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Deputy Secretary

**Q & A #1 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 following questions, for the above referenced RFP, were received by e-mail and are answered and posted for all Offerors:

1. **Question:** If my company is interested in being a subcontractor only on this proposal, do we have to find a contractor that will work with us or can we submit a proposal for a portion of the opportunity?

Answer: The former; you can't submit a proposal for only a part of the requirement. See RFP Sec 4.1.1 which says in part, "...the Offeror shall submit one proposal which is complete in all respects..."

2. **Question:** Would we be subject to paying premium tax on this business?

Answer: The Contract awarded pursuant to this procurement is not exempt from premium tax requirements otherwise applicable to the Contractor.

3. **Question:** Who is the incumbent?

Answer: Incumbents are The Standard Insurance Company (Standard) for group term life and Metropolitan Life Insurance Company (MetLife) for PA&D

4. **Question:** Why has this RFP been issued? Is it required every 5 years or are there service issues?

Answer: The base performance period and all renewal options will be completed on 6/30/08 and this RFP represents the replacement solicitation for a new contract. There are no service issues.

5. **Question:** How is the current billing being handled? Is it one list bill?

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Answer: There are separate bills because of separate carriers. We remit based on payroll deductions taken – we are not billed directly. This method is similar to a self-administered billing. See also RFP, Section 3.4 for payment terms applicable to the Contract.

6. **Question:** Is there any information regarding rates that can be shared?

Answer: The rates for group life were changed downward on July 1, 2007 and the PA&D rates have not changed. See Attachment 1 for the rate history.

7. **Question:** Can you share what the current retention number is for the incumbent?

Answer: We are unable to share the current retention number. The retention number is considered confidential and proprietary and protected under Maryland's Public Information Act.

8. **Question:** Is the current arrangement a matter of public record and if so where can it be found?

Answer: The current arrangements are in the form of contracts. The contract, the RFP and the price sheet contain the core elements of the "current arrangement" and are attached. See Attachment 2 for the MetLife contract, mods and price sheets and Attachment 3 for the same information from Standard. See Attachment 4 for the RFP issued for the current contract. The significance of the RFP is that it contains the specification and most material terms and conditions of the current arrangement.

9. **Question:** When will a census be available for the RFP?

Answer: Census information is available now and can be obtained on request via submission of the Non Disclosure Agreement as described in the RFP, Section 1.31 and RFP, Attachment I. It is important to note that RFP, Section 1.31 has been amended to correct an error about the census information. The census represents a listing of all active, full time employees only (i.e. eligibles that are full time) and nothing else.

10. **Question:** When will the current carrier contract be available for review related to this RFP?

Answer: See response to Question #8.

11. **Question:** To best analyze the experience provided, please provide current rates and indicate what rate changes (if any) have occurred since 1/1/2003.

Answer: See response to Question #6.

12. **Question:** What is included in the life incurred claims (death claims, conversions, interest, waiver reserves, IBNR reserves)?

Answer: Included in life incurred claims are death claims, conversions, waiver reserves and IBNR reserves.

13. **Question:** If the life incurred claims include waiver reserves, can we have the waiver reserves and death claims separated?

Answer: Please see Attachments 5, 6 and 9. Attachment 5 has life claims summary data to include reserve changes, Attachment 6 has waiver claims information to include reserve data and Attachment 9 has total death claims information to include reserve data. From these three sources, we believe you can find most, if not all of what you need. Please note the “confidential and proprietary” notice from Standard on Attachment 9. Standard has agreed to release the information into the public domain so you may disregard the notice.

14. **Question:** Can we obtain a list of waiver premium claimants?

Answer: Yes. See Attachment 6 for a list of waiver premium claims.

15. **Question:** For census, we were provided with lives and volume summarized by age band. Please provide the following additional census information:
- male vs. female volume (ideally split by age band)
 - approx average salary of group
 - If possible, please split census between actives and retirees. We need to have an idea on current actives vs retiree lives & volume.

Answer: Information beyond the census information provided in the response to Question #9 is not available.

16. **Question:** Can we obtain a copy of the current plan booklet? At minimum, the following additional plan detail would be helpful:
- Waiver of Premium - more detail on the elimination period, what age employees must be disabled prior to, and when waiver of premium ends.
 - The current plan appears to contain an annual open enrollment that allows members to get up to \$50,000 without medical evidence (including those who previously declined coverage). Does this provision apply just to actives, or also to retirees?

Answer: See attached MetLife (Attachment 7) and Standard (Attachment 8) plan booklets or SPDs. Additional plan detail: a) The waiver of premium detail can be found in the cited attachments. b) Only active employees are entitled to purchase new guaranteed issue coverage; retirees are limited to continuing coverage in effect at the time of retirement.

17. **Question:** Please provide current and historical life and PA&D rates.

Answer: See response to Question #6.

18. **Question:** The historical data table in section 3.1.5 shows incurred claims. What is included in these figures? (i.e. change in waiver reserves, pending death claims, pending waiver claims, interest, death IBNR, waiver IBNR)

Answer: See response to Question #12.

19. **Question:** Please provide the annual change in waiver reserves separate from the death claims. Please provide a listing of active waiver claimants which includes date of disability, date of birth and face amount of insurance.

Answer: See response to Question #13 for most of the information you seek. The rest of the detail you request is not available.

20. **Question:** Please provide lives, volume, premium and claims split out by actives, retirees and spouses.

Answer: The data is not readily available and cannot be provided. The RFP Attachments and Attachments to this Q&A #1 provide the available claims, coverage, volume and premiums information.

21. **Question:** RFP, Section 3.1.5. The 1/2003-12/004 Avg. Monthly Covered Lives match the 1/2004-12/2004 Avg. Monthly covered lives. Are separate life figures available for each period? The same question applies to the lives reported in 1/2005-12/2005 and 1/2006-6/2006.

Answer: The meaning of the duplicated numbers is that the data was not readily available and the repeated total represents an approximation using the most recent valid headcount.

22. **Question:** RFP, Section 3.1.5. The PA&D lives and volume appear to be well overstated when compared to the group life figures. How are the PA&D figures calculated?

Answer: Group life "lives" do not include spouses and dependents, just employees/retirees; whereas, PA&D "lives" do include spouses and dependent children. The RFP Amendment 2 includes this clarification.

23. **Question:** RFP, Section 3.1.5. Please explain why the PA&D lives declined from 2004 to 2005 while the volume increased.

Answer: We can only speculate. Our records do not reflect an enrollment decline, but because of the self-administered billing, it is possible that the direct pay or satellite invoice was not received when the headcount was updated for the year.

24. **Question:** RFP, Section 3.1.5. Please explain the large decline in PA&D lives and volume from 2006 to 2007.

Answer: Please see the response to Question #23.

25. **Question:** RFP, Section 3.1.5. Are the 2006 PA&D lives and volume estimated? These figures include an asterisk which represents "Data Unavailable".

Answer: The asterisk in the PA&D chart means "estimated". This clarification is included in the RFP Amendment 2.

26. **Question:** Please provide a listing of individual life and AD&D claims which includes date of death and face amount of insurance for each claim.

Answer: PA&D information is available on request provided a non-disclosure agreement is on file. The group life claims history can be found at Attachment 9.

27. **Question:** RFP, Attachment E-1. Total employee volume per \$10,000 is 3,072,010. This results in total employee volume of 30,720,100,000. Section 3.1.5 shows that the entire life plan's volume (employee, spouse, child) in 2007 was \$4,874,289,450. Please explain this discrepancy.

Answer: The volume columns in the RFP, Attachment E-1 should read per \$1,000. RFP Amendment #2 corrects this error.

28. **Question:** RFP, Attachment E-1. The total spouse volume would equal \$2,652,925,000 (\$530,585 x 5,000). This also appears to be overstated. Please explain.

Answer: Please see the response to Question #27.

29. **Question:** It appears that the RFP, Attachment E-1 volume for employees, spouses and children may be in 1000s rather than \$5,000s and \$10,000s. Is this correct?

Answer: Please see the response to Question #27.

30. **Question:** Have the Life and PA&D plans been 100% contributory since 1/1/03?

Answer: Yes.

31. **Question:** Do the age reductions shown in RFP, Section 3.2.10 apply to actives and retirees?

Answer: The age reductions apply to just retirees and dependents of retirees. Amendment 2 clarifies this point.

32. **Question:** Confirm that retirees may not increase their coverage upon retirement or at a later date.

Answer: Retirees may not increase group term life coverage upon or after retirement. Retirees may eliminate or reduce GTL coverage. Retirees are not eligible for PA&D (aka AD&D) coverage.

33. **Question:** RFP, Section 3.5.7 states that contractor attendance at all regional benefit coordinator training sessions is required. How many sessions are there each year?

Answer: Contractor attendance at regional benefit coordinator training sessions typically occurs only during Open Enrollment training. There can be as many sessions as needed but there are normally not less than ten.

34. **Question:** RFP, Section 3.5.1 states that plan benefits booklets shall be provided to each member enrolled in the plan. Will booklets be mailed to members' homes, or will they be distributed by the State? Will this be a one-time distribution to all members, or will it be an annual distribution? Are retirees included?

Answer: If the carrier changes, new booklets must be mailed to all participants. The RFP Amendment 2 makes this requirement clearer. After Contract commencement, benefits booklets are mailed to new members' homes upon commencement of coverage. Retirees who will have received a booklet while in active status do not require an additional from the same carrier upon retirement.

35. **Question:** Does the portability benefit include a termination age?

Answer: Yes, at age 65.

36. **Question:** Please provide copies of the current Life and PA&D contracts and/or SPDs.

Answer: See response to Question #8 (for Contract) and Question #16 (for the SPD booklets from both incumbents).

37. **Question:** Is the RFP available in a Word document format?

Answer: Yes; the Word file has been placed on eMM.

Date Issued: November 14, 2007

By: Joseph Gatto
<signed>
Procurement Officer

List of Attachments

1. Q6 Life PA&D Rate History
2. Q8 Met Life Contract File w/Contract, Mods and BAFO
3. Q8 Standard Contract File w/Contract, Mods and BAFO
4. Q8 Life PA&D RFP, dated March 19, 2002
5. Q13 Standard Group Life Claims Summary Data
6. Q14 Standard Group Life Claims Waiver List
7. Q16 Met Life SPD
8. Q16 Standard SPD
9. Q26 Standard Group Life Claims History