



# Commonwealth of Pennsylvania

Date: **11/23/2016**  
Subject: **Q&A Addendum 3**  
Solicitation Number: **6100040113**  
Opening Date/Time: **December 12, 2016**  
Addendum Number: **3**

---

To All Suppliers:

The Commonwealth of Pennsylvania defines a solicitation "Addendum" as an addition to or amendment of the original terms, conditions, specifications, or instructions of a procurement solicitation (e.g., Invitation for Bids or Request for Proposals).

*List any and all changes:*

Please find the Questions and answers attached.

**For electronic solicitation responses via the SRM portal:**

- Attach this Addendum to your solicitation response. Failure to do so may result in disqualification.
- To attach the Addendum, download the Addendum and save to your computer. Move to "My Notes", use the "Browse" button to find the document you just saved and press "Add" to upload the document.
- Review the Attributes section of your solicitation response to ensure you have responded, as required, to any questions relevant to solicitation addenda issued subsequent to the initial advertisement of the solicitation opportunity.

**For solicitations where a "hard copy" (vs. electronic) response is requested:**

- Attach this Addendum to your solicitation response. Failure to do so may result in disqualification.
- If you have already submitted a response to the original solicitation, you may either submit a new response, or return this Addendum with a statement that your original response remains firm, by the due date to the following address:

The Commonwealth of PA,  
Department of Labor and Industry  
651 Boas Street, room 205  
Harrisburg, PA 17121  
Attention: Lori A. Michaels, Procurement  
mark all mailings - "BID DOCUMENTS-DELIVER UNOPENED TO LORI MICHEALS"

Except as clarified and amended by this Addendum, the terms, conditions, specifications, and instructions of the solicitation and any previous solicitation addenda, remain as originally written.

Very truly yours,

Name: Lori Micheals  
Title: Procurement Manager  
Phone: 717-783-0326



# Commonwealth of Pennsylvania

Email: [Imicheals@pa.gov](mailto:Imicheals@pa.gov)

## **DLI RFQ 6100040113 SWIF Q&A**

Q1--When was the last actuarial review produced?

A1—July, 2016 as of December 31, 2015

Q2--Who was the incumbent?

A2-- Milliman

Q3--What was the cost?

A3-- \$215,000

Q4--How many hours were billed for the study?

A4—Services were not billed hourly but an Annual Fee.

Q5--Was the Commonwealth satisfied with the work product?

A5-- Yes

Q6--Is the latest review available to the bidder?

A6-- Yes – Attached release must be completed and forwarded to contact below (email preferred)

**Christopher Tait** | FCAS, Principal and Consulting Actuary | [chris.tait@milliman.com](mailto:chris.tait@milliman.com)  
**Milliman** | 1550 Liberty Ridge Drive, Suite 200 | Wayne, PA 19087-5572 | USA  
Tel +1 610 975 8035 | Fax +1 610 687 4236

Q7--When will the underlying data be provided to the successful bidder?

A7—January/February

Q8--What is the due date for the draft report?

A8— Early in second quarter

Q9--What is the due date for the final report?

A9— 30 days after submission of draft report

Q10--How many hours were billed for additional services (beyond report delivery) during the past three years?

A10—Services are billed on an Annual Basis

Q11--What was the hourly rate for past billed services?

A11-- Services are billed on an Annual Basis

Q12--Was the Commonwealth satisfied with the work product for hourly billed services?

A12—Commonwealth was satisfied with work requested for the year and provided.

Q13--How many meetings to take place in Scranton anticipated for the actuary?

A13— Approximately 1 or 2 per year

## **DLI RFQ 6100040113 SWIF Q&A**

Q14--Are financial data required of the actuarial firm?

A14—Yes – Refer to section III-7 – Page 17

Q15--If item 14 is yes, will it suffice to list the contact information of the firm's CPA?

A15-- No – Refer to section III-7 – Page 17

Q16-- Is the previous actuarial work product public information or can it be made available for review?

A16—See Question 6

Q17-- If needed, would the winning firm have access to the loss data and reports from your current actuary?

A17— See Question 6.

Q18-- Are SWIF's most recent financial statements available for review for this RFP process?

A18— Yes please forward request to Joseph Dorbad at [jdorbad@pa.gov](mailto:jdorbad@pa.gov)

Q19-- Are the actuarial reserve analyses only to be provided at year end or will some type of interim analyses also be expected? If so, how often?

A19— Will only be required based on year end information.

Q20-- The second listed Part III-6 on page 17 (the numbering in this section appears to start over after III-6). Was this item intended to be included in the scope of work? If so, can we get a better explanation of what has been done in the past with regard to this "Training".

A20—This was an error in numbering and was meant to be included in scope of work. SWIF welcomes any training the offeror is willing to conduct to improve current operations as part of this engagement. There has been no training provided in prior engagements.

Q21-- III-8 (D) - Item 11 requires an annual review of a sample of SWIF's claims. How many claims are typically required to be reviewed each year? Also, can you provide some perspective on the goal of this review? (e.g. adequate case reserves, management of claims, etc.).

A21— This would be determined by the successful offeror. This review would be completed to opine on proper handling and reserving of claims, etc.

Q22- III-8 (D) - Item 17 discussed "other analyses". Can you provide some idea as to historically what these "other analyses" are and how often they are required?

A22—There have been no additional analysis in the past, however, Item 17 would cover any unforeseen analysis that may be required during this engagement.

Q23-- Pennsylvania regulations regarding Statements of Actuarial Opinion require the actuary to opine on "The reasonableness of the matching of the invested assets and loss reserves attributable to the workers' compensation business to provide an adequate income stream to fund the discount." Will SWIF provide the contractor with the projected stream of asset cash flows associated with its year-end investment portfolio?

A23—Yes

Q24-- Regarding item I-11 (page 5), is Adobe Acrobat (i.e., pdf) format, considered a Microsoft Office-compatible format?

## DLI RFQ 6100040113 SWIF Q&A

A24—Yes

Q25-- Item IV-1 (page 21) states that the cost submittal “should be broken down into the components set forth in Appendix D-Cost Submittal Worksheet.” However, there is no worksheets or list of components in Appendix D. What are the components that should be included in the cost submittal?

A25—Since this is a fixed price contract, total cost should be presented for each individual year. The RFQ incorrectly mentioned the worksheet and components.

Q26-- Should the contractor include a fixed cost for possible option years in its cost submittal?

A26 – Yes – Costs for the option year, if exercised by SWIF, will be limited by an automatic escalation clause whereby the cost from the previous year will be increased by 5%.

Q27-- Should the contractor provide a fixed price for each year individually or should it be a single for all three contract years?

A27—Cost should be provided for each individual year. There is a correction to Appendix D. The cost must reflect the actuarial analysis for years ending 2016, 2017 and 2018.

Q28-- If the contractor is asked to attend more than the 10 meetings described in Appendix D (e.g., additional meetings or conference calls), will the contractor be entitled to any additional compensation for attending those meetings?

A28—No

Q29-- What fees were paid to the contractor that performed these services as of December 31, 2016 under the prior contract? Are there any tasks included in the RFQ that were not part of the prior contract? If so, please provide a list of any such tasks.

A29—\$215,000 – There are no tasks included in this engagement that were not part of prior contract.

Q30-- Item III-8-D-1 (page 19) says “Provide under separate cover, an opinion with respect to expected loss, loss adjustment expense and loss ratio for the coming year based on an assessment of the loss development expectation from the previous year end financial statement for SWIF.” Will separate loss ratio projections be needed for the Commercial and Coal business, and will those need to be further split by indemnity vs. medical losses?

A—Yes / Yes

Q31-- Item III-8-D-11 (page 20) says “Provide an annual review of a sample of SWIF’s claims.” How many individual claims are to be included in the sample?

A—Please see question 21.

Q32-- Item III-8-D-13 (page 20) says “Provide projected premium deficiency reserve.” Are separate premium deficiency reserve calculations needed for the Commercial and Coal business?

A32—Yes

Q33-- Item III-8-D-16 (page 20) says “Provide annual catastrophic/lifetime claims analysis.” What types of claims are to be included in this analysis? How many open claims of this type does SWIF have? Are the claims included in this claim review part of or in addition to the claim review described in III-8-D-11 (page 20)?

## DLI RFQ 6100040113 SWIF Q&A

A33—SWIF requires a detailed report on reserve adequacy for all open claims with medical incurred greater than \$500,000. The report shall include, Indemnity reserve adequacy with consideration for diminished life expectancy (rated age calculations), and medical reserve adequacy with consideration for major organ failure as a result of the injury and aging process. SWIF has 2014 open claims of this type. Claims included in this review may be included in sample of claims chosen by offeror for III-8-D-11.

Q34-- The Evaluation Criteria in Item II-4-A (Technical) refers to “70% of the total points” and Item II-4-B (Cost) refers to “10% of the total points”, but neither item mentions the number of total points available. Item II-4-C (Small Diverse Business and Small Business Participation) mentions “a maximum total of 200 available points”. What are the maximum number of points available for Technical, Cost and SDB/SB?

A34—The maximum points is 1000; therefore, the total amount of technical points you may receive is 700, and 100 for cost.

Q35-- In the RFP Scoring Formula on the website, the formula used to calculate the Final SDB/SB Score divides the raw score of the proposal being scored by the highest raw score. Since the 200 multiplier is in both the numerator and denominator of that calculation, the multipliers appear to cancel each other out (i.e., the 200 multiplier has no impact on the Final SDB/SB Score for any proposal. Are we interpreting that formula correctly?

### A35— **Small Diverse Business (SDB) and Small Business (SB) Participation Scoring**

The Small Diverse Business and Small Business Participation criterion is 20% of the total number of points allocated for the RFP.

Based on a maximum total of 200 available points for Small Diverse Business and Small Business Participation, the scoring mechanism is as follows:

#### **Small Diverse Business and Small Business Raw Score = $200 (SDB\% + (1/3 * SB \%)$ )**

The final SDB/SB scores are determined by giving the maximum number of SDB/SB points available (A) to the proposal with the highest raw SDB/SB score. The remaining proposals are rated by applying the following formula:

$$\frac{\text{Raw SDB/SB Score of Proposal Being Scored}}{\text{Highest Raw SDB/SB Score}} \times A = \text{Final SDB/SB Score}$$

Example #1:

- Proposer 1 Raw Score = 200 points
- Proposer 2 Raw Score = 96.67 points
- Proposer 3 Raw Score = 56.67
- Proposer 4 Raw Score = 36.67 points

In this example, because Proposer #1 achieved a score of 200 points, there is no need to complete the second calculation, although if you do, you will note the scores stay exactly the same.

Example #2:

- Proposer 1 Raw Score = 96.67 points FINAL SCORE =  $(96.69/96.69) * 200 = 200$

## DLI RFQ 6100040113 SWIF Q&A

- Proposer 3 Raw Score = 56.67 points FINAL SCORE =  $(56.67/96.69) * 200 = 117.22$
- Proposer 4 Raw Score = 36.67 points FINAL SCORE =  $(36.67/96.69) * 200 = 75.85$

In this example, no one has achieved all 200 points, so the mathematical formula (which in Excel looks like this:  $= (\text{raw score prop being scored}/\text{highest raw score proposal}) * 200$ ) is used to pro rate scores so that the highest proposal receives all 200.

Q36-- Regarding III-8-D-11 (page 20), does SWIF allow remote access to its claim system and what is the process for obtaining access?

A36—No – Successful offeror will have access to claim system only at the SWIF Home Office in Scranton, PA.

**STANDARD THIRD PARTY RELEASE AGREEMENT**


\_\_\_\_\_ ("Recipient") has requested that Milliman, Inc. ("Milliman") consent to release Material developed by Milliman for State Workers' Insurance Fund ("Client Company"). Milliman prepared the following report for Client Company:

- **Analysis of Reserves and Surplus as of December 31, 2015**, dated July 5, 2016.

The aforementioned report and all data therein and all supplemental information, sensitivity analyses, experience data, and anything Recipient subsequently requests or receives in oral or written form from Milliman related to the Client Company are hereinafter collectively referred to as the "Milliman Material." The Milliman Material was prepared for, and only to be relied upon by the Client Company, and not to be provided to any third party without Milliman's prior consent.

In consideration for the consent of Milliman to release the Milliman Material to Recipient, Recipient agrees as follows:

1. Recipient acknowledges that the Milliman Material was prepared solely to be relied upon by the Client Company and its management, and not by any other party. As such, Milliman makes no representations or warranties regarding the Milliman Material to Recipient or any other third party. Recipient acknowledges that Milliman has no responsibility to inform Recipient of any updates, changes, corrections or supplementations to the Milliman Material. Recipient represents that it will place no reliance on the Milliman Material that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to Recipient.
2. Recipient understands the Milliman Material is a complex, technical analysis, and that Milliman recommends Recipient be aided by its own actuary or other qualified professional when reviewing the Milliman Material.
3. Recipient agrees that it will not provide any portion of the Milliman Material to any other party, except to (1) Recipient's Affiliates, but only if Recipient has full power and authority to bind Affiliate to the terms of this Agreement and does bind Affiliate to the terms and (2) Recipient's professional advisers so long as they have agreed with Recipient to be subject to the same terms as Recipient under this Agreement. Recipient agrees it will not make references to Milliman or its estimates in communication with third parties.
4. Recipient agrees it will not bring any claim or lawsuit, under any theory of law, against Milliman or any of its employees related in any way to the Milliman Material.
5. Milliman and Recipient agree to submit any dispute between them, including but not limited to, disputes relating to Milliman's release of the Milliman Material, any aspect of Milliman's work regarding the Client Company, and the interpretation and enforceability of this Agreement, to binding arbitration. The arbitration, conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association, will be conducted before three neutral and independent arbitrators, one selected by Milliman, one by Recipient and the third by the first two. The award may be confirmed in any court of competent jurisdiction.

Milliman, Inc.	Recipient
By: <u></u> Name: <u>Christopher Tait</u> Title: <u>Principal</u> Co.: <u>Milliman, Inc.</u> Date: <u>November 18, 2016</u>	By: _____ Name: _____ Title: _____ Co.: _____ Date: _____