

## SERVICES CONTRACT

**ITEM:** 3-S **Agency Contact:** Anne Timmons  
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**DEPARTMENT/PROGRAM:** Department of Budget and Management (DBM)  
Office of Personnel Services and Benefits,  
Employee Benefits Division (EBD)

**CONTRACT ID:** F10B3400001R; Group Term Life and Accidental  
Death and Dismemberment (AD&D) Insurance  
ADPICS # F10B3400001

**CONTRACT DESCRIPTION:** Provide contributory Group Term Life (Life)  
insurance services and contributory Accidental Death and Dismemberment (AD&D) insurance  
services for active, satellite account and retired employees, direct pay enrollees and their eligible  
dependents.

**AWARD:** Minnesota Life Insurance Co. (Minnesota Life)  
St. Paul, MN

**TERM:** 1/3/2013 - 6/30/2018  
(See Requesting Agency Remarks below)

**AMOUNT:** \$113,118,014 Est. (Life)  
\$ 10,921,696 Est. (AD&D)  
\$124,039,710 Cumulative Est. Grand Total (5 Yrs.)

**PROCUREMENT METHOD:** Competitive Sealed Proposals

**BIDS OR PROPOSALS:** See Attachments 1 (Life) & 2 (AD&D)

**MBE PARTICIPATION:** 1.02% (See Requesting Agency Remarks below)

**PERFORMANCE SECURITY:** None

**INCUMBENT:** Metropolitan Life Insurance Company  
New York, NY (Life and AD&D)  
(Local Office in Columbia, MD)

**REQUESTING AGENCY REMARKS:** A notice of the availability of the Request for  
Proposals (RFP) was advertised on *eMaryland Marketplace* and posted on DBM's Bid Board  
and the DBM website. Copies of the solicitation were emailed directly to 170 prospective

vendors, 143 of which are MBEs. Copies were also emailed to the Governor's Office of Minority Affairs.

The RFP provided for awards of two separate contracts: one to provide services for Group Term Life (Life) insurance and one to provide services for Accidental Death and Dismemberment (AD&D) insurance. A single contractor, Minnesota Life Insurance Co. (Minnesota Life), is the recommended awardee for both service categories.

Six proposals were received for each insurance type in response to the RFP. Of the six proposals received for Life, five were deemed to be reasonably susceptible of being selected for award. Of the six proposals received for AD & D, four were deemed to be reasonably susceptible of being selected for award.

The financial proposals were based on models of projected enrollment and covered volume. The models for both types of insurance started in the first year with the number of enrolled participants (employees, retirees, eligible dependents) and the corresponding total coverage volumes currently in force and increased the estimated number of enrollees and covered volume for each of the five years of the contract based upon the enrollment increase experience of the past five years. The Life model reflected projected enrollments by age bands (blocks of five ages, from ages 1 to 100) and policy coverage levels (in-force or face value of policies). The AD&D model reflected policy coverage levels only, since age is not a cost factor for this type of insurance.

For Life, Minnesota Life was ranked #2 technically and had the lowest price. Although ranked #2 technically, it was determined that Minnesota Life's technical proposal was very close in quality to the #1 ranked technical offeror, the incumbent, Metropolitan Life Insurance Company (Met Life). The price offered by Minnesota Life was \$4,116,853 or about 3.7% lower than the price offered by Met Life. It was determined that Met Life did not offer more than \$4 million worth of higher service value versus Minnesota Life. Accordingly, Minnesota Life was deemed to have the most advantageous offer to the State in this Service Category.

For AD&D, Minnesota Life was ranked #2 technically and had the third lowest price, which was only 60 cents more than the second ranked financial proposal. Although ranked #2 technically, it was determined that Minnesota Life's technical proposal was very close in quality to the #1 technical offeror, the incumbent, Met Life. The price offered by Minnesota Life was \$1,032,069 or approximately 9.5% less than the offeror ranked #1 technically, Met Life. It was determined that Met Life did not offer more than \$1 million worth of higher service value versus Minnesota Life.

Conversely, the price offered by Minnesota Life was \$493,847 or 4.7% higher than the lowest priced offeror for AD&D, The Hartford Life and Accident Insurance Company (Hartford). However, Hartford was ranked #3 technically. It was determined that the technical differences between Minnesota Life and Hartford were more pronounced than the technical differences between Minnesota Life and Met Life. Consequently, it was deemed that the technical superiority of Minnesota Life versus Hartford to be worth the difference in price between these two offerors.

Finally, it was also deemed that Minnesota Life was worth the 60 cents price difference between itself and the #4 technically ranked offeror, ReliaStar Life Insurance Co., with the second lowest price. Accordingly, Minnesota Life was judged to have provided the most advantageous offer to the State in this Service Category.

Whereas the contractor will not assume responsibility for insurance policies until July, 1, 2013, there is considerable start-up activity that must be completed before that date. (The contractor may not charge for any such start-up activities.) To permit the contractor to undertake all start-up activities under the auspices of the contract, it is requested that the contract start date be immediately after approval of this Item and the signing of the contract by the Department.

The RFP established an MBE participation goal of 1% of the total premiums paid to the contractor for each type of insurance. It is estimated that 90% or more of the premiums received by the contractor for both types of insurance are paid out in claims. At most, about 10% of the value of premiums is left to accommodate all expenses in administering these policies, as well as profit. While there are limited subcontracting opportunities under these types of insurance policies, it is expected that 10% of the 10% is subcontractable, meaning 1% of the total value of premiums. The proposed Contractor committed to slightly exceed the goal at 1.02% MBE participation in both Service Categories.

<b>FUND SOURCE:</b>	100% Reimbursable (Employee Contributions)
<b>APPROP. CODE:</b>	F10A02
<b>RESIDENT BUSINESS:</b>	No
<b>MD TAX CLEARANCE:</b>	12-2857-0110

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Board of Public Works Action - The above referenced Item was:

APPROVED	DISAPPROVED	DEFERRED	WITHDRAWN
WITH DISCUSSION		WITHOUT DISCUSSION	

ITEM: 3-S (Cont.)

ATTACHMENT 1

**BIDS OR PROPOSALS (Cont.):**

**Group Term Life Insurance Services**

	<u>Technical Rank</u>	<u>Financial Price (Rank)</u>	<u>Overall Rank *</u>
Minnesota Life Insurance Co. St. Paul, MN	2	\$113,118,013.68 (1)	1
The Hartford Life and Accident Insurance Company Simsbury, CT	3	\$114,235,251.97 (2)	2
Metropolitan Life Insurance Co. New York, NY (Local Office in Columbia, MD)	1	\$117,234,867 (4)	3
Aetna Life Insurance Co. Hartford, CT	4	\$116,141,161(3)	4
ReliaStar Life Insurance Co. Portland, OR (Local Office in Greenbelt, MD)	5	\$119,671,802 (5)	5

Note: The proposed prices were based on a model that reflects policy coverage levels and currently and projected insured number of State employees and eligible family members. The rates proposed for each coverage level and covered category will be the amount the enrollee actually pays based on covered lives.

\*Technical factors had equal weight to financial factors in the overall award recommendation

ITEM: 3-S (Cont.)

ATTACHMENT 2

**BIDS OR PROPOSALS (Cont.):**

**AD&D Insurance Services**

	<u>Technical Rank</u>	<u>Financial Price (Rank)</u>	<u>Overall Rank *</u>
Minnesota Life Insurance Co. St. Paul, MN	2	\$10,921,695.60 (3)	1
The Hartford Life and Accident Insurance Company Simsbury, CT	3	\$10,427,848.80 (1)	2
Metropolitan Life Insurance Co. New York, NY (Local Office in Columbia, MD)	1	\$11,953,765 (4)	3
ReliaStar Life Insurance Co. Portland, OR (Local Office in Greenbelt, MD)	4	\$10,921,695 (2)	4

Note: The proposed prices were based on a model that reflects policy coverage levels and currently and projected insured number of State employees and eligible family members. The rates proposed for each coverage level and covered category will be the amount the enrollee actually pays based on covered lives.

\*Technical factors had equal weight to financial factors in the overall award recommendation