

**SIDE LETTER AGREEMENT FOR GROUP LIFE AND  
ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE**

THIS SIDE LETTER AGREEMENT ("Agreement") made and entered into this \_\_\_\_\_ day of September, 2016 by and between the Government of the Virgin Islands, through the Health Insurance Board of Trustees, (the "Government") the Virgin Islands Port Authority (the "Authority"), the University of the Virgin Islands ("UVI"), the St. Thomas East End Medical Center ("East End Medical"), and Frederiksted Health Care, Inc. ("FHC") (the Government, the Authority, UVI, East End Medical, and FHC hereinafter collectively referred to as the "Employer") and ALIC Life Insurance Company (hereinafter "ALIC").

WITNESSETH:

WHEREAS, the Employer consists of the Government of the Virgin Islands and its independent instrumentalities; and

WHEREAS, the Employer provides group health insurance benefits to their eligible employees, retirees and their dependents; and

WHEREAS, in accordance with Title 3, Chapter 25, Subchapter VIII, of the Virgin Islands Code, the Employer issued a Request for Proposal from companies interested in providing group health insurance coverage for its employees; and

WHEREAS, ALIC along with other companies submitted a proposal to provide health insurance benefits to the Employer; and

WHEREAS, the Employer has accepted the proposal of ALIC and the parties have negotiated and arrived at an agreement for the terms of the contract; and

WHEREAS, the terms of the Group Life and Accidental Death and Dismemberment Agreement shall consist of the terms provided herein and the terms of the addenda and attached exhibits which are fully incorporated herein by reference; and

NOW THEREFORE, for and in consideration of the mutual covenants and promises made herein, the parties agree as follows:

**1. TERM**

This Contract shall be in force and effect for a period of twelve (12) months beginning October 1, 2016 and ending September 30, 2017. At the option of the Employer, this contract may be renewed, with terms to be renegotiated by the parties, for an additional twelve (12) month period. The Employer shall give notice of its intent to renew the contract at least sixty (60) days prior to the expiration of the term of the Contract.

## 2. COMPENSATION FOR INSURER

- A. The premium rates paid by the Employer to ALIC shall be those as listed in Attachment 1 to this Contract.
- B. The premium rates referenced in Attachment 1 shall remain in effect for a twelve (12) month renewal term commencing October 1, 2016 and terminating September 30, 2016.
- C. ALIC shall generate monthly premium bills, which shall be due and payable as follows:

### Payment by the Government, East End Medical, and FHC

ALIC shall, on a monthly basis during the term of the Contract, bill the Government for payment of premiums. All premium payments invoiced to the Government under the Contract shall be due and payable to ALIC by 15<sup>th</sup> day of the month 60 days following the first of the month on which the Government received the subject monthly invoice (the "Government Premium Due Date").

If the Government fails to make any payment by the Government Premium Due Date, then ALIC may terminate the Contract, with respect to the Government, for non-payment of premium, provided that ALIC complies with the notice provisions for termination set out in Section 15 of this Contract.

### Payment by the Authority and UVI

ALIC shall, on a monthly basis during the term of the Contract, bill the Authority and UVI for payment of premiums. All premium payments invoiced to the Authority and UVI under the Contract shall be due and payable to ALIC by 15<sup>th</sup> day of the month following the date on which the Authority or UVI, as the case may be, received the subject monthly invoice (the "Instrumentality Premium Due Date").

If the Authority or UVI fails to make any payment by the Instrumentality Premium Due Date, then ALIC may terminate the Contract with, respect to the Authority or UVI, for non payment of premium, provided that ALIC complies with the notice provisions for termination set out in Section 15 of this Contract.

It is agreed that the Government of the Virgin Islands, the Authority and UVI shall each be responsible for paying their respective premiums separate and apart from the responsibility of each other. Failure by one or more of said entities to make timely payments shall not affect the benefits and services to the other entity or entities continuing to make timely payment.

### 3. BENEFITS PLAN

The benefits provided to all active employees or retired employees shall be as follows:

A. Active Employees employed by Government, UVI, East End Medical, and FHC

1. Basic Life Insurance.

Class 2 – All Active, full time Government Employees

Class 3 – All Active, full time University of Virgin Islands Employees

Class 4 – All Active, full time St. Thomas East End Medical Center Employees

Class 5 – All Active, full time Frederiksted Health Center employees

The above eligible Classes shall be provided a Flat \$10,000 as a death benefit for all eligible full time employees.

2. Supplemental Life Insurance.

Class 2, 3, 4, 5 - At the eligible employee's timely election and authorization to deduct the proper contribution:

Plan A - up to 4 times Basic Annual Earning, rounded to the next higher thousand unless already a multiple thereof, not to exceed \$500,000.

Or

Plan B - Flat Options of:

Option 1 – \$5,000

Option 2 - \$10,000

Option 3 - \$15,000

Option 4 - \$25,000

Option 5 - \$50,000

Option 6 - \$75,000

Option 7 - \$100,000

Option 8 - \$150,000

3. Basic Accidental Death & Dismemberment.

Class 2, 3, 4, 5 – A Flat \$10,000 shall be provided as a Basic AD&D benefit for all eligible full time employees.

4. Supplemental Accidental Death & Dismemberment.

Class 2, 3, 4, 5 - At the eligible employee's timely election and authorization to deduct the proper contribution:

Plan A - up to 4 times Basic Annual Earning, rounded to the next higher thousand unless already a multiple thereof, not to exceed \$500,000;

Or

Plan B - Flat Options of:

Option 1 - \$5,000

Option 2 - \$10,000

- Option 3 - \$15,000
- Option 4 - \$25,000
- Option 5 - \$50,000
- Option 6 - \$75,000
- Option 7 - \$100,000
- Option 8 - \$150,000

5. Supplemental Dependent Life Insurance.  
Class 2, 3, 4, 5 - At the eligible employee's timely election and authorization to deduct the proper contribution to provide supplemental dependent term life insurance in the amounts of:

\$10,000 for each eligible spouse, \$5,000 for each eligible child up to age 26.

B. Retired Employees of the Government

1. Basic Life Insurance.  
Class 6 – All Government retirees of the ER  
  
Flat \$5,000 shall be provided as a death benefit for all eligible retired employees
2. Supplemental Life Insurance.  
Class 6 - At the eligible retiree's timely election and authorization to deduct the proper contribution from the retiree's pension check to provide term life insurance:

- Flat Options of:
- Option 1 - \$5,000
  - Option 2 - \$10,000
  - Option 3 - \$15,000
  - Option 4 - \$20,000
  - Option 5 - \$25,000
  - Option 6 - \$30,000
  - Option 7 - \$50,000
  - Option 8 - \$75,000
  - Option 9 - \$100,000
  - Option 10 - \$150,000

provided, however, that the eligible retiree cannot elect more than the amount in effect prior to retirement.

3. Supplemental Dependent Life Insurance.  
Class 6 - Dependent Life Insurance.

At the eligible employee's timely election and authorization to deduct the proper contribution to provide supplemental dependent term life insurance in the amounts of:

\$10,000 for each eligible spouse, \$5,000 for each eligible child up to age 26.

C. Virgin Islands Port Authority Active Employees

Class 1 – All active full time Port Authority employees of the ER

1. Basic Life Insurance.

Class 1 – 1.5 times the employee's annual salary, rounded to the next higher \$1,000, shall be paid as a death benefit for all eligible employees, to a maximum benefit of \$100,000.

2. Supplemental Life Insurance.

Class 1 - At the eligible employee's timely election and authorization to deduct the proper contribution:

Plan A - up to 4 times Basic Annual Earning, rounded to the next higher thousand unless already a multiple thereof, not to exceed \$500,000;

Or

Plan B - Flat Options of:

Option 1 - \$5,000

Option 2 - \$10,000

Option 3 - \$15,000

Option 4 - \$25,000

Option 5 - \$50,000

Option 6 - \$75,000

Option 7 - \$100,000

Option 8 - \$150,000

3. Basic Accidental Death and Dismemberment.

Class 1 – 1.5 times employee's Basic Annual Earnings, rounded to the next higher \$1,000, shall be paid as an Accidental Death & Dismemberment benefit for all active employees, to a maximum benefit of \$100,000.

4. Supplemental Accidental Death & Dismemberment.

Class 1 - At the eligible employee's timely election and authorization to deduct the proper contribution:

Plan A - up to 4 times Basic Annual Earning, rounded to the next higher thousand unless already a multiple thereof, not to exceed \$500,000;

Or

- Plan B - Flat Options of:  
Option 1 - \$5,000  
Option 2 - \$10,000  
Option 3 - \$15,000  
Option 4 - \$25,000  
Option 5 - \$50,000  
Option 6 - \$75,000  
Option 7 - \$100,000  
Option 8 - \$150,000

5. Supplemental Dependent Life Insurance.  
Class 1 - At the eligible employee's timely election and authorization to deduct the proper contribution to provide supplemental dependent term life insurance in the amounts of:

\$10,000 for each eligible spouse, \$5,000 for each eligible child (Inforce Plan) up to age 26.

D. Retired Employees of the University of the Virgin Islands

1. Basic Life Insurance.  
Class 7 - All University of the Virgin Islands retirees who do not participate in GERS  
  
Flat \$5,000 shall be provided as a death benefit for all eligible retired employees who retired before this benefit was eliminated
2. Supplemental Life Insurance.  
Class 7 - At the eligible retiree's timely election and authorization to deduct the proper contribution from the retiree's pension check to provide term life insurance:

- Flat Options of:  
Option 1 - \$5,000  
Option 2 - \$10,000  
Option 3 - \$15,000  
Option 4 - \$20,000  
Option 5 - \$25,000  
Option 6 - \$30,000  
Option 7 - \$50,000  
Option 8 - \$75,000  
Option 9 - \$100,000  
Option 10 - \$150,000

provided, however, that the eligible retiree cannot elect more than the amount in effect prior to retirement.

3. Supplemental Dependent Life Insurance.

Class 7 - Dependent Life Insurance.

At the eligible employee's timely election and authorization to deduct the proper contribution to provide supplemental dependent term life insurance in the amounts of:

\$10,000 for each eligible spouse, \$5,000 for each eligible child (Inforce Plan) up to age 26.

E. Basic Annual Earnings

As used in this Contract, Basic Annual Earnings means an employee's annual wage or salary, as reported by the Employer, excluding bonuses, commissions, overtime pay, or extra compensation.

F. Evidence of Insurability Requirements

All active employees and retirees of the Employer otherwise eligible for supplemental coverage may be required to satisfy Evidence of Insurability ("EOI") requirements before coverage becomes effective. EOI is required for amounts that exceed the plan's Guaranteed Issue amount. Late applicants or applicants who enroll for coverage more than 31 days after having first been eligible EOI may be required. New hires or newly eligible enrollees do not have to submit EOI during the 31-day period of initial eligibility.

For active employees, EOI is required for increases in supplemental life coverage above one increment, up to the Guaranteed Issue amount. For retirees, all increases in coverage are subject to EOI review.

The Guaranteed Issue amounts for the plans are as follows:

Employees:

Plan A – 4 times Basic Annual Earnings or \$500,000, whichever is less

Plan B - \$150,000

Spouse: \$10,000

Child: \$5,000

After the initial eligibility period, any increase in coverage over a \$10,000 increment for Plan A or B is subject to EOI requirements.

4. **ENROLLMENT**

All active employees and retirees of the Employer who satisfy the eligibility requirements set out in this Contract shall be eligible to enroll for the benefits offered by ALIC under this Contract.

## **5. UNSETTLED CLAIMS**

ALIC will pay delayed settlement interest in those jurisdiction(s) where applicable laws and regulations require. Upon the final settlement of the claims, ALIC shall disburse the proceeds and accumulated interest to the beneficiary.

## **6. REPORTS**

A. ALIC shall provide the Employer with the following standard reports on a quarterly basis:

- (1) Individual listing of pending death claims;
- (2) Individual listing of death claims payments;
- (3) Experience Report (premiums v. claims for the applicable period and cumulative to date illustrated separately by line of coverage);
- (4) Individual claims for the applicable period and cumulative to date; and
- (5) Monthly enrollment totals

B. ALIC shall on a quarterly basis provide the Employer with utilization reports stated separately by:

- (1) Coverage type (Basic Life and Accidental Death and Dismemberment, Supplemental Life and Accidental Death and Dismemberment, and Dependent Spouse and Child)\*;
- (2) Covered entities (Government of the Virgin Islands, UVI, the Authority, East End Medical, and FHC); and
- (3) Coverage class (active employees and retirees)

\* Dependent life claims shall not be separated by coverage type (i.e. spouse v. child).

C. ALIC shall also on a quarterly basis provide the employer with reports on the reserves for incurred but not yet reported claims (this report shall also be provided on an annual basis)

## **7. TOLL FREE CUSTOMER SERVICE NUMBER**

ALIC shall, during regular business hours, provide toll free telephone customer service.

**8. APPROVAL and CONTRACT EFFECTIVE DATE**

This Agreement is subject to and shall become effective upon the approval of the Governor of the Virgin Islands and the Legislature of the Virgin Islands.

**9. TAXES and LICENSURE**

ALIC shall maintain the appropriate licenses to conduct business in the Virgin Islands and shall pay all fees and taxes imposed by the Federal and Territorial government agencies, for its operations in the Virgin Islands. ALIC shall also comply with all local and federal laws and rules and regulations applicable to and pertaining to insurance and insurance transactions the Virgin Islands.

**10. LIABILITY OF OTHERS**

Nothing in this Contract shall be construed to impose any liability upon the Employer by persons, firms, associations, or corporations engaged by ALIC as servants, agents, independent contractors, or in any other capacity whatsoever, or make the Employer liable to any such persons, firms, associations or corporations for the acts, omissions, responsibilities, obligations and taxes of ALIC of whatsoever nature, including but not limited to unemployment insurance and social security taxes for ALIC, its servants, agents or independent contractors.

**11. ASSIGNMENT**

A. Assignment. ALIC shall not assign any rights under this Contract without the prior written approval of Employer.

B. Delegation. Nothing set forth herein, however, shall preclude ALIC from assigning or subcontracting to its subsidiaries and affiliates any of its obligations due and owing to the Employer. Moreover, nothing herein shall preclude ALIC from assigning or subcontracting any obligations to any entity currently performing services for ALIC. Any such subcontracting or assignment shall not relieve ALIC of the ultimate responsibility for the performance of the Agreement.

C. The Employer shall not assign any part of the services under this contract to any instrumentalities or agencies not specifically named in this document without the prior written approval of ALIC, which approval shall not be unreasonably withheld.

## **12. INDEMNIFICATION**

ALIC agrees to indemnify, defend and hold harmless the Employer from and against any and all loss, damage, liability, claims, demands, detriments, cost charges and expenses (including attorney's fees) and causes of action of whatsoever character which the Employer may incur, sustain or be subjected to, arising out of or in any way connected to the services to be performed by ALIC, its affiliates, subcontractors or agents under this contract. Notwithstanding the above, ALIC's duty to indemnify, defend and hold Employer harmless shall not extend to acts or omissions of the Employer, its officers, directors, or employees or to acts or omissions of non-employee participating providers who provide services in any network for Employer's Plan hereunder.

## **13. INDEPENDENT CONTRACTOR**

ALIC shall perform this Contract as an independent contractor and nothing herein contained shall be construed to be inconsistent with this relationship or status.

## **14. TERMINATION**

- A. This Contract may be terminated only as follows:
1. By mutual agreement of the parties.
  2. By the Employer, if it deems that it is in its best interest to do so. The Employer shall give ALIC THIRTY (30) DAYS written notice of its intent to terminate the Contract under this paragraph. In the event of termination under this paragraph, the ALIC shall be entitled to premium payments up to and including the date of termination.
  3. By ALIC in the event of nonpayment of premiums when due, as provided under Section 2 herein. In the event of termination under this paragraph, ALIC shall be entitled to premium payments up to and including the date of termination.
- B. Notice of termination shall be given a party by certified mail with return receipt requested, addressed to the other party as provided in Section 31 of this Contract, and shall specify with particularity the nature and date of the termination.
- C. In the event of termination of this Agreement, the Employer has the sole responsibility to notify all employees of the termination.
- D. Notwithstanding anything herein to the contrary, in the event this Contract is terminated, ALIC shall continue to process claims incurred while the Contract was in effect so long as such claims are filed prior to the termination date of the Contract.

**15. GOVERNING LAW**

A. This Contract shall be governed by the laws of the United States Virgin Islands and jurisdiction over any matter or dispute with respect to this Contract is exclusive in the courts, both local and federal, sitting in the U.S. Virgin Islands.

B. ALIC covenants that it has familiarized itself with the applicable provisions of Title 22, Virgin Islands Code.

**16. WAIVERS AND AMENDMENTS**

No waiver, modification or amendment of any term, condition or provision of this Contract shall be valid or of any force or effect unless made in writing, signed by the parties hereto or their duly authorized representative, and specifying with particularity the nature and extent of such waiver, modification or amendment. Any such waiver, modification or amendment in any instance or instances shall in no event be construed to be a general waiver, modification or amendment of any of the terms, conditions or provisions of this Contract, but the same shall be strictly limited and restricted to the extent and occasion specified in such signed writing or writings.

**17. AUTHORITY**

Each party warrants and represents that it is authorized to enter into this Agreement, and agrees to be bound by the terms herein. The parties further warrant and represent that the persons signing on their behalf are representatives of the entity with proper and sufficient authority to bind the entity to the terms of this Agreement.

**18. RETENTION OF RECORDS AND ACCESS BY GOVERNMENT AGENCIES**

ALIC, including its employees and subcontractors, shall maintain all claim records and supporting documentation books, accounting records and other evidence pertaining to costs expended or incurred under this Contract and make such materials available at their respective offices at all reasonable times, for inspection by authorized officials of the United States Virgin Islands, and concerned Federal agencies. Each subcontract shall include a substantially similar provision containing the conditions of this Section. This documentation described in this Section shall be retained and preserved for a period of SIX (6) years from the date of expiration or termination of this Contract.

In this regard, the documentation resulting from the services under this Contract will be reviewed by the Government and these agencies, and ALIC will be required to make any corrections required by these agencies as a result of their evaluations, subject to the terms of this Contract. The Government will give Contractor reasonable notice of at least THIRTY (30) workdays for any inspection of documentation as set forth herein.

## **19. RIGHT TO RECOVER**

ALIC shall be financially responsible for any errors in its claims processing under this Contract arising out of ALIC's own acts or omission (said errors hereinafter referred to as "ALIC Claims Errors"). Any ALIC Claims Errors shall be reconciled and, as applicable, be credited or paid to the beneficiary or other appropriate under this Contract. ALIC warrants that unless an ALIC Claims Error results in financial benefit to Employer in the underwriting and determination of premium rates under this Contract, such Error shall not be a factor in such underwriting and determination of premium rates. ALIC also warrants that if factoring an ALIC Claims Error in the underwriting and determination of premium rates under this Contract results in a financial benefit to Employer, it shall factor the Error in such underwriting and determination of premium rates. Further, ALIC warrants that it shall not, as a result of any ALIC Claims Error, charge Employer any amount in addition to the agreed upon premium rates.

## **20. EMPLOYER'S RIGHT TO RECEIVE CLAIMS DATA**

All claim records and supporting documentation will be made available to the Employer as needed. Employer has the sole right to determine which records or facts are needed and ALIC shall provide such records and facts to Employer within THIRTY (30) days of Employer's written request for the information.

## **21. ALIC PERSONNEL**

The ALIC shall commit a cohesive, dedicated, highly trained skilled core team to the management and administration of the Benefit Plan (said team hereinafter referred to as the "Government Plan Management Team"). ALIC shall also assign an account representative, who shall be a member of said core team, to the Government Plan who shall be available as needed to respond to inquiries from the Board and the Office of Group Health Insurance. ALIC shall provide employer with the names of the individual constituting the Government Plan Management Team and a brief summary of the qualifications and professional experience of such individual. ALIC shall advise the Government of any change in the composition of the Government Plan Management Team. During the course of this Contract, Employer reserves the right to require ALIC to reassign or otherwise remove any individual member of the Government Plan Management Team that the Employer deems unacceptable.

## **22. ACCOUNTING REQUIREMENTS**

With respect to this Contract, ALIC shall establish and maintain an accounting system in accordance with Generally Accepted Accounting Principles (GAAP). The accounting system shall maintain records pertaining to the Plan described in this Contract and all cost and expenditures associated with this Contract.