

# REQUEST FOR PROPOSAL

**Date Printed:**

March 15, 2013

THIS IS NOT AN ORDER

RFP No. **INS13020**

Return one (1) original & six (6) convenience copies to:

Vickie Marcum, Administrative Support Mgr.  
WV Offices of the Insurance Commissioner  
1124 Smith Street  
Charleston, WV 25301

**Bid Opening Date:**

April 12, 2013

**Bid Opening Time:**

2:00 p.m.

## **ADDENDUM #1**

This addendum is being released to respond to vendors questions received prior to the deadline of March 1, 2013 at the close of business. In addition, we are changing the bid opening date and time as follows:

**Changing bid opening**

**From:** April 5, 2013 @ 2:00 p.m.

**To:** April 12, 2013 @ 2:00 p.m.

# REQUEST FOR PROPOSAL

## Addendum #1

State of West Virginia  
Offices of the Insurance Commissioner

INS13020

### Questions for the state of West Virginia Offices of the Insurance Commissioner (OIC)

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1. No mention is made as to the location of inserting neither the Purchasing Affidavit nor the Addendum Agreement. What section are they to be placed in the proposal document?

***Answer: The Purchasing Affidavit and the Addendum Agreement can be placed anywhere within the vendor's response as long as it is identified in the Table of Contents.***

2. What is the impetus for issuing the RFP for Actuarial Services at this time?

***Answer: The time frame specified under the current contract is expiring.***

3. Can we receive a copy of the most recent version of each of the following analyses?

- Reserve analysis for the State Entities Workers' Compensation (SEWC) program – ***The analysis that was provided for the previous fiscal year is attached. However, this is not the format that should be utilized for the current fiscal year. The current fiscal year analysis should resemble and be included with the analyses of the other Workers' Compensation Funds.***
- Modification of the Self-Insured Methodology - ***Attached***
- Analysis of the experience modification factors; and – ***Part of the attached report***
- True Up evaluation for the SEWC program. – ***Part of the attached report***

4. Regarding 3.4.15, Liquidated Damages, what provision is made should the delay be beyond the control of the vendor, such as the failure of the third party administrators to provide timely or correct data?

***Answer: The third party administrators have contractual obligations to deliver the data on a timely basis. The OIC vigorously monitors the timely delivery of the data from the TPAs. The actuarial firm selected will have the opportunity to review the data provided by the TPAs and request any clarifications or revisions. In the unlikely event some unforeseen circumstances would impact the specified timeframes that would be beyond the control of the vendor, the OIC would be willing to discuss the circumstances with the vendor. No implied guaranty of relief from the provisions in 3.4.15 is made by these statements, as the specific facts and circumstances of events would have to be considered.***

5. What process does the OIC and/or its auditor have in place to assure the reliability of the data provided the actuarial vendor?

**Answer: The OIC performs reasonableness checks & analysis on the data provided by the vendor. The auditor engages an independent actuarial firm for the specific purpose of providing assurances of the reliability of the data and the reasonableness of the estimate.**

6. RFP INS#13020 includes the following requirements in addition to the only report on the disk that accompanied the RFP, the *Actuarial Review of the Workers' Compensation Old Fund, Coal Workers' Pneumoconiosis Fund, Uninsured Employer's Fund and Self-Insured Funds as of June 30, 2012* report.
- a. Does the current RFP require a Statement of Actuarial Opinion (SAO)? If so, please provide a copy of the most recent SAO. **The current RFP does require a Statement of Actuarial Opinion of which the necessary communications are contained in the first 6 pages of the Actuarial Review as of June 30, 2012.**
  - b. Does the current RFP require an analysis each year to determine the experience modifications factors (e-mods) for each of the agencies in the SEWC program? **Yes** If so, please provide a copy of the most recent report providing the e-mod analysis. **Copy attached**
  - c. Does the current RFP require a True Up evaluation to determine if any premium adjustments are needed for the agencies in the SEWC program and how this will be billed? **Yes** If so, please provide a copy of the most recent report providing the premium adjustments. **Copy attached**
  - d. Does the current RFP require a payback plan to address the SEWC startup loan that was received by the OIC? **Yes** If so, please provide a copy of the most recent report addressing the payback plan. **No copy is available as this is the first year this service is being provided and report is not yet available.**

7. What is the current vendor's maximum price?

**Answer: Due to the characteristics of an open-ended contract, there is not a maximum price. The average price of the past four years is \$151,844**

8. Please provide a copy of the current vendor's contract, the prior Request for Proposal and the current vendor's response to the prior Request for Proposal.

**Answer: Copy attached**

9. How many on-site visits did the current vendor make over the last two years and what was their duration? How many visits might be expected for the next two years? Does this number include the entrance conference?

**Answer: Approximately one on-site visit per year for each year. The duration is generally one day. The entrance conference at the start of the contract is not included and should be conducted on-site. However, an entrance conference in renewal years can be telephonic.**

10. How many firms/individuals bid last time these services were needed?

**Answer: The OIC received seven (7) responses the last time we released an RFP for these services.**

11. Who is the incumbent Actuary(ies) for each of the services included in the RFP?

**Answer: Pinnacle Actuarial Services**

12. How many years has the incumbent(s) provided the requested services?

**Answer: Four years (4).**

13. Why is the State of West Virginia Offices of the Insurance Commissioner bidding for these services? (e.g. Required by law? Unhappy with existing provider?, etc.)

**Answer: The current contract is expiring. Note: All OIC contracts have specified time frames.**

14. Is it possible to get a copy of the prior proposals(s) submitted by the incumbent(s)?

**Answer: See question #8 above.**

15. What was the annual cost to the State of West Virginia Offices of the Insurance Commissioner for the most recent actuarial services contained in this RFP?

**Answer: See question #7 above.**

16. Is it possible to get a copy of the following:

- A report documenting the existing self-insured methodology for the purpose of calculating the amount of security or bond to be provided by employers who wish to self-insure their workers compensation liability?
- The most recent actuarial reserve report and analysis of the State Entities Workers Compensation Program, if available.

**Answer: See question #3 above.**

17. Regarding the SEWC, how were the individual agencies, commissions, and boards insured prior to the passage of H.B. 3163? **They obtained individual coverage separately.** Are historical exposure and claims data available for each entity on a class code/claim level? If so, please describe the source and format of this data.

**Answer: Yes, the data is available in Excel format. This data was obtained from the respective carriers.**

18. Regarding the SEWC Experience Mod Calculations, what methodology is currently used to determine these factors?

**Answer: The NCCI experience rating formula is used to calculate the SEWC experience mods.**

19. Regarding the SEWC True Up Evaluation, on what basis is the OIC expecting this evaluation to be performed (i.e., an audited payroll basis, retrospective loss basis, etc.)?

**Answer: True up is based on losses for the policy period.**

20. Regarding the SEWC Startup Loan Payback Plan, please provide any contractual terms to the loan, such as: size and source of loan, interest rates, payment period, etc. **A transfer was made from the OIC operating fund to the SEWC fund in July 2011 in the amount of approximately \$22 million dollars as startup funding. This transfer was in compliance with West Virginia Code 33-2-21a. Per Code there is no interest.** Does the OIC intend to build the loan repayment into the premiums charged to members?

**Answer: That is an option but no final decision has been made at this time.**

21. Who are the current TPAs supporting OIC?

**Answer: Sedgwick CMS, Wells Fargo Third Party Administrators, American Mining Claims Services**

22. Will vendors be expected to interact with the TPAs directly (what interaction is expected) or only through Financial Accounting Department?

**Answer: Mainly through the Financial Accounting Department, but some limited direct contact with the TPAs may occur if that is the most efficient manner to resolve a specific issue.**

23. Would it be possible to request additional data feeds or different cuts of date to aid our analysis?

**Answer: Yes, within reason. The OIC reserves the right to review requests for additional data.**

24. Would you require separate reports for WC funds administered OIC and SEWC?

**Answer: We do not understand this question, but will attempt to clarify what we think is being asked. The vendor will need to issue a reserve report to support the annual financial statements for all OIC Funds being administered (including SEWC). There are also separate reports for the SEWC that are not related to the audited financial statements.**

25. Are all items in the scope or work, except "answering questions from auditors and other authorized parties" and "Under an open end contract" items required on fixed fee base? Or is there some other split (please specify)?

**Answer: Included in the fixed fee, maximum price:**

**Reserves for Audit, including: Workers' Compensation Old Fund, Coal Workers' Pneumoconiosis Fund, Uninsured Employer's Fund, Self-Insured Guaranty Fund, Self-Insured Security Fund, and the SEWC Loss Reserve Fund - This section includes the following: certified actuarial loss reserve reports, statement of actuarial opinion, required financial statement schedules, tables, and reconciliations, and payout patterns**

**Self-Insured Liability Model Update: modifications to the exiting self-insured methodology, including updating IBNR and discount factors**

**SEWC Funding Study: analysis to determine the experience modification factors, True Up evaluation to determine premium adjustments related to deductible plan, designing payback plan to address the SEWC startup loan**

**All other items are to be billed based on the hourly rates that should be provided to the OIC in the Hourly Rate Schedule. An example of this would be preparing an estimate for the cost of proposed legislation.**

26. Is there an exception of at least a minimum number of on-site visits, if so how many or in general how many envisioned?

**Answer: We are not certain that we understand the question. Assuming that the question may be related to the expectation of how many on-site visits, here is a response: The initial entrance conference must be in person. Other than that, the OIC is flexible with regard to on-site visits. The majority of communication with the actuarial firm is done via conference calls and e-mail.**

27. Can you provide further clarification of what is required for the “modify self insured methodology, for the purpose of the calculating the amount of security or bond ...”?

**Answer: The current methodology utilizes employer provided data (Total Paid and Total Reserve per calendar year and Payroll by NCCI Classification) and applies loss development factors to estimate the Ultimate Liability using both Paid and Incurred methods. The two most current years of the calculation employ the Bornhuetter-Ferguson Method. A prospective year calculation is based on the payroll of the employer, their NCCI classification, and a credibility factor. Each update to the methodology will require the accommodation of a new year of data and any updates to the loss development factors. The liability is presented on an Undiscounted and Discounted basis, so discount factors will also need to be reviewed yearly to ensure relevance.**

28. Can you clarify whether the training to OIC actuarial and accounting staff needs to be accredited training or not?

**Answer: The training does not need to be accredited.**

29. Can you provide further clarification on what level and/or form the testimony is envisioned under “under open end contract”? Is this intended to be expert witness testimony or fact-witness testimony or both?

**Answer: It could be either, but expert witness would be the most likely. This service has not been necessary or requested by the OIC under the current contract.**

30. Does “...providing assistance in developing adjusting and conversion factors and methodology” mean you are looking for case reserve estimation process and procedures or just likely level of factors indicated by the actuarial analysis conducted?

**Answer: Case Reserve estimation process and procedures.**

31. Please clarify the nature of “actuarially derived items in the OIC’s financial statements” for which a Statement of Actuarial Opinion is required. Is this intended to relate only to workers compensation funds which are included in this RFP and specifically exclude any other actuarially determined items, such as retirement, OPEB, or health insurance (Access WV)?

**Answer: Yes.**

32. Please clarify which services are to be included in the all inclusive maximum price. Are all items in the “Under an Open End Contract” outside of this all inclusive maximum fixed price?

**Answer: See question #25.**

33. Who currently provides your actuarial services, and how long have they provided such services?

**Answer: Pinnacle Actuarial Services. They have held the contract since 2009.**

34. Can we get a copy of the reports provided by your current actuarial service provider?

**Answer: Yes. See attached.**

35. If the current actuarial provider relies on the prior actuaries' reports, would we be able to access all prior actuaries' reports?

**Answer: Most likely. The OIC may still have the documents in its archives. To the extent that we do not, the predecessor actuarial firm has been very cooperative with the current contract holder and would very likely be willing to assist in the future.**

36. Does the scope of this RFP substantially cover the same services provided by your current actuarial consultant or have items been added or removed from the existing contract?

**Answer: Items related to the SEWC have been added since the current contract was issued.**

37. What level of fees was paid to your actuarial consultant in the past year?

**Answer: See question #7.**