

REQUEST FOR PROPOSAL

West Virginia Offices of the Insurance Commissioner

Workers' Compensation for West Virginia State Agencies

INS 17002

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SECTION ONE: GENERAL INFORMATION

- 1.1 Purpose: The West Virginia Offices of the Insurance Commissioner (OIC) is soliciting proposals from qualified insurance carriers to provide workers' compensation insurance coverage and all services associated with a full service insurance program including claims management, loss control, premium audit and other risk management services.

This request for proposal is being conducted to procure workers' compensation coverage for participating West Virginia state agencies. Preference will be given to a direct write carrier. The effective date for coverage must be July 1, 2017, with an initial policy term of thirty-six (36) months. Premium is to be recalculated July 1, 2018 and every subsequent July 1st using added or reduced payroll, changes in class code exposures due to premium audits, current approved loss costs and any changes in the pool's experience modification factor. No other increases, including increases to the loss cost multiplier or reducing the deductible credit, will be accepted mid-policy.

No transfer of liability nor previous policy/claims data will be assumed by the bidding carrier. The OIC will provide historical loss information for bidding purposes.

- 1.2 By signing and submitting its proposal, the successful Vendor agrees to be bound by all the terms contained in this RFP.

A Request for Proposal (RFP) is generally used for the procurement of services in situations where price is not the sole determining factor and the award will be based on a combination of cost and technical factors (Best Value). Through its proposal, the bidder offers a solution to the objectives, problems, or needs specified in the RFP, and defines how it intends to meet (or exceed) the RFP requirements.

- 1.2.1 Compliance with Laws and Regulations: The Vendor shall procure all necessary permits and licenses to comply with all applicable Federal, State, or municipal laws, along with all regulations, and ordinances of any regulating body.

The Vendor shall pay any applicable sales, use or personal property taxes arising out of this contract and the transactions contemplated thereby. Any other taxes levied upon this contract shall be borne by the Vendor. It is clearly understood that the state of West Virginia is exempt from any taxes regarding performance of the scope of work of this contract. The state will be required to remit the workers' compensation policy surcharges of W. Va. Code Chapter 23 and the WV Fire and Casualty Surcharge of Chapter 33 when applicable.

- 1.3 Schedule of Events:

Vendor's Written Question Submission Deadline.....	11/17/2016
OIC Responses to Questions Anticipated By	12/09/2016
Vendor's Written RFP Submission Deadline and Openings.....	01/31/2017
Vendor Presentations.....	02/06/2017 – 02/10/2017
* All respondents will be given the opportunity to make a 1.5 hour presentation	
Opening of Cost Proposals.....	02/14/2017
Award Date.....	03/01/2017

- 1.4 **Mandatory Pre-bid Conference:** N/A

- 1.5 **Inquiries:** Inquiries regarding specifications of this RFP must be submitted in writing to the Purchasing Contact, John Hannan, with the exception of questions regarding the method of proposal submission which may be oral. The deadline for written inquiries is identified in the Schedule of Events, Section 1.3. All inquiries of specification clarification must be addressed to:

John Hannan, Procurement Officer
WV Offices of the Insurance Commissioner
900 Pennsylvania Avenue
P.O. Box 50504
Charleston, WV 25305-0540
Fax: (304) 558-0138
Email: John.L.Hannan@wv.gov

No contact between the Vendor and other OIC personnel is permitted without the express written consent of the Purchasing Contact. Violation may result in rejection of the bid. The Purchasing Contact named above is the sole contact for any and all inquiries after this RFP has been released.

- 1.6 **Verbal Communication:** Any verbal communication between the Vendor and any State personnel is **not** binding. Only information issued in writing and added to the RFP specifications by an official written addendum by the OIC is binding.
- 1.7 **Addenda:** If it becomes necessary to revise any part of this RFP, an official written addendum will be issued by the OIC.

SECTION TWO: PROJECT SPECIFICATIONS

2.1 **Location:** The OIC is located at 900 Pennsylvania Avenue, Charleston, West Virginia.

2.2 Demographics of the Pool:

- Standard workers' compensation coverage for medical and indemnity exposures.
 - Premium calculated on deductible levels of 250,000 dollars and 500,000 dollars per occurrence, subject to an aggregate deductible amount.
 - No increased Employers Liability limits nor deliberate intent coverage shall be quoted.
- Initial policy period will be July 1, 2017 through June 30, 2018. Subsequent policy periods will be July 1 to June 30.
- There will be a single policy to cover all exposures.
- There are currently 108 state agencies/boards in the program covering approximately 25,000 state employees.
- Current Program e-mod is 1.24.
- Approximately 54 Mining Inspectors are covered under the policy. The inspectors do have underground mining exposure.
- This contract will be initially for thirty-six (36) months with option for two (2), thirty-six (36) month renewals.

2.3 Qualifications and Experience:

West Virginia Offices of the Insurance Commissioner (OIC) is seeking a qualified carrier to provide workers' compensation coverage to specific state agencies. The carrier will need to have an A. M. Best financial strength rating of A- or above and have a financial size rating of IX or better (greater than \$250 million in policyholder surplus).

2.4 **Project Description:** The OIC requests bids from qualified vendors to provide the following services for the state agencies workers' compensation program:

The successful carrier will provide a full range of services to the West Virginia State Agencies Program. These services include but are not limited to:

- Professional claims adjusting. This will include all managed care, prescription drug plan, utilization review, bill review, return to work, other allocated and unallocated claim expenses. Claims services provided will be on a first dollar basis.
- The carrier will discuss their reserving philosophy and strategy with OIC. The carrier will be responsible for the setting and maintenance of the reserves on this program. The OIC will review annually, at a minimum, to verify the reserving strategy is being utilized.

- The carrier must accommodate the OIC claim review for best practices as well as work conjointly with the OIC Claims Services unit on a day to day basis to ensure any special handling needs are in compliance with both the policy contract as well as the WV rules and regulations.
- The carrier must have several claim reporting methods such as phone, electronic (email), electronic (web) fax, and/or paper reporting capabilities.
- The carrier must agree to attend and to provide adequate staff to address large loss reviews and services at our specified location a minimum of four (4) times per year.
- The carrier will issue one monthly invoice to the OIC. The carrier must be capable of receiving and processing electronic payments. The OIC will be responsible for any other billing processes to the program members.
- A fully funded loss reimbursement fund “loss fund” will be created to provide claim funds for the selected deductible to pay for losses and allocated loss expenses.
- Loss reporting will be on a monthly basis by agency and location and must be provided in an electronic format that allows for data analysis.
- A true-up summary of the loss fund and current losses shall be provided monthly or as requested by the OIC. This summary shall be for the current policy and any past policy written by the carrier.
- Loss control services. The West Virginia Office of Insurance Commissioner expects the selected carrier to conduct an initial loss control visit to each agency the first year. At a minimum the Commissioner would expect that all state agency locations will have at least one loss control visit every three years. The Commissioner is to be notified of any loss control recommendations and the response of the agency to the recommendations. The carrier will report the results of their loss control activities quarterly. In addition, the service provider shall provide a comprehensive safety and loss control program focused on reducing claim frequency and severity through training and hazard reduction. The carrier shall develop a loss control program giving consideration to size of the agency, loss experience and type of risk/exposure. The carrier must work conjointly with the state agency workers’ compensation Program Manager in all risk management procedures, safety and loss control visits and services.
- The carrier should develop a strategy to address experience modifier issues incorporating an integrated approach with the goal of obtaining a credit experience mod on this program.
- The carrier must maintain premium and loss data at the agency location level allowing the State to calculate separate internal experience rating assessments to pool members. Policy data will be reported by the carrier to the State’s statistical agent (NCCI) as a single block.
- The carrier will provide premium, loss and loss fund data as needed or requested by the OIC in an electronic format that allows for data analysis.

- The carrier will perform annual premium audits on all agencies in this program. The audits should be completed 120 days after the policy period has ended. A report of premium audit made to the Commissioner should include a breakdown of final payrolls by classification by agency.
- The carrier will report the premium and loss experience of this program to the required data reporting agencies.
- The Office of the Insurance Commissioner prefers monthly but not less than quarterly loss runs, consistent with industry standards, and inclusive of location site codes corresponding to the respective participating agencies.
- The carrier must make representative(s) available to present at conferences, program meetings or any other requested state agency workers' compensation function/meeting.
- The OIC would prefer to be given direct online access to all WV state agency workers' compensation claim systems including claim files and images, payments, etc. Vendor must be able to provide up to 125 user accesses free of charge.

This state agency program is required by W.Va. Code §33-2-21a for state agencies that are reporting to the Governor's office. These agencies are generally managed by appointees of the Governor. State agencies that do not report to the Governor have an option of participating in this program. These discretionary agencies are generally managed by elected officials. Currently there will be approximately 107 agencies with about 844,000,000 dollars of payroll participating in this program. Vendor must be willing to accept or cede risks/payroll under the policy of new discretionary agencies which opt in or out of the pool pursuant to established pool procedures.

2.5 **Mandatory Requirements:** Mandatory requirements must be met by the Vendor as a part of the submitted proposal. Failure on the part of the Vendor to meet any of the mandatory specifications shall result in the disqualification of the proposal. The terms "must", "will", "shall", "minimum", "maximum", or "is/are required" identify a mandatory item or factor. Decisions regarding compliance with any mandatory requirements shall be at the sole discretion of the OIC.

2.6 **Oral Presentations:** The OIC will provide each respondent an opportunity to present an oral presentation between February 6, 2017 and February 10, 2017. During oral presentations, Vendors may not alter or add to their submitted proposal, but only clarify information.

SECTION THREE: VENDOR PROPOSAL

- 3.1 **Economy of Preparation:** Proposals should be prepared simply and economically providing a straightforward, concise description of the Vendor's abilities to satisfy the requirements of the RFP. Emphasis should be placed on completeness and clarity of the content.
- 3.2 **Incurring Cost:** Neither the State nor any of its employees or officers shall be held liable for any expenses incurred by any Vendor responding to this RFP, including but not limited to preparation, delivery, or travel.
- 3.3 **Proposal Format:** Vendors should provide responses in the format listed below:

Title Page: State the RFP subject, number, Vendor's name, business address, telephone number, fax number, name of contact person, e-mail address, and Vendor signature and date.

Table of Contents: Clearly identify the material by section and page number.

Attachment A: Within the attached response sheet (**Attachment A: Vendor Response Sheet**), provide the following: carrier approach, methodology and work plan for implementation of the services with emphasis on loss control and risk management.

Attachment B: Complete **Attachment B: Cost Sheet** included in this RFP and submit in a **separate** sealed envelope. Cost should be clearly marked.

- 3.4 **Proposal Submission:** Proposals must be received in **two distinct parts**: technical and cost.
- **Technical proposal** must **NOT** contain any cost information relating to the project.
 - **Cost proposal** shall be sealed in a **separate envelope** and will not be opened until the technical proposal has been evaluated.

All proposals must be submitted to the Purchasing Contact **prior** to the date and time stipulated in Section 1.3 as the RFP Submission Deadline (January 31, 2017). All bids will be dated and time stamped to verify official time and date of receipt.

3.4.1 Vendors should allow sufficient time for delivery. Any proposal received after the Submission Deadline will be disqualified.

Vendors responding to this RFP shall submit:

One original technical and cost proposal plus six (6) convenience copies to:

John Hannan, Procurement Officer
WV Offices of the Insurance Commissioner
900 Pennsylvania Avenue
P.O. Box 50504
Charleston, WV 25305-0540
Email: John.L.Hannan@wv.gov

The outside of the envelope or package(s) for both the technical and the cost bids should be clearly marked:

Vendor: _____
OIC Contact: John Hannan
Req #: INS 17002
RFP Opening Date: January 31, 2017
Opening Time: 3:30 p.m.

3.5 **Purchasing Affidavit: *West Virginia Code* §5A-3-10a** requires that all bidders submit an affidavit regarding any debt owed to the State. The affidavit must be signed and submitted prior to award. It is preferred that the affidavit be submitted with the proposal.

3.6 **Resident Vendor Preference:** In accordance with ***West Virginia Code* §5A-3-37**, Vendors may make application for Resident Vendor Preference. Said application must be made on the attached Resident Vendor Certification form at the time of proposal submission.

- 3.7 **Technical Bid Opening:** The OIC will open only the technical proposals received prior to the date and time specified in the Request for Proposal. The technical proposals shall then be provided to the evaluation committee.
- 3.8 **Cost Bid Opening:** The OIC will open cost proposals once the Agency evaluation committee has completed the technical evaluation. All cost bids for qualifying proposals will be opened. Cost bids for non-qualifying proposals will also be opened but shall not be considered. A proposal may be deemed non-qualifying for a number of reasons including, but not limited to, the bidder's technical proposal failing to meet the minimum acceptable score and the bidder's technical proposal failing to meet a mandatory requirement of the contract.

SECTION FOUR: EVALUATION AND AWARD

- 4.1 **Evaluation Process:** Proposals will be evaluated by a committee of three (3) or more individuals against the established criteria with points deducted for deficiencies. The Vendor who demonstrates that they meet all of the mandatory specifications required; and has appropriately presented within their written response and/or during the oral demonstration (if applicable) their understanding in meeting the goals and objectives of the project; and attains the highest overall point score of all Vendors shall be awarded the contract. The selection of the successful Vendor will be made by a consensus of the evaluation committee.
- 4.2 **Evaluation Criteria:** All evaluation criteria is defined in the specifications section and based on a 100 point total score. Cost shall represent a minimum of 30 of the 100 total points.

The following are the evaluation factors and maximum points possible for technical point scores:

- | | |
|--------------------------------------|---------------------------|
| • Approach, Methodology and Timeline | 70 Points Possible |
| • Cost | <u>30 Points Possible</u> |

Total	100 Points Possible
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Each cost proposal cost will be scored by use of the following formula for all Vendors who attained the minimum acceptable score:

$$\frac{\text{Lowest price of all proposals}}{\text{Price of Proposal being evaluated}} \times 30 = \text{Price Score}$$

- 4.2.1 Technical Evaluation: The evaluation committee will review the technical proposals, deduct points where appropriate, and make a final written recommendation to the Insurance Commissioner.
- 4.2.2 Minimum Acceptable Score: Vendors must score a minimum of 70% (49 points) of the total technical points possible. All Vendors not attaining the minimum acceptable score (MAS) shall be disqualified and removed from further consideration.
- 4.2.3 Cost Evaluation: The evaluation committee will review the cost proposals, assign appropriate points, and make a final recommendation to the Insurance Commissioner.
- 4.3 **Independent Price Determination**: A proposal will not be considered for award if the price in the proposal was not arrived at independently without collusion, consultation, communication, or agreement as to any matter relating to prices with any competitor unless the proposal is submitted as a joint venture.
- 4.4 **Rejection of Proposals**: The OIC reserves the right to accept or reject any or all proposals, in part or in whole at its discretion. The OIC further reserves the right to withdraw this RFP at any time and for any reason. Submission of or receipt of proposals by the OIC confers no rights upon the bidder nor obligates the State in any manner.
- 4.5 **Vendor Registration**: Vendors participating in this process should complete and file a Vendor Registration and Disclosure Statement (Form WV-1) and remit the registration fee. Vendor is not required to be a registered Vendor in order to submit a proposal, but the **successful bidder must** register and pay the fee prior to the award of an actual purchase order or contract.

SECTION FIVE: CONTRACT TERMS AND CONDITIONS

- 5.1 **Contract Provisions:** The RFP and the Vendor's response will be incorporated into the contract by reference. The order of precedence shall be the contract, the RFP and any addendum, and the Vendor's proposal in response to the RFP.
- 5.2 **Public Record:** All documents submitted to the OIC related to purchase orders or contracts are considered public records. All bids, proposals, or offers submitted by Vendors shall become public information and are available for inspection during normal official business hours after the bid opening.
- 5.2.1 **Risk of Disclosure:** The only exemptions to disclosure of information are listed in ***West Virginia Code*** §29B-1-4. Any information considered a trade secret must be separated from the Vendor submission and clearly labeled as such. Primarily, only trade secrets, as submitted by a bidder, are exempt from public disclosure. The submission of any information to the State by a Vendor puts the risk of disclosure on the Vendor. The State does not guarantee non-disclosure of any information to the public.
- 5.2.2 **Written Release of Information:** All public information may be released with or without a Freedom of Information request; however, only a written request will be acted upon with duplication fees paid in advance. Duplication fees shall apply to all requests for copies of any document. Currently, the fees are 50 cents per page, or a minimum of \$10.00 per request, whichever is greater.
- 5.3 **Conflict of Interest:** Vendor affirms that neither it nor its representatives have any interest nor shall acquire any interest, direct or indirect, which would compromise the performance of its services hereunder. Any such interests shall be promptly presented in detail to the Agency.
- 5.4 **Vendor Relationship:** The relationship of the Vendor and the State shall be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by this contract. The Vendor as an independent contractor is solely liable for the acts and omissions of its employees and agents.

Vendor shall be responsible for selecting, supervising, and compensating any and all individuals employed pursuant to the terms of this RFP and resulting contract. Neither the Vendor, nor any employees or subcontractors of the Vendor, shall be deemed to be employees of the State for any purpose whatsoever.

Vendor shall be exclusively responsible for payment of employees and contractors for all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension, or other deferred compensation plans, including but not limited to, workers' compensation and Social Security obligations, licensing fees, etc. and the filing of all necessary documents, forms and returns pertinent to all of the foregoing.

Vendor shall hold harmless the State, and shall provide the State and Agency with a defense against any and all claims including, but not limited to, the foregoing payments, withholdings, contributions, taxes, Social Security taxes, and employer income tax returns.

The Vendor shall not assign, convey, transfer, or delegate any of its responsibilities and obligations under this contract to any person, corporation, partnership, association, or entity without expressed written consent of the Agency.

5.4.1 Subcontracts/Joint Ventures: The Vendor may, with the prior written consent of the State, enter into subcontracts for performance of work under this contract.

5.4.2 Indemnification: The Vendor agrees to indemnify, defend, and hold harmless the State and the Agency, their officers, and employees from and against: (1) Any claims or losses for services rendered by any subcontractor, person, or firm performing or supplying services, materials, or supplies in connection with the performance of the contract; (2) Any claims or losses resulting to any person or entity injured or damaged by the Vendor, its officers, employees, or subcontractors by the publication, translation, reproduction, delivery, performance, use, or disposition of any data used under the contract in a manner not authorized by the contract, or by Federal or State statutes or regulations; and (3) Any failure of the Vendor, its officers, employees, or subcontractors to observe State and Federal laws including, but not limited to, labor and wage laws.

5.4.3 Governing Law: This contract shall be governed by the laws of the State of West Virginia. The Vendor further agrees to comply with the Civil Rights Act of 1964 and all other applicable laws and regulations as provided by Federal, State, and local governments.

5.5. **Term of Policy and Renewals:** This policy will be effective July 1, 2017 to June 30, 2018 at which time the contract may, upon mutual consent, be renewed for thirty six (36) months. The contract is eligible for two (2) three (3) year renewals.

5.6 **Non-Appropriation of Funds:** If funds are not appropriated for the Agency in any succeeding fiscal year for the continued use of the services covered by this contract, the State may terminate the contract at the end of the affected current fiscal period without further charge or penalty. The State shall give the Vendor written notice of such non-appropriation of funds as soon as possible after the Agency receives notice. No penalty shall accrue to the Agency in the event this provision is exercised.

5.7 **Changes:** If material changes to the contract become necessary, a formal contract change order will be negotiated by the OIC and the Vendor.

As soon as possible, but not to surpass thirty (30) days after receipt of a written change request from the Agency, the Vendor shall determine if there is an impact on price with the change requested and provide the Agency a written Statement identifying any price impact on the contract. The Vendor shall provide a description of any price change associated with the implementation.

NO CHANGE SHALL BE IMPLEMENTED BY THE VENDOR UNTIL SUCH TIME AS THE VENDOR RECEIVES AN APPROVED WRITTEN CHANGE ORDER FROM THE PURCHASING DIVISION.

The following changes are exempt from this provision: Changes to insured pool membership in terms of West Virginia state agencies participating; changes in the amount of quarterly payroll reported in the insurance policy; and all other changes which are considered customary and usual periodic changes regarding the terms and conditions in a workers' compensation policy.

5.8 **Price Quotations:** Subject to regular changes in statutory surcharges and changes in premium rates, based on changes to added or reduced payroll, changes in class code exposures due to premium audits, changes in approved loss costs and any changes in the experience modification factor, the price(s) quoted in the Vendor's proposal will not be subject to any increase, including but not limited to the originally quoted loss cost multiplier or a reduction in the deductible credit, and will be considered firm for the life of the contract unless specific provisions have been provided in the original specifications.

5.9 **Payment For Services:** Payment for the Vendor's services shall be through policy invoicing of the OIC.

5.10 **Liquidated Damages:** Not Applicable

5.11 **Contract Termination:** The State may terminate any contract resulting from this RFP immediately at any time the Vendor fails to carry out its responsibilities or to make substantial progress under the terms of this RFP and resulting contract. The State shall provide the Vendor with advance notice of performance conditions which may endanger the contract's continuation. If after such notice the Vendor fails to remedy the conditions within the established timeframe, the State shall order the Vendor to cease and desist any and all work at a date set by the State. The State shall be obligated only for services rendered and accepted prior to the date of the notice of termination.

The contract may be terminated by the State with thirty (30) days prior notice pursuant to ***West Virginia Code of State Rules*** § 148-1-7.16.2.

5.12 **Special Terms and Conditions:**

5.12.1 Bid and Performance Bonds: Not Applicable

5.12.2 Insurance Requirements: Prior to award of a contract, the successful vendor must provide liability insurance certificates to show that there is an amount of liability insurance that the OIC determines to be adequate to cover exposures resultant from the services rendered by the vendor.

5.12.3 License Requirement: Successful vendor must demonstrate that they have any license required to conduct their business.

5.12.4 Protest Bond: Not Applicable

5.13 **Record Retention (Access and Confidentiality):** Vendor shall comply with all applicable Federal and State rules, regulations, and requirements governing the maintenance of documentation to verify any cost of services or commodities rendered under this contract by the Vendor. The Vendor shall maintain such records a minimum of five (5) years and make such records available to Agency personnel at the Vendor's location during normal business hours upon written request by the Agency within ten (10) days after receipt of the request.

Vendor shall have access to private and confidential data maintained by the Agency to the extent required for the Vendor to carry out the duties and responsibilities defined in this contract. Vendor agrees to maintain confidentiality and security of the data made available and shall indemnify and hold harmless the State and the Agency against any and all claims brought by any party attributed to actions of breach of confidentiality by the Vendor, subcontractors, or individuals permitted access by the Vendor.

Exhibit 1: Participating Agencies and Locations

Exhibit 2: Five (5) Year Loss History

Exhibit 3: Payroll and Class Codes by Agency

Exhibit 4: Five (5) Year Payroll by Class History

Exhibit 5: Five (5) Year Large Losses (>\$250,000) History

Exhibit 6: Five (5) Year Top 5 Cause of Claims

Exhibit 7: Current FTE (Full Time Employee) by Agency

Exhibit 8: Current State Owned Aircraft

Exhibit 9: Experience Rating Factor History

Attachment A: Vendor Response Sheet

Provide a response regarding the following:

Qualifications and Experience:

Provide your current A.M. Best Financial Strength Rating and your A.M. Best Financial Size Category.

Vendor Response:

Approach, Methodology and Timeframe:

Provide your proposed approach for the following services:

Claims services provided will be on a first dollar basis. Briefly describe your claims adjusting services. This is to include managed care, prescription drug plan, utilization review, bill review and return to work programs. Please include managed care service fees and names of companies who may be providing all or a portion of these services.

Vendor Response:

Provide documentation outlining your experience and methodology for managing catastrophic claims, disease claims including occupational pneumoconiosis and hearing loss, and traumatic claims from a claims management and safety / risk management standpoint. Documentation should specifically address the claims management administration and include an organizational chart with names, experience and resumes of any persons involved in the management of the program. Resumes must include detailed experience and understanding of West Virginia Code, rules and regulations. Specifically address the role of the personnel and identify who is dedicated solely to the state agency program. Please provide a maximum claim volume estimate for each claims manager (dedicated and/or non-dedicated to program) who may be handling WV state agency claims. Please outline dedicated/non-dedicated medical staff such as physicians, nurse case managers, pharmacy technicians, etc. that may be involved in the management of the state agency claims. Further, please include an action plan outlining the replacement of dedicated claims managers/staff due to employee turnover.

Vendor Response:

Briefly discuss your reserving philosophy and strategy for this program. The carrier will be responsible for the setting and maintenance of the reserves. The OIC will audit at a minimum annually to verify the reserving strategy is being utilized.

Vendor Response:

A fully funded loss fund will be created to provide claim payments up to the selected deductible for losses and allocated loss expenses. It is expected that this loss fund be evaluated annually for no more than four (4) consecutive years after the policy expires. The first adjustment or “true up” will be valued six (6) months after policy expiration with additional true ups occurring annually on the same date thereafter. The true up will consider incurred losses for all claims, up to the deductible limit, within the policy period and adjusted each evaluation by a loss development factor. Describe your proposed terms, methodology and operational structure of these loss fund evaluations.

Vendor Response:

Agencies and locations must be electronically setup using the currently established site codes maintained and provided by the OIC. Each location will have a separate and distinct site code to be used for claims reporting purposes and loss trend analysis. Briefly describe the method you will use to establish, track and change/add all site codes currently in use. Please include sample copies of loss runs, new claims alerts, new reopened claims alerts, claims over a specific monetary threshold (>\$10,000 incurred as an example) and any other report that you may provide that would be beneficial to the management of this program. All sample reports you provide should be in a format where the data may be analyzed and must include claims information by the site code location(s).

Vendor Response:

Loss reporting will be required on a monthly basis by agency and location. Briefly describe your approach to meet and provide sample reports.

Vendor Response:

Briefly describe your proposed loss control services for the program. The OIC expects the selected carrier to conduct an initial loss control visit to each agency the first year. At a minimum the Commissioner would expect that all state agency locations will have at least one loss control visit every three years. The Commissioner is to be notified of any loss control recommendations and the response of the agency to the recommendations. The carrier will report the results of their loss control activities quarterly. In addition, the service provider shall provide a comprehensive safety and loss control program focused on reducing claim frequency and severity through training and hazard reduction. The carrier shall develop a loss control program giving consideration to size of the agency, loss experience and type of risk.

Vendor Response:

Briefly describe your policy cancellation and non-renewal provisions.

Vendor Response:

Briefly describe your strategy to address experience modifier issues incorporating an integrated approach with the goal of obtaining a credit experience mod on this program.

Vendor Response:

Briefly describe your strategy to address the OICs desire to maintain premium and loss data at the agency level allowing the State to calculate separate internal experience rating assessments to pool members. Policy data will be reported by the carrier to the state's statistical agent (NCCI) as a single block.

Vendor Response:

Briefly describe how you will conduct your premium audit program for the pool. The OIC desires annual premium audits on all agencies in this program. The audits should be completed 120 days after the policy has expired. An electronic report of premium audit findings made to the commissioner shall include a breakdown of final payrolls by classification by agency.

Vendor Response:

The carrier agrees to report the policy and loss experience and coverage of plan participants to the required data reporting agencies.

Vendor Response:

Briefly describe your policyholder loss run reporting, include sample reports. The OIC prefers monthly but not less than quarterly electronic loss runs, consistent with industry standards, and inclusive of location codes corresponding to the respective participating agencies.

Vendor Response:

Provide your proposed Work Plan and Timelines.

Vendor Response:

Attachment B: Cost Sheet

Cost information below as detailed in the Request for Proposal and submitted in a **separate sealed envelope**. Envelope shall be clearly marked "Cost Proposal".

Total Estimated Premium: July 1, 2017 through June 30, 2018. Enclose detailed quotes at the two deductible levels (\$250,000 and \$500,000) utilizing payroll and class code information provided (Exhibit 3).

Additionally: Complete the following table for each deductible level:

\$250,000 Per Occurrence Deductible

Component	Factor (Percent)
Loss Cost Multiplier	
Deductible Credit	
Aggregate Deductible Amount	
Schedule Rating Factor (if applicable)	
Premium Discount Factor (if applicable)	
Loss Reimbursement Fund Amount	
Loss Development Factor – 18 months after policy effective date.	
Loss Development Factor – 30 months after policy effective date.	
Loss Development Factor – 42 months after policy effective date.	
Loss Development Factor – 54 months after policy effective date.	

Any First Year Policy Implementation Fee (if applicable) \$ _____

Policy Surcharges \$ _____

Total Policy Estimated Premium (7/1/2017 – 6/30/2018) using data provided in Exhibit 3.

\$ _____

Attachment B: Cost Sheet (Continued)

Total Estimated Premium: July 1, 2017 through June 30, 2018. Enclose detailed quotes at the two deductible levels (\$250,000 and \$500,000) utilizing payroll and class code information provided (Exhibit 3).

Additionally: Complete the following table for each deductible level:

\$500,000 Per Occurrence Deductible

Component	Factor (Percent)
Loss Cost Multiplier	
Deductible Credit	
Aggregate Deductible Amount	
Schedule Rating Factor (if applicable)	
Premium Discount Factor (if applicable)	
Loss Reimbursement Fund Amount	
Loss Development Factor – 18 months after policy effective date.	
Loss Development Factor – 30 months after policy effective date.	
Loss Development Factor – 42 months after policy effective date.	
Loss Development Factor – 54 months after policy effective date.	

Any First Year Policy Implementation Fee (if applicable) \$_____

Policy Surcharges \$_____

Total Policy Estimated Premium (7/1/2017 – 6/30/2018) using data provided in Exhibit 3.

\$_____

West Virginia Offices of the Insurance Commissioner
RFP INS 17002 – Addendum #1
Response to Questions

Question: Given the statement in section 1.1 of the Request for Proposal (RFP), “Preference will be given to a direct write carrier”, is there an agency or broker relationship with the State of WV or OIC currently in place?

Response: As a result of the initial state agency workers’ compensation (SAWC) program RFP INS 11015 released in 2011, Zurich Insurance Company submitted a proposal that included the services of Arthur J. Gallagher & Co. The initial RFP released in 2011 did not include provisions nor mandates for the utilization of brokerage or producer services. There is no preferred nor implied producer or broker association as indicated in the RFP. Preference will be given to a direct write carrier.

Question: Does the West Virginia Offices of the Insurance Commission (OIC) desire to utilize the services of an insurance agency for this RFP? If so, who is that agency?

Response: The OIC would give preference to a direct write carrier that would not utilize the services of a producer or broker for the SAWC policy. This preference is outlined in Section 1.1 of the current RFP INS 17002 and states:

1.1 Purpose: The West Virginia Offices of the Insurance Commissioner (OIC) is soliciting proposals from qualified insurance carriers to provide workers’ compensation insurance coverage and all services associated with a full service insurance program including claims management, loss control, premium audit and other risk management services.

This request for proposal is being conducted to procure workers’ compensation coverage for participating West Virginia state agencies. **Preference will be given to a direct write carrier.** The effective date for coverage must be July 1, 2017, with an initial policy term of thirty-six (36) months. Premium is to be recalculated July 1, 2018 and every subsequent July 1st using added or reduced payroll, changes in class code exposures due to premium audits, current approved loss costs and any changes in the pool’s experience modification factor. No other increases, including increases to the loss cost multiplier or reducing the deductible credit, will be accepted mid-policy.

Question: The loss information provided was as of September 30, 2016. Will the potential respondents receive loss information valued as of a more recent date?

Response: The historical loss information with a current evaluation date was provided as a part of the RFP for analytical and trending purposes. As this data is considered current, the OIC will not provide a new evaluation date for all exhibits. However, the OIC will provide the 1st quarter of data (July 1, 2016 – September 30, 2016) for the current SAWC policy that became effective beginning July 1, 2016. This quarterly data will also be evaluated as of September 30, 2016 for consistency in analysis. Please see the attached Exhibit 1 for this data.

West Virginia Offices of the Insurance Commissioner
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Response to Questions

Question: The loss information provided appears to be in summary form. Can the OIC provide a detailed loss run that lists claims individually and provides injury cause, part of body, nature of injury and all financial information at the claim level?

Response: The OIC has included an exhibit to the RFP to include the requested information. For consistency in data analysis, this loss information is valued as of September 30, 2016 and includes data from October 2011 through September 30, 2016. Please note that claim specific identifying information has been redacted and will not be provided. Please see the attached Exhibit 2 for this data.

Question: Please provide a copy of your current claim handling guidelines.

Response: Claims handling guidelines are proprietary and specific to the current carrier. As indicated in the RFP, a carrier must utilize best claims practices to ensure SAWC claims are being managed and reserved with the utmost efficiency. A copy of all bidding company claim handling guidelines will be expected in order to assist with proper parameters for the on-site Best Claims Practice reviews. All carriers must comply with the WV Code and Rules relating to all aspects of claims management.

Question: Do you track claim denials and sustained denial rates with your current carrier? If so, what is the sustained denial percentage?

Response: The SAWC Program does not track denial percentages.

Question: PPO networks – what is your current carrier's network penetration % (i.e. % of medical billed in network) and average network discount?

Response: From January through October 2016, the SAWC program currently has 93% in network participation. The PPO discounts totaled \$340,736. The average network discount is \$35.00 per bill.

Question: Medical Bill Re-pricing (MBR) results – what is the gross and net paid % of the total medical dollars billed? What is the gross and net paid % of the total pharmacy charges billed?

Response: From January through October 2016, the SAWC program had 10,698 bills reviewed for a total cost of \$8,530,044. The medical bill review process saved \$5,275,257 or 62%. These savings do not include the PPO discount noted in the preceding question. The total overall savings for both the PPO discount and medical bill review was \$5,615,993 or 66% of total costs. Specific pharmacy charges are not tracked separately and are included in the overall medical bill review noted above.

West Virginia Offices of the Insurance Commissioner
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Response to Questions

Question: How does the current MBR process work with your current carrier? What types of activities are included?

Response: Medical bill review procedures includes but is not necessarily limited to:

- Reviewing bills and paying at the state fee schedule or usual and customary fees, depending on specific state requirements.
- Managing PPO networks and taking reductions.
- Identifying questionable charges, billing practices, and treatment patterns.
- Utilize a complex bill review team of medical professionals to review surgery and hospital bills.

Question: What is the current MBR pricing structure?

Response: The current medical bill review pricing structure is unavailable.

Question: What are your RTW statistics: % of employees returned to work in 30, 60 and 90 days?

Response: The SAWC Program does not have sufficient data to specifically determine a RTW average. However, the OIC has partnered with all member agencies to implement effective RTW programs within each agency. The RTW programs stress the importance of accommodating transitional duties to ensure an injured worker returns to the workplace as quickly as possible. All large state agencies have worked extensively and tirelessly in this implementation. The OIC desires a solid safety partner to continue and to enhance the already successful RTW efforts of all agencies.

Question: Where are your claims currently managed with the incumbent?

Response: The current carrier provides claim handling and claims management services from three (3) out of state locations

Question: Are there any issues with the incumbent's claim handling? If so, please specify.

Response: As the state insurance regulator, the OIC is unable to elaborate on claims handling practices by a specific carrier.

Question: Is a local claim presence important to the OIC? Do vendors with claim offices in WV receive preference?

Response: Carriers with West Virginia locations are desirable. However, it is most important that claims adjusters be experienced and knowledgeable in West Virginia Code and Rule requirements.

West Virginia Offices of the Insurance Commissioner
RFP INS 17002 – Addendum #1
Response to Questions

Question: Will you consider a standalone Third Party Administrator contract only proposal as a response to this RFP? If so, will you be sending an addendum to the cost proposal section of the RFP to allow for claim service only costing?

Response: The SAWC Program would not consider a Third Party Administrator contract.

Question: How are you currently paying for claim services? Per claim or percent of loss basis? What are the current rates? Would you prefer to be billed for claim handling charges monthly or prefunded?

Response: The OIC pays a monthly premium installment to the carrier. The current annual administrative costs are \$6,696,493. The current annual loss fund reimbursement is \$11,000,000 for a total annual premium of \$17,696,493. The carrier pays the claims as they are incurred by using the pre-funded loss fund. Six (6) months after the expiration of the policy, the SAWC Program has a “true up” to review the adequacy of the loss fund based on claims development. There are a total of four (4) true up reviews per policy using the following intervals and loss development factors:

Months from Policy Inception	Loss Development Factor
18	1.42
30	1.20
42	1.15
54	1.08

Question: Do you currently utilize 24/7 nurse triage services?

Response: No, this service is not currently available but consideration would be given to these services if offered.

Question: Can you explain the process by which your medical only claims are currently managed?

Response: The current carrier has dedicated claims adjusters assigned to medical only claims.

West Virginia Offices of the Insurance Commissioner
RFP INS 17002 – Addendum #1
Response to Questions

Question: The RFP mentions that the vendor must agree to attend and to provide adequate staff to address large loss reviews and services at a specified location a minimum of four times per year. What do you estimate to be the optimal number of file reviews to effectively service this account? Where will the file reviews take place? What claim thresholds apply? Are dollar thresholds the only criteria for your claim file reviews?

Response: The OIC claims review averages 30 to 40 claims, with no more than 50, per review. Claims are reviewed four (4) times per year. The claims to be reviewed are provided by the OIC to the carrier. There is no specific claims criteria or thresholds in place for the claims selections. Selected claims may have various reasons for review such severity of injury, complexity of claim, multiple claims per injured worker, litigation status, possible fraud issues, etc. The claims reviews occur at the OIC's location at 900 Pennsylvania Avenue, Charleston, WV.

Question: Are the 125 user agencies that would need access to our claim system at the same location? If not, please provide the number of locations. Please provide site codes for the agencies.

Response: No, the user accesses will be utilized by SAWC program member agencies located throughout the state. The agencies with current user accesses include, but are not limited to, the following: OIC, Division of Corrections, Department of Health and Human Resources, Division of Natural Resources, Department of Transportation, and most large agencies with higher claim frequency.

Question: Does the program contemplate coverage for volunteer or paid fire fighters? If so please describe the exposure and safety controls.

Response: There are no volunteer or paid fire departments that are provided coverage as a part of the SAWC policy nor is any such coverage anticipated to be included in this program in the future. However, the Division of Forestry does have the authority to provide assistance to national wildfire emergencies. This agency has recently downsized in their fire protection program and the firefighting exposure is minimal.

Question: Does the program contemplate coverage for any police or law enforcement personnel? If so, please describe the exposure and safety controls.

Response: The WV State Police officers are not covered under this program but the civilian personnel such as clerical staff, dispatchers, maintenance, etc. are covered as a part of the SAWC policy. The Department of Transportation and the Division of Natural Resources each have law enforcement units within their agencies. Examples of these enforcement operations include safety and weight enforcement and game wardens.

West Virginia Offices of the Insurance Commissioner
RFP INS 17002 – Addendum #1
Response to Questions

Question: Are park employees involved in managing wildlife exposures – including but not limited to bears, coyotes, venomous snakes, etc.? If so, please describe the exposure and controls.

Response: Division of Natural Resources may occasionally encounter wildlife. However, this exposure is minimal. In addition, the DNR does operate the West Virginia State Wildlife Center. The Wildlife Center is a modern zoological facility displaying native and introduced state wildlife. All employees of this Center must undergo specialized training and be licensed through the United States Department of Agriculture Animal and Plant Health Inspection Service.

Question: What are the controls for the armed guards associated with the department of corrections? Are there any circumstances under which prisoners would be covered under this program?

Response: The Division of Corrections (DOC) correctional officers must undergo strenuous and rigorous training to address both the physical aspect of the job as well as restraint techniques and firearm utilization. The Division of Corrections utilizes a training academy used specifically for the specialized and frequent training all DOC employees must attend. Training programs include a four-phase program sworn and civilian staff. The four phases are Orientation, Basic, In-Service and Specialized Training. In addition to the vigorous training schedules, all DOC facilities must be accredited by the American Correctional Association (ACA). Inmates are not covered as a part of this program as they are not considered as employees of the state.

Question: Please provide pilot and aircraft applications for the Civil Air Patrol and any other agencies with an aircraft exposure.

Response: The WV Civil Air Patrol (CAP) is the West Virginia Wing of the Civil Air Patrol, a United States Congressionally chartered corporation which is a civilian auxiliary of the United States Air Force. The US Air Force mandates that all CAP pilots are required to perform two hundred hours of flight time per aircraft, per year in order to keep the aircraft active. The flight time can be accumulated through O-flights, search and rescue missions, search and rescue training missions, and personal proficiency flights conducted by the flight staff. All flight missions, including maintenance flights, may fall within the jurisdiction of the US Air Force. The pilots are only responsible for operation of the aircraft. The aircraft will typically be pushed out from the hanger by the flight crew, or will receive a tug out by the airport staff. Fueling is performed by the airport staff, and all maintenance and repair is handled at a national CAP level, and is performed by contracted services that are paid for by the national CAP. In the past five (5) years, CAP has filed two (2) claims, both now closed, with total paid losses of \$21,164. CAP averages approximately 40,500 volunteer hours per fiscal year.

West Virginia Offices of the Insurance Commissioner
RFP INS 17002 – Addendum #1
Response to Questions

Question: Please provide an employee breakdown by location.

Response: The OIC is providing an exhibit outlining the full time employee count by agency location. Please see attached Exhibit 3 for this information.

Question: Please provide details on the safety controls for the mine inspectors.

Response: The Miners’ Health, Safety and Training (MHST) agency certifies six (6) types of inspectors:

- District Inspector – Underground inspections
- Surface Inspector – Surface, above ground inspections
- Electrical Inspector
- Diesel Inspector
- Roof Control Inspector
- Ventilation Inspector

Criteria to apply for an inspector or instructor position includes:

- Must have five (5) years of practical experience in the coal mining industry
- Two (2) of the five years’ experience must be in mines located in West Virginia.
- Graduation from any accredited college of Mining Engineering may be considered the equivalent of two (2) years of practical experience.

Applicants meeting the above criteria must take and successfully pass a written examination. Upon passing the examination, the applicant is subject to an oral interview with the Mine Inspector Examining Board. The applicant must also pass instrument, apparatus, gas and anemometer reading testing. Upon employment, training sessions are required based on the inspector/instructor position. These trainings include but are not limited to orientation, regulation and records, accidents and emergencies and specialized training. MHST employees must be highly trained and skilled in the regulations and safety standards that govern all aspects of the coal industry.

Question: Please provide an additional 5 years of loss information.

Response: The SAWC program began in 2011. Prior to this date, state agencies were not combined into a single policy. Each agency had a separate policy that was not in any way linked to another agency or state program. Therefore, an additional five (5) years of loss information is not available.

Question: Please provide loss triangles if they are available.

Response: Loss development triangles are not available.

West Virginia Offices of the Insurance Commissioner
RFP INS 17002 – Addendum #1
Response to Questions

Question: Would the State entertain optional programs with a retention/deductible higher than \$500,000?

Response: Pricing should be based on the deductible limits provided in the RFP.

Question: Can you provide a list of the FEIN for each state entity?

Response: Due to the statewide transition to a new financial/ Human Resource system, all state agencies have a single FEIN for federal reporting purposes. Individual agency FEINs are no longer in use.

Question: Can you provide the revised NCCI Rating Worksheet effective 7/1/2016 produced 11/15/2016?

Response: Please see the attached Exhibit 4 for the requested information.

REQUEST FOR PROPOSAL INS17002

West Virginia Offices of the Insurance Commissioner

Addendum #2

The West Virginia Offices of the Insurance Commissioner is issuing Addendum #2 to allow for additional inquires and questions for clarification purposes. The deadline for the receipt questions will be January 10, 2017 and the agency will have the responses back to the vendors by the close of business on January 17, 2017.

Question are to be submitted by email at john.l.hannan@wv.gov or by courier at:

WV Offices of the Insurance Commissioner

900 Pennsylvania Avenue

Room 935

Charleston, WV 25302.

The questions must be in the WV Offices of the Insurance Commissioners Office on January 10, 2017.

The WV Offices of the Insurance Commissioner may refuse and is not obligated to answer any questions submitted after January 10, 2017.

West Virginia Offices of the Insurance Commissioner
RFP INS 17002 – Addendum #3
Response to Questions

Question: Is the current program a \$250,000 deductible. Is the incumbent, Zurich offering a \$250,000 deductible? Is that a depleting fund deductible? Do you currently have an aggregate?

Response: Yes, the SAWC policy written by American Zurich Insurance Company currently utilizes a \$250,000 deductible per accident/disease claim. The aggregate deductible for the policy currently in effect is \$32,000,000.

Question: How are the Collateral requirements currently structured? Are optional Collateral Requirements options important to the state? If so is there a collateral preference to Letter of Credit, Surety bond option, cash (both depleting and non-depleting), or collateral trust?

Response: The current SAWC policy does not require collateral.

Question: Should the proposal be based on FY2016 Estimated payroll of \$840,435,795 from Exhibit 4 or FY2015 Audited Payroll total of \$844,229,973 from Exhibit 3.

Response: The FY2015 audited payroll data is the most recent audited data available. The estimated FY2016 estimated payroll is based on FY2014 audited payroll and is not the most current wage estimates.

Question: Exhibit 4 showed the EMOD effective 7/1/2016 and produced 11/30/2016. Can you provide the Rating Worksheet for 7/1/2017? This will be very helpful for the loss development factor.

Response: The 7/1/2017 experience rating worksheet has not been produced by NCCI. The OIC should receive the new factor 60 to 90 days before the 7/1/2017 SAWC policy rating effective date.

Question: Page 4 of 8 Response to question: How are you currently paying for claim services? Per claim or percentage of loss basis? What are the current rates? Would you prefer to be billed for claim handling charges monthly or prefunded?

Response: The SAWC policy utilizes a loss reimbursement fund. Every month the OIC pays a mutually agreed monetary amount into the loss reimbursement fund. Claim payments and ALAE are deducted from the fund for claims administration. The aggregate loss reimbursement fund amount is based on historical SAWC loss development and actuarial projections.

West Virginia Offices of the Insurance Commissioner
RFP INS 17002 – Addendum #3
Response to Questions

Question: Response indicates annual administrative costs are \$6,696,493 and annual loss fund reimbursement is \$11,000,000 for total annual premium of \$17,696,493.

Does this annual administrative cost include the aggregate and claims fees or are they separate? If separate can you provide those fees

Response: The annual premium and loss fund installments are the total costs of the SAWC policy. It is important to note that the total policy costs also include audit adjustments and the loss reimbursement true ups but those adjustments are not known until the valuations occur.

Question: Reinsurance treaties requires understanding a degree of exposure within a certain proximity. Therefore we are requesting the actual physical addresses for each FTE count listed on exhibit 7. Please provide those addresses including location, city, state and zip and number of FTE. Having this information will allow a more competitive proposal as it will determine the reinsurance rates.

Response: As all covered agencies and employees are in West Virginia, reinsurance exposures by region are minimized due to the small size of our state. However, the OIC is providing an FTE concentration percentage of the five (5) most populated WV cities which accounts for approximately 50% of all FTE locations. These cities include:

- Charleston, WV – 10,501 FTEs (41.3%)
- Huntington, WV – 899 FTEs (3.5%)
- Parkersburg, WV – 479 FTEs (1.9%)
- Morgantown, WV – 228 FTEs (0.9%)
- Wheeling, WV – 338 FTEs (1.3%)
- Some other cities with notable concentrations are: Beckley (2.2%), Martinsburg (2.1%), Welch (1.8%) and Weston (3.1%).

Question: Can the attached application be completed for WV Civil Air Patrol pilots. We do not need any of the Protected Information i.e. SSN or DOB. The main areas are training/recurrent training.

Response: The attachment that was included on the email was the RFP Addendum #2 notice. There was no other application or form attached. All WV Civil Air Patrol training maneuvers and flight hours are mandated by the United States Air Force.

West Virginia Offices of the Insurance Commissioner
RFP INS 17002 – Addendum #3
Response to Questions

Question: Per RFP addendum #1 question on please provide current claim handling guidelines. Do you have any expected i.e. legal panel utilized for claims or any IME panel, etc?

Response: Other than the provisions outlined in the RFP and addenda, the SAWC policy does not require panels, committees, etc.

Question: For the DOC – can we be provided a officers to prisoners ratio? Can we be provided a list of training for DOC officers?

Response: Using historical inmate counts and current bed counts within the prison system, the OIC is approximating that 6,500 inmates could be housed in the prison system at any given time. There are currently approximately 1,314 correctional officers/guards. The estimated ratio using the numbers above show a 5 to 1 inmate to officer ratio. A specific training listing is not available for officers. However, more information about the training academy may be found at [WV Corrections Training Academy](#).

Question: For the MHST, can you advise the total hours combined for all 54 mining inspectors?

Response: A mining inspector’s primary job function is to ensure mine safety regulations are compliant with federal and state laws. Therefore, an inspector is generally on the surface or underground of a mine site for 6 hours per day, 4 days a week for a total of approximately 67,392 hours per year.