SIM-CO

SIMPLE COMPANY, SAMPLE COMPANY, LLC

A proposal created specifically for Sample Client, addressing the licensing, implementation, use and support of ADMIN1, a next-generation Administration System.

This document represents a preliminary proposal for Sample Client, and provides proposed initial pricing and usage parameters for SIM-CO's administration system called ADMIN1.
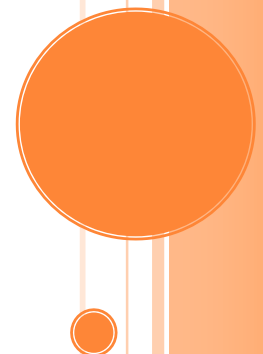
January 17th, 2012

Table of Contents

PROPOSAL

A proposal created specifically for Sample Client, addressing the licensing, implementation, use and support of ADMIN1, a next-generation Administration System.

EXECUTIVE SUMMARY

SIM-CO is a 60 year-old third-party administrator of finance and insurance products (F&I) whose core business has grown through its depth of regulatory knowledge and technical applications. SIM-CO is part of a broader group of companies that includes a fully-capitalized, A.M. Best A+ rated insurance company, licensed in all 50 states and the District of Columbia. The expertise in finance, insurance and Internet technology has allowed SIM-CO to help develop its own administration system, which has been characterized by industry experts and other direct writers as being one of, if not the best, administration system in the industry. This system is known as ADMIN1.

SIM-CO is proud to offer ADMIN1 as a lease option to Sample Client. ADMIN1 was designed from the ground-up to support the full functionality and workflow not only for a third-party administrator, but also components for: (1) Insurance Companies, (2) Claims Administrators, (3) Reinsurance Companies, (4) Regulators, (5) Actuaries, (6) Auditors, and (7) numerous other audiences. It was built using next generation technology from the outset, not a continual adaption of first generation software as most policy administration systems in this industry have done. It was designed to scale with the business, with the capability of handling an increase in service contracts and policies measured on an exponential scale.

SIM-CO proposes an initial 12-month contract for Sample Client's full use of ADMIN1, with the conditions and caveats as defined further herein, for $1.31 per new service contract and an initial setup fee starting at $124,050.

OUR OFFERING

ADMIN1 will provide the following capabilities to Sample Client:

1. **High-Level System Functions:**
    a. Real-time updates that allow for immediate results throughout the system
    b. Support for existing product implementation with the adaptability for new or changed products
    c. Role issued user configuration and control
    d. State compliance control
    e. Forms management and compliance control
    f. Vehicle classification support
    g. VIN decoding support
    h. Earnings calculation support
    i. Rate configuration and support
    j. Commission configuration and maintenance
    k. Reinsurance pointers, rules and configurations
    l. Audit and note control
2. **Risk Management Support**
3. **Policy Administration:**
    a. Enrollment and booking of policies
    b. VIN (Vehicle Identification Number) decoding and verification
    c. Quality control processes and tracking for policies
    d. Policy search and display
    e. Cancellation quotes and processing
4. **Claims Administration:**
    a. Claims entry
    b. Claims adjudication process
    c. Single-use credit card claims payments available (for an additional fee)
5. **Reporting (Online and Internal):**
    a. Wide variety of pre-built reports available
    b. Support for user-defined (i.e. custom) reports (for an additional fee)
    c. Data extraction capability and formats

Specific Solution & Services Provided

This proposal encompasses the following scope with respect to ADMIN1:

- ➢ Implementation:
    - o A complete new install of ADMIN1 with a clean and private database for Sample Client's use, located on SIM-CO servers within its datacenter.
    - o Sample Client's implementation of ADMIN1 and its associated database will enjoy nightly backups with an SLA to repair a crashed server within 4 business hours.
    - o ADMIN1 customizations as follows:
        1. Private-labeling all reports and output screens for Sample Client's business *(only one brand permitted)*
        2. Separate (and private) Microsoft Terminal Server for Sample Client's use.
    - o Data import from converted data extracts (for an additional fee):
        1. Active and inactive contracts
        2. Active contracts only
    - o Customizations to support Sample Client's branding (i.e. logo and company name).
- ➢ Access & Use:
    - o Access and use of ADMIN1 over the Internet (using a VPN connection) using Microsoft Terminal Server
    - o Simultaneous access for up to 100 employees (to start with)
    - o Training, consisting of one (1) hour online web sessions for each of the following:
        1. Basic ADMIN1 usage for all employee groups
        2. Rate and setup management
        3. Policy entry, quality control, and posting
        4. Claims entry and management
        5. Compliance and forms management
        6. Loss management
        7. Reports
        8. Accounting steps
        9. FREE web-based replays of the above training sessions
- ➢ Maintenance & Support:
    - o Dedicated SIM-CO client liaison to provide ad hoc training, support and service (during normal business hours)
    - o Application and system support according to our standard SLA, discussed below
    - o Nightly backups and restoration service (only for server crashes and restorations; Backups not to be used to restore database to a previous instance)
    - o Assistance and support of any configuration items not configurable from the ADMIN1 interface

Additional Services and Features Available

In addition to the solution and services provided above, Sample Client may be interested in the following services and features, *which are available for an additional cost*:

1) Data Imports for Initial Startup

By importing existing contract, customer and pricing data, Sample Client can utilize the full power of ADMIN1, including claims administration and reporting. SIM-CO would charge Sample Client an hourly rate to assist with this effort, and three options are available:

1. No data imports. This would mean ADMIN1 is used for only new contracts.
2. Data import of active contracts only.
3. Data import of all contracts, active and closed. This provides for more robust reporting options.
4. Data import of claim history for tracking and to aid in future claim adjudication.

2) Integration Services

ADMIN1 can be integrated with a number of third-party providers, depending on the specific needs of Sample Client. Integration means ADMIN1 exchanges information with other vendors automatically, removing the need to manually enter data and introduce potential errors associated with manual data entry. Note that while ADMIN1 can be integrated with a number of third-party providers, it is still Sample Client's responsibility to maintain a relationship with such third-party providers, as well as pay for any services directly to those providers as may be required.

Specific integration opportunities for Sample Client include:

1. Data imports/exports
2. A third-party accounting package
3. Custom integration with a new vendor to ADMIN1

3) Single-Use Credit Card

ADMIN1 can integrate with a single-use credit card vendor, enabling Sample Client to automatically issue claim payments via fax/email to support the claims adjudication process.

4) Custom Reports

The data contained within ADMIN1's database is available for customized reports to support Sample Client's unique needs.

5) System Customizations

At Sample Client's request – which would require a specific scoping document and pricing estimate to be created and agreed to between Sample Client and SIM-CO, SIM-COM would be willing to provide additional features or customization to ADMIN1.
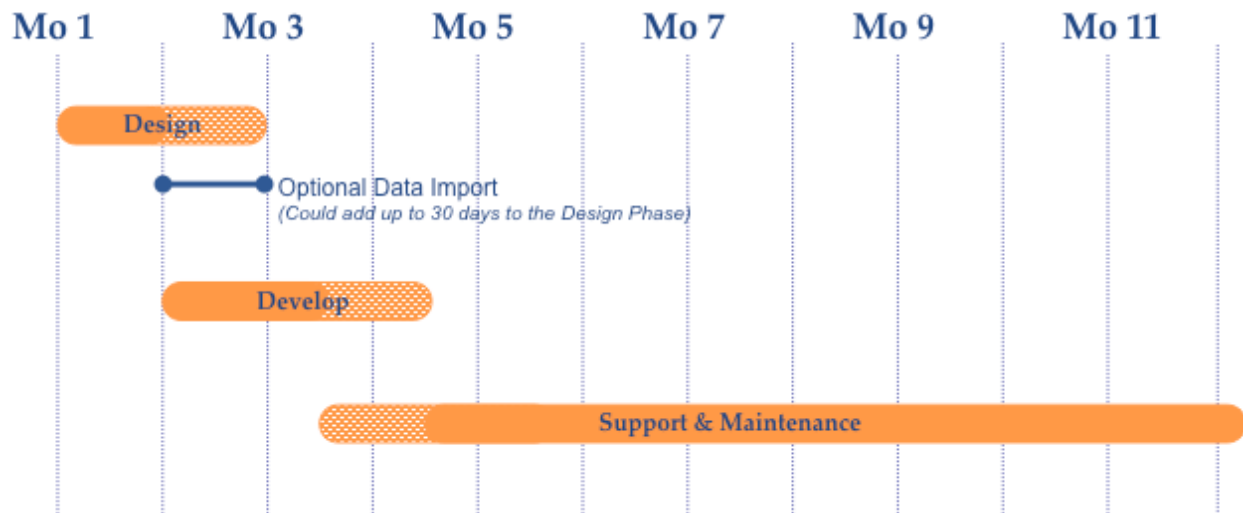
6) Other Assistance

For an additional fee, SIM-CO will provide new or face-to-face training sessions (note that replays of web-based training sessions are free), as well as assist with data corrections. Data corrections may

be necessary, if a large number of errors are introduced into the data. For example, if a collection of contracts are not priced properly.

Proposed Timeline

SIM-CO utilizes a three-stage implementation timeline, based on Design, Deploy and Support & Maintain.

➢ **Design**: This is a consultative phase, whereby SIM-CO evaluates and learns of the customizations needed by Sample Client for implementation of ADMIN1. We estimate approximately thirty (30) days to complete this phase, if our assumptions below are correct and Sample Client does not desire any data imports. If Sample Client does require data imports, they would be addressed in this phase, and add an *additional* fourteen (14) to thirty (30) days required to complete this phase.

➢ **Deploy**: This is the phase where customizations, access control, integration, and training to relevant stakeholders is conducted, and concludes with an acceptance test and a dry-run. Once Sample Client acceptance testing concludes, and training and the dry-run have finished, a carefully controlled "switchover" will occur, at which time the third phase begins. We believe this phase will take approximately thirty (30) to forty-five (45) days to complete.

➢ **Support & Maintain**: This is the final phase, where Sample Client will be using ADMIN1 in a "live" setting. SIM-CO will dedicate an employee specifically to the needs of Sample Client, who will be individually responsible for answering questions, helping, training and solving issues; with clear lines of escalation to ensure SIM-CO meets its SLA requirements (defined below) to Sample Client. This represents the final phase of the implementation, and will run for the remainder of the relationship.

Service Level Agreement (SLA)

Our SLA is based on the severity of an issue to your business. Our normal business hours of operation are from 8am to 6pm, MST, weekdays excluding weekends and holidays. The following table summarizes our maximum callback times, with an effort to resolve any issues as quickly as possible:

Client Impact	Code	Description	Maximum Call-Back Time
Critical	CI-1	Client impact is very high. Functionality is unavailable, severely corrupted, or severely degraded for a significant number of employees. An example of this would be ADMIN1 is down and not functioning.	2 Business Hours
Serious	CI-2	Client impact is high. Functionality is unavailable, severely corrupted, or severely degraded for a limited number of employees. An example of this would be an important piece of functionality within ADMIN1 is unavailable.	4 Business Hours
Medium	CI-3	Client impact is moderate. A bypass or manual fix is available.	1 Business Day
Minor	CI-4	Little to no Client impact. Functionality is degraded, but this degradation is relatively insignificant. An example of this would be a cosmetic defect.	3 Business Days

Furthermore, our SLA includes the following guarantees:

➢ No more than four (4) business hours of server downtime in the rare case of a server crash.
➢ No more than 30 minutes to restore data from a database failure.

Assumptions

This proposal assumes the following, and any changes in these assumptions could impact SIM-CO's ability to deliver ADMIN1 on time or could impact the overall fees associated with this relationship.

➢ VPN Access: Sample Client must configure a VPN tunnel to SIM-CO's data center, or purchase, install and configure VPN clients compatible with SIM-CO's network and datacenter, so that a VPN connection may be established between SIM-CO and Sample Client.

➢ Access to ADMIN1: Sample Client employees must have the appropriate access to the Internet, and each employee who has access to ADMIN1 must have a computer sufficiently configured to use Microsoft Terminal Server.

➢ Primary Contact: Sample Client will assign a primary contact, who shall be available to answer questions, escalate issues and channel support issues to and through SIM-CO.

➢ Subject to the Execution of a Contract: Acceptance of this proposal requires that Sample Client properly execute SIM-CO's lease agreement for ADMIN1.

➢ <u>Third-Party Integration</u>: Sample Client will take responsibility and ownership of any and all third-party integration fees and expenses.

➢ <u>Historical Data, Extraction Assistance</u>: SIM-CO assumes Sample Client can and will extract and make available the historical data for active contracts to SIM-CO in a format compatible with ADMIN1. At a minimum, Sample Client will need to provide the historical data for active contracts (if it so chooses), and submit this data in a proper format, as defined by SIM-CO. Sample Client assumes responsibility for any costs and efforts associated with all data extraction.

➢ <u>Timely Responses</u>: Both Sample Client and SIM-CO will respond within 24 hours or less, and both parties will use commercially reasonably practices to meet promises, expectations and timeline requirements.

➢ <u>Requests for Optional Services and Features</u>: If Sample Client makes a request for any service or feature deemed "optional" in this proposal, SIM-CO reserves the right to NOT conduct any work until it receives a written authorization from Sample Client approving the work and additional expense. Furthermore, ***any optional services and features added will impact the timeline, and SIM-CO will need to issue a revised "Go-Live" date, representing the initiation of the third phase, Support & Maintenance***.

OUR FEES

There are two types of fees: (1) one-time fees associated initial setup expenses or option services and featured requested by Sample Client and (2) recurring fees. Recurring fees depend on the number of new service contracts entered into ADMIN1 in any given month.

Description of Service	Fees and Expenses	
	One-Time	Monthly Recurring
Initial Setup & Implementation Fee *(Includes system, network and software setup, and configuration; and training as specified in within this proposal)*	$124,050	
Ongoing Monthly Use of ADMIN1 & OLÉ *(Price per new service contract entered into the system on a monthly basis, minimum charge of $5,000 per month; No other recurring fees, including but not limited to deleted contracts, closed contracts, or historical contracts)* *(Includes unlimited access to training replays, and support and maintenance as defined by the SLA in this proposal)*		$1.31/SC
Dedicated Microsoft Terminal Server *(To be located and installed at SIM-CO facilities, dedicated to the needs of Sample Client)*	$8,000	
Totals:	**$132,050**	**$1.31/SC**
Optional Services		
Data imports from data extractions *(For active and closed contracts; or active only contracts)*	$160/hour	
New or Face-to-Face Training Sessions *(Unlimited access to training replays will be available without an additional expense to Sample Client)*	$160/hour	
Custom Report Creation *(Includes any data extraction or reporting services, including helping you export your data should you elect to not renew your contract!)*	$160/hour	
Data Corrections *(Assistance is available if someone inadvertently corrupts any customer or configuration data)*	$160/hour	
Customizations *(Beyond initial branding, as defined in this proposal)*	$130/hour	
Functional Enhancements to ADMIN1 *(SIM-CO will be consider expedite SIM-CO development timelines, or deliver additional functionality not contained within SIM-CO's roadmap for an additional fee; Such efforts and expenses subject to a scoping document that must be agreed to between SIM-CO and Sample Client)*	$190/hour	

SIM-CO shall invoice for actual out-of-pocket expenses incurred on Sample Client's behalf, including reasonable and pre-approved travel-related expenses. Any expenses invoiced to Sample Client shall first be approved by Sample Client.

OUR COMPANY

SIM-CO is a 60 year-old third-party administrator of finance and insurance products that is offering a Software-as-a-Service (SaaS) capability to other third-party administrators. It boasts carrier-class datacenters and network connectivity, led by industry veterans in SaaS-based businesses, insurance and third-party administration.

ADMIN1 is managed and maintained by eight employees focused on software development and client support. Our employees are very experienced in Microsoft server technologies, utilize an agile development methodology, and have significant experience delivering e-commerce and PAS to high-growth TPA's.