

**Supplement B**  
**Department Of Budget And Management**  
**ACTION AGENDA**  
**August 1, 2018**

**SUPPLEMENTAL**

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**11-S. DEPARTMENT OF BUDGET AND MANAGEMENT**  
***Employee Benefits Division***

**Contract ID:** Group Term Life and Accidental Death and Dismemberment (AD&D) Insurances; ADPICS #F10B8400043

**Contract Description:** Provide contributory Group Term Life (Life) insurance services for active employees, high risk active State employees, Satellite Account Employees, satellite account retirees, retired State employees, Direct Pay Enrollees (excluding COBRA enrollees), and their eligible Dependents; and contributory Accidental Death and Dismemberment (AD&D) Insurance services for active employees, Direct Pay Enrollees, and Satellite Account Employees.

**Awards:** Metropolitan Life Insurance Company (MetLife)  
New York, NY  
(local office Elkridge, MD)

**Term:** 1/1/2019 – 12/31/2023

**Amount:** \$108,659,445 Est. (Life)  
\$ 9,403,158 Est. (AD&D)  
\$118,062,603 Cumulative Est. Grand Total (5 Years)

**Procurement Method:** Competitive Sealed Proposals

**Proposals:**

Offerors	Technical Ranking	Evaluated Financial Proposal (Ranking)	Overall Ranking*
MetLife New York, NY (local office Elkridge, MD)	3	\$108,659,444.74 (Life)(1) \$9,403,158.00 (AD&D) (1)	1
Securian St. Paul, MN	1	\$117,435,271.57 (Life) (3) \$11,018,094.00 (AD&D) (2)	3
The Standard Portland, OR (local office Annapolis, MD)	2	\$115,732,005.01 (Life) (2) \$11,539,104.00 (AD&D) (3)	2

Note: \* Technical and financial factors had equal weight in the overall award recommendation.

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**11-S. DEPARTMENT OF BUDGET AND MANAGEMENT (cont'd)**

**MBE Participation:** 1% (See Requesting Agency Remarks)

**Incumbent:** Minnesota Life Insurance Company (Securian)  
 St. Paul, MN

**Requesting Agency Remarks:** A notice of availability of the Request for Proposals (RFP) was advertised on *eMaryland Marketplace* and posted on DBM's website Bid Board. Copies of the solicitation notice were sent directly to seven prospective vendors, none of which are Maryland firms and included no MBEs. A copy was also sent to the Governor's Office of Small, Minority, and Women Business Affairs.

The RFP provided to award separate contracts in two Service Categories (SC): SC I to provide services for Group Term Life (Life) insurance and SC II to provide services for Accidental Death and Dismemberment (AD&D) insurance. A single contractor, Metropolitan Life Insurance Company (MetLife), is the recommended awardee for both SCs.

Four proposals were received for each SC in response to the RFP. Three proposals in each SC were determined to be reasonably susceptible of being selected for award. The fourth proposal in each SC was determined not to be reasonably susceptible for award because the offeror would not agree to meet specific contract requirements; and was therefore eliminated from further competition.

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 on 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.

The proposed prices per age band and coverage level are the rates to be paid by the participants. As this coverage is entirely paid for by the participants, the savings goes directly to them and has the effect of higher take-home pay in their paychecks and retirement allowances.

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For both SCs, MetLife was ranked overall #1 with the third ranked technical proposal and the lowest price. For SC I, although ranked #3 technically, it was determined that MetLife’s technical proposal was very close in quality to the #1 ranked technical offeror, the incumbent, Securian, and the #2 ranked technical offeror, The Standard. The price offered by MetLife was almost \$8.8M or 8.1% lower than the price offered by Securian; and almost \$7.1M or 6.5% lower than the price offered by The Standard. It was determined that the technical differences between the other two offerors and MetLife did not outweigh the differences in the prices. Accordingly, MetLife was determined to have the most advantageous offer to the State in this SC.

For SC II, although ranked #3 technically, the price offered by MetLife was over \$1.6M or 17.2% lower than the price offered by Securian; and over \$2.1M or 22.7% lower than the price offered by The Standard. It was determined that the technical differences between the other two offerors and MetLife did not outweigh the differences in the prices. Accordingly, MetLife was determined to have the most advantageous offer to the State in this SC.

The RFP established an MBE participation goal of 1% and a VSBE goal of 0.5% of the total premiums paid to the contractor for each type of insurance. It is estimated that 90% of 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 15% of the 10% is subcontractable, meaning 1.5% of total value of premiums. The proposed contractor committed to satisfy the goals in both SCs.

**Fund Source:** 100% Reimbursable (Employee Contributions)

**Appropriation Codes:** F10A02

**Resident Business:** No

**MD Tax Clearance:** 18-1915-1100

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**BOARD OF PUBLIC WORKS ACTION – THIS ITEM WAS:**

<b>APPROVED</b>	<b>DISAPPROVED</b>	<b>DEFERRED</b>	<b>WITHDRAWN</b>
<b>WITH DISCUSSION</b>		<b>WITHOUT DISCUSSION</b>	