

RFP No. 12-001064

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**Request for Proposal ("RFP")
Professional Technical Contract for
Recommendations for Enhancements to the Department's
Actuarial Rate Review Processes for Health Insurance Products
RFP Number 12-001064**

ISSUE DATE: **September 21, 2010**

USING AGENCY: NC Department of Insurance

ISSUING AGENCY: NC Department of Insurance

Sealed proposals subject to the conditions of this RFP will be accepted until **Monday, November 1, 2010, at 2:00 p.m. EDT.**

IMPORTANT NOTE: Please indicate firm name, and the RFP number on the front of each sealed proposal package, along with the date for receipt of proposals specified above. Please send all proposals directly to the NC Department of Insurance at one of the following addresses:

DELIVERED BY US POSTAL SERVICE	DELIVERED BY ANY OTHER MEANS
RFP Number 12-001064 NC Department of Insurance Attn: Lorraine Richardson Purchasing Officer 1201 Mail Service Center Raleigh, NC 27699-1201	RFP Number 12-001064 NC Department of Insurance Attn: Lorraine Richardson Purchasing Officer 430 North Salisbury Street, Room 4092J Raleigh, NC 27603 – 5926

Proposals may not be submitted by electronic means. However, this RFP is available electronically on the N.C. Interactive Purchasing System (IPS) Website at <http://www.ips.state.nc.us/ips/pubmain.asp> and can be obtained by selecting one of the "Bid" links.

Please direct all inquiries regarding **RFP requirements** to Lorraine Richardson, Purchasing Officer at one of the addresses shown above or at 919-733-3355.

Written questions concerning the **RFP specifications** will be received until **Tuesday, September 28, 2010, at 2:00 p.m. EDT**, and may be sent via e-mail to Jan Andrews at jan.andrews@ncdoi.gov. No additional questions will be accepted after this deadline. A summary of all questions and answers will be posted on the internet as an addendum to the RFP by **Tuesday, October 12, 2010, at 4:00 p.m. EDT**. Should a proposal conference be needed, it will be scheduled and posted on the internet by **Thursday, October 14, 2010, at 4:00 p.m. EDT**. The internet address is the same as above. **It is the offeror's responsibility to assure that all addenda have been reviewed and, if need be, signed and returned.**

Proposal Time Frame:

<u>ACTIVITY</u>	<u>DATE/DEADLINE</u>
Issue RFP	Tuesday, September 21, 2010
Last day to receive written questions	Tuesday, September 28, 2010, 2:00 p.m. EDT
Response to questions posted	Tuesday, October 12, 2010, 4:00 p.m. EDT
Proposal conference schedule posted as addendum	Thursday, October 14, 2010, 4:00 p.m. EDT (if necessary)
Proposal due and public opening	Monday, November 1, 2010, 2:00 p.m. EDT
Notification and contract execution	Tuesday, December 7, 2010
Effective date of new contract	Tuesday, December 7, 2010

Please note: Within two days after notification of award of a contract, the vendor must register in NC E-Procurement@Your Service (<http://vendor.ncgov.com>)

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I. INTRODUCTION

A. Purpose

The State of North Carolina's Department of Insurance (the "Department") is seeking proposals from interested and qualified firms to perform a review of the Department's current actuarial rate review processes for commercial medical health insurance products as well as any new rate review processes which are developed as a result of the Patient Protection and Affordable Care Act of 2010 (PPACA).

The firm's completed work product will include a report containing recommendations for enhancing the Department's rate review processes and any suggested changes to the North Carolina General Statutes and/or North Carolina Administrative Code. Proposed enhancements should consider strengthening protections to North Carolina health insurance consumers, while maintaining the solvency of health insurers and a competitive marketplace. Recommendations may include any processes or methods that could be implemented by the Department for the purpose of improving the health care system's quality, accessibility, and affordability in the state and potential statutory changes that may facilitate public hearings on rate filings.

The Department will select one qualified vendor for this project. The vendor must agree that the terms and provisions of this RFP shall be included in the project contract.

The desired time frame is for work to begin, as soon as possible, after the effective date of the new contract which is **December 7, 2010**, with the goal of finalizing a report by **February 15, 2011**. In no event shall the report be issued later than **March 1, 2011**. This will permit time for the submission of legislation should it be warranted. Additionally, the vendor shall discuss the progress on the project with the Department weekly, and a draft report shall be delivered to the Department at least one week before the final report is issued.

Project Time Frame:

ACTIVITY	DATE/DEADLINE
Project start date	As soon as possible, after the effective date of the contract - December 7, 2010
Progress reports	Weekly
Draft report	One week before the final report is issued
Final report	Tuesday, February 15, 2011

This project will be funded by a portion of the Department of Health and Human Services Grants to States for Health Insurance Premium Review – Cycle 1, which was awarded to the North Carolina Department of Insurance on August 16, 2010.

THE STATE OF NORTH CAROLINA MAKES NO COMMITMENT TO ACQUIRE ANY SERVICES UNDER THIS CONTRACT.

This RFP is available at <http://www.ips.state.nc.us/ips/pubmain.asp>.

B. List of Market Segments to be Included in the Actuarial Report

Analysis will focus primarily on comprehensive medical health insurance products subject to PPACA in the commercial individual (non-group), small group, and large group health insurance markets. This excludes "excepted benefits" as defined under the Health Insurance Portability and Accountability Act (HIPAA) (NCGS 58-68-25(b)).

The following commercial health insurance market segments should be included in the actuarial report:

1. Individual (non-group) health insurance
2. Small group health insurance
3. Large group health insurance

The report should also consider all types of health insurance plans including Health Maintenance Organization (HMO) / Point-of-Service (POS) insurance, Preferred Provider Organization (PPO) insurance, and indemnity health insurance to the extent these plans are subject to PPACA.

C. Background

For informational purposes, this section provides an overview of the Department's current rate review process in its entirety. **Please note that services requested in this RFP pertain to the Actuarial Services Division process only. See Section I.C.2.b)(2) for the current Actuarial Services Division process.**

1. General Health Insurance Rate Regulation

- a) **Licensing Requirements** – The Department licenses all insurers who carry on the business of insurance within North Carolina and authorizes the specific types of insurance in which the insurer may engage. Any insurer, who has accident and health insurance authority, is organized as a Medical Service Corporation or a Health Maintenance Organization (HMO), is authorized to write health insurance coverage in North Carolina. In addition to the general authority afforded through the license, the insurer must submit to the Department for prior approval all insurance policy forms and rates for any health insurance plan the insurer intends to use in North Carolina. This prior approval requirement applies across all types of health insurance plans (i.e. preferred provider, indemnity, point of service, HMO, etc.) and across all health insurance markets (individual/non-employer group, small and large employer group). In reviewing the policy forms and rates associated with a health insurance plan, the Department's Life and Health Division applies all applicable statutory and regulatory requirements to the product and the rates. When necessary the Life and Health Division seeks assistance and input from the Actuarial Services Division on the rates, but it is the Life and Health Division that takes all approval or disapproval actions upon rate filings.
- b) **Rating Rules** – Requirements for rating and the use of case characteristics vary according to the type of insurer involved and the market in which the health plan is used. Likewise the Department's rate review process also varies accordingly.
- c) **Individual Health** – Insurers are required to submit rate filings at least annually, and these filings require the Department's approval prior to implementation. Individual health insurance premiums must be guaranteed for a period of not less than 12 months to the policyholder and require a 45-day prior notification period prior to implementing a rate increase on an individual. These filings must satisfy applicable incurred loss ratio standards. For individual health insurance there is no required rating methodology although most carriers use attained age rating. Monthly or quarterly trend factors which build in automatic rate increases by calendar date are not allowed. Medical underwriting and an assignment of a rating tier at issue are currently allowed, however, an individual's renewal premium cannot be increased due to any health status related factor including duration from issue.

- d) **Small Employer Group (Small Group)** – The Department has authority to review the rating factors used in the small employer group (employers with 1-50 eligible employees) health insurance market. Insurers must submit this information to the Department at the point that they submit a small group market entry filing, when they submit new policy forms for use with new plans, and whenever they change the demographic factors. Small group health insurance rates must be calculated using an adjusted community rating methodology with $\pm 25\%$ rating bands for underwriting and administrative expense differences. The rating factors used by small group insurers are subject to review and, in some cases, prior approval. Insurers are limited to five demographic factors – age, gender, number of family members covered, geographic location and industry. Small group rates are guaranteed for 12 months unless the group's composition changes by more than 20% or there are changes made to the benefits. Annual small group rate increases are limited to the increase in the adjusted community rate plus the increase due to change in benefits or case characteristics (rating factors) plus an adjustment not to exceed 15% for group specific claims experience, health status or duration of coverage.
- e) **Large Employer Group (Large Group)** – Insurers are statutorily required to submit an actuarial demonstration detailing the development of the premium rates for any health insurance product when the product is first submitted to the Department for approval. Health insurance premiums for traditional "life and health insurance companies" must be rated on an actuarially sound basis as certified by an actuary. Amendments to the rates charged by those insurers are not required to be submitted to the Department. However, many insurers do as a matter of business submit these revisions to the Department on a "file and use" basis. For Medical Service Corporations and HMOs, the Department reviews and approves the rating factors and/or the rates the insurer is proposing for use with health plans, both initially and any revisions thereto. Revisions to the factors that Medical Service Corporations use must be approved by the Department. HMO insurers must submit an annual rate filing to the Department for approval. For HMO and Medical Service Corporation group health insurance, there is considerable flexibility with rating methodologies as long as they are developed on an actuarially sound basis. Generally speaking, changes in a group's premium rate must be preceded by no less than a 30-day notice to the policyholder, although in some cases the notice period is longer.
- f) **HMO Specific Information** – Insurers are required to submit rate filings at least annually and require the Department's approval prior to implementation. HMO premiums must be guaranteed for a period of not less than 12 months and require a 45-day notification period prior to implementing a rate increase. These filings must satisfy applicable incurred loss ratio standards. There is currently a 45-day deemer period for HMO rate filings.

2. Health Insurance Rate Review and Filing Requirements

a) Description of Data Included in Rate Filings

- (1) **Individual Health** – For an individual health insurance rate revision submission, the filer must submit an Actuarial Memorandum which describes and demonstrates the development of any requested premium rate revision. Title 11 North Carolina Administrative Code (NCAC) 16.0205 specifies the "Additional Data Requirements". The regulation includes a requirement for general information such as policy form identification and justification of groupings, number of North

Carolina policies and average annual premium before and after the proposed revision, as well as historical experience data including earned premium and incurred claims from inception. The incurred loss ratio is defined as incurred claims divided by earned premiums and calculated based upon current NAIC SSAPs (Statutory Statements of Accounting Practices). Durational data is typically required in order to recognize the effects of medical underwriting. Experience is typically provided on an annual basis, however, monthly data is provided when credible by the larger insurers. North Carolina specific experience is required if credible, otherwise country-wide data is required. Actuarial justification for any proposed apportionment of the rate revision is also required.

- (2) **Small and Large Employer Group** – No specific data requirements are dictated in general for small group and large group rate revisions.
- (3) **HMO Specific Information** – HMO rate filings must include the data requirements specified by Title 11 NCAC 16.0602, 16.0603, 16.0604, 16.0605, and 16.0606. The HMO rate revision filing includes group rating methodology, base rates and all rating factors such that group specific rates may be reproduced, as well as three-year monthly financial projections which are used to demonstrate projected incurred loss ratios and risk based capital requirements.

b) Rate Review Process

(1) Life and Health Division Process

All rate filings, whether revising the rate on a previously approved health insurance plan or submitted with a plan initially submitted for approval, are filed with the Life and Health Division. Those filings are received via the mail, via electronic mail and via the NAIC's System for Rate and Form Filings (SERFF). Filings received by mail or electronic mail are formatted, scanned, and/or uploaded to SERFF by the Division's Administrative Assistant. All received filings are then reviewed by a supervisor in the Division who makes an assignment of the filing to an analyst or to the Division's Filing Coordinator. The analyst/coordinator performs an initial review to assure that the filing contains the required information needed to proceed. For filings which are subject to the Department's prior review or approval, the rates are referred to an Actuary in the Actuarial Services Division. If the filing is not subject to prior review/approval or if the filing is deficient in any way, the analyst/coordinator takes the appropriate action and communicates the action to the insurer. If the filing was referred to Actuarial Services Division, the analyst/coordinator awaits a recommendation from Actuarial Services before proceeding with an action on the filing.

(2) Actuarial Services Division Process

- (a) **Individual Health** – For an individual health insurance rate revision submission, the additional data requirements are used to generate an independent analysis of the proposed rate revision by the reviewing staff actuary. Historical experience is actuarially adjusted and used to project future results. Linear regression is performed on actual versus expected incurred claim ratios and/or on incurred loss ratios adjusted to a current

rate level basis. Past experience is accumulated with interest while future experience is discounted with interest for the lifetime loss ratio calculation. The justified rate increase indication is determined as the amount required to reduce the projected future loss ratio down to the allowable incurred loss ratio subject to the constraint of also satisfying the lifetime incurred loss ratio requirement.

- (b) **Small Employer Group**– For small group insurance, all insurers are required to submit annually by March a retrospective actuarial certification stating that they rated all of their small employer groups in the previous calendar year in accordance with the statutory requirements. These certifications are reviewed by the staff actuary and any deficiencies identified result in the insurer being instructed to take all necessary actions to resolve the deficiencies. Additionally, if an insurer revises any of the rating factors to be used with their small group business, the insurer must submit the changes to the Department along with an actuarial certification of compliance with the applicable rating requirements. A staff actuary is involved in the review of small group rates when an insurer enters the small group market, when factors are revised and the insurer involved is either an HMO or a Medical Service Corporation, and whenever the Life and Health Division staff analyst believes additional input from an actuary is warranted.
- (c) **Large Employer Group** – For large group insurers who are neither a Medical Service Corporation nor an HMO, North Carolina law does not require that changes to large group rates be submitted to the Department, although many insurers do submit the rates for our information. This means that involvement of the Actuarial Services Division in the review of large employer group rates is limited. The rating factors, and any changes thereto, used by Medical Service Corporations must be filed with the Department for our prior approval. A staff actuary reviews those submissions although flexibility is provided to the insurer in developing those factors for use in this large group market.
- (d) **HMO Specific Information** – For HMO rate revision filings, all rating methodologies and rating factors are reviewed for reasonableness. The company's justification for their proposed aggregate percentage rate increase is examined based upon past experience, medical trend levels and other anticipated changes. An actual versus projected analysis is performed for the most recent 12 months of historical experience. This provides an indication for how well the HMO has forecasted net income components such as membership, medical and administrative expenses. The assumptions used in the HMO's submitted three-year monthly financial projections are reviewed for reasonableness and the projections may be adjusted based upon the actual versus projected ratios. The financial projections include net income, cash flow and balance sheet as well as a risk based capital forecast. The adjusted projections

are reviewed for compliance with incurred loss ratio and risk based capital requirements.

(3) Staffing & Resources

Currently no private sector consultants are used for review of health rate filings. Two staff actuaries are involved with the review of health insurance rate filings. Actuary 1, an FSA, MAAA reviews all individual accident and health and Medicare supplement rate filings, all HMO large group filings and health insurance contract reserves. Actuary 2, an ASA, MAAA, FCA reviews all small group rate filings and certifications, BCBSNC Group Rating Formula filings, MEWAs, and health insurance claim reserves. The Life and Health Division staff currently involved in the rate review process includes a Supervising Analyst, a Senior Policy and Rate Analyst, a Policy and Rate Analyst, a Life and Health Filing Coordinator, and an Administrative Assistant. Other Departmental resources related to rate review include the involvement of the staffs in the Consumer Services and Market Regulation Divisions who are involved in the retrospective review based upon consumer complaints and market regulation examinations. In addition to the staff resource, the Department devotes IT resources including a computer network, internet access, personal computers, software to perform analysis and to communicate internally and externally, software to track and house data related to the rate review, archival and backup computer systems, and IT technical support. There are also resources for educational opportunities for staff and other miscellaneous items such as purchase of other equipment, statute books and travel.

(4) Criteria for Legal Authority and Rate Evaluation

- (a) Individual Health** – Statutory authority for rate review/approval is provided by North Carolina General Statute (NCGS) 58-51-95 for individual health insurance, NCGS 58-67-50 for HMOs, and NCGS 58-65-40 and 45 for Medical Service Corporations. These filings are reviewed in order to ensure that the application of a requested revision produces rates which are not excessive, not inadequate and not unfairly discriminatory. Additionally, the NAIC Model “Guidelines for Filing of Rates for Individual Health Insurance Forms” (July 2000) provides general guidelines and the methodology used to determine that benefits are reasonable in relation to premiums. This includes meeting or exceeding minimum projected future and lifetime incurred loss ratio standards. A rate may be deemed excessive if the loss ratio standards are not satisfied. A rate may be deemed inadequate if the total premium is insufficient to cover the claims and administrative expenses. A rate is not unfairly discriminatory if it reflects equitable differences in expected risk.
- (b) Small and Large Employer Group** – Small group health plans are subject to NCGS 58-50-130 for all types of insurers while statutory authority for large group rates is provided by NCGS 58-51-80 and 85 for large group health insurance, NCGS 58-67-50 for HMOs, and NCGS 58-65-40, 45 and 60 for Medical Service Corporations. For HMOs and Medical Service Corporations, proposed changes in rates are required to

produce rates which are not excessive, not inadequate and not unfairly discriminatory.

- (c) **HMO Specific Information** – HMO rate filings which extend the approved twelve month effective period are evaluated such that the projected incurred loss ratio is within the required range as specified by Title 11 NCAC 16.0607 and projected risk based capital satisfies NCGS 58-12-2 through 58-12-70. In addition, the reviewing actuary will follow guidance provided by Actuarial Standard of Practice No. 8, “Regulatory Filings for Health Plan Entities.”

(5) Grounds for Rate Approval, Modification and Rejection

If any component of a filing is not in compliance with North Carolina law or the filing contains unjustified rating factors it will be disapproved. All data requirements must be satisfied or a filing may be closed. If the independent analysis of the Department's staff actuary produces an indication that is less than the rate increase proposed by the company, the actuary will negotiate with the company and recommend a reduced rate increase amount for approval.

- (a) **Individual Health** – For individual health insurance, the primary factors that are considered in the analysis include but are not limited to the following: the effective date of the increase; the level of benefits provided; the type of rating methodology; the average annual premium before and after the proposed revision; the historical incurred loss ratio experience (on a calendar year and durational basis); the accuracy, consistency and credibility of the experience data; the past rate revision history (earned premiums are adjusted to a current premium rate level basis in order to determine the underlying trend and account for the magnitude of all previous rate revisions); the projected medical trend levels determined by NCDOL analysis; the company's anticipated or projected medical trend level and how this was determined; the NAIC minimum guideline loss ratio or company allowable loss ratio if greater; the actual and expected total terminations (lapse plus mortality); whether or not the block is open or closed; actuarial justification for any proposed apportionments of the rate revision; and the financial condition of the company where appropriate.
- (b) **HMO Specific Information** – For HMO rate revisions, the primary factors that are considered in the analysis include but are not limited to the following: the effective date of the increase; the level of benefits provided; the type of rating methodology; the average annual premium before and after the proposed revision; the actual versus projected ratios for membership, premium revenue, medical and administrative expenses; the anticipated impact of provider contract changes; projected medical trend levels including the cost and utilization components; all financial projection assumptions; the projected incurred loss ratios; risk based capital modeling and the projected risk based capital ratios; actuarial justification for changes to rating factors; and the financial condition of the company where appropriate.

(6) Prospective or Retrospective Approval/Modification/Rejection

Individual health insurance, Medical Service Corporation group rate factor amendments and HMO group health insurance rates require prior approval and may be modified or rejected on a prospective basis. For small group health insurance carriers, a retrospective certification is required. The Market Regulation Division reviews rates on an ongoing retrospective basis. Typically, Market Regulation requests any overcharges be reimbursed (or credited if group is still active) directly to the impacted employer group or individual insureds.

(7) Factors that Trigger Retrospective Review

For individual health insurance, Medical Service Corporation group rate factor amendments and HMO group health insurance, there is not currently a formal retrospective review of rates. Otherwise, the main triggers for retrospective reviews by the Market Regulation Division are notifications from other Department divisions of potential issues, self-reports from insurers and overall market analysis reviews which includes information received from other states through the National Association of Insurance Commissioners (NAIC). If an insurer's use of an incorrect rate filing results in overcharges of premium rates, the insurer is instructed to implement immediate corrective action/remediation. The corrective action could include premium refunds or credits. An insurer normally implements additional internal control measures to ensure that only approved rates are used. Retrospective reviews are handled on a case-by-case basis.

(8) Evidence of Modification/Negotiation

For all individual accident and health and Medicare supplement rate revision filings, the Department tracks average rate increase percentages requested versus approved by effective year. In addition, savings to North Carolina consumers are calculated as the difference in the percentage requested and percentage approved multiplied by the average annual premium per policy multiplied by the in force policy count.

3. Current Level of Resources and Capacity for Rate Review (IT and System Capacity)

The Department uses the SERFF system to track and house all form, rate, and other related filings submitted to the Life and Health Division. SERFF makes the assignment of multiple reviewers possible. SERFF permits the joint review of the filing across multiple divisions and multiple reviewers. Communication between the Department and the insurer's filer is made within SERFF; this facilitates the process to bring filings into compliance, including changes to submission to accommodate requests for more information or statutory deficiencies. It also serves as a record of the process on each filing submitted. Lastly, SERFF provides a certain amount of reporting and aggregation of data that assist the Department in evaluating our processes and in responding to inquiries for information.

For individual health insurance, the independent analysis is performed using Excel based spreadsheets with Visual Basic macros. For the HMO rate revision filing, the financial projections are required in Excel format such that the net income statement,

cash flow and balance sheet are linked. In addition, the NAIC I-Site database may be accessed for information. Data for summary reporting is recorded manually by the staff actuary and accumulated in Excel spreadsheets.

D. Description of Professional Qualifications/Characteristics/Skills

The following is a list of professional qualifications, characteristics and skills that vendors must demonstrate in order to deliver a satisfactory professional work product:

Selected vendors must be in good standing with the American Academy of Actuaries and must demonstrate substantial levels of communication skills in addition to actuarial ability in order to provide unbiased and independent opinions and recommendations. They must demonstrate independence, professional competence and insurance industry expertise.

1. Independence – An actuary is independent as long as standards of the profession, as contained in the Code of Professional Conduct and Actuarial Standards of Practice of the American Academy of Actuaries, are met.
2. Professional competence and insurance industry expertise – An actuary must evidence expertise in various areas of health benefits systems, insurance operations and regulation including but not limited to the following:
 - a) A high degree of familiarity with the application of NAIC model regulations and guidelines, actuarial standards of practice and actuarial guidelines applicable to health insurance rate development and rate filing with regulatory authorities;
 - b) Extensive knowledge of health insurance rating methodologies and rating factors;
 - c) Knowledge of health insurance claim and contract reserves;
 - d) Knowledge of trend and loss ratio projection methodologies;
 - e) Knowledge of credibility theory;
 - f) Knowledge of statutory prospective financial projections including net income statement, cash flow and balance sheet;
 - g) Knowledge of insurance company solvency and Risk Based Capital requirements;
 - h) Extensive knowledge of federal healthcare reform legislation;
 - i) Knowledge of state specific insurance laws and regulations.
 - j) Rate litigation experience is desired. Experience in reviewing health rate filings, preparing expert testimony for hearing, and actual experience as an expert witness testifying before a judge, hearing officer or regulatory panel.
3. Services performed by an actuary pursuant to this contract must be staffed by credentialed professionals.
 - a) Supervisory staff must be a Fellow of the American Academy of Actuaries.
 - b) Non-supervisory staff must be an Associate of the American Academy of Actuaries.

E. Resource Availability

The selected vendor must:

1. Be capable of staffing the assignment, as soon as possible, after the effective date of the contract which is December 7, 2010.
2. Possess sufficient professional human resources to complete a report containing recommendations for enhancing the Department's rate review processes and any suggested changes to the North Carolina General Statutes and/or North Carolina Administrative Code by February 15, 2011. Please note that in no event shall the report be issued later than March 1, 2011, and
3. Possess research resources capable of rendering professionally sound analysis of complex technical issues.

The Department reserves the right to approve assigned staff for all work performed under the terms of this contract.

F. Scope of Work

The completed work product will include a detailed report addressing all or most of the items specified in this Section.

1. All health insurance market segments (individual, small group and large group)

- a) An evaluation of the standards used to determine that rates are adequate, not excessive and not unfairly discriminatory and recommendations for enhancements (this may include additional loss ratio tests or recognition of other factors);
- b) Recommendations for any areas where the rate review process could be enhanced in the future. This may include initial rate filings for new products and the extent to which companies may be held to their initial actuarial pricing assumptions in future filings;
- c) Recommendations for any further data items or information that could be required in rate filing submissions including explanations or justifications of rate increases to consumers;
- d) Recommendations for any outside (the Department and NAIC) data sources or computer software that may be acquired to enhance the rate review processes;
- e) Actuarial estimates or reasonable ranges for the amounts of justifiable premium increases due to specific benefit and other changes resulting from provisions in PPACA.
- f) Recommendations for or against including pros/cons of incorporating the following items into the rate review analysis and determination of the justified rate revision percentages for approval:
 - (1) Current and projected levels of surplus (consideration for minimum, target and maximum levels);

- (2) Review of pricing margins (including consideration of profits from other lines of business);
- (3) Review of administrative expenses (including executive salaries and bonuses);
- (4) Investment income or losses; or
- (5) Review of cost containment or quality improvement activities;
- (6) Other factors.

Where recommendation is for the item to be incorporated, an outline describing the specifics for how to accomplish this should be included.

- g) Evaluation of deemer periods for rate filings by market segment and type of health insurance plan;
- h) Evaluation of the methods of negotiation for rate revision requests between the Department and the filer;
- i) Analysis of any specific issues that may arise.
- j) Review of statutes and procedures governing rate reviews and recommendations on potential improvements and/or enhancements to current statutes and/or procedures that will facilitate the rate hearing process.

2. Individual (non-group) health insurance rate review

- a) An evaluation of the Department's actuarial review processes for determining the justified rate revision percentages for approval within individual comprehensive medical health insurance rate filing submissions. This may include data requirements, data quality, credibility, actuarial adjustments to data, durational factors or change in contract reserves, projection methodologies, independent analysis and determination of justified rate revision indications. **At least three recent rate revision filings will be reviewed in depth. The purpose of this review is not to critique the handling of past filings. The review must focus on creating a list of recommendations for enhancements in the future.**
- b) Recommendations regarding expanding the individual (non-group) rate review processes for compliance with PPACA including any necessary law changes;
- c) An evaluation of the expected change in risk exposure and impact to this market segment due to the removal of medical underwriting and implementation of rating restrictions effective for January 1, 2014.

3. Small group health insurance rate review

- a) An evaluation of the current rate review process for ensuring that small group carriers are in compliance with statutory rating restrictions and any recommendations for enhancements;
- b) Recommendations regarding expanding the small group rate review process for compliance with PPACA including any necessary law changes. This may

include increased rate authority over small group PPO and indemnity insurance plans.

4. Large group health insurance rate review

- a) An evaluation of the current rate review process for large group rating methodologies and rating factors where applicable and any recommendations for enhancements;
- b) Recommendations regarding expanding the large group rate review process for compliance with PPACA including any necessary law changes. This may include increased rate authority over large group PPO and indemnity insurance plans.

5. Health Maintenance Organization (HMO) rate review

- a) A review of the HMO data requirements including any recommendations for modifications and enhancements;
- b) Review and evaluation of HMO actual to projected analysis and submitted financial projections including Risk Based Capital (RBC) analysis. **At least one recent rate revision filing will be reviewed in depth.**

G. Professional Work Papers

The Department retains ownership of all work papers generated by the work performed under this contract. The selected vendor is encouraged to retain work paper copies for the completion of their internal files.

Work papers are all records generated by the contracted professional documenting procedures followed, tests performed, information obtained and conclusions reached. Work papers, accordingly, may include work programs, analyses, memoranda, letters, abstracts of company documents and schedules, or commentaries prepared or obtained by the contracted professional in the course of the assignment that support the professionals' conclusions.

H. Prohibited Communications

FROM THE ISSUANCE DATE OF THIS RFP THROUGH THE DATE THE CONTRACT IS AWARDED, EACH OFFEROR (INCLUDING ITS SUBCONTRACTORS AND/OR SUPPLIERS) IS PROHIBITED FROM HAVING ANY COMMUNICATIONS WITH ANY PERSON INSIDE OR OUTSIDE THE USING AGENCY, ISSUING AGENCY, OTHER GOVERNMENT AGENCY OFFICE, OR BODY (INCLUDING THE PURCHASER NAMED ABOVE, DEPARTMENT SECRETARY, AGENCY HEAD, MEMBERS OF THE GENERAL ASSEMBLY AND/OR GOVERNOR'S OFFICE), OR PRIVATE ENTITY, **AND** THE COMMUNICATION DISCUSSES THE CONTENT OF OFFEROR'S PROPOSAL OR QUALIFICATIONS, THE CONTENTS OF ANOTHER OFFEROR'S PROPOSAL, ANOTHER OFFEROR'S QUALIFICATIONS OR ABILITY TO PERFORM THE CONTRACT, AND/OR THE TRANSMITTAL OF ANY OTHER COMMUNICATION OF INFORMATION THAT HAS THE EFFECT OF DIRECTLY OR INDIRECTLY INFLUENCING THE EVALUATION OF PROPOSALS AND/OR THE AWARD OF THE CONTRACT. OFFERORS NOT IN COMPLIANCE WITH THIS PROVISION SHALL BE DISQUALIFIED FROM CONTRACT AWARD, UNLESS IT IS DETERMINED THAT THE BEST INTEREST OF THE STATE WOULD NOT BE SERVED BY THE DISQUALIFICATION. AN OFFEROR'S PROPOSAL MAY BE DISQUALIFIED IF ITS SUBCONTRACTOR AND SUPPLIER ENGAGE IN ANY OF THE FOREGOING COMMUNICATIONS DURING THE TIME THAT THE PROCUREMENT IS ACTIVE (I.E., THE ISSUANCE DATE OF THE PROCUREMENT TO THE DATE OF CONTRACT AWARD). ONLY THE DISCUSSIONS,

COMMUNICATIONS OR TRANSMITTALS OF INFORMATION AUTHORIZED BY THE ISSUING AGENCY IN THIS RFP OR GENERAL INQUIRIES TO THE PURCHASER REGARDING THE STATUS OF THE CONTRACT AWARD ARE EXEMPT FROM THIS PROVISION.

II. THE PROCUREMENT AND EVALUATION PROCESSES

A. Overview of the Procurement Process

The following is a general description of the process by which a firm will be selected to provide services.

1. Request for Proposals (RFP) is issued to prospective contractors.
2. A deadline for written questions is set. (See cover sheet of this RFP for details)
3. Proposals in one original and three copies will be received from each offeror in a sealed envelope or package. Each original shall be signed and dated by an official authorized to bind the firm. Unsigned proposals will not be considered.
4. All proposals must be received by the Department not later than the date and time specified on the cover sheet of this RFP.
5. At that date and time the package containing the proposals from each responding firm will be publicly opened and the name of the offeror and cost(s) offered will be announced. Interested parties are cautioned that these costs and their components are subject to further evaluation for completeness and correctness and therefore may not be an exact indicator of an offeror's pricing position.
6. At their option, the evaluators may request oral presentations or discussion with any or all offerors for the purpose of clarification or to amplify the materials presented in any part of the proposal. However, offerors are cautioned that the evaluators are not required to request clarification; therefore, all proposals should be complete and reflect the most favorable terms available from the offeror.
7. Proposals will be evaluated according to completeness and content, experience with similar projects, the technical ability of the offeror and its staff, the offeror's ability to complete the project within the required time frame, the offeror's technical approach, and cost. Refer to Section II. B. and C. that follow for additional information on the evaluation process and criteria. Award of a contract to one offeror does not mean that the other proposals lacked merit, but that, all factors considered, the selected proposal was most advantageous to the State.

In addition to any other evaluation criteria identified in the Department's solicitation document, the Department shall, for purposes of evaluating proposed or actual contract performance outside of the United States, consider the following factors to ensure that any award will be in the best interest of the State:

- a) Total cost to the State
- b) Level of quality provided by the vendor
- c) Process capability across multiple jurisdictions
- d) Protection of the State's information and intellectual property
- e) Availability of pertinent skills
- f) Ability to understand the State's business requirements and internal operational culture
- g) Risk factors such as the security of the State's information technology

- h) Relations with citizens and employees
- i) Contract enforcement jurisdictional issues

8. Offerors are cautioned that this is a request for offers, not a request to contract, and the State reserves the unqualified right to reject any and all offers when such rejection is deemed to be in the best interest of the State.

B. Overview of the Evaluation Process

1. A team of at least three employees from the Department will evaluate all proposals. The team may request an interview or verbal presentation from any offerors for the purpose of clarification on any part of the proposal.
2. Offerors are reminded that the Department is not obligated to ask for, or accept after the closing date for receipt of proposals, information that is essential for a complete and thorough evaluation of the proposal. Accordingly, proposals should be submitted in accordance with the requirements of this RFP and in complete detail.
3. The evaluation team, upon a review of the quality of services offered within each proposal and based on the costs of those qualifying proposals, will determine which proposal best satisfies the requirements of this RFP.

C. Evaluation Criteria

The evaluation team will determine which proposals satisfy the requirements of this RFP by considering the following criteria on a "points earned" basis, as follows:

1. Technical ability of firm and staff – Up to 20 points.
2. Experience with similar projects – Up to 20 points.
3. Proposal completeness and content – Up to 15 points.
4. Technical approach to accomplishing tasks – Up to 15 points.
5. Responsiveness (ability to staff and complete the project within the required time frame) – Up to 15 points.
6. Cost – Up to 15 points.

III. INSTRUCTIONS TO VENDORS

A. Proposal Instructions

Offerors are strongly encouraged to use the outline of this Section for their proposal and include all items in the order listed. All information must be provided for the primary offeror as well as for any sub-contracting offerors. If any information is not provided, the offer shall be rejected from consideration. The response to this RFP will consist of separate packages for the technical and cost proposals and each shall consist of the following sections, respectively:

1. Technical Proposal Content

- a) Cover Letter – This letter shall highlight the contents of the proposal, and bear the authorized offeror's signature who can bind the firm to a contract.
- b) Corporate Background and Experience – This section should include background information on the organization and provide the following information:
 - (1) Full name, address, and telephone number of the organization.

- (2) Date established.
- (3) Ownership form (public company, partnership, subsidiary, etc.).
- (4) If incorporated, the state of incorporation must be included. (Note: In order to execute a contract, the firm must be licensed in North Carolina.)

This section must also provide details of experience with similar projects and include a list of references, in the format of Attachment A to this RFP, for whom similar work has been performed.

- c) Financial Statement - The offeror's most recent audited financial statement or similar evidence of financial stability shall be provided. (This is required of all offerors, whether publicly or privately held.)

All financial information, statements and/or documents provided in response to this proposal requirement shall be kept confidential, **if the offeror complies with paragraph 13 of the General Information on Submitting Proposals by marking the financial information, statements and/or documents confidential.**

- d) Project Organization – This section must include the proposed staffing, deployment and organization of personnel that can be assigned to projects.

The offeror shall provide information as to the qualifications and experience of all executive, managerial, legal, and professional personnel to be assigned to projects, including resumes citing experience with similar projects and the responsibilities to be assigned to each person.

This section should also address the offeror's ability to staff and begin the project, as soon as possible, after the effective date of the new contract which is December 7, 2010, with the goal of finalizing a report by February 15, 2011. In no event shall the report be issued later than March 1, 2011. This will permit time for the submission of legislation should it be warranted. Please note that, the selected vendor shall discuss the progress on the project with the Department weekly, and a draft report shall be delivered to the Department at least one week before the final report is issued.

- e) Technical Approach – This section shall include, in narrative, outline, and/or graph form the offeror's approach to accomplishing the tasks outlined in the Scope of Work section of this RFP. A description of each task and deliverable and the schedule for accomplishing each shall be included.
- f) Outsourcing - The offeror must detail the manner in which it intends to utilize resources or workers located outside of the United States, and the State of North Carolina will evaluate the additional risks, costs and other factors associated with such utilization to make the award for this proposal as deemed by the awarding authority to be in the best interest of the State.

For any proposed or actual utilization or contract performance outside of the United States, the offeror's proposal must include:

- (1) The location of work performed under a state contract by the vendor, any subcontractors, employees, or other persons performing the contract.

- (2) The corporate structure and location of corporate employees and activities of the vendors, its affiliates or any subcontractors.

The State may initiate proceedings to debar a vendor from participation in the bid process and from contract award as authorized by North Carolina law, if it is determined that the vendor has refused to disclose or has falsified any information provided herein.

In accordance with NC General Statute 143-59.4 (Session Law 2005-169), Attachment C to this RFP is to be completed and submitted with the offeror's proposal.

2. Cost Proposal Content

- a) The Cost Proposal (one original and three copies) shall be submitted and contain the completed and signed Cost Proposal/Execution of Proposal form included in this RFP as Attachment B. **Unsigned proposals will not be considered.**
- b) The cost proposal package must also contain:
 - (1) Personnel costs (identify staff level and hourly rates for each level; identify anticipated staff level participation for typical work),
 - (2) Travel and subsistence expenses (out-of-pocket expense),
 - (3) Subcontractor costs (if any),
 - (4) Any other costs (e.g., office expenses), and
 - (5) **Total cost** (a total not to exceed cost representing the maximum amount for all work to be performed must be clearly indicated under this heading).
- c) Please note that the desired time frame is for work to begin as soon as possible, after the effective date of the new contract which is **December 7, 2010**, with the goal of finalizing a report by **February 15, 2011**. In no event shall the report be issued later than **March 1, 2011**.

B. General Information On Submitting Proposals

1. **Exceptions:** All proposals are subject to the terms and conditions outlined herein. All responses shall be controlled by such terms and conditions and the submission of other terms and conditions, price lists, catalogs, and/or other documents as part of an offeror's response will be waived and have no effect either on this Request for Proposals or on any contract that may be awarded resulting from this solicitation.

Offeror specifically agrees to the conditions set forth in the above paragraph by signature to the proposal.

2. **Certification:** By executing the proposal, the signer certifies that this proposal is submitted competitively and without collusion (G.S. 143-54), that none of our officers, directors, or owners of an unincorporated business entity has been convicted of any violations of Chapter 78A of the General Statutes, the Securities Act of 1933, or the Securities Exchange Act of 1934 (G.S. 143-59.2), and that we are not an ineligible vendor as set forth in G.S. 143-59.1. False certification is a Class I felony.
3. **Oral Explanations:** The State shall not be bound by oral explanations or instructions given at any time during the competitive process or after award.

4. **Reference to Other Data:** Only information which is received in response to this RFP will be evaluated; reference to information previously submitted shall not be evaluated.
5. **Elaborate Proposals:** Elaborate proposals in the form of brochures or other presentations beyond that necessary to present a complete and effective proposal are not desired.
 - a) In an effort to support the sustainability efforts of the State of North Carolina we solicit your cooperation in this effort.
 - b) **It is desirable that all responses meet the following requirements:**
 - (1) All copies are printed **double sided**.
 - (2) All submittals and copies are printed on **recycled paper with a minimum post-consumer content of 30%** and indicate this information accordingly on the response.
 - (3) Unless absolutely necessary, all proposals and copies should **minimize or eliminate use of non-recyclable or non re-usable materials** such as plastic report covers, plastic dividers, vinyl sleeves, and GBC binding. Three-ringed binders, glued materials, paper clips, and staples are acceptable.
 - (4) Materials should be submitted in a format which allows for **easy removal and recycling** of paper materials.
6. **Cost for Proposal Preparation:** Any costs incurred by offerors in preparing or submitting offers are the offerors' sole responsibility; the State of North Carolina will not reimburse any offeror for any costs incurred prior to award.
7. **Time for Acceptance:** Each proposal shall state that it is a firm offer which may be accepted within a period of 120 days. Although the contract is expected to be awarded prior to that time, the 120 day period is requested to allow for unforeseen delays.
8. **Titles:** Titles and headings in this RFP and any subsequent contract are for convenience only and shall have no binding force or effect.
9. **Confidentiality of Proposals:** In submitting its proposal the offeror agrees not to discuss or otherwise reveal the contents of the proposal to any source outside of the Department, government or private, until after the award of the contract. Only those communications with the Department authorized by this RFP are permitted. All offerors are advised that they are not to have any communications with the Department during the evaluation of the proposals (i.e., after the public opening of the proposals and before the award of the contract), unless the State's purchaser contacts the offeror(s) for purposes of seeking clarification. An offeror shall not: transmit to the Department any information commenting on the ability or qualifications of other offerors to perform the advertised contract and/or the other offerors' proposals and/or prices at any time during the procurement process; or engage in any other communication or conduct attempting to influence the evaluation and/or award of the contract that is the subject of this RFP. Offerors not in compliance with this provision may be disqualified, at the option of the State, from contract award. Only discussions authorized by the Department are exempt from this provision.
10. **Right to Submitted Material:** All responses, inquiries, or correspondence relating to or in reference to the RFP, and all other reports, charts, displays, schedules, exhibits, and other documentation submitted by the offerors shall become the property of the State when received.

- 11. Offeror's Representative:** Each offeror shall submit with its proposal the name, address, and telephone number of the person(s) with authority to bind the firm and answer questions or provide clarification concerning the firm's proposal.
- 12. Subcontracting:** Offerors may propose to subcontract portions of the work provided that their proposals clearly indicate what work they plan to subcontract and to whom and that all information required about the prime contractor is also included for each proposed subcontractor.
- 13. Proprietary Information:** Trade secrets or similar proprietary data which the offeror does not wish disclosed to other than personnel involved in the evaluation or contract administration will be kept confidential to the extent permitted by NCAC T01:05B.1501 and G.S. 132-1.3 if identified as follows: Each page shall be identified in boldface at the top and bottom as "CONFIDENTIAL". Any section of the proposal which is to remain confidential shall also be so marked in boldface on the title page of that section. Cost information may not be deemed confidential. In spite of what is labeled as confidential, the determination as to whether or not it is shall be determined by North Carolina law.
- 14. Historically Underutilized Businesses:** Pursuant to General Statute 143-48 and Executive Order #150, the State invites and encourages participation in this procurement process by businesses owned by minorities, women, disabled, disabled business enterprises and non-profit work centers for the blind and severely disabled.
- 15. Protest Procedures:** When an offeror wants to protest a contract awarded by the Secretary of Administration or by an agency over \$25,000 resulting from this solicitation, they must submit a written request to the State Purchasing Officer at Purchase and Contract, 1305 Mail Service Center, Raleigh, NC 27699-1305. This request must be received in the Division of Purchase and Contract within thirty (30) consecutive calendar days from the date of the contract award. When an offeror wants to protest a contract awarded by the Department resulting from this solicitation for work estimated to be over \$10,000 but less than \$25,000, it must submit a written request to the issuing Purchasing Officer, Lorraine Richardson at 1201 Mail Service Center, Raleigh, NC 27699-1201. This protest must be received by the Department within thirty (30) consecutive calendar days from the date of the contract award, and must contain specific and sound reasons in addition to any supporting documentation for the protest.

NOTE: Contract award notices are sent only to those actually awarded contracts, and not to every person or firm responding to this solicitation. Contract status and award notices are posted on the internet at <http://www.pandc.nc.gov/>. Offerors may call (919) 733-3355 to obtain a verbal status of contract award. All protests will be handled pursuant to the NCAC, Title 1, Department of Administration, Chapter 5, Purchase and Contract, Section 5B.1519. (See Protest Information at <http://www.pandc.nc.gov/protests.pdf> for more information.)
- 16. Tabulations:** The Purchase and Contract Division has implemented an Interactive Purchasing System (IPS) that allows the public to retrieve bid tabulations electronically from its internet web site: <http://www.pandc.nc.gov/>. Click on the IPS BIDS icon, click on Search for Bid, enter the RFP number, and then search. Tabulations will normally be available at this web site not later than one working day after opening. Lengthy tabulations may not be available on the internet, and requests for these verbally or in writing cannot be honored.
- 17. Vendor Registration and Solicitation Notification System:** Vendor Link NC allows vendors to electronically register free with the State to receive electronic notification of current procurement opportunities for goods and services available on the Interactive

Purchasing System. Online registration and other purchasing information are available on the internet web site: <http://www.pandc.nc.gov/>.

- 18. Reciprocal Preference:** G.S. 143-59 establishes a reciprocal preference law to discourage other states from applying in-state preferences against North Carolina's resident offerors. The "Principal Place of Business" is defined as the principal place from which the trade or business of the offeror is directed or managed.
- 19. Form of Proposal:** Each proposal should be submitted in a form that, at the option of the Department, may be incorporated verbatim into a contract.
- 20. Acceptance and Rejection:** The Department reserves the right to reject any and all proposals, to waive any informality in proposals, and unless otherwise specified by the offeror, to accept only selected modules of the proposal.
- 21. Taxes:** No taxes shall be included in any proposal prices.
- 22. RFP Requirements:** Proposals for this RFP must be submitted in a sealed package, and must be signed and dated by an official authorized to bind the offeror's firm. One original and three copies of each proposal are required. All proposals must be received by the Department not later than the date and time specified on the cover sheet of this RFP. All proposals must comply with the format prescribed under Proposal Instructions in Section III. A.
- 23. Unsolicited Proposal Change:** Any change to a proposal that is received after the closing date of this RFP and which is not specifically solicited by the Department will be rejected.
- 24. Vendor Presentations:** Vendors deemed technically qualified may be invited to give a presentation for clarification purposes only and will be scheduled by the Department. The written proposals must be as complete as possible to reflect the most favorable terms from the offeror.
- 25. General:** All proposals are subject to the provisions contained herein on the NC General Contract Terms and Conditions.
- 26. Financial Statements:** The offeror shall provide with its response to this RFP its most recent financial statement or other acceptable evidence of financial stability.

C. North Carolina General Contract Terms and Conditions

- 1. Governing Law:** This contract is made under and shall be governed and construed in accordance with the laws of the State of North Carolina.
- 2. Situs:** The place of this contract, its situs and forum, shall be North Carolina, where all matters, whether sounding in contract or tort, relating to its validity, construction, interpretation and enforcement shall be determined.
- 3. Independent Contractor:** The contractor shall be considered to be an independent contractor and as such shall be wholly responsible for the work to be performed and for the supervision of its employees. The contractor represents that it has, or will secure at its own expense, all personnel required in performing the services under this agreement. Such employees shall not be employees of, or have any individual contractual relationship with the Department.

4. **Key Personnel:** The contractor shall not substitute key personnel assigned to the performance of this contract without prior written approval by the Department's Contract Administrator. The individuals designated as key personnel for purposes of this contract are those specified in the contractor's proposal.
5. **Subcontracting:** Work proposed to be performed under this contract by the contractor or its employees shall not be subcontracted without prior written approval of the Department's Contract Administrator. Acceptance of an offeror's proposal shall include any subcontractor(s) specified therein.
6. **Performance and Default:** If, through any cause, the contractor shall fail to fulfill in timely and proper manner the obligations under this agreement, the Department shall thereupon have the right to terminate this contract by giving written notice to the contractor and specifying the effective date thereof. In that event, all finished or unfinished deliverable items under this contract prepared by the contractor shall, at the option of the Department, become its property, and the contractor shall be entitled to receive just and equitable compensation for any satisfactory work completed on such materials. Notwithstanding, the contractor shall not be relieved of liability to the Department for damages sustained by the Department by virtue of any breach of this agreement, and the Department may withhold any payment due the contractor for the purpose of setoff until such time as the exact amount of damages due the Department from such breach can be determined.

In case of default by the contractor, the State may procure the services from other sources and hold the contractor responsible for any excess cost occasioned thereby. The State reserves the right to require performance bond or other acceptable alternative performance guarantees from successful offeror without expense to the State.

In addition, in the event of default by the contractor under this contract, the State may immediately cease doing business with the contractor, immediately terminate for cause all existing contracts the State has with the contractor, and de-bar the contractor from doing future business with the State.

Upon the contractor filing a petition for bankruptcy or the entering of a judgment of bankruptcy by or against the contractor, the State may immediately terminate, for cause, this contract and all other existing contracts the contractor has with the State, and de-bar the contractor from doing future business with the State.

Neither party shall be deemed to be in default of its obligations hereunder if and so long as it is prevented from performing such obligations by any act of war, hostile foreign action, nuclear explosion, riot, strikes, civil insurrection, earthquake, hurricane, tornado, or other catastrophic natural event or act of God.

7. **Termination:** The Department may terminate this agreement at any time by 30 days notice in writing from the Department to the contractor. In that event, all finished or unfinished deliverable items prepared by the contractor under this contract shall, at the option of the Department, become its property. If the contract is terminated by the Department, as provided herein, the contractor shall be paid for services satisfactorily completed, less payment or compensation previously made.
8. **Payment Terms:** Payment terms are Net not later than 30 days after receipt of correct invoice(s) or acceptance of services, whichever is later, or in accordance with any special payment schedule identified in this RFP.

9. **Availability of Funds:** Any and all payments to the contractor are dependent upon and subject to the availability of funds to the Department for the purpose set forth in this agreement.
10. **Confidentiality:** Any information, data, instruments, documents, studies or reports given to or prepared or assembled by the contractor under this agreement shall be kept as confidential and not divulged or made available to any individual or organization without the prior written approval of the Department.
11. **Care of Property:** The contractor agrees that it shall be responsible for the proper custody and care of any property furnished it for use in connection with the performance of this contract or purchased by it for this contract and will reimburse the State for loss of damage of such property.
12. **Copyright:** No deliverable items produced in whole or in part under this agreement shall be the subject of an application for copyright by or on behalf of the contractor.
13. **Access to Persons and Records:** The State Auditor shall have access to persons and records as a result of all contracts or grants entered into by State agencies or political subdivisions in accordance with General Statute 147-64.7. The contractor shall retain all records for a period of three years following completion of the contract.
14. **Assignment:** No assignment of the contractor's obligations nor the contractor's right to receive payment hereunder shall be permitted. However, upon written request approved by the issuing purchasing authority, the State may:
 - a) Forward the contractor's payment check(s) directly to any person or entity designated by the contractor, or
 - b) Include any person or entity designated by contractor as a joint payee on the contractor's payment check(s).In no event shall such approval and action obligate the State to anyone other than the contractor and the contractor shall remain responsible for fulfillment of all contract obligations.
15. **Compliance with Laws:** The contractor shall comply with all laws, ordinances, codes, rules, regulations, and licensing requirements that are applicable to the conduct of its business, including those of federal, state, and local agencies having jurisdiction and/or authority.
16. **Affirmative Action:** The contractor shall take affirmative action in complying with all Federal and State requirements concerning fair employment and employment of people with disabilities, and concerning the treatment of all employees without regard to discrimination by reason of race, color, religion, sex, national origin, or disability.
17. **Insurance:** During the term of the contract, the contractor at its sole cost and expense shall provide commercial insurance of such type and with such terms and limits as may be reasonably associated with the contract. As a minimum, the contractor shall provide and maintain the following coverage and limits:
 - a) Worker's Compensation - The contractor shall provide and maintain Worker's Compensation Insurance, as required by the laws of North Carolina, as well as employer's liability coverage with minimum limits of \$150,000.00, covering all of contractor's employees who are engaged in any work under the contract. If any work is subcontracted, the contractor shall require the subcontractor to provide the same coverage for any of its employees engaged in any work under the contract.

- b) Commercial General Liability - General Liability Coverage on a Comprehensive Broad Form on an occurrence basis in the minimum amount of \$500,000.00 Combined Single Limit. (Defense cost shall be in excess of the limit of liability).
- c) Automobile - Automobile Liability Insurance, to include liability coverage, covering all owned, hired and non-owned vehicles, used in connection with the contract. The minimum combined single limit shall be \$150,000.00 bodily injury and property damage; \$150,000.00 uninsured/under insured motorist; and \$1,000.00 medical payment.

Providing and maintaining adequate insurance coverage is a material obligation of the contractor and is of the essence of this contract. All such insurance shall meet all laws of the State of North Carolina. Such insurance coverage shall be obtained from companies that are authorized to provide such coverage and that are authorized by the Commissioner of Insurance to do business in North Carolina. The contractor shall at all times comply with the terms of such insurance policies, and all requirements of the insurer under any such insurance policies, except as they may conflict with existing North Carolina laws or this contract. The limits of coverage under each insurance policy maintained by the contractor shall not be interpreted as limiting the contractor's liability and obligations under the contract.

18. Advertising: The offeror shall not use the award of a contract as part of any news release or commercial advertising.

19. Entire Agreement: This contract and any documents incorporated specifically by reference represent the entire agreement between the parties and supersede all prior oral or written statements or agreements. This Request for Proposals, any addenda thereto, and the offeror's proposal are incorporated herein by reference as though set forth verbatim.

All promises, requirements, terms, conditions, provisions, representations, guarantees, and warranties contained herein shall survive the contract expiration or termination date unless specifically provided otherwise herein, or unless superseded by applicable Federal or State statutes of limitation.

20. Amendments: This contract may be amended only by written amendments duly executed by the Department and the contractor. The NC Division of Purchase and Contract shall give prior approval to any amendment to a contract awarded through that office.

21. Taxes: G.S. 143-59.1 bars the Secretary of Administration from entering into contracts with vendors if the vendor or its affiliates meet one of the conditions of G. S. 105-164.8(b) and refuse to collect use tax on sales of tangible personal property to purchasers in North Carolina. Conditions under G. S. 105-164.8(b) include: (1) Maintenance of a retail establishment or office, (2) Presence of representatives in the State that solicit sales or transact business on behalf of the vendor and (3) Systematic exploitation of the market by media-assisted, media-facilitated, or media-solicited means. By execution of the proposal document the vendor certifies that it and all of its affiliates, (if it has affiliates), collect(s) the appropriate taxes.

22. Year 2000 Compliance/Warranty: Vendor shall ensure the product(s) and service(s) furnished pursuant to this agreement ("product" shall include, without limitation, any piece of equipment, hardware, firmware, middleware, custom or commercial software, or internal components, subroutines, and interfaces therein) which perform any date and/or time data recognition function, calculation, or sequencing, will support a four digit year

format, and will provide accurate date/time data and leap year calculations on and after December 31, 1999, at the same level of functionality for which originally acquired without additional cost to the user. This warranty shall survive termination or expiration of the agreement.

23. General Indemnity: The contractor shall hold and save the State, its officers, agents, and employees, harmless from liability of any kind, including all claims and losses accruing or resulting to any other person, firm, or corporation furnishing or supplying work, services, materials, or supplies in connection with the performance of this contract, and from any and all claims and losses accruing or resulting to any person, firm, or corporation that may be injured or damaged by the contractor in the performance of this contract and that are attributable to the negligence or intentionally tortious acts of the contractor provided that the contractor is notified in writing within 30 days that the State has knowledge of such claims. The contractor represents and warrants that it shall make no claim of any kind or nature against the State's agents who are involved in the delivery or processing of contractor goods to the State. The representation and warranty in the preceding sentence shall survive the termination or expiration of this contract.

24. Outsourcing: Any vendor or subcontractor providing call or contact center services to the State of North Carolina shall disclose to inbound callers the location from which the call or contact center services are being provided.

- a) If, after award of a contract, the contractor wishes to outsource any portion of the work to a location outside the United States, prior written approval must be obtained from the Department.
- b) Vendor must give notice to the Department of any relocation of the vendor, employees of the vendor, subcontractors of the vendor, or other persons performing services under a state contract outside of the United States.

25. By Executive Order 24, issued by Governor Perdue, and N.C. G.S. § 133-32, it is unlawful for any vendor or contractor (i.e. architect, bidder, contractor, construction manager, design professional, engineer, landlord, offeror, seller, subcontractor, supplier, or vendor), to make gifts or to give favors to any State employee of the Governor's Cabinet Agencies (i.e., Administration, Commerce, Correction, Crime Control and Public Safety, Cultural Resources, Environment and Natural Resources, Health and Human Services, Juvenile Justice and Delinquency Prevention, Revenue, Transportation, and the Office of the Governor). This prohibition covers those vendors and contractors who:

- a) have a contract with a governmental agency; or
- b) have performed under such a contract within the past year; or
- c) anticipate bidding on such a contract in the future.

For additional information regarding the specific requirements and exemptions, vendors and contractors are encouraged to review Executive Order 24 and G.S. Sec. 133-32.

Executive Order 24 also encouraged and invited other State Agencies to implement the requirements and prohibitions of the Executive Order to their agencies. Vendors and contractors should contact other State Agencies to determine if those agencies have adopted Executive Order 24."

IV. Other Considerations

Unless otherwise stated in the individual proposal, the situations described below will be followed.

- A. This project must be worked on at the Department's office. The Department will provide workspace and facilities for all offeror personnel. Offeror personnel must conform to work procedures, safety and security policies applicable to the using Department's employees.
- B. The offeror will be responsible to its employees for salaries, all taxes, all benefits and any expenses incurred in the performance of the job. The Department has no financial liability, implied or otherwise, to the offeror's employees.
- C. The offeror will be responsible for ensuring its employees are adequately trained. When requested by the Department, the offeror, at its own expense, will provide its employees with the training required to properly perform their duties.
- D. In consideration of the decision to acquire personnel under these contracts, the needs of the Department are foremost. The Department reserves the right to contract for personnel services from other sources, if the skills required exceed those specified in the RFP, or if the project definition incorporates specific skill requirements and time constraints which cannot be met by offerors under this contract.
- E. Offerors must comply with all Department, National Association of Insurance Commissioners, other applicable policy standards and procedures, and North Carolina laws and regulations governing assigned projects.
- F. For the project arranged under this contract, a specific letter of agreement listing work, dates and requirements will be issued. This project agreement or letter will include the provisions of this convenience contract, as well as any additional terms and conditions deemed necessary for this project.
- G. The Department will develop and implement internal procedures to administer this contract.

ATTACHMENT A – REFERENCES

Prospective contractors must supply at least three (3) references of governmental agencies and/or private firms for which they have done similar or related work during the past five (5) years.

1. Agency or Firm Name _____

Business Address _____

Contact Person _____

Telephone Number _____

2. Agency or Firm Name _____

Business Address _____

Contact Person _____

Telephone Number _____

3. Agency or Firm Name _____

Business Address _____

Contact Person _____

Telephone Number _____

THIS PAGE MUST BE INCLUDED IN YOUR PROPOSAL

ATTACHMENT B – COST PROPOSAL/EXECUTION OF PROPOSAL

By submitting this proposal, the potential contractor certifies the following:

- This proposal is signed by an authorized representative of the firm.
- It can obtain insurance certificates as required within 10 calendar days after notice of award.
- The cost and availability of all equipment, materials, and supplies associated with performing the services described herein have been determined and included in the proposed cost.
- All labor costs, direct and indirect, have been determined and included in the proposed cost.
- The offeror has attended the conference/site visit and is aware of prevailing conditions associated with performing these services *(if applicable)*.
- The offeror can and will provide the specified performance bond or alternate performance guarantee *(if applicable)*.
- The potential contractor has read and understands the conditions set forth in this RFP and agrees to them with no exceptions.
- The offeror is registered in NC E-Procurement @ Your Service or agrees to register within two days after notification of contract award.

Therefore, in compliance with this Request for Proposals, and subject to all conditions herein, the undersigned offers and agrees, if this proposal is accepted within 120 days from the date of the opening, to furnish the subject services for a cost not to exceed \$_____.

OFFEROR: _____

ADDRESS: _____

CITY, STATE, ZIP: _____

TELEPHONE NUMBER: _____ FAX: _____

E-MAIL: _____

Principal Place of Business if different from above (See General Information on Submitting Proposals, Item 18.):

Will any of the work under this contract be performed outside the United States? ☐ Yes ☐ No
(If yes, describe in technical proposal.)

N.C.G.S. § 133-32 and Executive Order 24 prohibit the offer to, or acceptance by, any State Employee of any gift from anyone with a contract with the State, or from any person seeking to do business with the State. By execution of any response in this procurement, you attest, for your entire organization and its employees or agents, that you are not aware that any such gift has been offered, accepted, or promised by any employees of your organization.

BY: _____ TITLE: _____ DATE: _____
(Signature)

(Typed or printed name)

ACCEPTANCE OF PROPOSAL

North Carolina Department of Insurance

BY: _____ TITLE: _____ DATE: _____

THIS PAGE MUST BE SIGNED AND INCLUDED IN YOUR PROPOSAL.

Unsigned proposals will not be considered.

ATTACHMENT C – WHERE SERVICE CONTRACTS WILL BE PERFORMED

In accordance with NC General Statute 143-59.4 (Session Law 2005-169), this form is to be completed and submitted with the offeror's technical proposal.

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Issuing Agency: NC Department of Insurance **RFP #12-001064**
Department Contact Person: Lorraine Richardson, Purchasing Officer, at 919-733-3355

Solicitation Title / Type of Services: Professional Technical Contract for Recommendations for Enhancements to the Department's Actuarial Rate Review Processes for Health Insurance Products

OFFEROR: _____

City & State: _____

Location(s) from which services will be performed by the contractor:

Service	City/Providence/State	Country
_____	_____	_____
_____	_____	_____
_____	_____	_____

Location(s) from which services are anticipated to be performed outside the U.S. by the contractor:

_____	_____	_____
_____	_____	_____

Location(s) from which services will be performed by subcontractor(s):

Service	Subcontractor	City/Providence/State	Country
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Location(s) from which services are anticipated to be performed outside the U.S. by the subcontractor(s):

_____	_____	_____	_____
_____	_____	_____	_____

(Attach additional pages if necessary.)