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**Q & A #2 to
Request for Proposals (RFP)
Group Term Life and Personal Accident and
Dismemberment (PA&D) Insurance
PROJECT NO. F10B8200006**

November 14, 2007

Ladies and Gentlemen:

The numerical sequencing begins at question # 38; questions up to #37 were answered in Q&A #1. The following questions, for the above referenced RFP, were received by e-mail and are answered and posted for all Offerors:

38. Question: Will the census include any employees working in foreign countries as expatriates? The purpose of this question is to identify international exposure. If not, could a list of employees working in foreign countries be provided?

Answer: Yes, the University of Maryland has some faculty overseas and there may be a handful of retirees living outside of the U.S., but all who have coverage are listed on the census file. However, the census file does not identify which positions are overseas—the designators for employees outside the 24 jurisdictions in the State are “no code”, “out of state” and in a few cases, a numeric identifier.

39. Question: Could you provide the eligibility file layout?

Answer: The eligibility file layout will be provided once the contract is awarded.

Underwriting

40. Question: Rate history for life and AD&D?

Answer: See response to Question 6.

41. Question: Life - Is it possible to break out incurred claims by year - individual death claims and individual waiver of premium claims (DOD, Face Amount, Reserve Amount)?

Answer: No, but see the response to Question #13 for summary information.

42. Question: AD&D - Is it possible to obtain individual AD&D claims by year?

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Answer: Yes, but because this information is confidential, it won't be publicly posted. Any vendor who wishes access to this file should be certain they have submitted a non-disclosure agreement and request the file be sent by e-mail.

43. **Question:** RFP, Section 3.5.1. Is the intention for the contractor to mail to each member a booklet?

Answer: Yes. Please see the answer to Question #34.

Compliance

44. **Question:** I have a question as relates to Section 1.28 (verification of Registration and Tax Payment), Attachment B part L, and Attachment C part b. All parts seem to be related to the same issue of corporate registration and tax payment. We do not currently meet the requirement as listed for corporate registration because we are an insurance company and Maryland Corporations and Associations Code Annotated Section 7-201(1) explicitly exempts insurance companies from the corporate registration requirement. Likewise, we can not provide a certification of "good standing" as this certificate is not applicable to us since we are not registered.

Answer: In order to comply with the registration requirements of the Contract (RFP, Attachment A, Section 21) and to complete the Contract Affidavit required by Maryland law should you be a successful Offeror, a Contractor must:

- (a) be qualified to do business in Maryland;
- (b) if it is a corporation, must affirm that it is registered and has filed the name and address of its resident agent with the State Department of Assessments and Taxation; and
- (c) affirm that it is current with all taxes, including personal property tax assessments.

These requirements apply even if the Contractor is otherwise exempt from SDAT filing and registration requirements. For Contractors, a certificate of good standing is not required for those entities for which the State Department of Assessments and Taxation does not issue such certificates.

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45. **Question:** In light of Maryland law, would it be your intent for our company (an insurance company) to be registered? Would an acceptable response be that we are not currently registered because of Maryland Law does not require it?

Answer: For Contractors, the Maryland requirement is that you be registered. See the answer to Question #44.

For Offerors, please complete the Bid/Proposal affidavit accurately. If an Offeror has not registered because it is not required to register with SDAT, please explain the failure to register in the Affidavit by citing to the appropriate section of the Maryland Annotated Code. Please note, however, that if an Offeror is selected for award, registration is required of Contractors.

46. **Question:** It would be helpful to receive Life claim data separated by employee, spouse and child. Is this available?

Answer: The information you request is not available.

47. **Question:** Are we able to get more detailed life claim information? We would like to see the claims broken out by the death claim amount, conversions, interest, waiver reserves and IBNR reserves.

Answer: Please see the response to Question #13 for summary information.

48. **Question:** Please confirm that women-owned businesses are considered minority vendors for purposes of MBE.

Answer: The short answer is yes but please note that regardless of ownership or classification, a company must be certified by MDOT in order to qualify. See RFP Sections 1.9, 1.10 and Attachment D.

49. **Question:** There are many value-added services that can be provided to the State at no additional cost. Where would it be most appropriate to include those? I am hoping this is not considered an "alternate proposal" as stated in Section 1.11 of the RFP.

Answer: Your proposal may offer additional services as part of your technical proposal and would not be considered an alternate proposal. Those services, if proposed, and if your company should win, would become part the contract.

Please remember that you are in a competitive environment. Additional services could make your proposal more attractive and earn a higher ranking but conversely, your overall ranking would be affected by relative price standings so that you must consider the dynamic forces of risk, potential competitive advantage in offering additional services and competitive pricing.

50. **Question:** Is the State interested in offering increased maximums for both Life and PA&D?

Answer: No. In order to keep the basis of pricing equal for all, the requirements as stated in the RFP are the requirements against which you should propose. Also please note the price proposal forms may not be altered. See RFP, Attachment E.

51. **Question:** Please provide an example and clarify the 4th bullet of 3.5.7.

Answer: The fourth bullet refers to the processing/handling of evidence of insurability forms. An example: The vendor representative should be able to answer any and all questions regarding evidence of insurability during Open Enrollment meetings as well as for new enrollees. For those enrollees electing coverage amounts in excess of the guaranteed issue limit, the guaranteed issue amount will be effective per the election date,

but the amount over the guaranteed issue limit will not be in effect until the first of the month following the approval date.

52. **Question:** RFP, Section 3.6 - Implementation Schedule. Please explain what "Begin confirmation of beneficiary elections" means. Would we be mailing a confirmation to the employee or confirm with the State?

Answer: The vendor must begin collecting beneficiary designations from all enrolled members and mail confirmation directly to employees. This requirement is included in RFP Amendment 2.

PA&D

53. **Question:** Can we assume that the current rates have stayed the same for the past 5 years? If they have not, please provide the rates per year for the 5 year period.

Answer: The PA&D rates have not changed. See the response to Question #6.

54. **Question:** We are assuming that the census includes job category, classification, benefit selection, etc. If this is not the case, please advise. We would like, at the very least, the number of State police, correction officers and number of other employees involved in the criminal justice system.

Answer: Job category, classification, and benefit selection are not included in the census data. However, please see Attachment 1 for a listing of positions that closely corresponds to your question.

55. **Question:** Are the number of covered lives as reported on page 13 for AD&D for 12 months of each year? If not, please advise.

Answer: The number reported in the chart in the RFP, Section 3.1.5 represents all covered lives at the end of the reported period, i.e. employees, spouses and dependents.

56. **Question:** Please provide details on the incurred claims – per claim to include the amount, whether it was an employee or dependent claim, description of the accident, date of loss, date the claim was paid, whether the claim was for Accidental Death or Dismemberment or Paralysis. Also provide the dollar amount for any additional benefit over and above the AD&D/Paralysis benefit. For example, Seat Belt Benefit, Education Benefit, etc. Is there known travel to any war risk/hot zones (for example, areas in the Middle East, Afghanistan or Pakistan)

Answer: The level of detail you request is unavailable. See Q&A #1, Attachment 6 for an individual listing of the claims with diagnoses.

57. **Question:** Please clarify what constitutes a “satellite account employee.” Please provide examples as well as an approximate number of eligibles.

Answer: Please see RFP, Section 3.4.5. A satellite employee is an employee of a non-State agency authorized to participate in the State employee benefit program. We cover approximately 7,500 satellite employees.

58. **Question:** What is the grace period (number of days) given to employees in a no-pay situation?

Answer: Typically, 60 days.

59. **Question:** If a carrier's legal department wishes to modify the non-disclosure agreement and one or the other party is not agreeable to changes, will that carrier be permitted to provide a quotation?

Answer: Tell us how you would like to modify the form and we will tell you if the changes are acceptable. If you do not wish to comply with the NDA, it is your choice and it is also important to note you can propose without having access to census data. Please note that the State seriously protects the confidentiality of the census information and is unlikely to agree to less restrictive provisions.

60. **Question:** Based on available public information, several carriers have settled with various states prompted by investigations initiated by Governor Spitzer of NY (at the time, Attorney General). Are these carriers prohibited from providing quotations?

Answer: No, but details with regard to the claims against the carrier by the State of New York as well as the settlement details and internal corrections made as a result, must be provided. Information regarding other litigation should also be disclosed. See RFP 4.4.3.8.

61. **Question:** With regard to the \$1 billion requirement in the RFP, is the \$1 billion counted as premium volume or benefit volume?

Answer: "Volume in force" equates to benefit.

62. **Question:** Will the State accept a 5-year policy and only a 3-year rate guarantee?

Answer: No.

63. **Question:** Will the State consider electronic delivery (internet or intranet) of product materials – plan booklets, marketing brochures, certificates, etc.?

Answer: Both electronic and hard copies of SPDs and marketing brochures are required to be delivered. Electronic copies are for our files, hard copies are for participants. RFP Amendment #2 clarifies the provision of materials requirement. Also, please see the response to Question #34. Finally, our response does not address "etc."

64. **Question:** The RFP, Section 3.3.6 lists permissible plan exclusions. Is this limitation applicable to all Offerors including the incumbent carrier? Will the State consider

alternate or additional exclusions if supporting justification can demonstrate cost containment/savings?

Answer: The list equates to the exclusions used under the current contract for PA&D. Note the referenced paragraph says “may” meaning an Offeror has the prerogative of proposing a different set of exclusions. Do not offer “alternate” exclusions or show options but propose a set of exclusions that represents what you think is the best solution to the requirements as listed in the RFP. Please also see the RFP, Section 1.11.

65. **Question:** If next year’s schedule of planned benefit meetings is available, please provide. If not, please provide this year’s schedule with the exact address and number of eligible employees per location.

Answer: Locations vary year to year but all are within the State. The information about dates and locations will be provided upon award. Estimates regarding the number of eligibles shall be provided during preparation for each Open Enrollment session.

66. **Question:** Since the selection of benefit amounts have not changed over the past thirteen years, can we be given the average annual percentage of salary increase for eligible state employees over this same period of time?

Answer: When provided in the State operating budget, the average annual increase is approximately 2%. Lower grades increase at about 3% and higher grades at about 1.75%.

67. **Question:** Can you please list all helicopters and/or fixed wing aircraft owned by the state and provide the number of pilots, crewmembers and anticipated usage of such aircraft.

Answer: The Maryland Aviation Administration has one Cessna 206; the Maryland Department of State Police (MDSP) have nine helicopters, one Beechcraft King Air 350 and one Cessna P-210; and the Department of Natural Resources (DNR) has one Bell Jet Ranger 206B2 helicopter, one Bell Army OH58A helicopter and one inoperable Twin Commander 500A fixed wing aircraft. Go here for additional information on the MDSP fleet: <http://www.mspaviation.org/frames.asp>. There are currently 47 pilot positions in the State of which 39 are filled. How the aircraft are to used varies but the MDSP helicopter fleet flew an average of almost 3,700 hours per year for the last five years and the two DNR helicopters each fly about 300 hours/year.

Group Life

68. **Question:** Please provide the enforce rates and rate history for the 5 year period.

Answer: Please see the answer to Question 6.

69. **Question:** Please provide a copy of the current carrier booklet.

Answer: See the response to Question #16.

70. **Question:** Please provide a list of waiver of premium claims.

Answer: Because this information is confidential, it won't be publicly posted. Any vendor who wishes access to this information should be certain they have submitted a non-disclosure agreement and request the file be sent by e-mail.

71. **Question:** Please provide individual listing of paid claims.

Answer: This information is unavailable for the group term life. Please refer to the incurred claims column in the RFP, Section 3.1.5 chart for summary data.

72. **Question:** Is it permissible to guarantee rates for only three years?

Answer: No.

73. **Question:** Rate history for at least the past three years with effective dates of any changes?

Answer: See answer to Question #6.

74. **Question:** Describe any plan changes in the past 3-5 years, their effective dates, and any rate changes relating thereto.

Answer: There were no plan changes in the last five years. See the response to Question #6 for rates and rate changes.

75. **Question:** Have there been any wide open enrollments without evidence of insurability other than the ability to get the first \$50,000 without evidence upon annual reenrollment?

Answer: No.

76. **Question:** Please separately identify paid and incurred claims for each experience period.

Answer: Please see the response to Question #13 for summary data.

77. **Question:** Please provide a paid death claim listing.

Answer: Please see the response to Question #13 for summary data and to Question #26 for individual claims data.

78. **Question:** Please advise if the current carrier is actually holding waiver of premium reserves and keeps that liability after contract termination.

Answer: The current carrier is holds waiver of premium reserves and keeps that liability after contract termination.

79. **Question:** If the carrier does establish reserves for known and approved waiver of premium claims, please provide a listing of open waiver claims including gender, date of birth, date of disability, face amount, current reserve, and diagnosis, if available.

Answer: The information requested is not readily available.

80. **Question:** Please confirm that this contract is non-participating and that it is not refund-eligible.

Answer: Confirmed that it is neither.

81. **Question:** Please provide a copy of the current policy. Otherwise, please provide a certificate or SPD.

Answer: Please see the response to Question #16.

82. **Question:** Please describe the types and numbers of employees covered. For example, police, firemen, teachers, school administrators, university staff, hospital staff, etc.?

Answer: Here is some basic information about the composition of the State workforce:

The State Personnel Management System (SPMS) is the primary personnel system for the Executive Branch of Maryland State Government. The SPMS covers over 45,000 employees working in 17 principal departments and over 25 independent agencies.

State employees in the SPMS are covered by three separate pay plans: the Standard Pay Plan, the Executive Pay Plan and the Institutional Educator Pay Plan. The Standard Pay Plan consists of seven schedules – the Standard Salary Schedule, the Physician Salary Schedule and five separate police schedules. Additionally the Standard Pay Plan uses fixed rates of pay as well as hourly and daily rates.

The Standard Salary Schedule covers approximately 52,000 positions in approximately 2,400 job titles ranging from entry-level labor to senior management jobs. The current schedule consists of twenty-two pay grades, with each grade consisting of a Base step and twenty additional defined steps. The remaining SPMS Standard Pay Plan schedules are as follows:

- Physician (260 positions, 10 job titles)
- Maryland State Police (1600 positions, 13 job titles)
- Natural Resources Police (280 positions, 11 job titles)
- Park Rangers (45 positions, 7 job titles)
- Police (170 positions, 8 job titles)
- Deputy State Fire Marshals (50 positions, 5 job titles)

The Executive Pay Plan covers approximately 200 employees (in 200 job titles) serving as cabinet level Secretaries, Deputy Secretaries or Assistant Secretaries (or their equivalent rank in independent agencies). The Institutional Educator Pay Plan covers approximately 300 teachers and education administrators (in 16 job titles) working in educational programs in the State's adult correctional system and juvenile services system

In addition to the SPMS Standard Pay Plan schedules, the Maryland Department of Transportation maintains two separate pay schedules: Firefighters at Thurgood Marshall Baltimore Washington International Airport (90 positions, 16 job titles) and Maryland Transportation Authority Police (490 positions, 10 job titles).

83. **Question:** Confirm that the reference to minimum and maximum amounts of coverage on page one, RFP, Section 1.1.3 applies to participation levels. If not, please explain.

Answer: The intent of the paragraph was to express that the State cannot guarantee how many eligible employees, retirees and family members will enroll for benefits. The requirements for amounts of insurance policy coverage are as described in the RFP, Section 3.

84. **Question:** Confirm that the stipulation concerning multiple or alternative proposals on page 5, RFP, Section 1.11 means that the State will not accept alternate benefit plans, funding options and/or rate guarantees. If this interpretation is incorrect, please explain.

Answer: It means that you cannot submit more than one proposal for a service category and cannot offer options for different services within a single proposal. The purpose of the referenced section is to advise the State wants your single best solution which will be compared to other proposals to determine which is technically superior in the rankings. As long as your proposal meets the requirements of the RFP, there are no other boundaries.

85. **Question:** Under the mandatory contractual terms outlined on page 7, RFP, Section 1.21, confirm the State's willingness to accept variations in the rates and rate guarantee by explaining such changes in the narrative portion of the executive summary. If so, how would the State require completion of the pre-set items contained in the unit price detail form on Attachment E-1, page 60-62 and E-2, page 63-64? Should we submit alternate forms in addition to the narrative?

Answer: An Offeror has some flexibility in crafting its technical and financial proposal. In the case of the State's requirements, it is the Offeror's job to submit a proposal that meets the requirements as stated in the RFP. If it does not or lists an exception to what the State wants, the proposal would become deficient in that area and if not cured, could cause a low ranking or possible elimination. Please note the price sheet cannot be altered—see the instructions in the RFP, Attachment E. With respect to exceptions to terms and conditions of the Contract (RFP, Attachment A), the State has little to no flexibility on those terms and conditions and exceptions may cause a proposal to be eliminated. For those terms and conditions not governed by law or regulation, there is room for discussion. No proposal will be eliminated based on terms and conditions without a discussion between the State and the Offeror.

86. **Question:** Should the forms be included with the executive summary or the financial section?

Answer: If you mean the forms specified in the RFP, Section 4.4.3.9, the RFP didn't state where but suggest submitting the forms separately after all other required portions of the technical proposal and identify the section as "Exhibit" or "Additional Submissions."

If you mean the financial proposal, please follow the instructions in the RFP, Sections 4.1, 4.2, 4.3 and 4.5.

87. **Question:** If possible, please submit an itemized census listing with DOB, gender and face amount for the active group alone and the retiree group alone.

Answer: Census information is available by request to the Procurement Officer. See the response to Question #9.

88. **Question:** Confirm that you intend to continue the current plan benefit schedule which does not have an age reduction for active employees, but does require a reduction upon retirement (as outlined on page 14, RFP, Section 3.2.10).

Answer: Confirmed.

89. **Question:** Confirm that you are seeking to remove the current 24 month leave of absence provision, as indicated on page 14 under RFP, Section 3.2.5.

Answer: Confirmed.

90. **Question:** Please verify the covered lives and volume listed for the personal accident and death benefit.

Answer: Please refer to the chart in the RFP, Section 3.1.5. The information is accurate.

91. **Question:** Please provide the personal accident and death rate history and actual paid claims for each policy period.

Answer: The PA&D rate history can be found in the response to Question #6. The actual claims paid for PA&D is available on request to the Procurement Officer provided a NDA has been submitted.

92. **Question:** Confirm the percent of weighting that the State intends to apply to each major RFP category, like professional and technical capability, in determining the most advantageous proposal.

Answer: There are no weights but simply ranking which is described in general terms in the RFP, Section 5. Ranking is the relative position between technical and financial proposals which at the end of the process will be blended to achieve, "...the most advantageous to the State considering technical evaluation factors and price factors as set forth in the RFP. In making the most advantageous Offeror determination, technical factors will be given greater weight than price factors."

94. **Question:** Does the incumbent manage beneficiary designations for the PA&D? Will the new carrier be obtaining copies and administering such designations?

Answer: Yes, but the new carrier/Contractor will have to request updated designations from members.

95. **Question:** RFP, Section 1.11, Multiple or Alternate Proposals. My question is whether this is directed to the broker or the insurance carriers (i.e. can a carrier submit multiple proposals if each one is coming from a different broker).

Answer: It is unlikely that a single broker can meet the minimum qualifications but if it can, each independent Offeror can make a separate proposal against the State's requirements, regardless of carriers.

96. **Question:** I was forwarded the RFP for Group Term Life and Personal Accident and Dismemberment (PA&D) Insurance and intend to submit a bid as an MBE with one of our partner carriers. We are in the early stages of the MBE certification process and I am curious to know if a pending certification will suffice. Or, will we need to be completely finished with the process? Any guidance would be greatly appreciated.

Answer: Pending certification will not suffice. A MBE used in any Maryland contract must be MDOT certified as of the time the proposal is submitted. Failure to have the MDOT certification will result in the proposal being deemed not reasonably susceptible for award and eliminated from further consideration.

Date Issued: November 14, 2007

By: Joseph Gatto
<signed>
Procurement Officer

Attachments

1. Q54 Listing of Police and Related Job Positions