

Response to Request for Quotation

Prepared for:
The State of West Virginia
Offices of the Insurance Commissioner

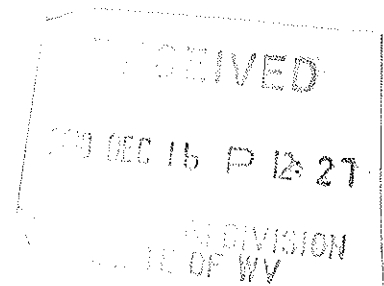
Actuarial Review and Consulting Services for Health
Insurance rate Filings

Request for Quotation INS11006

Prepared By:

David D. Ramsey, FSA, MAAA
Darin P. Muse, ASA, MAAA

December 15th, 2010



Allen Bailey & Associates, Inc. (AB&A) is pleased to submit this response for quotation for actuarial services to the West Virginia Offices of the Insurance Commissioner (OIC). Our response is predicated upon the terms and conditions of RFQ INS11006 and any supplements or revisions thereto. Given the opportunity AB&A will work vigorously to facilitate the improvements being made in West Virginia's health insurance premium review process.

If awarded the contract, all potential work will be performed in the Allen Bailey & Associates, Inc. office location. However, should on-site visits become necessary, AB&A is prepared to make such visits. We are currently in the process of registering to do business in the State of West Virginia. Our local contact information follows:

Allen Bailey and Associates, Inc.
8310-1 Capital of TX Hwy N, Suite 370
Austin, TX 78731
(877) 228-4440
contact@allenbailey.com

AB&A is a highly qualified actuarial firm, and we exceed the qualifications required of this RFQ. Currently our firm is comprised of eighteen capable employees, including eight accredited actuaries, each of whom are MAAs, and three of which are FSAs. Our firm is knowledgeable of Actuarial Standard Practice Number 8 and has experience providing training and rate review services to state insurance regulators. Further, we do not have any conflicts of interest in contracting with the State of West Virginia.

AB&A has provided services to companies selling life, accident and health products for over two decades. We have served as the actuarial department for numerous clients when it comes to developing and recommending rates on various lines of products. Our expertise in product development and the associated filings puts us in an excellent position to provide the West Virginia Offices of the Insurance Commissioner with an extensive review of its rate review process.

In addition, Allen Bailey has had significant experience pricing, managing, and acquiring large blocks of Major Medical over the last 25+ years. This includes experience with small group rating requirements.

On a daily basis, our firm develops health product rate recommendations for our clients. We have developed proven models and procedures to appropriately assess the fairness and adequacy of the rates being proposed. We have frequent dialogues with state insurance departments and work together with them to make sure that the rates being developed are fair and justifiable based on credible industry and proprietary experience. One of our primary strengths is our ability to work with large volumes of data to perform meaningful and accurate studies to use to support and test the rates being developed.

Our rate review process includes the use of templates to organize data in a logical and useful manner. These templates are used to segregate and classify data items that may be necessary to review a proposed rate action (i.e., duration, state, product line, statutory minimum loss ratios, etc.). Depending upon the product being analyzed, appropriate actual to expected loss ratios are then produced. Forces such as anti-selection, trend, and underwriting selection wear-off are, where appropriate, factored into the analysis. Based upon these and other fundamental required assumptions (e.g., mortality and lapses), a theoretical recommended rate action is determined.

Treatment of conversion policies (whether group or non-group) is also an important part of this process. Allocation of conversion experience and determining fair treatment in the rate filing for these policies is an essential component in our determination of the overall accuracy and reasonableness of rate filings.

The qualified actuaries at AB&A have significant experience helping insurance companies manage their rate and form filings and can assist the West Virginia OIC in their efforts to achieve a more efficient review process complemented with standardized rate filing templates. We frequently work with clients to develop, price, and file new or revised life and health products and product features, and we are familiar with specific characteristics of the West Virginia insurance market.

We have worked hard to develop a fine reputation, not only within the insurance industry, but with regulatory agencies as well. Delivering an end product that is accurate, on schedule, and within budget is our primary goal. AB&A will work diligently to promote the policies and objectives of West Virginia if given the opportunity.

Bid Amount

Allen Bailey & Associates, Inc. acknowledges that the submitted fixed hourly rate for potential services rendered will stay the same regardless which staff member is performing the services and should be sufficient to cover all incidental costs. We further acknowledge that out-of-pocket travel expenses will be billed in accordance with the State of West Virginia's Travel Rules, as prescribed by the Travel Management Unit.

Vendor Cost

\$ 200.00 per hour



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 2019 Washington Street East
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 Charleston, WV 25305-0130

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ADDRESS CORRESPONDENCE TO ATTENTION OF:
**SHELLY MURRAY
 304-558-8801**

RFQ COPY

TYPE NAME/ADDRESS HERE

Allen Bailey & Associates, Inc
 8310-1 Capital of TX Hwy N, Suite 370
 Austin, TX 78731

SHIP TO

INSURANCE COMMISSION

1124 SMITH STREET
 CHARLESTON, WV
 25305-0540 304-558-3707

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|-----------------------------------|---------------|----------|--------|---------------|
| DATE PRINTED 11/14/2010 | TERMS OF SALE | SHIP VIA | F.O.B. | FREIGHT TERMS |
|-----------------------------------|---------------|----------|--------|---------------|

BID OPENING DATE: **12/16/2010** BID OPENING TIME **01:30PM**

| LINE | QUANTITY | UOP | CAT NO. | ITEM NUMBER | UNIT PRICE | AMOUNT |
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| 0001 | 1 | HR | | 946-12 | | |
| <p>THE WEST VIRGINIA PURCHASING DIVISION, FOR THE AGENCY, THE WEST VIRGINIA INSURANCE COMMISSION, IS SOLICITING BIDS FOR ACTUARIAL REVIEW AND CONSULTING SERVICES FOR HEALTH INSURANCE RATE FILINGS PER THE ATTACHED SPECIFICATIONS.</p> <p>TECHNICAL QUESTIONS MUST BE SUBMITTED IN WRITING TO SHELLY MURRAY IN THE WEST VIRGINIA PURCHASING DIVISION VIA MAIL AT THE ADDRESS SHOWN AT THE TOP OF THIS RFQ, VIA FAX AT 304-558-4115, OR VIA E-MAIL AT SHELLY.L.MURRAY@WV.GOV. DEADLINE FOR ALL TECHNICAL QUESTIONS IS 11/30/2010 AT THE CLOSE OF BUSINESS. ALL TECHNICAL QUESTIONS RECEIVED, IF ANY, WILL BE ADDRESSED BY ADDENDUM AFTER THE DEADLINE.</p> <p>ACTUARIAL SERVICES</p> <p>EXHIBIT 3</p> <p>LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE UPON AWARD AND EXTENDS FOR A PERIOD OF ONE (1) YEAR OR UNTIL SUCH "REASONABLE TIME" THEREAFTER AS IS NECESSARY TO OBTAIN A NEW CONTRACT OR RENEW THE ORIGINAL CONTRACT. THE "REASONABLE TIME" PERIOD SHALL NOT EXCEED TWELVE (12) MONTHS. DURING THIS "REASONABLE TIME" THE VENDOR MAY TERMINATE THIS CONTRACT FOR ANY REASON UPON GIVING THE DIRECTOR OF PURCHASING 30 DAYS WRITTEN NOTICE.</p> | | | | | | |

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE Daniel Ramsey TELEPHONE 512.502.8800 DATE 12/15/10
 TITLE Senior Consulting Actuary FEIN 74-2646037 ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



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| <p>UNLESS SPECIFIC PROVISIONS ARE STIPULATED ELSEWHERE IN THIS CONTRACT DOCUMENT, THE TERMS, CONDITIONS AND PRICING SET HEREIN ARE FIRM FOR THE LIFE OF THE CONTRACT.</p> <p>RENEWAL: THIS CONTRACT MAY BE RENEWED UPON THE MUTUAL WRITTEN CONSENT OF THE SPENDING UNIT AND VENDOR, SUBMITTED TO THE DIRECTOR OF PURCHASING THIRTY (30) DAYS PRIOR TO THE EXPIRATION DATE. SUCH RENEWAL SHALL BE IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE ORIGINAL CONTRACT AND SHALL BE LIMITED TO TWO (2) ONE (1) YEAR PERIODS.</p> <p>CANCELLATION: THE DIRECTOR OF PURCHASING RESERVES THE RIGHT TO CANCEL THIS CONTRACT IMMEDIATELY UPON WRITTEN NOTICE TO THE VENDOR IF THE COMMODITIES AND/OR SERVICES SUPPLIED ARE OF AN INFERIOR QUALITY OR DO NOT CONFORM TO THE SPECIFICATIONS OF THE BID AND CONTRACT HEREIN.</p> <p>OPEN MARKET CLAUSE: THE DIRECTOR OF PURCHASING MAY AUTHORIZE A SPENDING UNIT TO PURCHASE ON THE OPEN MARKET, WITHOUT THE FILING OF A REQUISITION OR COST ESTIMATE, ITEMS SPECIFIED ON THIS CONTRACT FOR IMMEDIATE DELIVERY IN EMERGENCIES DUE TO UNFORESEEN CAUSES (INCLUDING BUT NOT LIMITED TO DELAYS IN TRANSPORTATION OR AN UNANTICIPATED INCREASE IN THE VOLUME OF WORK.)</p> <p>QUANTITIES: QUANTITIES LISTED IN THE REQUISITION ARE APPROXIMATIONS ONLY, BASED ON ESTIMATES SUPPLIED BY THE STATE SPENDING UNIT. IT IS UNDERSTOOD AND AGREED THAT THE CONTRACT SHALL COVER THE QUANTITIES ACTUALLY ORDERED FOR DELIVERY DURING THE TERM OF THE CONTRACT, WHETHER MORE OR LESS THAN THE QUANTITIES SHOWN.</p> <p>ORDERING PROCEDURE: SPENDING UNIT(S) SHALL ISSUE A</p> | | | | | | |

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

| | | |
|----------------------------------|------------------------|-----------------------------------|
| SIGNATURE <i>David Ramsey</i> | TELEPHONE 512.502.8800 | DATE 12/15/10 |
| TITLE Senior Consulting Actuary | FEIN 74-2646037 | ADDRESS CHANGES TO BE NOTED ABOVE |

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SOCIETY

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| <p>WRITTEN STATE CONTRACT ORDER (FORM NUMBER WV-39) TO THE VENDOR FOR COMMODITIES COVERED BY THIS CONTRACT. THE ORIGINAL COPY OF THE WV-39 SHALL BE MAILED TO THE VENDOR AS AUTHORIZATION FOR SHIPMENT, A SECOND COPY MAILED TO THE PURCHASING DIVISION, AND A THIRD COPY RETAINED BY THE SPENDING UNIT.</p> <p>BANKRUPTCY: IN THE EVENT THE VENDOR/CONTRACTOR FILES FOR BANKRUPTCY PROTECTION, THE STATE MAY DEEM THE CONTRACT NULL AND VOID, AND TERMINATE SUCH CONTRACT WITHOUT FURTHER ORDER.</p> <p>THE TERMS AND CONDITIONS CONTAINED IN THIS CONTRACT SHALL SUPERSEDE ANY AND ALL SUBSEQUENT TERMS AND CONDITIONS WHICH MAY APPEAR ON ANY ATTACHED PRINTED DOCUMENTS SUCH AS PRICE LISTS, ORDER FORMS, SALES AGREEMENTS OR MAINTENANCE AGREEMENTS, INCLUDING ANY ELECTRONIC MEDIUM SUCH AS CD-ROM.</p> <p>PURCHASING CARD ACCEPTANCE: THE STATE OF WEST VIRGINIA CURRENTLY UTILIZES A VISA PURCHASING CARD PROGRAM WHICH IS ISSUED THROUGH A BANK. THE SUCCESSFUL VENDOR MUST ACCEPT THE STATE OF WEST VIRGINIA VISA PURCHASING CARD FOR PAYMENT OF ALL ORDERS PLACED BY ANY STATE AGENCY AS A CONDITION OF AWARD.</p> <p style="text-align: center;">NOTICE</p> <p>A SIGNED BID MUST BE SUBMITTED TO:</p> <p style="text-align: center;">DEPARTMENT OF ADMINISTRATION PURCHASING DIVISION BUILDING 15 2019 WASHINGTON STREET, EAST CHARLESTON, WV 25305-0130</p> | | | | | | |
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| <p>THE BID SHOULD CONTAIN THIS INFORMATION ON THE FACE OF THE ENVELOPE OR THE BID MAY NOT BE CONSIDERED:</p> <p>SEALED BID</p> <p>BUYER: SHELLY MURRAY</p> <p>RFQ. NO.: INS11006</p> <p>BID OPENING DATE: 12/16/2010</p> <p>BID OPENING TIME: 1:30 PM</p> <p>PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID:</p> <p>FAX: 512.502.8638</p> <p>CONTACT PERSON (PLEASE PRINT CLEARLY):</p> <p>David D. Ramsey, Senior Consulting Actuary dramsey@allenbailey.com</p> | | | | | | |

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