

**The Minnesota Workers Compensation Assigned Risk Plan  
(MWCARP)  
Actuarial Services  
Request For Proposals  
("RFP")**

**Issued October 15, 2009**

Issued by

**Affinity Insurance Services, Inc.  
Plan Administrator - MWCARP**

**This RFP is a solicitation of interest to enter into an Actuarial Services Contract with the Plan and is not an offer to contract for any Plan Services. Any contractual arrangement between a Bid Respondent and the Plan will be subject to a written Actuarial Services Contract, the terms of which may differ from this RFP.**

## Part I. Introduction & Definitions

The Minnesota Workers Compensation Assigned Risk Plan (hereinafter “Plan” or “MWCARP”) is the source of workers compensation and employers liability coverage for Minnesota employers who have been unable to secure such coverage through the voluntary market. In accordance with Minnesota law, coverage provided through the Plan is substantially the same as coverage available from licensed workers compensation insurance companies writing in the voluntary market in Minnesota.

Through this Request For Proposals (“RFP”) process, the Plan is soliciting proposals from actuarial firms qualified to provide actuarial services as described in this RFP. The Plan is seeking proposals from actuarial firms qualified to provide a full range of actuarial work ranging from year-end actuarial evaluations to ratemaking analysis to other optional services on an “as requested” basis. A qualified Bid Respondent must meet the requirements set forth in this RFP, and must possess sufficient professional, administrative, and personnel resources to provide the proposed actuarial services.

The Plan contracts with general administrative service vendors, i.e. insurance companies or self-insurance administrators called Servicing Carriers, who issue policies in the name of the Plan, collect premiums, and provide claims handling, loss control, auditing, and other necessary services. To the extent that the premiums and other assets of the Plan are inadequate to pay losses, all insurance companies licensed to write workers’ compensation are assessed to fund the deficit proportionately to their share of the market

As authorized pursuant to Minnesota Statutes, Sections 15.061 and 79.251, subd. 4, the Minnesota Department of Commerce has designated Affinity Insurance Services, Inc., as the Plan Administrator of the Plan, effective September 15, 2008. In its role as Plan Administrator, Affinity is hereby issuing this Actuarial Services RFP soliciting proposals for Actuarial Services commencing January 1, 2010.

The Plan is not a state agency and is not subject to the laws, rules and procedures governing the issuance, approval or execution of a contract between a private party and an agency of the State of Minnesota. Minn. Stat, § 79.251, subd, 1(a)(4) (2008). **Any entity responding to this RFP must include an acknowledgment to such effect in its Cover Letter.**

For purposes of this RFP, certain capitalized terms, not otherwise defined in the text, shall be defined as follows:

**“Actuarial Services”** shall mean the workers compensation actuarial services to be provided to the Plan by successful Bid Respondents.

**“Actuarial Services Contract”** shall mean the final contract entered into between the Plan and a successful Bid Respondent designating that Bid Respondent as an Actuarial Services Contractor regarding the Actuarial Services to be provided. The terms, conditions and limitations of that

Actuarial Services Contract shall, unless otherwise specifically stated, supersede any provisions or statements in this RFP.

**“Actuarial Services Contractor” or “Contractor”** shall mean an actuarial firm that is selected from among the Bid Respondents to provide the Actuarial Services responsive to this RFP, but subject to the specific terms, conditions and limitations of an Actuarial Services Contract entered into between the successful Bid Respondent and the Plan.

**“Actuarial Services Proposal”** shall mean the information provided as part of the Bid Response and described in Part V below.

**“Bid Respondent”** shall mean the entity submitting a proposal in response to this RFP.

**“Bid Response”** shall mean a proposal submitted by a Bid Respondent to this RFP.

**“Commissioner”** shall mean the Commissioner of the Minnesota Department of Commerce or his appointed designee.

**“Cover Letter”** shall mean the cover letter and attached exhibits and materials submitted by the Bid Respondent which contain information described in Part V below.

**“Department”** shall mean the Minnesota Department of Commerce.

**“Fee Proposal”** shall mean the information provided as part of the Bid Response and described in Part V below.

**“MWCARP or Plan”** shall mean Minnesota Workers Compensation Assigned Risk Plan, as created and operated pursuant to Minnesota Statutes, Sections 79.251-253.

**“Plan Administrator”** shall mean Affinity Insurance Services, Inc., or successor appointee.

**“RFP”** shall mean this Actuarial Services Request For Proposal, including all exhibits and any subsequent amendments made thereto, which have been distributed to potential Bid Respondents via the Plan’s website – [www.mwcarp.com](http://www.mwcarp.com) – or any other available means of distribution.

## **Part II. Required Bidder Qualifications**

To be considered sufficiently qualified to provide Actuarial Services to the Plan pursuant to this RFP, a Bid Respondent must:

1. Be legally organized under the laws of one of the states within the United States of America or the District of Columbia.
2. Designate one or more persons possessing, at a minimum, the designation of “Associate” from the Casualty Actuarial Society as being primarily responsible for the Actuarial Services.
3. Have at least three (3) years of experience in providing workers compensation actuarial analysis for entities with significant workers compensation exposures in the State of Minnesota.
4. Have an office in the State of Minnesota from which most Actuarial Services would be performed.
5. Demonstrate an ability to maintain an adequate professional and non-professional staff to fulfill its obligations to provide all of the Actuarial Services.

The failure of the Contractor to meet such minimum qualifications throughout the terms of its Actuarial Services Contract, shall be, at the option of the Plan, grounds for immediate termination of the contract.

## Part III. Scope of Work

The Plan wishes to enter into a three-year contract, with the possibility of two one-year extensions, with a Bid Respondent qualified to provide the services described below.

**A. Year-End Actuarial Evaluation.** The Bid Respondent selected will perform a year end actuarial evaluation of the Plan's outstanding loss and expense liabilities on claims occurring during or after 1982, when the Plan came under the jurisdiction of the Department of Commerce. The evaluation of these liabilities as of December 31, 2009 is to be completed by May 1, 2010. Subsequent evaluations are to be completed by May 1 of each year.

1. Report. The Bid Respondent will issue a report in both electronic format (one copy) and hard copy (no more than 10 copies), to the Plan Administrator which does the following: (1) projects the current loss (including both case and IBNR reserves) and legal expense liabilities of the Plan on a basis both net and gross of reinsurance; (2) compares assets and liabilities of the Plan and makes a recommendation as to the necessity of an assessment to fund outstanding liabilities; (3) projects the cash flow of the estimated future pay outs.
2. Meetings. The Bid Respondent will meet via telephone or in-person, as necessary, with the Commissioner and/or Plan Administrator to discuss the report issued as a result of the evaluation, and/or any information contained therein.

**B. MWCIA Calendar-Accident Year Call.** The Bid Respondent selected will be requested to complete the MWCIA Calendar-Accident Year Call for Compensation Experience as of the valuation date and consistent with both the data received and the conclusions in this report, submitted by May 1 each year.

**C. Ratemaking Analysis.** The Bid Respondent selected will perform an actuarial study of the Plan's pricing and recommend an overall rate change. The study is to be completed by December 1 of each year, with the rate change to be effective on April 1 of the following year or as otherwise modified at the discretion of the Department of Commerce.

1. Report. The Bid Respondent will issue a report in both electronic format (one copy) and hard copy (not more than ten copies), to the Plan Administrator addressing the following items: (1) the indicated overall rate change, including exhibits and narrative to document all findings; (2) suggestions for improving the ratemaking process.
2. Meetings. The Bid Respondent will meet via telephone or in-person, as necessary, with the Commissioner and/or Plan Administrator to discuss the report issued as a result of the ratemaking analysis, and/or any information contained therein.

**D. Mid Year Actuarial Evaluation.** The Bid Respondent selected will be requested to perform a mid-year actuarial evaluation; i.e. using data from January 1 through September 30 of the current year to update the previous year-end evaluation.

**E. Optional Services** (to be performed at the request of the Commissioner and/or Plan Administrator). The Bid Respondent selected may be asked to provide additional actuarial services from time to time during the contract period. This work would be done on an hourly fee basis.

## Part IV. Instructions For Proposal

A Bid Respondent is expected to comply with all requests for information found in the RFP and to address all requests as completely and thoroughly as is reasonably practical. Any proposal that does not satisfactorily address all requests found in the RFP may be deemed to be non-responsive. While a general description of the proposed methodology for evaluation of Bid Responses is provided in Part V. below, the Plan in its sole discretion may utilize such criteria in evaluating responses to the RFP as it deems necessary and appropriate, and may accept or reject any or all of the responses to the RFP. The Plan in its sole discretion may waive any deficiencies in a Bid Response to the RFP as part of its evaluation process.

Each Bid Respondent will be solely responsible for all costs and expenses incurred in the preparation of its Bid Response. The Plan Administrator may gather any information necessary from all available sources to complete or complement the evaluation process. Further, the Plan is in no way obligated to award an Actuarial Services Contract to the Bid Respondent or Bid Respondents with the lowest Fee Proposal.

### Bid Response Format

Each of the following must be submitted to the Plan Administrator prior to the filing deadline:

1. One (1) signed original and four (4) copies of the Cover Letter and attachments.
2. One (1) signed original and four (4) copies of the Actuarial Services Proposal enclosed in a sealed envelope or container and clearly marked, “**Actuarial Services Proposal**”.
3. One (1) original and four (4) copies of the Fee Proposal in a separately sealed envelope that is clearly marked, “**Fee Proposal**”.

The sealed Actuarial Defense Services Proposal and the separately sealed Fee Proposal should be submitted with the Cover Letter in a single package or container.

The Bid Respondent is expected to examine all sections of this RFP and attach all of the information and required exhibits set forth in this RFP.

### Modification or Withdrawal

A Bid Response that has been submitted to the Plan Administrator may be withdrawn or modified, provided that such modifications are received by the Plan Administrator prior to the filing deadline. A Bid Response not modified or withdrawn prior to the filing deadline shall be considered to be final and shall be deemed a binding and final offer for at least 120 days after the filing deadline.

## **Written Requirement; No Oral Communications**

All portions of the Bid Response must be submitted in writing and no oral communications will be deemed a part of the Bid Response. A Bid Response that is written or printed with any material other than ink will be rejected. If a Bid Respondent makes any handwritten corrections to its proposal prior to submission, those corrections must be made in ink and initialed by the person executing the proposal.

## **Execution; Authority**

A Bid Response must be signed and dated by an officer or other authorized individual employed by the Bid Respondent (including his or her title), having the authority to enter into contracts on behalf of the Bid Respondent.

## **Confidential and Proprietary Information**

Any information contained within the Bid Response that may be considered by the Bid Respondent to be proprietary or confidential should be clearly labeled confidential. The Plan may, but is not obligated to, reject any materials submitted as confidential as not qualifying for confidential status, and return such materials to the Bid Respondent.

While the Plan will make reasonable efforts to treat information that is confidential as such, the Plan is not in a position to guarantee confidentiality. Bid Proposals submitted in response to this RFP shall become the property of the Plan and the Bid Respondent, in submitting such information, assumes all risks that such information may become public information.

A Bid Response, excluding material marked confidential, may be made available at the discretion of the Plan for review upon request by any person at any time after execution of the Actuarial Services Contracts resulting from this RFP, and shall be made publicly available one year after commencement of the Actuarial Services Contracts. The Plan, the Department, and the Plan Administrator shall have no liability for the use or disclosure of any unmarked proprietary or confidential information.

The terms and conditions of the Actuarial Services Contract issued pursuant to this RFP will also be publicly available.

## **Most Favorable Terms**

A Bid Respondent should submit its proposal on the most favorable terms from a fee and service standpoint. The Bid Respondent must assume that there will not be any opportunity to alter its pricing at any time after the proposal submission deadline. However, the Plan Administrator may seek a clarification regarding the Fee Proposals and/or Actuarial Services Proposals at any time during the evaluation period and may negotiate with respect to Fee Proposals.



## **Plan Contact**

All Bid Respondents should remit proposals and any written questions regarding this RFP to the person and address listed below:

**Mr. Thomas G. Redel**  
**Affinity Insurance Services, Inc.**  
**8300 Norman Center Drive, Ste. 1000**  
**Minneapolis, MN 55437**  
**Tele: (800) 471-6767**  
**Email: [tom\\_redel@ars.aon.com](mailto:tom_redel@ars.aon.com)**

Any questions regarding this RFP should be directed to the Plan Administrator. Only written responses to such questions shall be deemed to be responses of the Plan. Any questions and responses, at a minimum, will be made available to all potential bidders through the Plan's website – [www.mwcarp.com](http://www.mwcarp.com). The Plan Administrator will not be responsible for communication directly to any potential Bid Respondent.

## **Part V. Required Information**

### **Cover Letter**

The Cover Letter shall be signed by an officer or representative of the Bid Respondent having sufficient authorization to enter into contracts on behalf of the Bid Respondent, and shall include, in the body of the letter or attachments, the following:

1. Complete information confirming that Bid Respondent meets the minimum qualifications required under Part II above.
2. Information regarding the Bid Respondent's familiarity with and understanding of Minnesota statutes applicable to the Plan and its operation.
3. A list of representative clients, represented by the Bid Respondent at present or within the last five (5) years, in connection with the actuarial analysis of workers compensation claims in Minnesota. This list shall include the identification of clients who may be contacted as references. All references must include the name and contact information of a person authorized to speak on behalf of the client. (Clients listed as references, in addition to other sources, may be contacted by the Plan as part of the evaluation process).
4. Designation of a contact person for the Bid Respondent, including his or her telephone number and email address.
5. Identification and explanation of any deviations from the requirements found in the RFP, and any assumptions or conditions relied upon by the Bid Respondent in making the Bid Response. (Deviations, conditions or assumptions may be unilaterally rejected by the Plan, unless in its sole judgment, the Bid Respondent has provided reasonably sufficient information to justify such deviations, conditions or assumptions).
6. A copy of a valid Certificate of Insurance indicating Professional Liability and Errors & Omissions with limits of at least \$2,000,000 per occurrence and \$2,000,000 annual aggregate, and Workers Compensation & Employers Liability Coverage (one copy only). The Bid Respondent must acknowledge that it will carry this coverage if it is awarded a contract under the RFP.
7. Completed and signed Non-Collusion Affidavit in the form attached to the RFP as Exhibit - I.
8. Completed and signed Affirmative Action Data Page in the form attached to the RFP as Exhibit - II.
9. Acknowledgment that, if selected to provide Actuarial Services, the Bid Respondent will comply with all applicable requirements of the Americans with Disabilities Act (ADA) throughout the term of the Actuarial Services Contract.

10. The following acknowledgment:” *We understand that the Plan is not an agency of the State of Minnesota and that the issuance, approval or execution of a Actuarial Services Contract with the Plan is not subject to the laws, rules and procedures governing contracting between a private party and a state agency.*”

## **Actuarial Services Proposal**

The Actuarial Services Proposal shall provide the following information:

1. A brief history/background of the Bid Respondent’s organization.
2. A description of Bid Respondent’s current location(s), size and staff.
3. A detailed description of the Bid Respondent’s experience providing workers compensation actuarial analysis in the State of Minnesota.
4. The name of the person to be assigned responsibility for supervising Plan work assigned to the Bid Respondent, including a description of his or her qualifications and experience providing workers compensation actuarial analysis in the State of Minnesota. Attach a copy of such person’s resume.
5. The name of each person who will provide services to the Plan under the Actuarial Services Contract, and with respect to each such person, his or her (a) title or job designation, (b) qualifications and experience in connection with actuarial analysis of workers compensation data relevant to the State of Minnesota, (c) specific duties and responsibilities with respect to Plan work, and (d) the expected time commitment to Plan business. Attach a copy of each person’s resume.
6. A description of the specific ways in which technology is used to enhance Bid Respondent’s efficiency and productivity.

## **Fee Proposal**

Bid Respondent must submit its Fee Proposal based on a detailed description of the time and cost estimates for each of the services stated in Part III – Scope of Work – Sections A., B., C., and D. Bid Respondent must also state an hourly fee for services that may be rendered under Part III – Scope of Work – Section E. Respondents should strive to propose fee arrangements which would further the Plan’s goal of obtaining the most cost effective actuarial services.

The Plan reserves the right to negotiate the Fee Proposal with the Bid Respondent. The agreed upon fee will be applicable for a term of three years, commencing January 1, 2010. The rates for any contract extension beyond the initial three years will be subject to negotiation between Contractor and the Plan Administrator.

## **Part VI. Evaluation Process and Timetable**

### **Evaluation**

The evaluation of Bid Responses may include a panel review. This panel may include one or more representatives of the Plan Administrator and may include one or more representatives of the Department. Information on the evaluation process will be deemed confidential and proprietary to the Plan and may be released by the Plan in whole or in part in the Plan's sole discretion.

In addition to reviewing the Bid Proposal prior to making a determination to accept one or reject all of the Bid Responses, the Plan may supplement this RFP process with requests for additional information, oral presentations and/or interviews, discussions with key management or supervisory personnel of the Bid Respondent, or other information the Plan deems useful in this process

### **Timetable**

1. Request For Proposals Issued – October 15, 2009.
2. Deadline for receipt of Written Inquiries – 4:00pm CDT; October 29, 2009.
3. Proposals Due – 4:00pm CST; November 20, 2009.
4. Interviews, if any – week of November 23, 2009.
5. Projected Contract Award Date – December 1, 2009.
6. Contract Duration – Three (3) years from the contract effective date with the option of two, one-year extensions.
7. Contract Effective Date - January 1, 2010.

**Exhibit - I**

**Affidavit of Non-Collusion**

I hereby swear (or *affirm*) under the penalty of perjury:

- I. That I am the respondent (if respondent is an individual), a partner in the respondent (if respondent is a partnership), or an officer or employee of the respondent having authority to sign on its behalf (if respondent is a corporation);
2. That the attached proposal covering \_\_\_\_\_ has been arrived at by the respondent independently and has been submitted without collusion with, and without any agreement, understanding or planned common course of action with, any other vendor of materials, supplies, equipment or services described in the Request for Proposal, designed to limit independent bidding or competition;
3. That the contents of the proposal have not been communicated by the respondent or its employees or agents to any person not an employee or agent of the respondent or its surety on any bond furnished with the proposal and will not be communicated to any such person prior to 4:00 p.m. CST, November 20, 2009.
4. That I have fully informed myself regarding the accuracy of the statements made in this affidavit.

Signed \_\_\_\_\_

Firm Name \_\_\_\_\_

Subscribed and sworn before me this \_\_\_\_ day of \_\_\_\_\_, 2009.

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_, 200\_\_.

## Exhibit - II

### Affirmative Action Data Page

The following information must be completed by the respondent. Failure to do so may result in rejection of this proposal.

1. Have you employed more than 40 full-time employees *in* Minnesota on any single day in the last 12 months?

\_\_\_\_\_ Yes      \_\_\_\_\_ No

2. If your answer to the above question is “Yes”, your proposal will be rejected unless you have an affirmative action plan for the employment of minority persons, women, and the disabled that has been approved by the Minnesota Department of Human Rights. Respondents must be certified prior to 4:00 p.m CST on November 20, 2009.

3. Please check one (1) of the following statements;

\_\_\_\_\_ Yes, we have a current certificate of compliance that has been issued by the State of Minnesota, Department of Human Rights. Please include a copy of your certificate with your proposal.

\_\_\_\_\_ No, we do not have a certificate of compliance. However, we have applied to the Department of Human Rights for certification and understand that if our plan is not approved prior to 4:00 p.m. CST, November 20, 2009, our proposal shall be rejected.

PLEASE NOTE:

Affirmative action plans approved by the federal government, a county, or a city are not sufficient. You must have a certificate issued by the State of Minnesota.

If you do not have a “Certificate of Compliance”, for further information contact the Department of Human Rights, 190 E 5th Street, Suite 700, St. Paul, Minnesota 55101, Phone: (651) 296-5663 or consult their web site at [www.humanrights.state.mn.us](http://www.humanrights.state.mn.us).

By signing this statement the respondent certifies that the information filled in by him/her on this page is accurate.

Date: \_\_\_\_\_

Firm Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_