

**DEPARTMENT OF BUDGET AND MANAGEMENT
ACTION AGENDA**

SERVICES CONTRACT

ITEM: 1-S **Agency Contact:** Cindy Kollner
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DEPARTMENT/PROGRAM: Department of Budget and Management (DBM)
Office of Personnel Services and Benefits,
Employee Benefits Division (EBD)

CONTRACT ID: F10B8200006; Group Term Life and Personal
Accident and Dismemberment (PA&D) Insurance
ADPICS NO. F10B8200006

CONTRACT DESCRIPTION: Provide contributory Group Term Life (GTL)
insurance services for active, satellite account and retired employees, direct pay enrollees and
their eligible dependents and contributory Personal Accident and Dismemberment (PA&D)
insurance for active employees, direct pay enrollees and satellite employees and their eligible
dependents.

AWARD: Metropolitan Life Insurance Company (MetLife)
New York, NY
(Local Office in Columbia, MD)

TERM: 2/14/2008 - 6/30/2013

AMOUNT: \$58,000,000 (5 years, 4.5 months for Life)
\$10,000,000 (5 years, 4.5 months for PA&D)
\$68,000,000 (Cumulative Grand Total)

PROCUREMENT METHOD: Competitive Sealed Proposals

BIDS OR PROPOSALS: See Attachment

MBE PARTICIPATION: 1.8% (See Requesting Agency Remarks below)

PERFORMANCE SECURITY: None

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INCUMBENTS:

The Standard Insurance Company
(Group Term Life)
Portland, OR
(Local Office in Lanham, MD)

MetLife (PA&D)
New York, NY
(Local Office in Columbia, MD)

REQUESTING AGENCY REMARKS: A notice of the availability of the Request for Proposals (RFP) was advertised on *eMarylandMarketplace.com* and was posted electronically on the DBM Website. Copies of the solicitation were e-mailed directly to 158 prospective vendors, 127 of which were Maryland firms, and included 139 MBEs. Copies were also e-mailed to the Governor's Office of Minority Affairs and the Governor's Office of Business Advocacy and Small Business Assistance.

The RFP established an MBE participation goal of 1% of the total premiums paid to the contractor. Since the contract value is comprised of premiums paid which are offset by claims paid out, the estimated amount of the contract which represents product of the contractor's work is at about 10%. In that 10%, there are limited subcontracting opportunities but it is expected that 10% of the 10% is subcontractable, meaning the 1% goal is realistic and attainable. The proposed Contractor committed to meet almost double the goal or 1.8%.

The RFP provided for award of two separate contracts: one to provide services for Group Term Life (GTL) insurance and one to provide services for Personal Accident and Dismemberment (PA&D) insurance. A single contractor, MetLife, is the recommended awardee for both service categories.

A total of 17 proposals were received, seven for GTL and ten for PA&D. Of the seven proposals for group life, six were deemed reasonably susceptible of being selected for award. One proposal was eliminated for submission of an uncertified MBE. Of the ten proposals for PA&D, six were deemed reasonably susceptible of being selected for award. A portion of one proposal was delivered after the due date/time, one proposal had an uncertified MBE and two proposals lacked the required MBE forms. The six remaining vendors proposed in both service categories (See Attachment).

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The financial proposals were based on models. The GTL model reflected the age bands and insurance volumes currently in force with State employees, spouses, retirees and other eligibles. The PA&D model reflected policy coverage levels and the currently insured number of State employees and eligible family members. The requested contract approval amounts are higher than the financial proposal model amounts from the RFP to accommodate increased enrollment of eligibles should that occur.

An evaluation committee with representatives from the DBM Employee Benefits Division and the State's consultant for the Employee and Retiree Benefits Program, Gabriel, Roeder and Smith (GRS), reviewed both the technical and financial proposals for both insurance types. The committee also conducted vendor discussions and oral demonstrations with all of the six vendors who submitted acceptable proposals. Best and Final Offers (BAFOs) were also requested from all qualified offerors. The Attachment shows the final ranking of the technical and financial proposals, the BAFO amounts and the overall ranking. For GTL, MetLife was the best technically as well as having the lowest price. For PA&D, MetLife was the best technically and had the third best price. Because technical factors were afforded more weight than financial factors in the overall award recommendation, it was determined that MetLife's technical strengths more than offset the PA&D price difference resulting in their recommendation for award.

The Metropolitan Life Insurance Company, is a highly rated (AM Best rating of "A") company, and was the State's successful contractor for the same services before the current contract and is the incumbent contractor for PA&D.

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FUND SOURCE: 100% Reimbursable (Employee contributions only)

APPROP. CODE: F10A02

RESIDENT BUSINESSES: Yes

MD TAX CLEARANCE: 08-0100-1110

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

APPROVED

DISAPPROVED

DEFERRED

WITHDRAWN

WITH DISCUSSION

WITHOUT DISCUSSION

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ATTACHMENT

5B
BPW 2/13/2008

BIDS OR PROPOSALS (Cont):

Group Term Life Insurance Services

	<u>Technical Rank</u>	<u>Price (Rank)</u>	<u>Overall Rank*</u>
Metropolitan Life Insurance Co. New York, NY (Local Office in Columbia, MD)	1	\$55,088,520.00 (1)	1
The Hartford Simsbury, CT	3	\$57,840,088.20 (2)	2
ING Employee Benefits/ReliaStar Greenbelt, MD	5	\$60,941,179.50 (3)	3
The Standard Insurance Co. Lanham, MD	2	\$66,259,191.00 (4)	4
Monumental Life Insurance Co. Baltimore, MD	6	\$68,987,422.80 (5)	5
Aetna Life Insurance Co. Hartford, CT	4	\$76,089,540.00 (6)	6

Note: The proposed prices were based on a model that reflects the age bands and insurance volumes currently in force with State employees, spouses, retirees and other eligibles. The rates proposed for each age band will be the amount the enrollee actually pays based on volumes (covered lives).

*Technical factors had more weight than financial factors in the overall award recommendation

BIDS OR PROPOSALS (Cont):**PA&D Insurance Services**

	<u>Technical Rank</u>	<u>Price (Rank)</u>	<u>Overall Rank *</u>
Metropolitan Life Insurance Co. New York, NY (Local Office in Columbia, MD)	1	\$ 9,495,960.00 (3)	1
The Hartford Simsbury, CT	3	\$ 9,062,640.00 (1)	2
Aetna Life Insurance Co. Hartford, CT	4	\$ 9,998,640.00 (4)	3
ING Employee Benefits/ReliaStar Greenbelt, MD	5	\$ 9,223,297.20 (2)	4
Monumental Life Insurance Co. Baltimore, MD	6	\$10,703,226.60 (5)	5
The Standard Insurance Co. Lanham, MD	2	\$16,491,927.00 (6)	6

Note: The proposed prices were based on a model that reflects policy coverage levels and currently 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 more weight than financial factors in the overall award recommendation