined the National Accounts Underwriting Team of Dearborn National in June, 2010. Prior to Dearborn National, Mark worked for MetLife, Incorporated as a Senior Underwriting Consultant. In this position, Mark provided group underwriting services for new business and renewals for life, disability and dental products. At Dearborn National, Mark is responsible for the rating and risk of large national account business for both new business and renewals in the central region. Mark has a Bachelor of Arts degree in Business Administration from Illinois Wesleyan University.

For this account, Mark will be involved in all aspects of underwriting risk and renewal. Proposed time dedicated: 15% or as needed during implementation and at renewal.

Len Servedio

Vice President of Information Systems

Dearborn National Life Insurance Company

701 East 22nd Street

Lombard, IL 60148

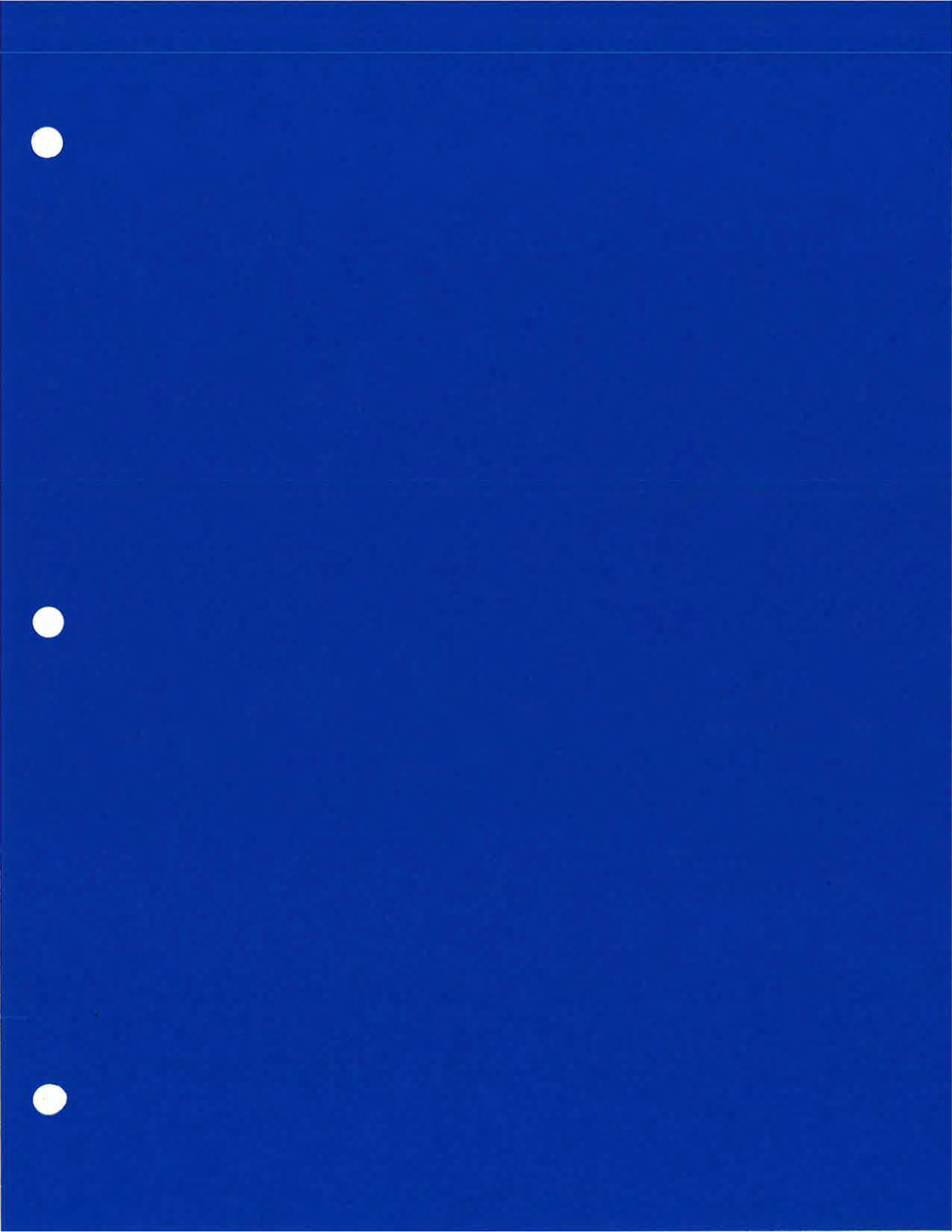
Phone: 630-458-2292

E-mail: Len_Servedio@dearbornnational.com

Len Servedio is Divisional Vice President of Information Systems at Dearborn National. Len is responsible for developing and maintaining the strategic directions for Dearborn National's technology infrastructure to ensure the delivery of technology services including administrative, claims, and Internet based systems. Len also ensures Dearborn National's technology platforms and services integrate into the larger Health Care Service Corp's system infrastructure and he provides guidance on new system and technology selections.

Len began his career with Dearborn National in the Information Systems Department in 1999. Since joining Dearborn National, he has served as Manager and Director of Information Systems, and was appointed Vice President of Information Systems in 2007. His technology background includes provision of network and application services within the health care industry. Len holds degrees from State University of New York, University of Illinois and a Master of Science in Information Systems from DePaul University.

For this account, Len will be involved in initial implementation, and oversee all aspects of eligibility file transfer. Proposed time dedicated: As needed.





Group Name State of Nebraska

Sales Executive Greg D'Aprile

Implementation Coordinator Tarra Fuller

Account Manager Tyler Lisenby

Effective Date 7/1/19

IMPLEMENTATION TIMELINE

State of Nebraska

Activity	Responsible	Days*	Target End Date
60-90 DAYS PRIOR TO EFFECTIVE DATE			
Client Sale (Sold Case Activities) - 20-30 calendar days			
Distribute sold case paperwork to client	Dearborn National	2 calendar days	
Client completes sold case paperwork with assistance from Dearborn National Implementation Coordinator**	Client/Dearborn National	20-30 calendar days	
Client Setup (Group implementation activities; some simultaneously) - 35-60 calendar days			
Screen and validate sold case paperwork	Dearborn National	14-25 calendar days	
Complete implementation log and conduct implementation meeting with client	Dearborn National		
Build group in system, prepare contract and certificates for delivery to client	Dearborn National	20-35 calendar days	
Deliver contract and certificates to client	Dearborn National		
Send satisfaction survey to client	Dearborn National	1 calendar day	
30-45 DAYS PRIOR TO EFFECTIVE DATE			
IT, Training and Enrollment Materials (Additional implementation activities performed simultaneously with group implementation activities)			
Eligibility File Transfer – Transmission process and testing (if applicable)	Dearborn National IT & Client	4 - 6 weeks prior to effective date	
Draft copies of enrollment materials to client for review	Dearborn National	2 weeks prior to annual enrollment	
Dearborn National – Client Service training – Ready to support employee inquiries	Dearborn National	1 week prior to annual enrollment	
Training session with client's HR Administrator	Dearborn National	1 week prior to annual enrollment	

*The number of days required to complete activities assumes timely receipt of all required documents

** Sold Case Paperwork includes the following:

Group Application

FICA Tax/W-2 Agreement (if applicable)

Group Transmittal

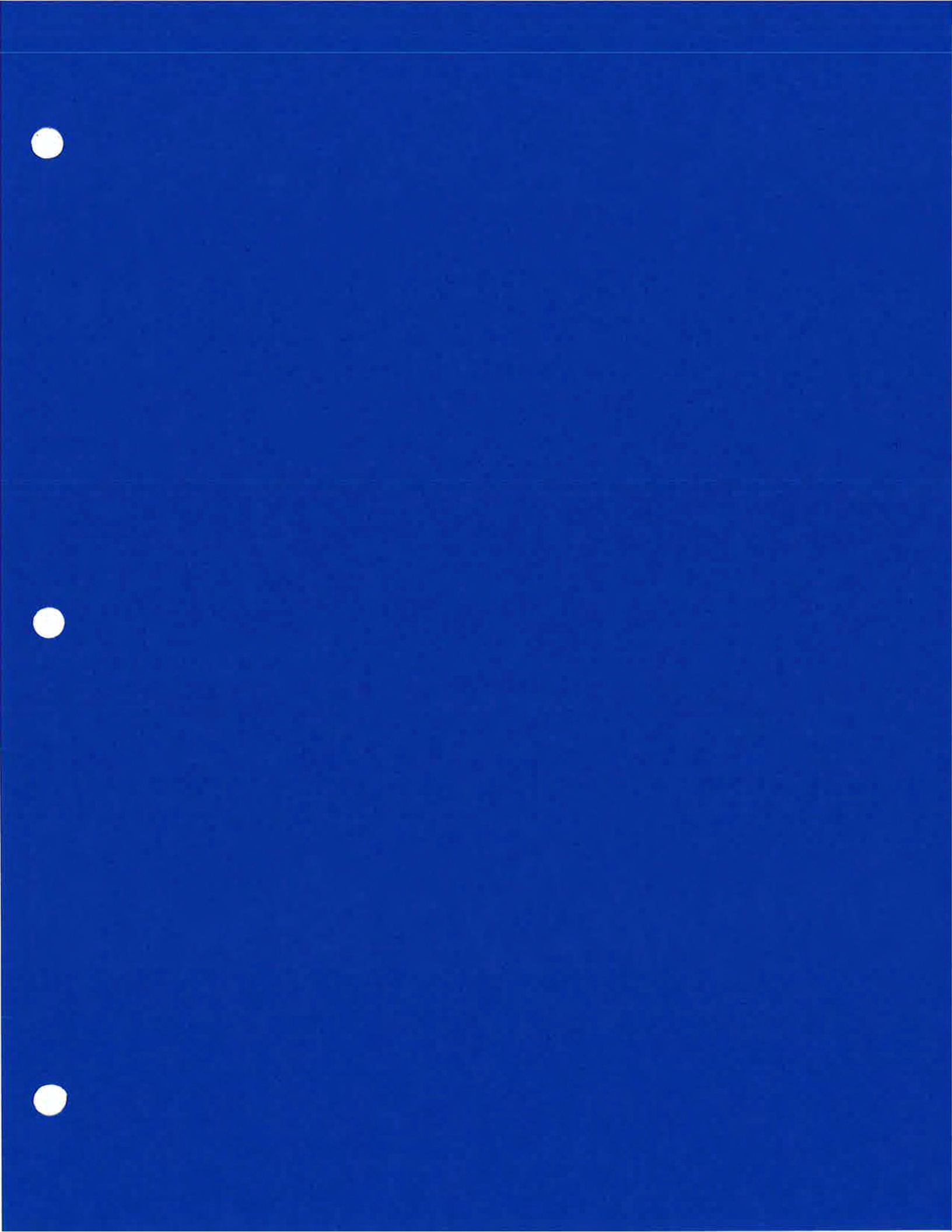
Producer Transmittal

Sold Proposal

EAP-FMLA Account Notice Form (if applicable)

Employee Evidence of Insurability Forms (if applicable)

Copy of Prior Carrier's Plan Policy/Certificate



Phone Number: (800) 348-4512

Upon becoming ineligible for group insurance, e.g., leaving employment, you may convert your Group Life Insurance coverage to an Individual Whole Life Insurance policy. This can be done regardless of your current health. For information about the amount you may convert or how long you have to convert, see either your certificate or group policy.

To apply:

1. Complete Part 2 of this conversion application. Be sure your Employer has completed Part 1. Premium rates and instructions are shown on the reverse side.
2. Mail the completed application with your check or money order for the first modal premium to the above address.

Part 1: TO BE COMPLETED BY EMPLOYER			Group Number	Reason for Termination <input type="checkbox"/> Termination of employment or membership in eligible class <input type="checkbox"/> Termination of Group Policy and Date Term'd. _____ <input type="checkbox"/> Disability <input type="checkbox"/> Other (Specify) _____
Date Employment Term'd. ____/____/____	Date Coverage Terminated ____/____/____	Last Actual Day of Work ____/____/____	Amount of Group Insurance	
Name of Employer Providing Group Policy		Annual Salary \$ _____	Insurance Class	
Signature of Policyholder's Representative/Title		Telephone Number () _____	Date Signed	

Part 2: TO BE COMPLETED BY INSURED Please type or print with ball point pen
 I hereby apply to convert my life insurance and affirm the following statements of fact:

NAME IN FULL		SOCIAL SECURITY NUMBER	TELEPHONE NUMBER () _____	GROUP POLICY NO.	
RESIDENT ADDRESS					
STREET _____ CITY _____ STATE _____ ZIP CODE _____					
SEX	DATE OF BIRTH ____/____/____	AGE LAST BIRTHDAY	STATE OF BIRTH	LAST DATE OF ACTIVE WORK MO DAY YR	PRESENT OCCUPATION
AMOUNT OF INSURANCE TO BE CONVERTED		PREMIUM MODE <input type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Semi-Annual <input type="checkbox"/> EFT Monthly*	First full modal premium must be submitted with application Premium Enclosed \$ _____		Automatic Premium Loan Provision Desired? <input type="checkbox"/> Yes <input type="checkbox"/> No

BENEFICIARY DESIGNATION

FIRST NAME	LAST NAME	ADDRESS	SOCIAL SECURITY NO.	DATE OF BIRTH	RELATIONSHIP
Primary					
Secondary					

If more space is needed 1) use extra paper 2) mark above "See Attached" 3) attachment MUST be signed and dated by Policy Owner.
 Is the owner to be other than the insured? Yes No

First Name	Initial	Last Name	Relationship
Address of Owner, if other than Insured:			
No. & Street		City	State ZIP Code

The Owner is the person who may exercise all rights in the contract, e.g., assign, surrender, borrow. If no one is named, the Insured shall be the Owner.
 I declare that the information on this application is complete and true, to the best of my knowledge and belief. I agree that the Company may deposit the payment submitted with this application prior to approval of this application. If I am not eligible to convert my Group Insurance, the sole obligation of the Company shall be to refund any premiums paid.

Signed At _____ on ____/____/____
 City State Mo Day Year Signature of Applicant

*EFT (Electronic Funds Transfer - Sign on back and attach voided check) Signature of Owner (Other than Insured)

Premiums are payable to age 98 or death, whichever occurs first. For information about the amount you are eligible to convert, please refer to the Conversion of Life Insurance provision of your group life insurance certificate or the group policy. Our minimum issue amount is \$2,000.

To calculate your premium, find your present age and the corresponding **table rate per \$1,000** from the columns below. Multiply this premium by the number of thousands of dollars of insurance you plan to convert. Then multiply by the premium factor and add the modal policy fee to find your premium payment.

Last Birthday	Table Rate Per Thousand	Last Birthday	Table Rate Per Thousand
20	8.51	60	47.79
21	6.86	61	50.70
22	7.09	62	53.72
23	7.42	63	56.86
24	7.76	64	60.23
25	8.10	65	63.84
26	8.56	66	67.67
27	8.90	67	71.74
28	9.22	68	76.05
29	9.68	69	80.47
30	10.13	70	85.24
31	10.58	71	90.70
32	11.03	72	96.55
33	11.59	73	102.77
34	12.14	74	109.38
35	12.70	75	116.41
36	13.25	76	123.90
37	13.92	77	131.94
38	14.58	78	140.61
39	15.23	79	150.02
40	15.89	80	160.20
41	16.77	81	171.21
42	17.76	82	183.01
43	18.73	83	195.57
44	19.71	84	208.90
45	20.79	85	223.10
46	21.97	86	282.86
47	23.14	87	342.62
48	24.53	88	402.38
49	25.90	89	462.15
50	27.36	90	521.91
51	28.92	91	581.67
52	30.56	92	641.43
53	32.28	93	701.19
54	34.10	94	760.95
55	36.10	95	820.72
56	38.10	96	880.48
57	40.30	97	940.24
58	42.68	98	1,000.00
59	45.16		

- (✓) **Mode Desired** **Premium Factor** **Modal Policy Fee**
- () Annual 1.000 \$17.00
- () Semi-Annual520 \$ 9.00
- () Quarterly265 \$ 5.00
- () EFT Monthly08583 \$ 0.00

(Sign below & attach voided check)

Enclose the **Modal Premium** amount with your application.

For clarification, contact
DEARBORN NATIONAL
Attn: Department 6006
1020 31st Street
Downers Grove, IL 60515
1-800-348-4512

EFT Authorization: Check one:

- Checking** **Savings**

Account # _____

I hereby authorize and request Dearborn National[®] Life Insurance Company to withdraw funds from my account and transfer those funds in payment for my monthly premium, and to initiate debit entries, if necessary, for any credit entries made in error. This authorization is to remain in full force until I notify Dearborn National[®] Life Insurance Company in writing of any changes or cancellation of payment. I understand that to change or cancel any future transactions, such notice must be received not less than ten business days prior to the transaction date.

Signature of Account Holder

(Please attach voided check)

Example: Conversion of \$10,000 Group Life for a 45-year old to \$10,000 Whole Life Plan payable quarterly:

Example:

Table Rate	X	# of Thousands To Be Converted	X	Premium Factor	+	Modal Policy Fee	=	Modal Premium
20.79	X	10.000	X	0.265	+	5.00	=	\$60.10

Your Calculations

Table Rate	X	# of Thousands To Be Converted	X	Premium Factor	+	Modal Policy Fee	=	Modal Premium
_____	X	_____	X	_____	+	_____	=	\$ _____

The laws of some states require us to furnish you with the following notice:

FOR APPLICATIONS AND CLAIMS:

Colorado: It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado division of insurance within the department of regulatory agencies.

District of Columbia: **WARNING:** It is a crime to provide false or misleading information to an insurer for the purpose of defrauding the insurer or any other person. Penalties include imprisonment and/or fines. In addition, an insurer may deny insurance benefits if false information materially related to a claim was provided by the applicant.

Florida: Any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony of the third degree.

Hawaii: For your protection, Hawaii law requires you be informed that presenting a fraudulent claim for payment of a loss or benefit is a crime punishable by fines or imprisonment, or both.

Kentucky: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or a statement of claim containing any materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

Louisiana: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

Maine & Washington: It is a crime to knowingly provide false, incomplete, or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits.

Maryland: Any person who knowingly or willingly presents a false or fraudulent claim for payment of a loss or benefit or who knowingly or willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

New Mexico: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to civil fines and criminal penalties.

Ohio: Any person who, with intent to defraud or knowingly that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

Oklahoma: Any person who knowingly, with intent to injure, defraud or deceive any insurer, makes a claim for the proceeds of an insurance policy containing false, incomplete or misleading information is guilty of a felony.

Pennsylvania: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

Puerto Rico: Any person who knowingly and with the intention of defrauding presents false information in an insurance application, or presents, helps, or causes the presentation of a fraudulent claim for the payment of a loss or any other benefit, or presents more than one claim for the same damage or loss, shall incur a felony and, upon conviction, shall be sanctioned for each violation with the penalty of a fine of not less than five thousand dollars (\$5,000) and not more than ten thousand dollars (\$10,000), or a fixed term of imprisonment for three (3) years, or both penalties. Should aggravating circumstances be present, the penalty thus established may be increased to a maximum of five (5) years, if extenuating circumstances are present, it may be reduced to a minimum of two (2) years.

Rhode Island: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

Tennessee: It is a crime to knowingly provide false incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits

Virginia: It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits.

The laws of some states require us to furnish you with the following notice:

FOR CLAIMS ONLY:

Alaska: A person who knowingly and with intent to injure, defraud, or deceive an insurance company files a claim containing false, incomplete, or misleading information may be prosecuted under state law.

Arizona: For your protection, Arizona law requires the following statement to appear on this form. Any person who knowingly presents a false or fraudulent claim for payment of a loss is subject to criminal and civil penalties.

Arkansas: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

California: For your protection California law requires the following to appear on this form. Any person who knowingly presents false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison.

Delaware: Any person who knowingly, and with intent to injure, defraud or deceive any insurer, files a statement of claim containing any false, incomplete or misleading information is guilty of a felony.

Idaho: Any person who knowingly, and with intent to defraud or deceive any insurance company, files a statement or claim containing false, incomplete, or misleading information is guilty of a felony.

Indiana: A person who knowingly and with intent to defraud an insurer files a statement of claim containing any false, incomplete, or misleading information commits a felony.

Minnesota: A person who files a claim with intent to defraud or helps commit a fraud against an insurer is guilty of a crime.

New Hampshire: Any person who, with a purpose to injure, defraud or deceive any insurance company, files a statement of claim containing any false, incomplete or misleading information is subject to prosecution and punishment for insurance fraud, as provided in RSA 638:20.

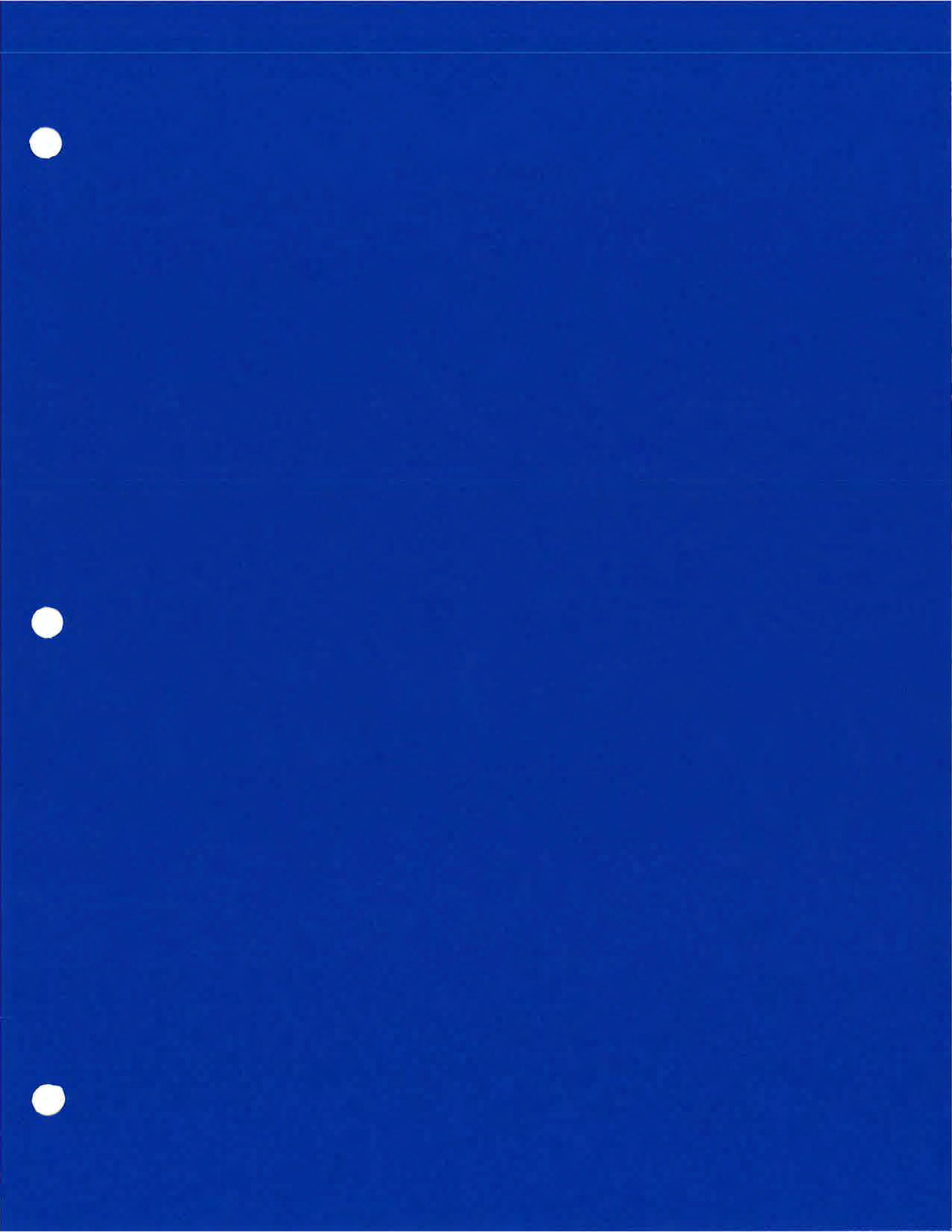
New Jersey: Any person who knowingly files a statement of claim containing any false or misleading information is subject to criminal and civil penalties.

Texas: Any person who knowingly presents a false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison.

FOR APPLICATIONS ONLY:

Massachusetts: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

New Jersey: Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.





Performance Guarantees for State of Nebraska

Category	Performance Standard	Method of Measurement	Annual Amount at Risk
<i>Implementation</i>	Meet Implementation methods of measurement regarding implementation process	Provided that all necessary information is received by Dearborn National 60 days prior to the effective date: <ul style="list-style-type: none">• Deliver all necessary administrative materials prior to the plan effective date• Adherence to timetable previously agreed upon by <u>State of Nebraska</u> and Dearborn National management• All necessary filings completed before effective date of the contract• Provide booklets prior to the effective date of the contract if applicable.	To Be Determined , not to exceed 2% of estimated annual premium in aggregate by product across all performance guarantee categories. (one-time payment)



Category	Performance Standard	Method of Measurement	Annual Amount at Risk
<i>Life Claim Performance</i> Claim Determination Time	95% within 7 business days	Claim Determination Time – Determination time is defined as the number of business days required to process a claim beginning from the date all necessary information is received, to the date a final decision is made on the claim. The standard is measured as a percent of process-ready claims finalized within 7 business days on Dearborn National's total block of business.	To Be Determined , not to exceed 2% of estimated annual premium in aggregate by product across all performance guarantee categories.
Claim Financial Accuracy	95% of all dollars paid accurately	Claim Financial Accuracy – Financial accuracy is defined as the percent of dollars paid accurately. The level of performance is based on the results from a random sample audit on Dearborn National's total block of business.	To Be Determined , not to exceed 2% of estimated annual premium in aggregate by product across all performance guarantee categories.



Category	Performance Standard	Method of Measurement	Annual Amount at Risk
<i>Customer Service</i>			
Average Speed to Answer	30 seconds or less	Average Speed to Answer, calculated over the complete workday, is defined as the time a caller spends on hold until a service representative becomes available. Standard is measured by determining the average number of seconds the caller spends waiting for a service representative. Standard is measured using participant calls on Dearborn National's total block of business.	To Be Determined , not to exceed 2% of estimated annual premium in aggregate by product across all performance guarantee categories.
Abandonment Rate	5% or less	Abandoned calls are defined as calls, calculated over the complete workday, that reach the facility and are placed in a queue, but are not answered because the caller hangs up before a service representative becomes available. Standard is measured on Dearborn National's total block of business.	To Be Determined , not to exceed 2% of estimated annual premium in aggregate by product across all performance guarantee categories.
Total Amount at Risk			To Be Determined

- Any performance guarantees mutually agreed upon must be based on objective measurable criteria and not subjective measures of customer satisfaction.
- Performance measurement will begin July 1, 2019.
- Performance Guarantees are measured and settled annually.





WELCOME TO DEARBORN NATIONAL

UNDERWRITTEN BY DEARBORN NATIONAL® LIFE INSURANCE COMPANY

Guide to Self-Administration



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SELF-ADMINISTRATION

For many customers, self-administration is a popular billing method. It allows you to report total coverages to us on a monthly basis rather than reporting detailed employee changes. Self-administration of your plan means you will:

- ▲ Manage your employees' eligibility in accordance with your Group Insurance Plan.
- ▲ Complete all necessary enrollment forms and maintain records of your employees' enrollments, changes and terminations.
- ▲ Communicate changes to us only when necessary. For example, if you are required to have an employee complete an Evidence of Insurability form and communicate this to Medical Underwriting for approval prior to an employee's coverage becoming effective.
- ▲ Calculate your insurance premium and remit payment to us along with a completed Self-Administered Insurance Premium Report form on a monthly basis.
- ▲ Provide a census to us, annually.

GETTING FORMS AND CERTIFICATE BOOKLETS

WEBSITE

On our website, www.dearbornnational.com, you can obtain forms by clicking the "Forms" tab on the Home page and selecting Group Benefits. Follow the on-screen instructions.

ONLINE TOOLS OVERVIEW

Dearborn National's website, www.dearbornnational.com, and employer portal, Benefits Manager, provide a wide variety of online tools, services and information. Benefits Manager is your one-stop resource for administering your group benefits by providing the ability to:

- ▲ Access group policies and documents
- ▲ Run Evidence of Insurability (EOI) status reports
- ▲ Run life, disability and premium waiver claim status reports
- ▲ Submit a Life or AD&D claim online

To access Benefits Manager, visit the Dearborn National home page at www.dearbornnational.com. In the Login section, select "Benefits Manager" and enter your user ID and password to access the secure portal. If you do not have a user ID and password for Benefits Manager, please contact Group Customer Service at 800-348-4512 to start the registration process.

BENEFITS MANAGER POLICIES AND DOCUMENTS

Visit www.dearbornnational.com. In the Login section, select "Benefits Manager" and enter your User ID and Password to access our secure portal. Select the Policies and Documents tab and follow the on-screen instructions to access your group's Certificate Booklets, Policy and Amendments.

IDENTIFYING EMPLOYEE ELIGIBILITY

Any employee who is actively at work, working the minimum number of hours, and in a class shown in the Group Policy will become eligible for coverage on the day following any waiting period. If an employee is not actively at work on the date coverage is to begin, the effective date will be deferred until the day the employee returns to active work.

**MANAGING GROUP
MEMBERSHIP**

The waiting period for new employees is shown in your Group Policy.

As a self-administered group, you maintain all employee eligibility and enrollment records in your office. In cases where evidence of insurability is required, the Enrollment form and Evidence of Insurability form must be submitted to and approved by Dearborn National before applicable coverage becomes effective.

While we do not require you to submit employee eligibility and enrollment records on a regular basis, we have the right to examine such records at any time. We require these records in the event of a claim. In addition, we require that you comply promptly with our request to provide access to or copies of these records for inspection upon reasonable notice.

NEW EMPLOYEE ENROLLMENT

Please have new employees complete and sign an Enrollment form within 31 days after the waiting period has been satisfied (even if the employee is declining all coverage):

- ▲ Review for completeness and signature
- ▲ Provide employee a copy along with a certificate booklet
- ▲ Retain the original for your records (do not send to us unless Guarantee Issue limits apply and employee is applying for coverage in excess of the limit)
- ▲ Begin withholding employee contributions (if applicable) as of that employee's effective date

If Guarantee Issue limits apply, and the employee is applying for coverage in excess of the limit, please provide the employee with a Disclosure Form and have the employee also complete an Evidence of Insurability form.

- ▲ **Important: Do not begin withholding employee contributions for the amount in excess of the Guarantee Issue limit until you receive our approval.**

EVIDENCE OF INSURABILITY (EOI)

If Guarantee Issue limits apply and the employee is applying for coverage in excess of the limit, please provide the employee with a Disclosure Form and have the employee complete an Evidence of Insurability (EOI) form. Important: Do not begin withholding employee contributions for the amount in excess of the Guarantee Issue limit until you receive our approval.

Dearborn National offers two options for completing EOI:

- ▲ The applicant may complete the EOI form online at www.dearbornnational.com, by selecting the Individual tab and then the Evidence of Insurability link under Online Services. Instructions are provided.
- ▲ EOI forms can also be completed manually via paper form. Simply download the EOI form from the Forms menu at www.dearbornnational.com. The employer should fill out PART I completely. Employees (and spouses, if applicable) must answer all questions completely and accurately.

Whether completing the form online or via paper, the applicant must include the following information to submit Evidence of Insurability:

- ▲ Your group number
- ▲ Employer or sponsor name and address
- ▲ Reason EOI is required
- ▲ Completed Enrollment form
- ▲ Social security number of all applicants requiring EOI (employee and/or dependents)
- ▲ Height, weight, and state of birth of all applicants requiring EOI (employee and/or dependents).
- ▲ Treatment history and medication(s) for any health condition(s); name and address of any physician, hospital or other practitioner that provided medical care, consultation or treatment.

Before submitting the paper form, please verify the above information has been included, as well as the following:

- ▲ All "yes" or "no" questions have been answered
- ▲ Complete details have been provided for every "yes" answer
- ▲ Included signatures of all applicants (including spouse and dependent children, if applicable)
- ▲ Signed and dated the form (even if he or she is not applying for coverage)

Make a copy of the EOI form and Enrollment form for your records, and send the original signed copies of both forms to us. Dearborn National must receive the completed Employer and Employee sections of this form within 30 days of the signature date.

The information on this form is considered current for no longer than 90 days.

Our medical underwriting decision will be communicated to the applicant and to you in writing, along with an effective date, if approved. The first premium will generally be due the first of the month following the approval date.

Please note: An incomplete form will delay the processing of an applicant's insurance request.

LATE EMPLOYEE ENROLLMENT

A late employee enrollee is one who previously waived his/her insurance, or one who fails to enroll for insurance within 31 days after the waiting period has been satisfied. These employees are subject to the following:

- ▲ If the employee does not contribute to the cost of the insurance, the coverage effective date will be determined based upon the provisions of your Group Policy.
- ▲ If the employee chooses coverage under a voluntary or contributory plan, the employee may not be allowed to enroll late and must wait until the next Annual Enrollment period.
 - Review your Group Policy or contact us for more specific information.
- ▲ If the employee is contributing to the cost of the insurance, the employee must complete and submit an EOI form along with an Enrollment form for underwriting approval.
 - Review forms for completeness and signature.
 - Make a copy of the EOI form and Enrollment form for your records, and send us the original signed copies of both forms.
 - **Do not begin withholding employee contributions in this situation until you receive our approval.**

Our medical underwriting decision will be communicated to the applicant and to you in writing, along with an effective date, if approved. The first premium will generally be due the first of the month following the approval date.

ANNUAL ENROLLMENT

Annual Enrollment applies if your Group Policy includes an Annual Enrollment period. During this period, eligible employees may apply for voluntary coverage, additional coverage or request changes to existing coverage. Employees who were declined coverage during the initial enrollment or during past enrollment periods may re-apply during this period.

EOI or pre-existing condition limitations may apply. Please refer to your policy for “change in family status” revisions that occur outside of the Annual Enrollment timeframes (if applicable).

COMMUNICATING NEW EMPLOYEE ENROLLMENT TO DEARBORN NATIONAL

Complete the Necessary Forms

You can download forms from any page on our website, www.dearbornnational.com. Print and complete the Employee Enrollment and Change form with the employee.

Employee Enrollment Form. Please provide the employee with the following information to ensure accurate and timely processing:

- ▲ Employer Name as shown on the Group Policy
- ▲ Group Number/Account Number
- ▲ Location, if applicable
- ▲ The Employee's Class Designation as indicated in the Group Policy

If EOI is required, please have the employee complete an EOI form and submit to Dearborn National.

COMMUNICATE THE CHANGE

Since you elected self-administration, you do not have to supply us with membership changes. However, if you are required to provide EOI, you may:

- ▲ Fax the forms to (312) 240-0143 or
- ▲ Email us at contactus@dearbornnational.com or
- ▲ Send the completed forms to:
Dearborn National
ATTN: Membership
Administrative Office
1020 31st Street
Downers Grove, IL 60515-5591

Please retain copies of all forms and records that document any changes.

EMPLOYEE MATERIALS

After you have completed the New Employee Enrollment process, explained the waiting period (if applicable) to the employee, communicated any EOI to us and received any necessary approvals, please give the enrolled employee:

- ▲ A Certificate Booklet
- ▲ A copy of the Employee Enrollment form
- ▲ A copy of the EOI form (if applicable)

A supply of booklets was provided to you as part of your New Case Submission Materials.

**MANAGING ONGOING
MAINTENANCE OF GROUP
MEMBERSHIP**

TERMINATIONS AND OTHER CHANGES

To effectively manage your Group Membership on an ongoing basis, you must record changes in a timely fashion. Examples of changes you must keep include:

- ▲ Name changes
- ▲ Salary changes
- ▲ Dependent Life insurance coverage changes
- ▲ Class changes
- ▲ Coverage or employee terminations.

These changes may be recorded by having the employee complete a new Employee Enrollment Form. Simply indicate "Change" at the top of the form.

BENEFICIARY CHANGES

You must also maintain records regarding beneficiary changes. The Beneficiary Designation form can be found in the Group Benefit Forms section of our website. Have the employee complete the form and keep it with your records. This form will be required in the event of a death claim.

SALARY CHANGES

If your benefit plan includes salary-based products (benefit amounts based on a multiple of salary), then you record salary changes as they occur.

- ▲ Determine if you have salary-based products by reviewing your Group Policy.
- ▲ Review the definition of "salary" in your policy to determine what you should report (e.g., commissionable employees). If your insurance plan contains a Guarantee Issue limit, and the salary change will result in an insurance amount in excess of the Guarantee Issue limit, the employee must complete an EOI form the first time the benefit exceeds the limit.
- ▲ If approved, future salary increases are not subject to EOI unless the salary change results in a benefit increase of more than \$50,000.
- ▲ Review forms for completeness and signature.
- ▲ Make a copy of the EOI form and Enrollment form for your records, and send the original signed copies of both forms to us.
- ▲ Do not begin withholding employee contributions for the amount in excess of the Guarantee Issue limit until you receive our approval.

Our medical underwriting decision will be communicated to the applicant and to you in writing, along with an effective date, if approved. The first premium will generally be due the first of the month following the approval date.

**YOUR POLICY ANNIVERSARY
DATE AND POLICY RENEWAL**

Your policy anniversary date is listed on your Group Policy. We will notify you at least 30 days before your policy anniversary date of any rate adjustments.

TAKING PAYROLL DEDUCTIONS

Making payroll deductions for life products is an integral part of the self-administration process. The following are examples of different situations that employees may encounter, depending upon the type of plan and different Guarantee Issue levels:

Scenario

The employee's entire Term Life amount is subject to evidence of insurability.

An employee requests \$100,000 in Term Life coverage; \$50,000 falls under the Guarantee issue amount, the additional \$50,000 is subject to underwriting approval.

An employee's evidence of insurability application has been declined.

An employee has submitted an Evidence of Insurability form for Term Life coverage, and you have not received either an approval or a declination from us.

Resolution

The entire coverage amount is subject to underwriting approval; therefore, no premiums should be deducted until the application is approved by Dearborn National.

Deduct premiums **ONLY** for the Guarantee Issue amount of \$50,000. No premiums should be deducted for the additional \$50,000 until the application is approved by Dearborn National.

Deduct premiums only for any applicable Guarantee Issue amount. No premiums should be deducted for the amount in excess of the Guarantee Issue amount. If there is no Guarantee Issue amount, no premiums should be deducted for this coverage as the coverage was never in force.

You should **only** deduct premiums for the applicable Guarantee Issue amount. No premiums should be deducted for the amount in excess of the Guarantee Issue amount. If there is no Guarantee Issue amount, no premiums should be deducted for this coverage.

Call Customer Service toll-free at (800) 348-4512 for a status.

REMITTING PREMIUM PAYMENTS

SELF-ADMINISTERED GROUP INSURANCE PREMIUM REPORT

Because you have elected to self-administer your group insurance plan, you will not receive a detailed billing statement containing a roster of all insured employees. You will receive a Self-Administered Group Insurance Premium Report approximately 10 to 15 days prior to your premium due date that indicates the information we need. Please submit this report with your payment. For your assistance, an example of the Self-Administered Group Insurance Premium Report is displayed here. Please refer to the section of this Guide entitled "Calculating Your Premiums" for assistance in completing this form.

**SELF-ADMINISTERED GROUP
INSURANCE PREMIUM REPORT**

Please be aware of the following:

1. **Group and Account Number (pre-filled):** Your Dearborn National Group Billing Number. Please use this number on all correspondence and premium payments and have it available when contacting the Customer Service Department.
2. **Paid-to Date (pre-filled):** Date your group's premium is paid to.
3. **Billing Period (pre-filled):** Time period this premium report represents.
4. **Group Contact Info:** Fill in a contact name, phone number, fax number and email address.
5. **Coverage (pre-filled):** Active products for your group.
6. **Previous Statement:** Fill in the lives/volume fields for each coverage type utilizing the figures reported on your previous statement under the "Currently in Force" field.
7. **Net Changes:** Fill in the net changes in the number of lives and volume for each coverage. Leave blank if there are no changes.
8. **Currently In Force:** Fill in the total number of lives and volume by totaling the "previous statement" amounts to the amounts in the "Net Changes" field.
9. **Monthly Premium Calculation (pre-filled):** Reflects current rate by coverage type. For age-banded coverage types, rate will display "Varies" and basis will display "N/A."
10. **Premium Amount:** Multiply the figure under "Currently in Force" volume field by the rate under the "Premium Calculation" field. Using that figure, divide by the basis. Resulting figure represents the premium amount for the coverage. Fill in. (If rate display "Varies," then fill in the combined premium for all employees for that coverage).
11. **Prior Month(s) Adjustment:** Fill in the dollar amount that corresponds with the figures in the "Net Changes" field.
12. **Coverage Premium Total:** Add the figure under the "Premium Amount" field to the figure under the "Prior Month(s) Adjustment" field. Fill in total in this field.

13. **Premium Total:** Total all figures listed under the "Coverage Premium Total" column. Fill in total in this field.

14. **Remittance Address:** Address where check and Self-Administered Premium Report should be mailed. Before mailing, please make a copy of the report for your records.

Dearborn National		<small>MEMBERSHIP & BILLING: (800) 846-1811 FORM COVERED/CAR: WWW.DEARBORNNATIONAL.COM FAX NUMBER: (312) 840-0145</small>								
SELF-ADMINISTERED PREMIUM REPORT										
Group Name: SAMPLE GROUP		Group Number: 0000123456	Account Number: 00001							
Group Administrator:		Phone Number:	Fax Number:							
		Email Address:								
Paid To Date: 04/01/2009		Bill From Date: 05/01/2009								
		Bill To Date: 06/01/2009								
<small>Please complete this report and forward the original, together with your premium check payable to Dearborn National.</small>										
Coverage	Previous Statement		Net Changes		Currently In Force		Monthly Premium Calculation	Premium Amount	Prior Month(s) Adjustment	Coverage Premium Total
	Lives	Volume	Lives	Volume	Lives	Volume				
ADD							\$ 0.05000 1,000			
LIFE							\$ 0.08000 1,000			
OTHER										
COMMENTS										
<small>FOR ASSISTANCE IN CALCULATING YOUR PREMIUM, SEE OUR GUIDE TO SELF-ADMINISTRATION ON OUR WEBSITE: WWW.DEARBORNNATIONAL.COM</small>										
Remittance Address Dearborn National 26789 Eagle Way Chicago, IL 60678-1587								PREMIUM TOTAL		
<small>PLEASE RETAIN A COPY FOR YOUR RECORDS</small>										

CALCULATING YOUR PREMIUM

The following scenarios will illustrate how to calculate premium and volume based on the elected coverage:

CALCULATING YOUR PREMIUM

For each coverage, you will need to report the number of employees, the in-force volumes and premiums. Please do not begin withholding or submitting premiums for coverage that requires EOI until you receive an approval from us. Refer to your Group Policy for specifics regarding your benefit plans.

When determining the in-force volumes, please be sure to check your policy to determine:

- ▲ Appropriate salary definition
- ▲ Plan's maximum benefits and rounding rules—do not determine volumes in excess of these amounts
- ▲ For Life and AD&D, the plan's reduction schedule—do not determine volumes in excess of these amounts
- ▲ Guarantee Issue limits – determine volumes based on guarantee issue limits until you have received notification by Dearborn National approving the additional amounts

Premium for your group benefits coverage is calculated using the following basic formula:
Monthly Premium = Monthly Volume x Rate divided by Unit Value.

Volume and Rate Unit components differ by line of coverage.

Use the following charts to determine how premium is calculated based on your line(s) of coverage.

BASIC LIFE / AD&D / CRITICAL ILLNESS INSURANCE - NONCONTRIBUTORY

Line of Coverage	Type of Benefit	Rate Unit	Rate Type	Volume Per Employee	Monthly Premium Calculation
Basic Life	Multiple of Salary	Per \$1,000 of volume	Same rate for all employees, regardless of age	1. Annual Salary x Multiple of Salary = Benefit 2. Round the result from #1 as stated in your policy. The rounding rule is usually to round up to the next \$1,000. 3. Compare the benefit to the plan maximum; cap the employee's benefit at max if necessary. 4. Reduce benefit amount if employee's age qualifies and if applicable.	1. Total the combined volume for all covered employees. 2. Divide combined volume by 1,000. 3. Multiply #2 times the Life rate.
Basic AD&D	Multiple of Salary	Per \$1,000 of volume	Same rate for all employees, regardless of age	Same calculation as Life benefit, assuming your AD&D benefit is the same as Life benefit. If AD&D benefit is different than Life benefit, calculate AD&D volume according to type of benefit.	1. Total the combined volume for all covered employees. 2. Divide combined volume by 1,000. 3. Multiply #2 times the AD&D rate.
Basic Critical Illness	Flat Benefit	Per \$1,000 of volume	Same rate for all employees, regardless of age	Volume for each employee is the Flat Benefit amount. Reduce benefit amount if employee's age qualifies and if applicable.	1. Total volume is number of covered employees times Flat Benefit amount. 2. Divide total volume by 1,000. 3. Multiply #2 times Critical Illness rate
Basic Life	Flat Benefit	Per \$1,000 of volume	Same rate for all employees, regardless of age	Volume for each employee is the Flat Benefit amount. Reduce benefit amount if employee's age qualifies and if applicable.	1. Total volume is number of covered employees times Flat Benefit amount. 2. Divide total volume by 1,000. 3. Multiply #2 times Life rate.
Basic AD&D	Flat Benefit	Per \$1,000 of volume	Same rate for all employees, regardless of age	Volume for each employee is the Flat Benefit amount. Reduce benefit amount if employee's age qualifies and if applicable.	1. Total volume is number of covered employees times Flat Benefit amount. 2. Divide total volume by 1,000. 3. Multiply #2 times AD&D rate.

SUPPLEMENTAL LIFE / AD&D INSURANCE – EMPLOYEE PAYS ALL

Line of Coverage	Type of Benefit	Rate Unit	Rate Type	Volume Per Employee	Premium Per Employee	Monthly Premium Calculation
Life	Multiple of Salary	Per \$1,000 of volume	Step rates – employee's rate is based on age. Refer to your Group Policy to determine when employee rate changes into next age band.	For each employee who elected Supplemental Life, volume is Annual Salary x Multiple of Salary selected, rounded to the next \$1,000. Reduce benefit amount if employee's age qualifies and if applicable.	Volume for each employee divided by 1,000 times the Life age rate for that employee.	Total the combined Life premium for all employees who elected Supplemental Life insurance.
AD&D	Multiple of Salary	Per \$1,000 of volume	Same rate for all employees, regardless of age.	For each employee who elected Supplemental AD&D, volume is Annual Salary x Multiple of Salary selected, rounded to the next \$1,000. Reduce benefit amount if employee's age qualifies and if applicable.	Volume for each employee divided by 1,000 times AD&D rate.	Total the combined AD&D premium for all employees who elected Supplemental AD&D insurance.
Life	Incremental Benefit	Per \$1,000 of volume	Step rates – employee's rate is based on age. Refer to your Group Policy to determine when employee rate changes into next age band.	For each employee who elected Supplemental Life, volume is benefit amount selected. Reduce benefit amount if employee's age qualifies and if applicable.	Volume for each employee divided by 1,000 times the Life age rate for that employee.	Total the combined Life premium for all employees who elected Supplemental Life insurance.
AD&D	Incremental Benefit	Per \$1,000 of volume	Same rate for all employees, regardless of age.	For each employee who elected Supplemental AD&D, volume is benefit amount selected. Reduce benefit amount if employee's age qualifies and if applicable.	Volume for each employee divided by 1,000 times AD&D rate.	Total the combined AD&D premium for all employees who elected Supplemental AD&D insurance.
Critical Illness	Incremental Benefit	Per \$1,000 of volume	Step rates – employee's rate is based on age. Refer to your Group Policy to determine when employee rate changes into next age band.	For each employee who elected Supplemental Critical Illness, volume is benefit amount selected. Reduce benefit amount if employee's age qualifies and if applicable.	Volume for each employee divided by 1,000 times the Critical Illness age rate for that employee.	Total the combined Critical Illness premium for all employees who elected Supplemental Critical Illness insurance.

DEPENDENT LIFE INSURANCE - NONCONTRIBUTORY OR CONTRIBUTORY

Line of Coverage	Type of Benefit	Rate Unit	Rate Type	Volume Per Employee	Monthly Premium Calculation
Dependent Life	Flat Benefit	Per unit of coverage	Same rate for all employees, regardless of age.	Flat Amount for Spouse/Flat Amount for Dependent regardless of number of dependents.	1. Total the number of employees electing coverage. 2. Multiply #1 times the Dependent Life rate.

VOLUNTARY LIFE / AD&D INSURANCE – EMPLOYEE PAYS ALL

Line of Coverage	Type of Benefit	Rate Unit	Rate Type	Volume Per Employee	Premium Per Employee	Monthly Premium Calculation
Life	Multiple of Salary	Per \$1,000 of volume	Step rates – employee's rate is based on age. Refer to your Group Policy to determine when employee rate changes into next age band.	For each employee who elected Voluntary Life, volume is Annual Salary x Multiple of Salary selected, rounded to the next \$1,000. Reduce benefit amount if employee's age qualifies and if applicable.	Volume for each employee divided by 1,000 times their Life age rate for that employee.	Total the combined Life premium for all employees who elected Voluntary Life insurance.
AD&D	Multiple of Salary	Per \$1,000 of volume	Same rate for all employees, regardless of age.	For each employee who elected Voluntary AD&D, volume is Annual Salary x Multiple of Salary selected, rounded to the next \$1,000. Reduce benefit amount if employee's age qualifies and if applicable.	Volume for each employee divided by 1,000 times AD&D rate.	Total the combined AD&D premium for all employees who elected Voluntary AD&D insurance.
Life	Incremental Benefit	Per \$1,000 of volume	Step rates – employee's rate is based on age. Refer to your Group Policy to determine when employee rate changes into next age band.	For each employee who elected Voluntary Life, volume is benefit amount selected. Reduce benefit amount if employee's age qualifies and if applicable.	Volume for each employee divided by 1,000 times Life age rate for that employee.	Total the combined Life premium for all employees who elected Voluntary Life insurance.
AD&D	Incremental Benefit	Per \$1,000 of volume	Same rate for all employees, regardless of age.	For each employee who elected Voluntary AD&D, volume is benefit amount selected. Reduce benefit amount if employee's age qualifies and if applicable.	Volume for each employee divided by 1,000 times AD&D rate.	Total the combined AD&D premium for all employees who elected Voluntary AD&D insurance.
Critical Illness	Incremental Benefit	Per \$1,000 of volume	Step rates – employee's rate is based on age. Refer to your Group Policy to determine when employee rate changes into next age band.	For each employee who elected Voluntary Critical Illness, volume is benefit amount selected. Reduce benefit amount if employee's age qualifies and if applicable.	Volume for each employee divided by 1,000 times Critical Illness age rate for that employee.	Total the combined Critical Illness premium for all employees who elected Voluntary Critical Illness insurance.

SHORT-TERM DISABILITY (STD) – NONCONTRIBUTORY OR CONTRIBUTORY

Line of Coverage	Type of Benefit	Rate Unit	Rate Type	Volume Per Employee	Monthly Premium Calculation
Short-Term Disability	Percent of Salary	Per \$10 of Weekly Benefit	Same rate for all employees, regardless of age.	<ol style="list-style-type: none"> 1. Determine plan's weekly benefit maximum. 2. Calculate each employee's weekly benefit by multiplying their weekly salary by the benefit percentage. 3. If the employee's weekly benefit exceeds your plan's maximum from #1, cap his or her benefit at the maximum. 	<ol style="list-style-type: none"> 1. Total the combined weekly benefits for all covered employees. 2. Divide combined volume by 10. 3. Multiply #2 times the STD rate.
Short-Term Disability	Flat Benefit	Per \$10 of Weekly Benefit	Same rate for all employees, regardless of age.	Volume for each employee is the weekly Flat Benefit amount.	<ol style="list-style-type: none"> 1. Total volume is number of covered employees times weekly Flat Benefit amount. 2. Divide total volume by 10. 3. Multiply #2 times STD rate.

VOLUNTARY SHORT-TERM DISABILITY (VSTD) – EMPLOYEE PAYS ALL

Line of Coverage	Type of Benefit	Rate Unit	Rate Type	Volume Per Employee	Premium Per Employee	Monthly Premium Calculation
Short-Term Disability	Percent of Salary	Per \$10 of Weekly Benefit	Step rates – employee's rate is based on age. Refer to your Group Policy to determine when employee rate changes into next age band.	<ol style="list-style-type: none"> 1. Determine plan's weekly benefit maximum 2. For each employee who elected VSTD, calculate their volume by multiplying their weekly salary by the benefit percentage. 3. If the employee's weekly benefit exceeds your plan's maximum from #1, cap his or her benefit at the maximum. 	Volume for each employee divided by 10 times the VSTD age rate for that employee.	Total the combined premium for all employees who elected VSTD Insurance.
Short-Term Disability	Incremental Benefit	Per \$10 of Weekly Benefit	Step rates – employee's rate is based on age. Refer to your Group Policy to determine when employee rate changes into next age band.	For each employee who elected Voluntary Short Term Disability, volume = benefit amount selected.	Volume for each employee divided by 10 times the VSTD age rate for that employee.	Total the combined premium for all employees who elected VSTD Insurance.

LONG-TERM DISABILITY (LTD) – NONCONTRIBUTORY OR CONTRIBUTORY

Line of Coverage	Type of Benefit	Rate Unit	Rate Type	Volume Per Employee	Monthly Premium Calculation
Long-Term Disability	Multiple of Salary	Per \$100 of Monthly Salary	Same rate for all employees, regardless of age.	<ol style="list-style-type: none"> 1. Divide your LTD plan's Monthly Maximum Benefit by your plan's Benefit Percentage to determine your LTD plan's maximum insured monthly salary. 2. Cap any employee with salary in excess of the maximum insured monthly salary at the maximum. 	<ol style="list-style-type: none"> 1. Total the combined monthly insured salary for all covered employees. 2. Divide combined volume by 100. 3. Multiply #2 times the LTD rate.

VOLUNTARY LONG-TERM DISABILITY (VLTD) – EMPLOYEE PAYS ALL

Line of Coverage	Type of Benefit	Rate Unit	Rate Type	Volume Per Employee	Premium Per Employee	Monthly Premium Calculation
Long-Term Disability	Percent of Salary	Per \$100 of Monthly Salary	Step rates – employee's rate is based on age. Refer to your Group Policy to determine when employee rate changes into next age band.	<ol style="list-style-type: none"> 1. Divide your VLTD plan's Monthly Maximum Benefit by your plan's Benefit Percentage to determine your VLTD plan's maximum insured monthly salary. 2. For each employee who elected VLTD, calculate their monthly salary. 3. Cap any employee with salary in excess of the maximum monthly insured salary at the maximum. 	Volume for each employee divided by 100 times the VLTD age rate for that employee.	Total the combined premium for all employees who elected VLTD insurance.
Long-Term Disability	Incremental Benefit	Per \$100 of Monthly Benefit	Step rates – employee's rate is based on age. Refer to your Group Policy to determine when employee rate changes into next age band.	For each employee who elected VLTD, volume is benefit amount selected.	Volume for each employee divided by 100 times the VLTD age rate for that employee.	Total the combined premium for all employees who elected VLTD insurance.

EXAMPLE 1:

Group ABC has the following benefits:

- ▲ Flat \$25,000 Life, rate is \$0.25 per \$1000 of benefit
- ▲ Flat \$25,000 AD&D, rate is \$0.05 per \$1000 of benefit
- ▲ Dependent Life \$5,000/\$10,000, is \$1.25 per employee
- ▲ 60% weekly benefit to maximum of \$500.00 STD, rate is \$0.80 per \$10 of weekly benefit
- ▲ 60% monthly benefit to a maximum of \$5,000.00 LTD, rate is \$0.65 per \$100 of monthly salary; maximum covered salary for any one employee is \$8,333.33 or \$5,000 / 60%

Employee 1

Annual salary is \$26,000

- ▲ Life Benefit is \$25,000
- ▲ AD&D Benefit is \$25,000
- ▲ STD Benefit is \$300 per week
- ▲ LTD Monthly Salary is \$2,166.67
- ▲ Elected dependent coverage

Employee 2

Annual salary is \$75,000

- ▲ Life Benefit is \$25,000
- ▲ AD&D Benefit is \$25,000
- ▲ STD Benefit is \$500 per week—Note that Employee 2's salary gives an STD benefit that is greater than the maximum plan benefit; therefore, cap this employee's benefit at the maximum
- ▲ LTD Monthly Salary is \$6,250.00
- ▲ Elected dependent coverage

Premiums will be reported as follows:

Coverage	Number of Employees	In-Force Volume	Premium
Life	2	\$50,000.00	\$12.50
AD&D	2	\$50,000.00	\$2.50
Dependent Life	2	2 units	\$2.50
STD	2	\$800.00	\$64.00
LTD	2	\$8,416.67	\$54.71
		Total Premium	\$136.21

EXAMPLE 2:

Group XYZ has the following benefits:

- ▲ Life—2 times Annual Salary, rate is \$0.25 per \$1000 of benefit
- ▲ AD&D—2 times Annual Salary, rate is \$0.05 per \$1000 of benefit
- ▲ Dependent Life \$5,000/\$10,000, is \$3.00 per employee
- ▲ STD—Flat Benefit of \$200 per week, rate is \$0.80 per \$10 of weekly benefit
- ▲ 60% monthly benefit to a maximum of \$5,000.00 LTD, rate is \$0.65 per \$100 of monthly salary; maximum covered salary for any one employee is \$8,333.33 or \$5,000 / 60%

Employee 1

Annual salary is \$26,000

- ▲ Life Benefit is \$52,000
- ▲ AD&D Benefit is \$52,000
- ▲ STD Benefit is \$200 per week
- ▲ LTD Monthly Salary is \$2,166.67
- ▲ No dependent coverage

Employee 2

Annual salary is \$55,000

- ▲ Life Benefit is \$110,000
- ▲ AD&D Benefit is \$110,000
- ▲ STD Benefit is \$200 per week
- ▲ LTD Monthly Salary is \$4,583.33
- ▲ Elected dependent coverage

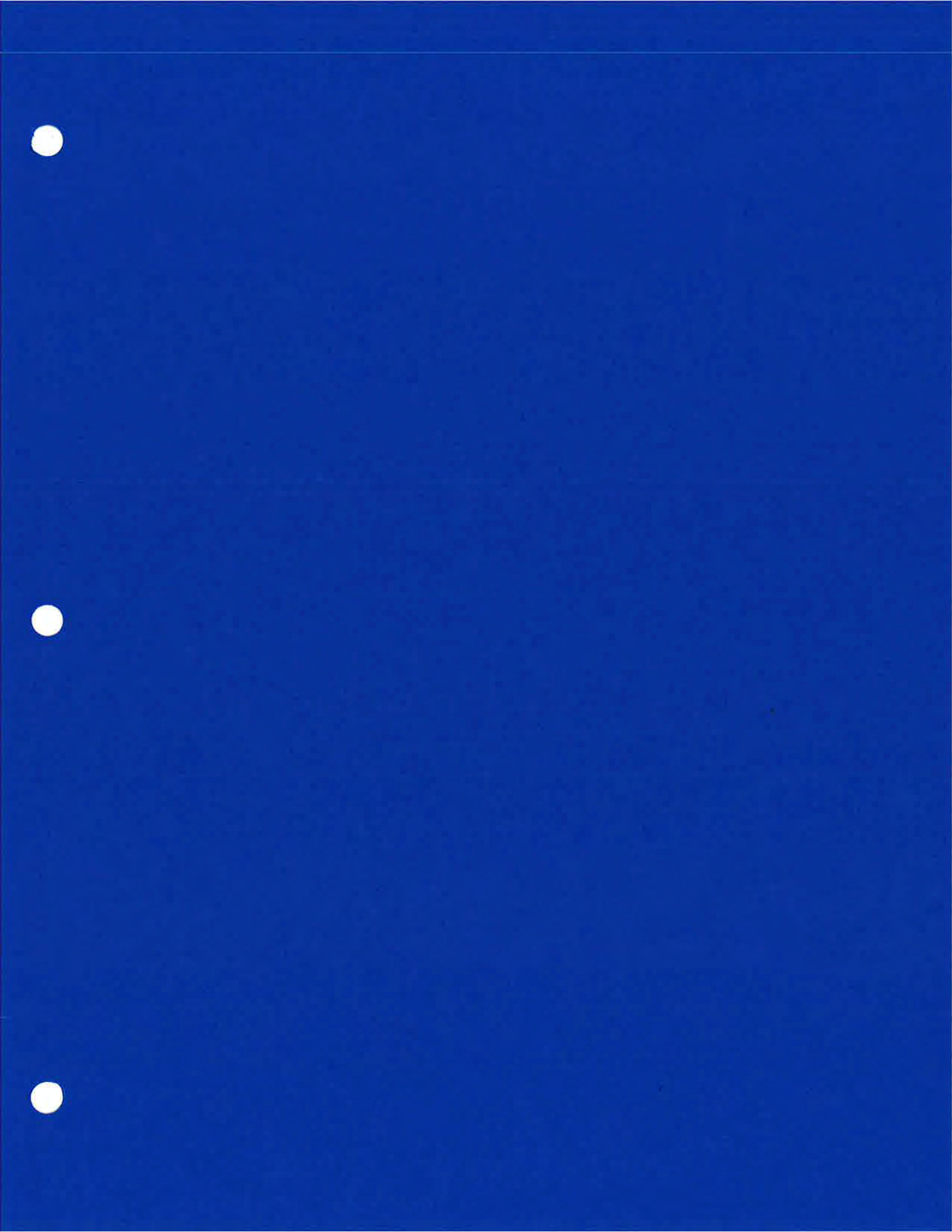
Employee 3

Annual salary is \$75,000

- ▲ Life Benefit is \$150,000
- ▲ AD&D Benefit is \$150,000
- ▲ STD Benefit is \$200 per week
- ▲ LTD Monthly Salary is \$6,250.00
- ▲ Elected dependent coverage

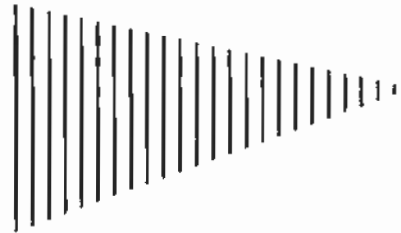
Premiums will be reported as follows:

Coverage	Number of Employees	In-Force Volume	Premium
Life	3	\$312,000.00	\$78.00
AD&D	3	\$312,000.00	\$15.60
Dependent Life	2	2 units	\$6.00
STD	3	\$600.00	\$48.00
LTD	3	\$13,000.00	\$84.50
		Total Premium	\$232.10



STATUTORY-BASIS FINANCIAL STATEMENTS

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)
Years Ended December 31, 2017 and 2016
With Reports of Independent Auditors



Building a better
working world

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Statutory-Basis Financial Statements

Years Ended December 31, 2017 and 2016

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Building a better
working world

Ernst & Young LLP
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Chicago, IL 60606-1787

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ey.com

Report of Independent Auditors

The Board of Directors and Stockholder
Dearborn National Life Insurance Company

We have audited the accompanying statutory-basis financial statements of Dearborn National Life Insurance Company, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in capital and surplus and cash flow for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting practices prescribed or permitted by the Illinois Insurance Department. Management also is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2, to meet the requirements of Illinois the financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Illinois Insurance Department, which practices differ from U.S. generally accepted accounting principles. The variances between such practices and U.S. generally accepted accounting principles are described in Note 2. The effects on the accompanying financial statements of these variances are not reasonably determinable but are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the effects of the matter described in the preceding paragraph, the statutory-basis financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of Dearborn National Life Insurance Company at December 31, 2017 and 2016, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory-Basis of Accounting

However, in our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the financial position of Dearborn National Life Insurance Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting practices prescribed or permitted by the Illinois Insurance Department.

Ernst + Young LLP

May 4, 2018

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Balance Sheets – Statutory-Basis
(Dollars in Thousands)

	December 31	
	2017	2016
Admitted assets		
Investments:		
Bonds	\$ 1,528,409	\$ 1,634,995
Short-term investments	100	51,251
Investments in subsidiaries	12,824	24,489
Mortgage loans	107,345	75,113
Other invested assets	19,156	6,960
Derivative instruments	8,042	4,499
Cash equivalents and cash (overdrafts)	26,370	(9,890)
Total cash and investments	1,702,246	1,787,417
Due and deferred premiums:		
Life	25,185	22,777
Accident and health	2,555	2,248
Policy loans	4,379	4,532
Investment income due and accrued	16,267	16,907
Net deferred federal income taxes	5,833	10,080
Federal income tax receivable	22,228	24,896
Other admitted assets	6,437	3,650
Total admitted assets	\$ 1,785,130	\$ 1,872,507

Dearborn National Life Insurance Company
 (A Wholly Owned Subsidiary of Health Care Service Corporation,
 a Mutual Legal Reserve Company)

Balance Sheets – Statutory-Basis
 (Dollars in Thousands)

	December 31	
	2017	2016
Liabilities and capital and surplus		
Liabilities:		
Aggregate reserves:		
Annuities	\$ 757,944	\$ 843,927
Life policies	170,182	175,278
Accident and health policies	211,619	204,520
Policy and contract claims:		
Life policies	67,629	56,102
Accident and health policies	4,178	3,419
Liability for deposit-type contracts	22,749	23,181
Experience rating refunds	4,356	2,950
Accrued expenses and other liabilities	41,010	34,685
Remittances and items not allocated	4,237	3,052
Asset valuation reserve	16,977	16,948
Interest maintenance reserve	9,990	11,413
Total liabilities	1,310,871	1,375,475
Capital and surplus:		
Common stock, par value \$2.78, 3,000,000 shares authorized, 1,800,000 shares issued and outstanding	5,004	5,004
Paid-in surplus	327,795	327,795
Special surplus funds	199	–
Unassigned surplus	141,261	164,233
Total capital and surplus	474,259	497,032
Total liabilities and capital and surplus	\$ 1,785,130	\$ 1,872,507

See accompanying notes.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Statements of Operations – Statutory-Basis
(Dollars in Thousands)

	Year Ended December 31	
	2017	2016
Income		
Premiums:		
Life	\$ 311,986	\$ 283,831
Accident and health	123,117	121,089
Annuity	3,699	4,330
Net investment income	87,939	80,730
Other income	252	218
Total income	526,993	490,198
 Policy benefits and expenses		
Death and other life insurance benefits	250,333	217,715
Accident and health benefits	79,674	75,727
Annuity benefits	118,600	128,044
Net decrease in aggregate reserves	(83,980)	(81,471)
Total policy benefits	364,627	340,015
 Commissions	42,658	40,208
General expenses	67,327	69,384
Insurance taxes, licenses, and fees	12,823	11,855
Total policy benefits and expenses	487,435	461,462
 Gain from operations before federal income taxes and net realized investment gains (losses)	39,558	28,736
Federal income tax expense	7,272	7,311
Gain before net realized investment gains (losses)	32,286	21,425
Net realized investment gains (losses)	1,682	(1,769)
Net income	\$ 33,968	\$ 19,656

See accompanying notes.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Statements of Changes in Capital and Surplus – Statutory-Basis
(Dollars in Thousands)

	Common Stock	Paid-In Surplus	Special Surplus Funds	Unassigned Surplus	Total
Balance, January 1, 2016	\$ 5,004	\$ 327,795	\$ 481	\$ 188,789	\$ 522,069
Net income	-	-	-	19,656	19,656
Change in nonadmitted assets	-	-	-	2,910	2,910
Change in unrealized gains, net of deferred income taxes	-	-	-	2,325	2,325
Change in asset valuation reserve	-	-	-	(1,458)	(1,458)
Decrease in net deferred income taxes	-	-	-	(2,470)	(2,470)
Dividend paid to stockholder	-	-	-	(46,000)	(46,000)
Decrease in Affordable Care Act (ACA) health insurer fee estimate	-	-	(481)	481	-
Balance, December 31, 2016	5,004	327,795	-	164,233	497,032
Net income	-	-	-	33,968	33,968
Changes in nonadmitted assets	-	-	-	(715)	(715)
Change in unrealized losses, net of deferred income taxes	-	-	-	(11,557)	(11,557)
Change in asset valuation reserve	-	-	-	(29)	(29)
Decrease in net deferred income taxes	-	-	-	(4,440)	(4,440)
Dividend paid to stockholder	-	-	-	(40,000)	(40,000)
Increase in Affordable Care Act (ACA) health insurer fee estimate	-	-	199	(199)	-
Balance, December 31, 2017	<u>\$ 5,004</u>	<u>\$ 327,795</u>	<u>\$ 199</u>	<u>\$ 141,261</u>	<u>\$ 474,259</u>

See accompanying notes.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Statements of Cash Flow – Statutory-Basis
(Dollars in Thousands)

	Year Ended December 31	
	2017	2016
Operating activities		
Premiums and annuity considerations	\$ 437,751	\$ 402,736
Investment income received (excluding realized gains, losses, and net of investment expenses paid)	92,298	82,728
Other income received	254	217
Life and accident and health claims paid	(315,397)	(293,556)
Surrender benefits paid	(1,669)	(1,684)
Other benefits paid to policyholders	(119,590)	(129,004)
Commissions, other expenses, and taxes paid (excluding federal income taxes)	(121,796)	(124,012)
Federal income taxes paid	(7,511)	(11,043)
Net cash used in operating activities	(35,660)	(73,618)
Investing activities		
Proceeds from sale, maturity, or repayment of investments:		
Bonds	393,490	653,976
Mortgage loans	2,268	1,165
Other invested assets	1,417	616
Miscellaneous proceeds	7,061	1,909
Total investment proceeds	404,236	657,666
Purchases of investments:		
Bonds	(291,655)	(501,774)
Mortgage loans	(34,500)	(49,550)
Other invested assets	(14,872)	(4,613)
Total investment purchases	(341,027)	(555,937)
Net decrease in policy loans	153	227
Net cash provided by investing activities	63,362	101,956
Financing and miscellaneous activities		
Dividends paid to stockholder	(40,000)	(17,370)
Other net cash used	(2,593)	(839)
Net cash used in financing and miscellaneous activities	(42,593)	(18,209)
Net (decrease) increase in cash, cash equivalents and short-term investments	(14,891)	10,129
Cash, cash equivalents and short-term investments, beginning of year	41,361	31,232
Cash, cash equivalents and short-term investments, end of year	\$ 26,470	\$ 41,361
Supplemental disclosures of cash flow information for noncash transactions		
Securities dividend	\$ —	\$ 28,630

See accompanying notes.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Notes to Financial Statements – Statutory-Basis
(Dollars in Thousands)

December 31, 2017

1. Organization

Dearborn National Life Insurance Company (the Company) is a legal reserve stock life insurance company. Health Care Service Corporation, a Mutual Legal Reserve Company (HCSC or the Parent) owns 100% of the outstanding shares of the Company. HCSC is a non-investor-owned licensee of the Blue Cross Blue Shield Association. The Company is domiciled in Illinois and, with the exception of New York, is licensed in all states, the District of Columbia, the U.S. Virgin Islands, and Puerto Rico.

The Company sells and administers group life, group short-term and long-term disability, group critical illness, group dental, group accident, group vision, as well as group accidental death and dismemberment and dependent life products. The Company also administers fixed deferred annuities and traditional life products. Effective July 23, 2010, the Company ceased accepting applications for new annuity policies.

The Company's main concentrations of business are in Texas, Illinois, Michigan, and Oklahoma, where 36%, 21%, 5%, and 4%, respectively, of the Company's premiums are written.

The Company has 100% ownership of Dearborn National Life Insurance Company of New York (DNLNY), which is domiciled and licensed in the state of New York.

2. Accounting Policies

Basis of Presentation

The accompanying statutory-basis financial statements have been prepared in accordance with the National Association of Insurance Commissioner's (NAIC) *Accounting Practices and Procedures Manual*, subject to any deviations prescribed or permitted by the Illinois Department of Insurance. These practices differ from U.S. generally accepted accounting principles (GAAP). The Company did not have any permitted practice exceptions in 2017 or 2016.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

2. Accounting Policies (continued)

The more significant variances from GAAP are as follows:

Investments

Investments in bonds that have an NAIC designation of 1 through 5 are stated at amortized cost, and bonds with an NAIC designation of 6 are stated at the lower of amortized cost or NAIC fair value. Certain residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) are stated at the carrying value method prescribed in Statement of Statutory Accounting Principles (SSAP) No. 43R, *Loan-Backed and Structured Securities*. GAAP requires that such securities be classified as held-to-maturity, trading, or available-for-sale. For GAAP, securities classified as held-to-maturity are carried at cost or amortized cost, while securities classified as trading or available-for-sale are carried at GAAP fair value, with unrealized gains and losses reported in income for those securities classified as trading and as accumulated other comprehensive income for those securities classified as available-for-sale.

Fair values of certain investments in bonds are based on methodologies specified by the NAIC.

Derivative instruments used in hedging transactions that meet the criteria of an effective hedge are valued and reported in a manner that is consistent with the hedged asset or liability (e.g., amortized cost or fair value, with the related net unrealized capital gains (losses) reported in unassigned surplus along with any adjustment for federal income taxes).

Additionally, derivative instruments that do not meet the criteria for hedge accounting are accounted for at fair value, and the related changes in fair value are reported in unassigned surplus along with any adjustment for federal income taxes until the transaction is terminated. Under GAAP, all derivatives are reported on the balance sheet at fair value, the effective and ineffective portions of a single hedge are accounted for separately, and an embedded derivative within a contract that is not clearly and closely related to the economic characteristics and risks of the host contract is accounted for separately from the host contract and valued and reported at fair value.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

2. Accounting Policies (continued)

Long-term bonds, other than loan-backed and structured securities, are evaluated at the end of each quarter for declines in fair value that are considered to be other than temporary. If a decline in the fair value of a bond is considered to be an other-than-temporary impairment (OTTI), the cost basis of the bond is written down to fair value, and the amount of the write-down is recognized in earnings as a realized loss. The difference between the new amortized cost of an OTTI bond and the cash flows expected to be collected shall be accreted as interest income. The new amortized cost is not adjusted for subsequent recoveries in fair value. However, additional declines in fair value continue to be subject to the quarterly OTTI evaluation. A decline in fair value is considered to be an OTTI if it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the bond or if the Company has made a decision to sell a bond prior to its maturity at an amount less than its carrying value.

Loan-backed and structured securities are also evaluated each quarter for OTTI. An OTTI is deemed to have occurred if the Company lacks the intent or ability to hold the security for a period of time sufficient to recover the amortized cost. If the amortized cost of a security is not expected to be recovered, even though the Company has the intent and ability to hold the security, an OTTI is recognized as a realized loss in earnings. The amount of the OTTI is the difference between the amortized cost of the security and the net present value of the cash flows expected to be collected, discounted at the effective rate of interest implicit immediately prior to the recognition of the OTTI. The OTTI in effect recognizes the non-interest rate decline in the fair value of the security. If required to be carried at the lesser of amortized cost or fair value due to the security's NAIC designation, an unrealized loss could continue to be recognized. Any such unrealized loss represents the interest rate-related decline in the fair value of the security.

For loan-backed and structured securities, the Company estimates the present value of cash flows expected to be collected over the remaining life of the security each quarter. If, upon subsequent evaluation, there is a significant increase in the cash flows expected to be collected, or if the actual cash flows are significantly greater than previously expected, the changes are reflected as a prospective adjustment to the accretable yield. The new amortized cost is not adjusted for subsequent recoveries in the fair value of the security.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

2. Accounting Policies (continued)

For GAAP purposes, all loan-backed and structured securities whose decline in fair value is determined to be other than temporary are written down to fair value if the Company intends to sell the security or if it is more likely than not that the Company will have to sell the security prior to recovery. For impaired fixed maturity securities that the Company does not intend to sell or if it is more likely than not that the Company will not have to sell such securities, but the Company expects that it will not fully recover the amortized cost basis, the credit component of the other-than-temporary impairment is recognized in other-than-temporary impairment losses in the statements of operations, and the non-credit component of the other-than-temporary impairment is recognized in other comprehensive income. Furthermore, unrealized losses entirely caused by non-credit factors related to fixed maturity securities for which the Company expects to fully recover the amortized cost basis continue to be recognized in accumulated other comprehensive income.

Valuation allowances, if necessary, are established for mortgage loans based on the difference between the net value of the collateral, determined as the fair value of the collateral, less estimated costs to obtain and sell, and the recorded investment in the mortgage loans. Under GAAP, such allowances are based on the present value of expected future cash flows discounted at the loan's effective interest rate or, if foreclosure is probable, on the estimated fair value of the collateral. The initial valuation allowance and subsequent changes in the allowance for mortgage loans as a result of a temporary impairment are charged or credited directly to unassigned surplus rather than being included as a component of earnings, as would be required under GAAP. Interest on bonds and performing mortgage loans is recorded as income when earned and is adjusted for any amortization of premium or accretion of discount. Interest on delinquent mortgage loans is recorded as income on a cash basis. Dividends are recorded as income on ex-dividend dates.

The asset valuation reserve (AVR) and interest maintenance reserve (IMR) are determined by NAIC-prescribed formulas and are reported as liabilities rather than as valuation allowances or appropriations of surplus. The AVR represents a provision for possible fluctuations in the value of bonds, common and preferred stocks, mortgage loans, real estate, and other invested assets. Changes in the AVR are charged or credited directly to unassigned surplus. Under GAAP, AVR is not applicable.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

2. Accounting Policies (continued)

The IMR represents the net accumulated unamortized realized capital gains and losses attributable to changes in the general level of interest rates on sales of bonds. Such gains or losses are amortized into income over the remaining period to maturity based on groupings of individual securities sold in five-year bands. Under GAAP, IMR is not applicable.

Realized gains and losses are reported in income, net of income taxes and amounts transferred to the IMR, rather than on a pretax basis.

Mortgage Loans and Policy Loans

Mortgage loans are carried at unpaid principal balance. Policy loans are stated at unpaid balances.

Annuity Policies

Revenues for annuity policies consist of the entire premium received, and benefits incurred represent the total benefits paid and the change in policy reserves. Under GAAP, premiums received in excess of policy charges would not be recognized as premium revenue, and benefits would represent the excess of benefits paid over the policy account value and interest credited to the account values.

Benefit Reserves

Certain policy reserves are calculated based on statutorily required interest and mortality assumptions, which are generally more conservative than assumptions based on expected experience and actual account balances that would be utilized under GAAP. Annuity benefit reserves are calculated using the Commissioners Annuity Reserve Valuation Method.

Policy Acquisition Costs

Costs of acquiring new business are expensed when incurred. Under GAAP, these costs are capitalized on the balance sheet and are amortized in proportion to estimated gross profit margins or revenues depending on product type.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

2. Accounting Policies (continued)

Nonadmitted Assets

Certain assets designated as nonadmitted are excluded from the accompanying statutory-basis balance sheets and are charged directly to unassigned surplus. Under GAAP, these assets are included in the balance sheets.

Reinsurance

The liabilities for policy and contract reserves are reported net of reserves ceded to reinsurers. Under GAAP, reserves ceded to reinsurers are reported as assets, and the liabilities for policy and contract claim reserves are reported gross. Reinsurance premiums, claims and claims adjustment expenses are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Deferred Income Taxes

Deferred income taxes are provided for differences between the financial statement and the tax bases of assets and liabilities. Changes in deferred tax assets and liabilities are recorded as an addition or reduction to statutory capital and surplus. Deferred taxes do not include amounts for state taxes. The application of SSAP No. 101, *Income Taxes*, requires a company to evaluate the recoverability of deferred tax assets and to establish a valuation allowance if necessary to reduce the deferred tax asset to an amount that is more likely than not to be realized. The admissibility of deferred tax assets is limited to (1) the amount of federal income taxes paid in prior years that can be recovered through capital loss carrybacks for existing temporary differences that reverse within three years of the balance sheet date; plus (2) the lesser of the remaining gross deferred tax assets expected to be realized within three years of the balance sheet date, or an amount that is no greater than the applicable percentage of statutory capital and surplus as required to be shown on the statutory balance sheet of the reporting entity for the current reporting period's statement filed with the domiciliary state commissioner adjusted to exclude any net deferred tax assets, electronic data processing equipment and operating system software, and any net positive goodwill; plus (3) the amount

Dearborn National Life Insurance Company
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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

2. Accounting Policies (continued)

of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are nonadmitted. Under GAAP, excluding the tax impact of other comprehensive income, the change in deferred income taxes is recorded in the statements of operations. State income taxes are considered in the computation of deferred taxes.

Income Tax Accounting Implications of the Tax Cuts and Jobs Act

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to: (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; (3) creating a new limitation on deductible interest expense; (4) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; and (5) changing the method of computing insurance tax reserves for life companies. The Company is required to recognize the effect of the tax law changes in the period of enactment. In February 2018, the National Association of Insurance Commissioners adopted INT 18-01, *Updated Tax Estimates under the Tax Cuts and Jobs Act* (INT 18-01), which allows reporting entities to record provisional amounts during a measurement period not to extend beyond December 31, 2018, the date the interpretation will be automatically nullified. Since the Tax Reform Act was passed late in the fourth quarter of 2017 and ongoing guidance and accounting interpretation are expected over the next 12 months, we consider the accounting for certain items to be incomplete due to the forthcoming guidance and our ongoing analysis of final year-end data and tax positions. The Company expects to complete its analysis within the measurement period in accordance with INT 18-01. See Note 7 in these notes to the financial statements for additional information.

Unconsolidated Subsidiaries

Changes in equity of unconsolidated subsidiaries are reported as a direct addition to or reduction from unassigned surplus. The accounts and operations of the Company's subsidiaries are not consolidated with the accounts and operations of the Company as would be required under GAAP.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

2. Accounting Policies (continued)

Administrative Fees

Administrative fees earned on administrative service only (ASO) business are shown as a reduction to general expenses in the Company's statutory-basis statements of operations and therefore not stated in accordance with GAAP. For GAAP, these administrative fees are reported as revenue in the statements of operations.

Leases

Certain leases that are capitalized under GAAP are treated as operating leases under statutory accounting practices.

Statements of Cash Flow

Cash and short-term investments in the statutory-basis statements of cash flow represent cash balances and investments with initial maturities of one year or less. If, in the aggregate, the Company has a net negative cash balance, it is recorded as a negative asset rather than as a liability. Under GAAP, the corresponding cash flows represent cash and cash equivalents, which include cash balances and investments with maturities of only three months or less.

The effects of the foregoing variances from GAAP on the accompanying statutory-basis financial statements are not reasonably determinable but are presumed to be material.

Use of Estimates

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect the amounts reported in the statutory-basis financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

2. Accounting Policies (continued)

Other Significant Accounting Practices

Liabilities for Aggregate Reserves

In accordance with the insurance laws under which it operates, the Company has provided actuarially computed reserves to meet its obligations on its various insurance policies. These reserves are the amounts that, with additions from premiums to be received and with interest on such reserves compounded annually at certain assumed rates, are calculated to be sufficient to meet the Company's policyholder obligations as they are expected to occur. While management believes the liability for aggregate reserves is adequate, these estimates are continually reviewed, and as adjustments become necessary, they are recorded in current operations.

The Company waives deduction of deferred fractional premiums upon the death of the insured and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of the legally computed reserve.

The tabular interest, the tabular less actual reserves released, and the tabular cost used to value reserves have been determined by formula according to the NAIC. The interest rates assumed in computing the aggregate reserves for life, accident and health, and annuity policies presented in the accompanying statutory-basis financial statements varied from 2.50% to 8.50% and from 2.50% to 8.75%, respectively, in 2017 and 2016.

Policy and Contract Claims

The liability for life and accident and health policy and contract claims is based on estimates of the costs of individual losses and claims reported prior to year-end and unpaid, and this liability also includes an estimate for losses incurred but not yet reported. While management believes that the liability for policy and contract claims is adequate, these estimates are continually reviewed, and as adjustments become necessary, they are recorded in current operations.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

2. Accounting Policies (continued)

Recognition of Premium Revenue and Related Expenses

Life premiums and accident and health premiums are recognized when due; annuity premiums are recognized when received. Benefits are recorded as incurred and are associated with related premiums over the premium-paying period of the policy by means of a provision for aggregate reserves. Policy acquisition, maintenance, and termination expenses are charged to operations as incurred.

Experience Rating Refunds

Under certain group contracts written by the Company, an insured group may be eligible for experience rating refunds as ascertained and apportioned by the Company. The Company recognizes a liability for the estimated future refunds to be paid under such contracts.

The Company estimates accrued retrospective premium adjustments for its group life and disability insurance business using contractual formulas. The amount of net premiums written by the Company during 2017 that are subject to retrospective rating features was \$50,110, which represented 16.57% of the total net premiums written for group life, and \$11,424, which represented 9.28% of the total net premiums written for group disability. During 2016, the amount of net premiums written by the Company that are subject to retrospective rating features was \$43,820, which represented 16.00% of the total net premiums written for group life, and \$11,154, which represented 9.22% of the total net premiums written for group disability.

Investment Valuation

Investments are stated at values prescribed or permitted by the NAIC. Accordingly, bonds that are rated as NAIC 1 through 5 are stated at amortized cost using the interest rate method, while bonds rated as NAIC 6 are stated at the lower of amortized cost or NAIC fair value.

Cash and cash equivalents, including money market mutual funds, are investments with original maturities of three months or less. Cash and cash equivalents are principally stated at amortized cost, which approximates fair value. All money market mutual funds are stated at fair value. Short-term investments are those investments that, when purchased, have a maturity between three months and one year and are stated at amortized cost, which approximates fair value.

Dearborn National Life Insurance Company
(A Wholly Owned Subsidiary of Health Care Service Corporation,
a Mutual Legal Reserve Company)

Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

2. Accounting Policies (continued)

Investments in subsidiaries are stated at the subsidiary's underlying statutory capital and surplus, adjusted from GAAP equity, if necessary. Amortization of bond premium and accretion of bond discount are recognized on an effective-yield basis method. Realized gains or losses are determined on a specific lot identification basis.

Internally Developed Software Costs

Internally developed software is amortized on a straight-line basis over the lesser of five years or its remaining useful life, with the remaining unamortized balance being nonadmitted. At December 31, 2017 and 2016, capitalized internally developed software was \$6,899 and \$6,132, respectively, with these net carrying amounts being nonadmitted. The related amortization costs in 2017 and 2016 were \$2,965 and \$4,274, respectively.

Accounting Changes and New Accounting Pronouncements

Statement of Statutory Accounting Principles (SSAP) No. 35, Revised, Guaranty Fund and Other Assessments

The Consolidated Appropriations Act of 2016 Section 201, Moratorium on Annual Fee on Health Insurance Providers, suspends collection of the health insurance provider fee for the 2017 calendar year. As a result, the Company did not pay the annual health insurance industry fee on September 30, 2017, due to this enacted legislation. The moratorium does not affect the filing requirement and payment of these fees for 2016 and subsequent to 2017.

Dearborn National Life Insurance Company
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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

2. Accounting Policies (continued)

Statement of Statutory Accounting Principles (SSAP) No. 2R, Cash, Cash Equivalents, Drafts, and Short-Term Investments

In December 2016, the SAP Working Group adopted substantive revisions to SSAP No. 2R, *Cash, Cash Equivalents, Drafts, and Short-Term Investments*, and new Issue Paper No. 155, *Classification of Money Market Mutual Funds as Cash Equivalents*. These revisions reclassify money market mutual funds from short-term investments to cash equivalents and require that all money market mutual funds be reported at fair value (allowing net asset value as a practical expedient), with any unrealized gains and losses accounted for under SSAP No. 7, *Asset Valuation Reserve and Interest Maintenance Reserve*. The Company adopted these revisions prospectively effective December 31, 2017.

3. Investments

The carrying value and NAIC fair value of bonds at December 31 are summarized as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2017				
U.S. government and agency securities	\$ 28,968	\$ 1,531	\$ (660)	\$ 29,839
Residential mortgage-backed securities	129,720	3,554	(815)	132,459
Commercial mortgage-backed securities	117,955	2,388	(555)	119,788
Asset-backed securities	70,508	478	(115)	70,871
States and municipalities	101,226	9,879	(169)	110,936
Corporate	1,067,736	47,620	(3,546)	1,111,810
Foreign governments	12,296	66	(74)	12,288
Total	\$ 1,528,409	\$ 65,516	\$ (5,934)	\$ 1,587,991

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

3. Investments (continued)

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2016				
U.S. government and agency securities	\$ 48,423	\$ 1,565	\$ (766)	\$ 49,222
Residential mortgage-backed securities	145,223	4,530	(1,289)	148,464
Commercial mortgage-backed securities	134,928	2,978	(1,497)	136,409
Asset-backed securities	78,861	401	(507)	78,755
States and municipalities	124,819	10,017	(502)	134,334
Corporate	1,100,487	43,193	(6,066)	1,137,614
Foreign governments	2,254	121	–	2,375
Total	\$ 1,634,995	\$ 62,805	\$ (10,627)	\$ 1,687,173

The following tables illustrate the NAIC fair value and gross unrealized losses, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, as of December 31:

	Less Than 12 Months		12 Months or More		Total		Number of Securities
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	
2017							
U.S. government and agency securities	\$ –	\$ 61	\$ 660	\$ 19,195	\$ 660	\$ 19,256	12
Residential mortgage-backed securities	261	24,503	554	22,519	815	47,022	30
Commercial mortgage-backed securities	220	32,574	335	11,430	555	44,004	26
Asset-backed securities	15	9,018	100	11,650	115	20,668	15
States and municipalities	11	1,459	158	2,623	169	4,082	3
Corporate	1,423	99,328	2,123	44,839	3,546	144,167	137
Foreign governments	74	8,376	–	–	74	8,376	5
Total	\$ 2,004	\$ 175,319	\$ 3,930	\$ 112,256	\$ 5,934	\$ 287,575	228

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Notes to Financial Statements – Statutory-Basis (continued)

(Dollars in Thousands)

3. Investments (continued)

	Less Than 12 Months		12 Months or More		Total		Number of Securities
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	
2016							
U.S. government and agency securities	\$ 766	\$ 20,944	\$ –	\$ –	\$ 766	\$ 20,944	11
Residential mortgage-backed securities	1,065	44,435	224	5,830	1,289	50,265	31
Commercial mortgage-backed securities	1,382	57,978	115	4,449	1,497	62,427	35
Asset-backed securities	190	26,639	317	15,471	507	42,110	28
States and municipalities	423	21,288	79	1,168	502	22,456	13
Corporate	5,460	204,785	606	10,941	6,066	215,726	197
Total	\$ 9,286	\$ 376,069	\$ 1,341	\$ 37,859	\$ 10,627	\$ 413,928	315

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The carrying value and NAIC fair value of bonds at December 31, 2017, by contractual maturity, are shown in the following table:

	Carrying Value	Fair Value
Less than one year	\$ 73,487	\$ 74,483
Due after 1 year through 5 years	437,472	451,852
Due after 5 years through 10 years	469,899	484,111
Due after 10 years through 20 years	134,493	145,321
Due after 20 years	94,875	109,106
All asset-backed securities	318,183	323,118
Total	\$ 1,528,409	\$ 1,587,991

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

3. Investments (continued)

The proceeds from disposals of securities that resulted in realized gains or losses for the years ended December 31 are as follows:

	Cost or Amortized Cost	Realized Gains	Realized Losses	Proceeds From Disposal
2017				
U.S. government and agency securities	\$ 1,811	\$ --	\$ (26)	\$ 1,785
Residential mortgage- backed securities	10,167	89	(121)	10,135
Commercial mortgage- backed securities	10,650	57	(96)	10,611
Asset-backed securities	15,225	24	(44)	15,205
State and municipalities	7,874	110	(27)	7,957
Corporate	167,065	2,995	(906)	169,154
Short-term investments	11,901	–	(2)	11,899
Derivatives	2,871	5,388	(1,195)	7,064
Total	\$ 227,564	\$ 8,663	\$ (2,417)	\$ 233,810

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

3. Investments (continued)

	Cost or Amortized Cost	Realized Gains	Realized Losses	Proceeds From Disposal
2016				
U.S. government and agency securities	\$ 103,588	\$ 1,154	\$ (218)	\$ 104,524
Residential mortgage- backed securities	73,282	541	(603)	73,220
Commercial mortgage- backed securities	27,873	218	(107)	27,984
Asset-backed securities	21,300	90	-	21,390
State and municipalities	10,051	127	(44)	10,134
Corporate	159,847	4,830	(4,416)	160,261
Short-term investments	189	-	-	189
Derivatives	3,579	685	(2,252)	2,012
Total	\$ 399,709	\$ 7,645	\$ (7,640)	\$ 399,714

The Company recognized \$300 and \$1,478 of OTTI losses on bonds in 2017 and 2016, respectively.

The components of net realized investment gains (losses) for the years ended December 31 were as follows:

	2017	2016
Net realized capital gains (losses)	\$ 5,215	\$ (1,882)
Less amounts transferred to IMR (net of related taxes of \$731 in 2017 and \$410 in 2016)	(1,358)	(761)
Federal income tax (expense) benefit on realized capital gains	(2,175)	874
Net realized investment gains (losses)	\$ 1,682	\$ (1,769)

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

3. Investments (continued)

Net investment income is comprised of the following:

	Year Ended December 31	
	2017	2016
Income:		
Bonds	\$ 71,348	\$ 77,387
Common stocks – affiliated	12,000	–
Mortgage loans	3,660	2,025
IMR amortization	2,781	3,452
Other invested assets	1,339	1,395
	91,128	84,259
Investment expenses	(3,189)	(3,529)
Net investment income	\$ 87,939	\$ 80,730

Securities disposed as a result of a call feature (including make whole call provisions) generated investment income resulting from prepayment and acceleration fees as follows:

	2017
Number of CUSIPs	72
Aggregate amount of investment income	\$ 2,098

Bonds with a carrying value of \$6,198 and \$6,541 were on deposit with insurance departments of various states to meet statutory requirements at December 31, 2017 and 2016, respectively.

The Company utilizes derivative programs for asset-liability management purposes. The use of derivatives is limited to the hedging of economic risk associated with the Company's assets or liabilities. The Company requires all counterparties to maintain an NAIC rating of 1, which equates to an A- rating by a nationally recognized statistical rating organization. At December 31, 2017 and 2016, the Company's derivative securities had a carrying value of \$2,941 and \$3,995 on a notional amount of \$94,051 and \$111,082, respectively.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

3. Investments (continued)

The Company issued fixed index annuities (FIAs), which have an equity market component where the interest credited is correlated to the performance of the S&P 500 index. The Company manages the market risk associated with the FIA products sold by purchasing and writing S&P 500 index call options to economically hedge the potential liability based on the performance of the S&P 500 index. When executed, the options are recorded at cost, and the change in fair value of the derivatives is recognized through the unassigned surplus account as unrealized gains and losses. Net unrealized gains on the options were \$843 and \$1,125 as of December 31, 2017 and 2016, respectively. Realized gains (losses) on expired options were \$4,193 and \$(1,567) for 2017 and 2016, respectively, which represent the difference between acquisition cost and proceeds at expiration.

The Company invests in mortgage loans involving commercial real estate. The Company's investments in mortgage loans consist of first-mortgage liens on income-producing properties. The mortgage loans are diversified among commercial property types and U.S. geographic locations. The minimum and maximum interest rates of mortgage loans were 3.61% and 4.67%, respectively. The highest loan-to-value percentage of any loan at the time of the loan origination was 73.13%.

The Company uses commercial mortgage (CM) ratings as the primary credit indicator when investing in mortgage loans. The Company's investment guidelines specify that only investments in loans rated CM1 and CM2, the two highest rating categories, are permissible at time of origination, with the significant majority required to be CM1. The key drivers of the CM ratings, debt service coverage ratio (DSCR) and loan to value (LTV), are regularly monitored. DSCR and LTV are generally updated quarterly, but not less than semiannually.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

3. Investments (continued)

The investment in mortgage loans by credit quality indicator as of December 31, 2017, is as follows:

	Number of Loans	Balance	Balance Percentage	Last Updated
CML rating				
CM1	71	\$ 94,775	88%	12/31/2017
CM2	9	12,570	12%	12/31/2017
Total	80	\$ 107,345	100%	

The investment in mortgage loans by credit quality indicator as of December 31, 2016, is as follows:

	Number of Loans	Balance	Balance Percentage	Last Updated
CML rating				
CM1	47	\$ 63,826	85%	12/31/2016
CM2	6	11,287	15%	12/31/2016
Total	53	\$ 75,113	100%	

All mortgage loans owned by the Company are current with principal and interest as of December 31, 2017 and 2016. The Company did not have any impaired loans as of December 31, 2017 and 2016.

The total carrying value and NAIC fair value of all loan-backed securities held as of December 31 were as follows:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loan-backed securities	\$ 318,183	\$ 323,118	\$ 359,012	\$ 363,628

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

3. Investments (continued)

Prepayment assumptions for single-class and multi-class mortgage-backed/asset-backed securities are obtained from Bloomberg, L.P. Additionally, the Company does not have any significant concentrations of credit risk related to any individual holding or group in its loan-backed securities holdings.

The Company did not recognize any OTTI on loan-backed securities in 2017 or 2016.

Unrealized losses of loan-backed securities segregated by the amount of time the securities have been in a continuous unrealized loss position were as follows as of December 31, 2017:

Less Than 12 Months			12 Months or More		
Carrying Value	Fair Value	Unrealized Loss	Carrying Value	Fair Value	Unrealized Loss
\$ 66,591	\$ 66,095	\$ 496	\$ 46,588	\$ 45,599	\$ 989

Unrealized losses of loan-backed securities segregated by the amount of time the securities have been in a continuous unrealized loss position were as follows as of December 31, 2016:

Less Than 12 Months			12 Months or More		
Carrying Value	Fair Value	Unrealized Loss	Carrying Value	Fair Value	Unrealized Loss
\$ 131,689	\$ 129,052	\$ 2,637	\$ 26,406	\$ 25,750	\$ 656

The Company believes that all unrealized losses on individual securities were the result of normal price fluctuations due to market conditions and were not an indication of an OTTI. Market conditions include interest rate fluctuations, credit quality, supply, and demand. This determination is made in conjunction with the impairment criteria prescribed by NAIC standards.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

4. Investments in Unconsolidated Subsidiaries

The Company has one wholly owned subsidiary, DNLNY. DNLNY's underlying statutory capital and surplus at December 31, 2017 and 2016 was \$12,824 and \$24,489, respectively. The decline in statutory capital and surplus from 2016 to 2017 is due to a \$12,000 cash dividend payment made in December 2017 from DNLNY to the Company.

For the years ended December 31, the following is a summary of key financial information:

Summary of Balance Sheets – Statutory-Basis

	DNLNY	
	2017	2016
Investments	\$ 24,702	\$ 37,944
Other assets	318	513
Total assets	\$ 25,020	\$ 38,457
Policy and claims reserves	\$ 10,422	\$ 12,144
Other liabilities	1,774	1,824
Capital and surplus	12,824	24,489
Total liabilities and capital and surplus	\$ 25,020	\$ 38,457

Summary of Statements of Operations – Statutory-Basis

	DNLNY	
	2017	2016
Total revenues	\$ 2,788	\$ 3,275
Total expenses	2,456	2,725
Net income	\$ 332	\$ 550

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

5. Fair Value of Financial Instruments

Fair Value Disclosures

Included in various investment-related line items in the statutory-basis financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or for certain bonds and preferred stock, when carried at the lower of cost or fair value.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models, and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment, which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model, or input used.

The Company's financial assets and liabilities at fair value have been classified, for disclosure purposes, in accordance with SSAP No. 100, *Fair Value Measurements*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level of input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

5. Fair Value of Financial Instruments (continued)

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Company’s investments in bonds that are carried at fair value are generally Level 2 assets. Fair values are based on independent pricing services. If an independent pricing service is unable to provide the fair value for a security due to insufficient market information, such as for a private placement transaction, the Company will determine the fair value internally using a matrix pricing model. This model estimates fair value using discounted cash flows at a market yield, considering the appropriate treasury rate plus a spread.

The spread is derived by reference to similar securities and may be adjusted based on specific characteristics of the security, including inputs that are not readily observable in the market. The Company assesses the significance of unobservable inputs for each security priced internally and classifies that security in Level 2 only if the unobservable inputs are insignificant.

The Company’s derivative positions consist of two types of call options, both of which are measured at fair value on a recurring basis. The S&P flex options and the over-the-counter (OTC) S&P 500 index call options are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy. The market prices of the Chicago Board Options Exchange (CBOE) flex options are determined by the Options Clearing Corporation (OCC) on a daily basis for all outstanding flex positions. The fair value for OTC options is determined using a Black & Scholes “Heston” valuation model, which is calibrated to option prices on the CBOE. The model produces market consistent prices for OTC options that have strikes and maturities similar to the same exchange-traded options. Credit risk related to the counterparty is considered when estimating the fair value of these derivatives.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

5. Fair Value of Financial Instruments (continued)

The following table provides the aggregate fair values for all financial instruments, excluding those accounted for under the equity method, by fair value hierarchy level as of December 31, 2017:

	Aggregate Fair Value	Admitted Assets – Book/ Adjusted Carrying Value	Level 1	Level 2	Level 3
Bonds	\$ 1,587,991	\$ 1,528,409	\$ –	\$ 1,587,991	\$ –
Short-term investments	100	100	–	100	–
Money market funds	37,510	37,510	37,510	–	–
Mortgage loans	109,134	107,345	–	–	109,134
Derivatives	2,941	2,941	2,941	–	–
Other invested assets	698	609	–	698	–
Total	\$ 1,738,374	\$ 1,676,914	\$ 40,451	\$ 1,588,789	\$ 109,134

The following table provides the aggregate fair values for all financial instruments, excluding those accounted for under the equity method, by fair value hierarchy level as of December 31, 2016:

	Aggregate Fair Value	Admitted Assets – Book/ Adjusted Carrying Value	Level 1	Level 2	Level 3
Bonds	\$ 1,687,173	\$ 1,634,995	\$ –	\$ 1,687,173	\$ –
Short-term investments	51,251	51,251	39,350	11,901	–
Mortgage loans	75,686	75,113	–	–	75,686
Derivatives	3,995	3,995	319	–	3,676
Total	\$ 1,818,105	\$ 1,765,354	\$ 39,669	\$ 1,699,074	\$ 79,362

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

5. Fair Value of Financial Instruments (continued)

The following tables provide information about the Company's financial instruments measured at fair value as of December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2017				
Assets at fair value:				
Money market funds	\$ 37,510	\$ –	\$ –	\$ 37,510
Derivatives	8,042	–	–	8,042
Total assets at fair value	<u>\$ 45,552</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 45,552</u>
Liabilities at fair value:				
Derivatives	\$ 5,101	\$ –	\$ –	\$ 5,101
Total liabilities at fair value	<u>\$ 5,101</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 5,101</u>
2016				
Assets at fair value:				
Derivatives	\$ 823	\$ –	\$ 3,676	\$ 4,499
Total assets at fair value	<u>\$ 823</u>	<u>\$ –</u>	<u>\$ 3,676</u>	<u>\$ 4,499</u>
Liabilities at fair value:				
Derivatives	\$ 503	\$ –	\$ –	\$ 503
Total liabilities at fair value	<u>\$ 503</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 503</u>

The transfer of securities between levels was not significant.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

5. Fair Value of Financial Instruments (continued)

A reconciliation of the beginning and ending balances of Level 3 assets measured at fair value on a recurring basis for the years ended December 31 is as follows:

	<u>Derivative Investments</u>
2017	
Beginning balance at January 1, 2017	\$ 3,676
Total gains (losses):	
Net realized gains	3,407
Unrealized losses in unassigned surplus	(1,223)
Purchases	–
Settlements	(5,860)
Ending balance at December 31, 2017	<u>\$ –</u>
2016	
Beginning balance at January 1, 2016	\$ 2,239
Total gains (losses):	
Net realized losses	(1,567)
Unrealized gain in unassigned surplus	2,563
Purchases	2,453
Settlements	(2,012)
Ending balance at December 31, 2016	<u>\$ 3,676</u>

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash, Accrued Investment Income, and Short-Term Investments

The carrying amounts reported in the statutory-basis balance sheets for these instruments approximate their fair values.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

5. Fair Value of Financial Instruments (continued)

Investment Securities

Fair values for bonds are based on market values prescribed by the Securities Valuation Office (SVO) of the NAIC. If SVO values were unavailable, quoted market prices provided by an alternative third-party service were used to calculate the fair value of financial instruments. If neither SVO-published unit prices nor quoted market prices were available, securities were valued as the present value of estimated future cash flows using a discount rate commensurate with risks involved. Fair values for preferred stocks are based on quoted market prices provided by an alternative third-party service. The market prices of the CBOE flex options are determined by the OCC on a daily basis for all outstanding flex positions. The fair value of the OTC S&P 500 index call options are determined using a Black & Scholes “Heston” valuation model, which is calibrated to option prices on the CBOE. The model produces market consistent prices for the OTC options that have strikes and maturities similar to the same exchange-traded options. These valuation techniques involve some level of management estimation and judgment, which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model, or input used.

Mortgage Loans

The fair value of mortgage loans is based on the present value of the loan’s cash flows, discounted at a market interest rate. The market (discount) rate used is based on a spread over U.S. Treasury rates and takes into consideration the time horizon and risk profile of the loan being evaluated.

Policy Loans

The Company believes the best estimate of the fair value of the policy loans is equal to their respective carrying amounts.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

5. Fair Value of Financial Instruments (continued)

Annuities

The fair value of the liabilities for annuity products that are in a benefit payment phase is based on the discounted estimated future cash flows using an interest rate that is representative of the current interest rates. The fair value of annuities currently in an accumulation phase is based on the net cash surrender value.

The carrying amounts and fair values of the Company's financial instruments at December 31 were as follows:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Bonds	\$ 1,528,409	\$ 1,587,991	\$ 1,634,995	\$ 1,687,173
Derivative instruments	8,042	8,042	4,499	4,499
Policy loans	4,379	4,379	4,532	4,532
Mortgage loans	107,345	109,134	75,113	75,686
Other invested assets	19,156	19,246	6,960	6,960
Short-term investments	100	100	51,251	51,251
Cash equivalents, including money market funds	37,510	37,510	–	–
Investment income due and accrued	16,267	16,267	16,907	16,907
Liabilities				
Derivative instruments	\$ 5,101	\$ 5,101	\$ 503	\$ 503
Annuities:				
Accumulations on benefits	753,945	750,311	842,927	836,623

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

6. Liability for Unpaid Claims

The following table provides a reconciliation of the beginning and ending balances of the unpaid claims reserves and liability for accident and health business as of December 31, which includes known claims in course of settlement and incurred but not reported:

	2017	2016
Balance at January 1	\$ 207,402	\$ 193,349
Incurred related to:		
Current year	97,494	103,717
Prior years	(10,661)	(12,416)
Total incurred	86,833	91,301
Paid related to:		
Current year	38,296	41,248
Prior years	40,619	36,000
Total paid	78,915	77,248
Balance at December 31	\$ 215,320	\$ 207,402

As a result of changes in estimates in prior years' liabilities, the provisions of incurred benefits decreased by \$10,661 and \$12,416 in 2017 and 2016, respectively. The decrease in 2017 and 2016 was due to the long-term disability (LTD) line of business. Actual LTD terminations were higher in 2017 than anticipated by the prescribed valuation assumptions, primarily because claimants returned to work quicker than our valuation assumptions.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

7. Federal Income Taxes

The components of the net deferred tax asset as of December 31, 2017, were:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Total of all gross deferred tax assets	\$ 12,479	\$ 190	\$ 12,669
Less valuation allowance	—	—	—
Total adjusted gross deferred tax assets	12,479	190	12,669
Deferred tax assets nonadmitted	—	—	—
Net admitted deferred tax assets	12,479	190	12,669
Total of all deferred tax liabilities	6,592	244	6,836
Total net admitted deferred tax assets	<u>\$ 5,887</u>	<u>\$ (54)</u>	<u>\$ 5,833</u>

The components of the net deferred tax asset as of December 31, 2016, were:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Total of all gross deferred tax assets	\$ 17,868	\$ 397	\$ 18,265
Less valuation allowance	—	—	—
Total adjusted gross deferred tax assets	17,868	397	18,265
Deferred tax assets nonadmitted	—	—	—
Net admitted deferred tax assets	17,868	397	18,265
Total of all deferred tax liabilities	7,748	437	8,185
Total net admitted deferred tax assets	<u>\$ 10,120</u>	<u>\$ (40)</u>	<u>\$ 10,080</u>

Dearborn National Life Insurance Company
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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

7. Federal Income Taxes (continued)

The change in the components of the net deferred tax assets (liabilities) during 2017 was:

	Change		
	Ordinary	Capital	Total
Total of all gross deferred tax assets	\$ (5,389)	\$ (207)	\$ (5,596)
Less valuation allowance	-	-	-
Total adjusted gross deferred tax assets	(5,389)	(207)	(5,596)
Deferred tax assets nonadmitted	-	-	-
Net admitted deferred tax assets	(5,389)	(207)	(5,596)
Total of all deferred tax liabilities	(1,156)	(193)	(1,349)
Total net admitted deferred tax assets (liabilities)	\$ (4,233)	\$ (14)	\$ (4,247)

The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 as of December 31, 2017, was:

	Ordinary	Capital	Total
Admitted gross deferred tax assets ¶11.a.	\$ -	\$ -	\$ -
Admitted gross deferred tax assets ¶11.b. – lesser of ¶11.b.i. and ¶11.b.ii.	6,846	-	6,846
Admitted gross deferred tax assets expected to be realized following the balance sheet date ¶11.b.i	6,846	-	6,846
Admitted gross deferred tax assets allowed per limitation threshold ¶11.b.ii.	N/A	N/A	70,262
Admitted gross deferred tax assets ¶11.c.	5,633	190	5,823
Total admitted gross deferred tax assets	\$ 12,479	\$ 190	\$ 12,669

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

7. Federal Income Taxes (continued)

The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 as of December 31, 2016, was:

	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Admitted gross deferred tax assets ¶11.a.	\$ 11,717	\$ –	\$ 11,717
Admitted gross deferred tax assets ¶11.b. – lesser of ¶11.b.i. and ¶11.b.ii.	–	–	–
Admitted gross deferred tax assets expected to be realized following the balance sheet date ¶11.b.i	–	–	–
Admitted gross deferred tax assets allowed per limitation threshold ¶11.b.ii.	N/A	N/A	73,038
Admitted gross deferred tax assets ¶11.c.	6,151	397	6,548
Total admitted gross deferred tax assets	<u>\$ 17,868</u>	<u>\$ 397</u>	<u>\$ 18,265</u>

The change in the amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 during 2017 was:

	<u>Change</u>		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Admitted gross deferred tax assets ¶11.a.	\$ (11,717)	\$ –	\$ (11,717)
Admitted gross deferred tax assets ¶11.b. – lesser of ¶11.b.i. and ¶11.b.ii.	6,846	–	6,846
Admitted gross deferred tax assets expected to be realized following the balance sheet date ¶11.b.i	6,846	–	6,846
Admitted gross deferred tax assets allowed per limitation threshold ¶11.b.ii.	N/A	N/A	(2,776)
Admitted gross deferred tax assets ¶11.c.	(518)	(207)	(725)
Total admitted gross deferred tax assets	<u>\$ (5,389)</u>	<u>\$ (207)</u>	<u>\$ (5,596)</u>

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

7. Federal Income Taxes (continued)

The following table provides the authorized control level risk-based capital ratio percentage and the amount of adjusted capital and surplus, excluding deferred tax assets, used to determine the recovery period and threshold limitation amounts under SSAP No. 101 paragraphs 11.b.i. and 11.b.ii. as of December 31:

	2017	2016
Ratio percentage used to determine the recovery period and threshold limitation amount	961%	1,111%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in ¶11.b.ii.	\$ 485,495	\$ 504,050

During 2017, there was no impact related to tax planning strategies. The Company does not use reinsurance-related tax planning strategies.

The Company had no unrecognized deferred tax liabilities as of December 31, 2017 and 2016.

Current income tax expense (benefit) as of December 31 is as follows:

	2017	2016	Change
Federal income tax expense	\$ 7,272	\$ 7,311	\$ (39)
Federal income tax on net capital gains (losses)	2,906	(464)	3,370
Federal income taxes incurred	\$ 10,178	\$ 6,847	\$ 3,331

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

7. Federal Income Taxes (continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 were as follows:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Deferred tax assets			
Ordinary:			
Reserves	\$ 2,062	\$ 2,463	\$ (401)
Tax Reform reserve transition	1,532	–	1,532
Deferred acquisition costs	6,172	11,045	(4,873)
§807(f) reserve basis adjustment	356	890	(534)
Loss adjustment expense reserves	658	1,085	(427)
Other	1,699	2,385	(686)
Total admitted deferred tax assets – ordinary	<u>12,479</u>	<u>17,868</u>	<u>(5,389)</u>
Capital:			
Investments	190	397	(207)
Total gross deferred tax assets – capital	<u>190</u>	<u>397</u>	<u>(207)</u>
Nonadmitted deferred tax assets – capital	–	–	–
Total admitted deferred tax assets – capital	<u>190</u>	<u>397</u>	<u>(207)</u>
Total admitted deferred tax assets	<u>\$ 12,669</u>	<u>\$ 18,265</u>	<u>\$ (5,596)</u>

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

7. Federal Income Taxes (continued)

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Deferred tax liabilities			
Ordinary:			
Gross due premiums	\$ 4,561	\$ 6,710	\$ (2,149)
Investments	499	983	(484)
Tax Reform reserve transition	1,532	–	1,532
Other	–	55	(55)
Total deferred tax liabilities – ordinary	<u>6,592</u>	<u>7,748</u>	<u>(1,156)</u>
Capital:			
Unrealized capital gains	244	437	(193)
Total deferred tax liabilities – capital	<u>244</u>	<u>437</u>	<u>(193)</u>
Total deferred tax liabilities	<u>\$ 6,836</u>	<u>\$ 8,185</u>	<u>\$ (1,349)</u>
Net admitted deferred tax assets	<u>\$ 5,833</u>	<u>\$ 10,080</u>	<u>\$ (4,247)</u>

The change in net deferred income taxes (exclusive of the change in nonadmitted deferred tax assets) is comprised of the following:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Total of all adjusted gross deferred tax assets (after valuation allowance)	\$ 12,669	\$ 18,265	\$ (5,596)
Total of all deferred tax liabilities	6,836	8,185	(1,349)
Net deferred tax asset	<u>\$ 5,833</u>	<u>\$ 10,080</u>	<u>(4,247)</u>
Change in unrealized capital gain/loss			193
Change in net deferred income taxes			<u>\$ (4,440)</u>

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

7. Federal Income Taxes (continued)

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference were as follows:

	Year Ended December 31	
	2017	2016
Provision computed at statutory rate	35.0%	35.0%
Permanent differences	0.5	1.8
IMR adjustments	(0.6)	(3.1)
Dividends received deduction	(9.7)	–
Change in nonadmitted assets	(0.6)	2.3
Federal Tax Reform Enactment	9.3	–
Other	(0.3)	(0.3)
Total	33.6%	35.7%
Federal income taxes incurred	23.4%	26.2%
Change in net deferred income taxes	10.2	9.5
Total statutory income taxes	33.6%	35.7%

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, a reduction of the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018. As a result of the enactment, the Company has reduced its net deferred taxes by \$3,888 in 2017, which relates to a reduction of the Company's gross deferred tax assets \$(5,893), primarily offset by benefits from the reductions in the Company's deferred tax liabilities \$(2,005). Included in the reduction of the deferred tax liabilities is \$163 related to unrealized gains and losses. The Company's federal income tax expense for periods beginning in 2018 will be based on the new rate.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

7. Federal Income Taxes (continued)

In addition, the Company has recognized the provisional tax impacts related to the change in the methodology employed to calculate tax reserves. As a result, the Company has recorded a deferred tax asset and offsetting deferred tax liability of \$1,532 in its statutory financial statements for the year ended December 31, 2017. A provisional amount has been recorded as the Company does not have the information available in appropriate detail to analyze and calculate the amount required under the change in methodology. The ultimate impact may differ from the provisional amount due to additional analysis, changes in interpretations or assumptions made by the Company, or additional regulatory guidance that may be issued, among other things. The accounting is expected to be complete during the year ended December 31, 2018.

As of December 31, 2017, the Company had recorded no deferred tax assets from net operating losses (NOLs).

Due to provisions in the Tax Act, effective January 1, 2018, life insurance companies are no longer allowed to carry back net operating losses.

The Company is included in the consolidated federal income tax return with its ultimate parent, Health Care Service Corporation, a Mutual Legal Reserve Company. The following entities are included in the consolidated federal income tax return:

Health Care Service Corporation, a Mutual Legal Reserve Company; Academic HealthPlans, Inc.; Acme Allied Associates, LLC; Blue Cross and Blue Shield of New Mexico Insurance Company; CMH Technology Subsidiary, LLC; CollaboraCare Consortium, LLC; Dearborn National Life Insurance Company; Dearborn National Life Insurance Company of New York; Dental Network of America, LLC; Dental Solutions, Inc.; DenteMax, LLC; GHS General Insurance Agency, Inc.; GHS Health Maintenance Organization, Inc.; GHS Insurance Company; GHS Managed Health Care Plans, Inc.; Gorman Health Group, LLC; HCSC Insurance Services Company; HCSC ITC, LLC; HCSC Purchasing, LLC; HCSC Ventures, Inc.; HX Technologies, Inc.; Illinois Blue Cross Blue Shield Insurance Company; Innovista, LLC; MEDecision, Inc.; MEDecision Investments, Inc.; Montana Blue Insurance Company; Oklahoma Blue Insurance Company; OPTIMED Medical Systems, LLC; Texas Blue Cross Blue Shield Insurance Company; TMG Health, Inc.; Unlimited Innovations, Inc.; USB HTC FUND 2017-2, LLC; USB RETC FUND 2017-2, LLC.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

7. Federal Income Taxes (continued)

The method of allocation among the companies is subject to a written agreement, whereby allocation is made primarily on a separate-return basis with a current credit for NOLs or other items utilized in the consolidated return. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

All interest and penalties related to unrecognized tax positions are reported as income tax expense. The Company recognized no interest in 2017 and 2016. No interest payments were accrued for at December 31, 2017 or 2016. As of December 31, 2017, there were no material positions for which management believes it is reasonably possible that the total amounts of unrecognized tax positions will significantly increase or decrease within 12 months of the reporting date. The tax years subsequent to 2006 remain subject to examination by the Internal Revenue Service. The Company has no deposits admitted under Section 6603 of the Internal Revenue Code.

8. Transactions with Affiliates

In December 2016, the Company paid a dividend of \$46,000 to HCSC, consisting of \$28,630 in securities and \$17,370 in cash. The dividend was approved by the Board of Directors on December 2, 2016. The securities portion of the dividend included gross realized gains of \$407 and gross realized losses of \$58, resulting in a net realized gain of \$349. All realized gains and losses were deferred to the IMR.

In December 2017, the Company paid a cash dividend of \$40,000 to HCSC. The dividend was approved by the Board of Directors on August 18, 2017. Also in December 2017, DNLNY paid a cash dividend of \$12,000 to the Company. The dividend was approved by the DNLNY Board of Directors on August 18, 2017.

During 2017 and 2016, the Company paid occupancy charges to HCSC of \$939 and \$1,241, respectively, based on the pro rata percentage of square footage utilized. Other fees and expenses, based on actual amounts incurred of \$22,949 and \$24,160 in 2017 and 2016, respectively, were paid to HCSC for certain administrative services and employee benefits.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

8. Transactions with Affiliates (continued)

HCSC provides certain electronic data processing services for the Company's systems. Total expenses incurred by the Company for HCSC data processing services were \$652 and \$576 in 2017 and 2016, respectively.

Dental Network of America (DNoA), a wholly owned subsidiary of HCSC, provides claims and other services in connection with the Company's dental insurance business. Total fees for services provided to the Company by DNoA in 2017 and 2016 were \$1,324 and \$1,843, respectively. Total occupancy charges incurred in both 2017 and 2016 related to the office space were \$1,124 and \$924, respectively.

DNoA does not have any direct employees and is charged both direct and allocated costs incurred in connection with its utilization of the Company's personnel. Total fees for services provided to DNoA by employees of the Company in 2017 and 2016 were \$45,715 and \$43,588, respectively.

As of December 31, 2017, the Company had gross receivables from three affiliated companies: DNoA, DenteMax (DMX), and DNLNY in the amounts of \$1,794, \$111 and \$176, respectively, and \$2 from HCSC related to premium deposits in transit. The balance due to HCSC for operating expenses was \$2,374 as of December 31, 2017. All amounts due to or from the Company's Parent or its affiliates at December 31, 2017, were settled.

9. Reinsurance

The Company has entered into various reinsurance agreements with other insurance companies. Ceding reinsurance does not legally discharge the Company from primary liability under its policies, and the Company must pay the loss if the reinsurer fails to meet its obligations.

Reinsurance premiums ceded of \$44,252 in 2017 and \$34,087 in 2016 and reinsurance recoveries of \$38,654 in 2017 and \$29,249 in 2016 are included in the statutory-basis statements of operations. Estimated amounts recoverable from reinsurers for unpaid claims and policy reserves of \$141,563 and \$134,066 at December 31, 2017 and 2016, respectively, are included as reductions in life and accident and health policy reserves in the statutory-basis balance sheets. Amounts recoverable from reinsurers for paid claims of \$2,671 and \$2,335 at December 31, 2017 and 2016, respectively, are included in other admitted assets in the statutory-basis balance sheets.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

10. Employee Benefits

Employees of the Company are included in the noncontributory pension plan of HCSC. HCSC offers one defined benefit plan covering the majority of HCSC and participating subsidiaries, including the Company and the majority of Chicago-based “represented” employees. The current plans’ provisions require one year of service for eligibility and three years of vesting service. Benefits are a function of a formula that includes years of service and level of compensation. HCSC’s funding policy is to make contributions between the minimum required and maximum allowed under current regulations. The Company’s share of pension expense for its participation in the pension plan was \$3,120 and \$3,638 in 2017 and 2016, respectively.

Eligible employees retiring from the Company who are at least 55 years old and have at least ten years of service are covered by HCSC post-retirement health insurance benefits. The Company’s net periodic post-retirement benefit expense was \$1,171 and \$564 in 2017 and 2016, respectively.

The Company also offers a 401(k) plan to all full-time employees, and the Company’s contributions into the plan were \$1,788 and \$1,709 in 2017 and 2016, respectively.

The method of allocating benefits is based on the identified population of employees of the Company. An underwriting fee per eligible employee is applied for health care benefits, actual employee deferrals or market value changes are applied for defined contributions, and actuarially based calculations are applied for defined benefits.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

11. Administrative Services Only (ASO) and Uninsured Portions of Partially Insured Plans

The Company provides certain claim administration services for its uninsured customers through ASO arrangements. The net gain from operations from ASO uninsured accident and health plans for the years ended December 31 was as follows:

	2017	2016
Net reimbursement for administrative expenses (including administrative fees) in excess of actual expense	\$ 2,555	\$ 3,497
Net gain from operations	\$ 2,555	\$ 3,497
 Total claim payment volume	 \$ 19,702	 \$ 14,703

12. Capital and Surplus Requirements

The maximum amount of dividends that can be paid to shareholders by insurance companies without prior approval of the Illinois Insurance Commissioner is limited to an amount equal to the greater of 10% of capital and surplus at the beginning of the year or net income from the previous year. The Company paid a dividend of \$40,000 in 2017 and \$46,000 in 2016 to HCSC. For 2018, the Company could pay a dividend of \$47,426 without prior approval by the Illinois Insurance Commissioner.

The NAIC has imposed regulatory risk-based capital (RBC) requirements on life and health insurance companies, including the Company. The RBC formula establishes capital requirements based on an individual company’s insurance risk, business risk, asset risk, and interest rate risk.

The results are used by the NAIC and state insurance departments to identify companies that merit regulatory attention or the initiation of regulatory action. At December 31, 2017, the Company had total adjusted capital well in excess of the regulatory RBC requirements.

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

13. Contingencies

The Company is a defendant in various legal actions arising from normal business activities. After consultation with legal counsel, management believes that the ultimate liability, if any, resulting from these legal actions will not materially affect the Company’s statutory-basis financial position or results of operations.

ACA Health Insurer Fee

Since January 1, 2014, the Company is subject to an annual fee under Section 9010 of the Federal Affordable Care Act (ACA). This annual fee is allocated to individual health insurers based on the ratio of the amount of the entity’s net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity’s portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2017, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2018, and estimates its portion of the annual health insurance industry fee payable on September 30, 2018, to be \$199. This amount is reflected in special surplus. This assessment is expected to impact risk based capital (RBC) by (0.39%). Reporting the ACA assessment as of December 31, 2017, would not have triggered an RBC action level.

	Current Year	Prior Year
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the federal Affordable Care Act (yes/no)?	Yes	Yes
B. ACA fee assessment payment for the upcoming year	\$ 199	\$ –
C. ACA fee assessment paid	–	464
D. Premium written subject to ACA 9010 assessment	15,662	19,749
E. Total adjusted capital before surplus adjustment	491,327	514,130
F. Total adjusted capital after surplus adjustment	491,128	514,130
G. Authorized control level after surplus adjustment	50,499	45,384
H. Would reporting the ACA assessment as of December 31, 2017, have triggered an RBC action level (yes/no)?	No	No

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

13. Contingencies (continued)

Guaranty Fund Assessments

On March 1, 2017, the Company received notification of the insolvency of Penn Treaty Network American Insurance Company. It is expected that the insolvency will result in a guaranty fund assessment against the Company of \$151 that has been charged to operations in the current period.

The guaranty fund assessments and related assets by insolvency are:

<u>Name of Insolvency</u>	<u>Guaranty Fund Assessment</u>	<u>Related Assets</u>
Penn Treaty Network American Insurance Company	\$ 1,065	\$ 914
Memorial Service & Lincoln Memorial Life Insurance Co.	59	12

The number of jurisdictions for payables and recoverables by insolvency are:

<u>Name of Insolvency</u>	<u>Number of Jurisdictions</u>	
	<u>Payable</u>	<u>Recoverables</u>
Penn Treaty Network American Insurance Company	8	43
Memorial Service & Lincoln Memorial Life Insurance Co.	1	1

A reconciliation of assets recognized from paid and accrued premium tax offsets and policy surcharges within the prior year's financial statements to the assets recognized in the current year's financial statements is as follows:

Beginning balance at January 1, 2017	\$ 86
Decrease in premium tax offset	(74)
Increase in premium tax offset	914
Ending balance at December 31, 2017	<u>\$ 926</u>

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

14. Leases

The Company leases office space for sales offices in various locations. Certain office space requires commitments through the year 2022. The Company also leases copiers and postage machines in its various locations. Total lease expense for 2017 and 2016 was \$254 and \$295, respectively.

The future minimum rental payments on leases are as follows:

2018	\$	143
2019		88
2020		52
2021		53
2022 and thereafter		22
Total minimum lease payments	<u>\$</u>	<u>358</u>

15. Annuity Actuarial Reserves and Deposit-Type Liabilities

The withdrawal characteristics of annuity actuarial reserves, deposit-type contract funds, and other liabilities without life or disability contingencies were as follows:

	December 31	
	2017	2016
Amounts subject to discretionary withdrawal:		
Market value adjustment	\$ 51,510	\$ 97,088
Book value less current surrender charge	24,115	42,023
Book value without adjustment	678,320	703,816
	<u>753,945</u>	<u>842,927</u>
Amounts not subject to discretionary withdrawal	26,853	26,892
	<u>\$ 780,798</u>	<u>\$ 869,819</u>

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Notes to Financial Statements – Statutory-Basis (continued)
(Dollars in Thousands)

16. Subsequent Events

Management of the Company has evaluated all events occurring after December 31, 2017 through May 4, 2018, the date the statutory-basis financial statements were issued, to determine whether any event required either recognition or disclosure in the financial statements. No events were noted.

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