

# West Virginia Office of the Insurance Commissioner

Proposal for  
Actuarial Review and Consulting Services for Health  
Insurance Rate Filings

December 16, 2010

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INSURANCE DIVISION  
STATE OF WY



RSM McGladrey, Inc.



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December 16, 2010

Ms. Shelly Murray  
Department of Administration  
Purchasing Division  
Building 15  
2019 Washington Street, East  
Charleston, WV 25305-0130

**RFP INS 11006**

Dear Ms. Murray,

RSM McGladrey, Inc. (RSM McGladrey) appreciates the opportunity to submit our proposal to the State of West Virginia Insurance Commissioner (OIC) specific to the OIC's Request for Proposal (RFP) INS 11006 Actuarial Services for Health Rate Review.

We hope that through our proposal we have clearly demonstrated that we have the skills, experience and qualified resources to perform the work associated with this important RFP. In this regard we are pleased to share with the OIC that RSM McGladrey and NovaRest, a leading actuarial and management consulting firm and similar to RSM McGladrey, have an impressive history of providing services to insurance state regulators. As such, we are confident the sub-contracting relationship we have entered into with NovaRest significantly enhances the combined skills and experience we are offering to the OIC.

We also want to take this opportunity to share the following highlights from our proposal.

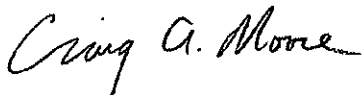
- RSM McGladrey's Regulatory Insurance Consulting Practice (RICP) has 70 *professionals who have been dedicated to serving the insurance regulatory community in 27 states for over 20 years.*
- **Members of our team are Fellows of the Society of Actuaries (and they are also members of the American Academy of Actuaries) with more than 25 years of experience in health care consulting.**
- Over the last five years RSM McGladrey has provided training to State regulators in over 7 states in person and to regulators in over 38 states through Webinars. The latest on-site training provided by RSM McGladrey was to the Michigan OFIR in September 2010. During the last year we conducted two webinars, one on the subject of Risk Focused Exams, An Actuarial View Point with 138 regulators from 35 states attending and another on the subject of Risk-focused Exams: How Actuarial and Investments Intersect in a Life Company with 60 regulators from 21 states receiving SOFE continuing education credits. We also conducted training for the NAIC and the Insurance Regulatory Examiners Society, Society of Financial Examiners as well as the Illinois and Maryland chapters of SOFE.
- RSM McGladrey and NovaRest have performed a significant volume of *financial and market conduct exams of health companies, including review of actuarial liabilities.*
- Our Team's background includes *an effective blend of industry and regulatory experience involving the rate filing process throughout the United States.*

- We follow NAIC and the Department of Health and Human Services (HHS) rate review activities concerning the implementation of the recent federal health insurance reform laws.
- Members of our team have participated in Center of Medicare and Medicaid (CMS) Medicare bid desk reviews, CMS Medicare bid audits, and reviews of Retiree Drug Subsidy actuarial attestations.
- Members of our team *worked directly with State Regulators, the NAIC, and HHS* regarding the implementation of the *Patient Protection and Affordable Care Act (PPACA)*.
- A member of our team is currently a *Member of the Health Committee of the Actuarial standards board and of the Advisory Board to the HHS Consumer Operated and Oriented Plan (CO-OP) Program*.
- A member of our team led the project for the *NAIC to write the NAIC Health Financial Analyst Manual*.
- A member of our team has participated in a *significant number of rate hearings*.
- A member of our team also assisted the Iowa Insurance Division in compiling and interpreting data gathered from insurers in the state in order to provide the governor and the state legislature with a report of rate increase history, loss ratios, and medical trends driving health insurance rate increases, and current capital and reserve amounts.
- A member of our team is developing pre-PPACA base line information on rates, rate increases and loss ratios using rate filings from 30 states for HHS.
- Members of our Team have been involved in the review of both health as well as P&C rate filings for three states.
- We have significant IT resources with experience in the Health-Care field.
- **Our actuaries are familiar with and have applied Actuarial Standards of Practice and in particular ASOPs numbers 8, 17, 22, 23, 26, 28, 41**

RSM McGladrey understands the importance of insuring there are no matters, which may represent a potential conflict in our ability to perform the work. **As such, we wish to confirm we have completed a conflict check and to the best of our knowledge, we have no conflicts, which would limit our ability to respond the requirements of the OIC's proposal.**

Again, we value the opportunity to work with you and on behalf of RSM McGladrey; we look forward to providing the OIC with a high level of quality service delivered by the best team. Thank you for your review of our qualifications and we encourage you to contact us during your selection process should you require additional information or have any questions. If you have further questions, or would like to discuss our proposal, please feel free to call me at 410.246.9468.

Very truly yours,  
RSM McGladrey, Inc.



By: Craig Moore

# Introduction

## RSM McGladrey and NovaRest Business Partnership

As noted in the above cover letter, RSM McGladrey (Federal Employer Identification Number 41-1944416 licensed to do business in West Virginia on 06/15/2006) has entered into a sub-contracting agreement with NovaRest. Together, we believe our combined skills and experience will help the OIC to meet the important goals and objectives of the scope of work discussed in its RFP. Our firms offer not only the key actuarial resources and skills, which are the focus of the health rate filing work, but experienced resources with insurance industry and state insurance regulatory skills. Additionally, our people have deep skills in market regulation, information technology and project management, which will be available to the OIC on an as needed basis consistent with the scope of the RFP.

The following provides a summary overview of our individual firms for the OIC's review.

### RSM McGladrey Overview

McGladrey is the brand under which RSM McGladrey, Inc. and McGladrey & Pullen, LLP serve clients' business needs. Together, they rank as the fifth largest U.S. provider of assurance, tax and consulting services with 7,000 professionals and associates in nearly 90 offices. The two firms operate as separate legal entities in an alternative practice structure. McGladrey & Pullen is a licensed CPA firm that provides assurance services. RSM McGladrey is a leading professional services firm providing tax and consulting services. Both firms are members of RSM International, the sixth largest global network of independent accounting, tax and consulting firms. For more information, visit the McGladrey Web site at [www.mcgladrey.com](http://www.mcgladrey.com), join our Facebook fan page at McGladrey News and/or follow us on Twitter @McGladreyPRNews.

### Regulatory Insurance Consulting Practice (RICP)

The Regulatory Insurance Consulting Practice within RSM McGladrey focuses on providing exceptional service to states. With more than 70 professionals experienced in insurance regulation located in more than 20 states, we believe RSM McGladrey is uniquely positioned to serve state insurance departments. These resources provide financial examination and regulatory compliance, actuarial analysis and consulting, market regulation analysis and compliance, information systems consulting, litigation support, business consulting, regulatory solvency consulting and training among other specialized services.

### RICP Office

100 International Drive  
Suite 1400  
Baltimore, MD 21202

### Resources

RSM McGladrey's Regulatory Insurance Consulting Practice has full-time employees dedicated to our regulatory insurance clients. This group includes FSAs, FIAs, FCASs, MAAAs, CFE/AFEs, CIE/AIEs, CPCUs, CLUs, FLMI, CIAs, Certified Fraud Examiners, CISAs and CRP (Certified Risk Professional). We are also actively recruiting additional credentialed actuaries and examiners and expect to add several in the next few months.

# Introduction

A core part of the RSM McGladrey working group is our actuaries. McGladrey actuaries have a wide background, including health, pensions and other employee benefits, life, annuities, P&C, investments, stock options, tax, reinsurance and information systems both in the US and overseas. We pride ourselves on our versatility and make sure that we maintain our all around knowledge and developments in all fields.

However, during the last three years, with so much focus on increases in the cost of medical benefits, cost of Medicare and Medicaid and the growing proportion of medical services as a proportion of GNP, we have orientated our practice toward life and health actuarial work. Two of our Life and Health actuaries have been hired in the last 18 months and we are looking to reinforce this practice with our alliance with NovaRest, in order to enhance the resources available to our mission of assisting regulators in making insurance a first class product.

Our actuaries offer unbiased insight to clients through our innovative and client-centered consulting approach. Our brand statement is "Power Comes from Being Understood" and our actuaries are diligent about understanding you and your needs. We deliver practical solutions to meet the challenges of today's marketplace, and offer effective communication for a wide spectrum of audiences. We are responsive to our clients and are proactive in seeking opportunities to help them meet their objectives. Our actuarial team is uniquely qualified to provide these services because of our health actuarial expertise in assessing the value of health insurance benefit programs, setting assumptions relating to future medical costs and trends, and communicating complex technical subjects in laymen's terms.

Our team of health actuaries brings with it an impeccable reputation in the marketplace. All our senior actuaries have at least 25 years of actuarial experience and some of us as many as 40. We have spent decades honing our skills in the tasks required in developing and assessing health insurance rates. Further, we stay committed to the codes of conduct, peer review, and independence standards. We match this level of service integrity with an ease to work with, and are known for our ability to deliver services on a timely and efficient basis without sacrificing quality.

RSM McGladrey's dedicated team's project management, communication, and problem-solving skills, together with in-depth insurance knowledge and project management experience makes us the best qualified to assist insurance departments. We conduct annual team trainings on examination procedures and techniques as well as educate our examiners on the latest NAIC developments. In addition to our own training, we send staff to and have presented at the Casualty Actuarial Society (CAS), the Society of Financial Examiners (SOFE) and Insurance Regulatory Examiners Society (IRES) annual career development seminars. Detailed information on each team member's experience, skills and credentials can be found in their resumes, which is located in Appendix I – Resumes.

RSM McGladrey understands the significance of the implementation of Health Care Reform (the Reform) and the impact the Reform will have on our state clients. We also understand and believe that to comprehensively address issues such as rate filing reviews, a deep understanding of market regulation, information technology, accounting and actuarial services is critical. In this regard, RSM McGladrey's RICP has a dedicated team of seasoned professionals who exclusively perform market regulation consulting and examination work on projects on a full-time basis for state insurance departments. Our market conduct professionals are full-time employees of RSM McGladrey.

# Introduction

The RICP's market conduct team has experience in conducting routine, comprehensive, targeted, risk-focused, limited scope and multi-state market conduct examinations. We have significant market conduct examination and analysis experience in many lines of insurance, including health, property and casualty, particularly auto lines and workers compensation lines of business, life/annuity, health maintenance organizations, title, surplus lines, advisory organizations, and warranty and self-insurance funds/captives.

McGladrey is investing significant resources in the implementation of Health Care Reform. We have formed a working group to follow, track and disseminate developments to the Firm's insurance practice as a whole. The information distributed includes progress of the PPACA Actuarial Subgroup of AHWG, discussion of the precise definition and measurement of the minimum loss ratio (MLR) and subsequent creditability adjustments, what various states are doing in terms of setting up or refining exchanges, discussions of health profiling, and the US Department of Health and Human Services (HHS) clarifications of the legislation. Inherent in our proposal to the State of Wisconsin and to every other state is our commitment to establish total familiarity with rate review requirements provided by the Affordable Care Act (ACA) and the State-specific health insurance rate filing requirements.

Additionally, we clearly understand that while the OIC is not seeking Information Technology (IT) assistance regarding the scope of this RFP, we did want to take this opportunity to provide a brief summary regarding some of our IT skills in the event circumstances change during the course of the work and this level of experience is needed. Our solutions increase employee productivity, streamline operations and integrate operational systems. We utilize SharePoint and Microsoft CRM to improve operational efficiency and avoid the hunt for information. SharePoint is a collaboration platform that uniformly extends your applications across your company. RSM McGladrey implements SharePoint as a presentation layout to connect the systems used across your business. Our consultants understand business processes from the point a customer makes an inquiry to the end of operations. We have not included these services in our technical or cost proposal. However, we wanted to ensure the OIC was aware of our capabilities in this area, should the need arise.

Our IT resource team has on average over fifteen years of development experience and implemented solutions to:

- Simplify complex business flows
- Create visibility and accountability to key business processes
- Automate processes that initiate tasks and alert individuals to action
- Create, manage and share documents, records, and web content

Consistent with the Department's RFP, RSM McGladrey is pleased to submit our proposal constituting a joint arrangement between RSM McGladrey and NovaRest. This approach will provide increased dedicated resources available to meet the Department's needs. The arrangement includes practices within our firm, in which the Regulatory Insurance Practice, will team up with NovaRest. We assign personnel to a project based upon the skills and experience required by a particular client. We also attempt to align resources by geographical region to minimize travel costs.

# Introduction

## **NovaRest Overview**

NovaRest is an actuarial consulting firm founded by Donna Novak in 2002 to provide cost effective actuarial and management consulting services. The firm's vision is to assist regulators to create an efficient health insurance market that meets the needs of consumers. NovaRest helps state insurance regulators in meeting their regulatory responsibilities by offering a wide range of support including rate review filings, state financial examination support, Medicare bid review and expert witness testimony. NovaRest was hired by the NAIC to write the NAIC Health Financial Analyst Manual, used by state insurance departments to regulate health insurers. NovaRest has assisted the states of Illinois and South Carolina in developing methods to reduce the uninsured in those states. NovaRest has supported the states of Maine and New Jersey since 2003 in determining the impact of proposed mandated benefits.

We follow NAIC and the Center of Medicare and Medicaid (CMS) rate review activities concerning the implementation of the recent federal health insurance reform laws. Donna participates in American Academy of Actuary activities advising the NAIC and CMS on the actuarial issues with the implementation of the recent federal health insurance reform laws.

NovaRest's current consulting activities focus on supporting state and federal insurance regulators. Donna has participated in CMS Medicare bid desk reviews, CMS Medicare bid audits, and reviews of Retiree Drug Subsidy actuarial attestations. NovaRest has worked with state regulators, the NAIC, and HHS to implement the *Patient Protection and Affordable Care Act* (PPACA). Donna Novak is currently a Member of the Health Committee of the Actuarial standards board and of the Advisory Board to the HHS Consumer Operated and Oriented Plan (CO-OP) Program.

# Rate Review Experience, Expertise and References

## Rate Review Experience, Expertise and References

Our team also has extensive experience with individual as well as large and small group health rating making, rate reviewing and certifications

We have extensive experience with **individual** health rating making and rate reviewing. This experience includes, rate development including base rates, rate factors, and adjustments for benefit differences and development of underwriting methodologies for individual health insurance products. We understand issues unique to the individual market such as early duration profitability due to underwriting, higher administrative cost due to high turnover in membership and selection issues, when underwriting is reduced due to regulatory constraints or business decisions.

Also, our team has extensive experience with **large group** health rating making and rate reviewing in markets where it is required such as Medicare Supplement. This experience includes development of multiple option plans, rate development, determination of employee contributions, determination of experience rating refunds and the development of a partially self-funded product for groups with over 100 lives. We understand issues unique to the large-group market such as tailoring their plans to the remuneration objectives of the corporation and the desire for larger groups to use their own experience to the extent possible, resulting in various experienced rating methodologies. Some of our consultants have experience working with large employers. This experience includes product development, provider negotiation, pricing, employee contribution development. Additionally, they develop flexible benefit plans and negotiated with carriers on rates and renewal rate increases.

This experience includes rate development for base rates, rate factors, and adjustments for benefit differences and development of underwriting methodologies for **small group** health insurance products. We understand issues unique to the small-group market such as price sensitivity that most small employers have, especially in these tough economic times, coupled with a desire to provide comprehensive benefits to employees. This tradeoff between cost and benefits is particularly intense in the small group market because of tight budgets, but also because of the close personal relationships most of the employers have with their employees, who they want to see have adequate coverage. Again, benefit designs are always changing to meet the market needs and rates have to be developed for these benefit changes based on claims experience from a different benefit basis.

Prior to becoming consultants many of our team members worked for carriers and had extensive experience developing and certifying to those rates, where required. Experience included pricing, product development, regulatory compliance, underwriting, claims, reserving, and managed-care negotiations.

Our consultants have reviewed numerous group rate filings, performed small group rate certifications and testified at rate hearings for state regulators. This rate hearing experience includes pre-hearing preparation, testimony, and post hearing memorandums and documentation.

NovaRest is currently assisting the Iowa Insurance Division in compiling and interpreting insurance data in order to provide the governor and the state legislature with a report of rate increase history, loss ratios, medical trends driving health insurance rate increases, and current capital and reserve amounts, including small group compared to individual and large group.



# Rate Review Experience, Expertise and References

NovaRest previously helped Illinois and South Carolina develop mechanisms to reduce the level of uninsured. These efforts focused on the small-group market and included product design, product pricing, and joint efforts with providers to reduce the cost of health services for target populations. Additionally, NovaRest led focus groups in Illinois to help small employers understand their perspective and needs.

Our team's experience includes performing in excess of 40 state financial exams assisting state regulators in the review of all financial aspects of health insurers, including analysis small-group product financials and profitability.

The experience of our consultants extends beyond the last five years, but in the last five years our experience includes:

## **New Jersey Rate Filings**

June 2006 to present

Services contracted for include:

- Analysis and review of the rate filings and supplemental submissions;
- Report of our findings concerning the rate filings; and
- Attendance at meetings, discovery and settlement conferences as needed.

Numerous rate requests have been reduced based on our analysis.

We were rated at the highest level in a recent survey of our services for this client.

## **Rhode Island Mandatory Individual Rate Hearings**

The coming rate hearing will be the fifth supported.

Services contracted for include:

- Analysis and review of the rate filings and supplemental submissions
- Report of our findings concerning the rate filings
- Pre-hearing filed report.
- Testimony at hearing.
- Post-hearing memorandum and documentation.

The final rates have been reduced from those originally requested due to the testimony given concerning what expenses are appropriate to charge policyholders and other findings in the review of the rate development.

## **Medicare Bid Desk Reviews**

May 2005 to present

Services contracted for include:

- Review Medicare bid rate filings for compliance with bid instructions with a focus on unusual assumptions and rate filing values
- Review rate filing documentation
- Request further information from the opening actuary as required to recommend rate approval or rate revision
- Request resubmission of any rates found to be in error or not appropriate for the population covered and the benefits provided
- Document all findings, communication and final resolution

# Rate Review Experience, Expertise and References

Numerous errors or unsupported assumptions have been discovered in the rate filings resulting in the health insurers resubmitting corrected rates.

We were rated at the highest level in a recent survey of our services for this client.

## **Medicare Bid Audits**

September 2005 to present

Services contracted for include:

- Audit Medicare bid rate filings for compliance with bid instructions and actuarial standards of practice
- Request data necessary to perform an exhaustive list of analysis of the health insurer and its Medicare rates
- Conduct an entrance conference call with the health insurer and CMS
- Conduct on-site interviews of actuarial staff and consultants, financial management, contracting personnel, marketing management, and others as required to confirm:
  - Actuarial models used to develop rates were sound
  - Appropriate assumptions were used
  - Assumptions used to develop the rates tie to the financial statements
  - Gain/Loss assumptions are consistent with other lines of business and business plans
  - All rate development elements are appropriate for the population covered and the benefits provided
- Prepare a final report of the analysis done and any errors or inappropriate assumptions in the rate development
- Conduct an exit conference call with the health insurer and CMS explaining any findings or observations concerning the rate development.

Every audit to date has uncovered errors made in the Medicare rate development or in the supporting documentation.

## **Contracted Consultant to HHS on PPACA**

May 2010 to present

Two of the consultants on our team are part of a team hired by HHS to advise them on implementation issues for PPACA. Activities include:

- Summarization of all comments received to HHS's request for comment
- Provide confidential feedback on all comments received in answer to HHS's request for comment including pros and cons of the comments
- Provide confidential written feedback on issues raised by HHS concerning the reports and letters produced by the NAIC and others
- Provide confidential written feedback to HHS on the final regulations proposed by the NAIC

HHS has used this team as unbiased actuarial experts to interpret complicated actuarial issues and to provide balanced advice.

# Rate Review Experience, Expertise and References

## Review of Retiree Drug Attestations

February 2009 to Present

Two of the consultants on our team review the actuarial attestations of retiree drug plans. These attestations are actuarial opinions that the actuarial value of the benefits provided are equal to or greater than the Medicare Part D benefit and that the contribution charged to the retiree does not reduce the net benefit to less than the value of Medicare Part D benefit less the Medicare Part D premium.

Please note that the results of these reviews are confidential and cannot be provided even in summary.

Further, NovaRest is developing pre-PPACA base line information on rates, rate increases and loss ratios using rate filings from 30 states for HHS. Donna participates in American Academy of Actuary activities advising the NAIC and CMS on the actuarial issues with the implementation of the recent federal health insurance reform laws.

NovaRest also assisted the Iowa Insurance Division in compiling and interpreting insurance data in order to provide the governor and the state legislature with a report of rate increase history, loss ratios, and medical trends driving health insurance rate increases, and current capital and reserve amounts.

# Scope of Services

## Scope of Services:

We understand that the objective of the OIC is to engage a consulting firm that will provide the department with appropriate training and a robust manual so that the department is able to process the vast majority of the rate reviews submitted, while having the backup of a nationally recognized firm with knowledge and expertise to address complex or potentially contentious filings: The firm may also be called upon to provide additional expertise to assist the department in making adjustments with changes to the economic and legal framework.

### A. Rate Reviews:

- a. The review to consist of a detailed analysis of each health insurance rate filing including rationale, supporting evidence and recommendations. Analysis will include the factors inherent in rate filings including but not limited to credibility, determination of development factors, Loss ratios, changes in benefits including mandated benefits, durational and geographical factors, compliance with PPACA, trending factors, medical inflation rates and the financial impact on the carrier and consumer
- b. A standardized process developed in coordination with OIC staff for tracking, monitoring and analyzing rates in the individual and group health insurance markets.
- c. Clear documentation of the justification or otherwise of the proposed rate request including projected premium impact to all parties concerned.

### B. Providing training for OIC policy and rate analyst staff. Training sessions to focus on:

- a. Components of the rate review process
- b. Best practices by industry and regulators.
- c. Specific topics, for example MLR components

### C. Crafting a manual of rate review guidelines for use by the OIC. The manual is to be ready within 6 months of the start of the engagement.

The purpose of the manual is:

- a. A reference guide for OIC rate analysts.
- b. A checklist for OIC's rate review process
- c. Training guide for future insurance and policy analysts

The manual to incorporate:

- d. Essential rate review steps
- e. Benchmarks by product line
- f. Important aspects of the training sessions.

### D. Other management consulting services and special reviews which may include:

- a. Testimony before judicial, legislative and executive or other bodies
- b. Written reports concerning other actuarial matters as the Commissioner may direct

# Our Approach

## Our Approach

Rate reviews:

- We will commence the engagement by spending some time in Charleston on site at the Department, learning your current processes and procedures, working with your people and systems and listening to the team. At the end of that period, we will outline our thoughts, receive your input and agree with you on the steps to be taken.
- We will also work with the OIC to understand how the information moves from SERFF into the departmental databases. This will be important, as part of our engagement, in order to make recommendations to assist in optimizing the flow of information through the various channels and provide ideas for rate filing standardization.
- We will work with the OIC to develop a process that will start as soon as the rate filing is received through final documentation of the analysis and recommendation. The objective of the process will be to enable the department to handle rate filings as much as possible in house, seeking outside expertise only in particularly difficult or potentially contentious situations.
- Our initial thoughts are that the process will include:
  - Standard format for rate filing
  - Standard documentation to be submitted with rate filing
  - Data base design for rate filing storage
  - OIC activities to pre-screen rate filings
  - Format for our summarization of the rate filing key points and weaknesses
  - Tests to determine the reasonableness of the rate filing, including compliance tests, and consistency tests
  - Development and maintenance of benchmarks to be used for reasonableness testing
  - Standard format for the report of recommendations
  - Standard format for final documentation of the rate filing review
  - Standard content and/or format for public information concerning rate filings
  - Periodic comparison of all rate filings received in the state
  - Periodic survey of carriers to determine what is driving rate increases in the state

Of course, it will be the OIC that will determine the scope of the process development. What follows is one such process, but it may be modified as we work with the OIC and HHS determines its final definition for unreasonable rate increases.

- The rates will be examined for the following characteristics, subject to the OIC's agreement:
  - The rates must be adequate, not excessive, and not unfairly discriminatory.
  - The rates should be appropriate for the population covered and the benefits provided
  - The rating parameters and procedures must follow all OIC regulatory statutes.
  - The assumptions used in creating rates must be reasonable and supported by data.
  - Administrative expenses should not be excessive or increasing at an inappropriate rate.
  - Calculation of the rate must comply with actuarial standards of practice.
  - The rates should be in line with the rates of competitors for the benefits offered.

## Our Approach

- Previous rate filings, if any, will be requested and compared to the current five-year historical information for consistency in actuarial methods employed by the Company. Year-to-year comparisons will be made for reasonableness. Old filings however do not justify the basis of a current filing, which must comply with sound actuarial assumptions and methods.
- The insurer's experience will be compared to industry-wide experience using industry data. We will evaluate changes in underwriting practices, benefit levels, and enrollment mix to understand how the underlying book of business has changed over time and incorporate understanding of these changes into our analysis. NovaRest leases an extensive data base of National Association of Insurance Commissioners (NAIC) Statutory Financial Statements. It has extensive expertise is using this data to produce historic information on insurer financial experience. The information available includes historic loss ratios, earned premiums, administrative expenses by expense category, membership and profitability.
- RSM McGladrey understands that marketplace rates are neither necessary nor sufficient to justify any particular rate action, but rather rate actions must be justified by data, actuarial methods and assumptions, as well as results, that are within the statutory requirements. Marketplace rates should only be utilized in considering the reasonableness of filed rates.

Requested rates will then be reviewed relative to all applicable rate regulation requirements. Data will be analyzed to verify that the criteria of specific rate regulations are met. Supplemental data may have to be requested, to verify compliance with the applicable statutory criteria. These goals cannot be met until data is translated into meaningful information. Working with the OIC, we will present the information extracted for the data into a form that is understandable and usable by the Department.

### Training

Over the last five years RSM McGladrey has provided training to State regulators in over 7 states in person and to regulators in over 38 states through Webinars. The latest on-site training provided by RSM McGladrey was to the Michigan OFIR in September 2010. During the last year we conducted two webinars, one on the subject of Risk Focused Exams, An Actuarial View Point with 138 regulators from 35 states attending and another on the subject of Risk-focused Exams: How Actuarial and Investments Intersect in a Life Company with 60 regulators from 21 states receiving SOFE continuing education credits. Please see Appendix II for additional information on training experience.

We will provide the OIC with training sessions on an as needed basis but no less frequently than monthly. Sessions would be run on the following topics:

- The requirements of West Virginia laws and statutes as well as the major aspects of PPACA
- Components of the Minimum Loss ratio (MLR)
- Complete understanding of the rate review process
- Aggregate health insurance factors concerning loss ratios of health insurance carriers licensed to do business in the state
- Rate increase factors
- Health care expenditures in the state and the effect of such expenditures on health insurance premium rates
- A ranking and quantification of those factors that result in higher costs and those factors that result in lower costs for each health insurance plan offered in the state

# Our Approach

- The current capital and surplus and reserve amounts held in reserve by health insurance carrier licensed to do business in the state
- Medical trends affecting health insurance costs in the state
- Best practices of carriers in the state compared with carriers outside West Virginia
- Our actuaries are familiar with and have applied Actuarial Standards of Practice and in particular ASOPs numbers 8, 17, 22, 23, 26, 28, 41 and will include the contents of these standards as part of the training and manual
- Any additional data or analysis agreed with the OIC to be pertinent health insurance cost information

We will provide some sessions face to face on site in Charleston and others via Webinars, as agreed and scheduled with the OIC. In addition, we have assumed that a number of hours would be necessary for one-on-one training with certain analysts, depending on the needs of individuals. We have included in our estimated hours the time necessary for this one on one interaction, as well as time necessary to work closely with the analysts as they begin to implement the enhanced process.

## Manual

A member of our team led the project for the *NAIC to write the NAIC Health Financial Analyst Manual*. We will utilize the experience gained in this project and the information obtained through interviews with Department staff, review of documentation and through our understanding of best practices in the areas of rate filing reviews to design a practical user's manual for the OIC's analysts who will be responsible for reviewing and approving rate filings applicable under PPACA. The manual will be designed with the following objectives in mind:

- To the extent practical, format the manual to closely resemble the rate review process as currently operating within the OIC. While other parameters such as PPACA requirements may limit this objective, RSM McGladrey believes that close similarities to the current documentation and process will improve the acceptance and compliance to the new process by the Department Analysts.
- The manual will provide a step by step process and related procedures that are required for all rate filings submitted for review by the Department. The manual will incorporate the requirements relating to rate review of the West Virginia insurance laws and rules and PPACA and any existing regulations issued by the U.S. Department of Health and Human Services. This would include, but not be limited to, HHS's determination as to what constitutes an unreasonable rate increase request.
- The manual will identify any procedures or considerations that would be applicable only to certain lines of business. For example, the review of medical loss ratio assumptions included in rate filing calculations would be tailored to the specific ceiling rates established within PPACA for small versus large employer products.
- The building of the manual will be an interactive process that will take place during the training period and will incorporate the specific needs and wishes of OIC personnel. Upon completion of the draft manual, we would meet with Senior Department officers responsible for the rate review process in order to share our draft. Subsequent to any modifications, we would finalize the manual and prepare for walkthrough testing of the process.

## Our Approach

- Utilizing several recent rate filings reviewed by the Department, we would walk through the process with the applicable analysts to ensure the enhanced process is effectively designed and would lead to operational effectiveness. We would teak the process based on these walk through transactions, as necessary.

### **Additional Consulting Services**

Additional consulting services will be provided depending on the needs of the Department. A member of our team has participated in a significant number of rate hearings and another member of the team led the project for the NAIC to write the NAIC Health Financial Analyst Manual. We will thus be well positioned to assist the OIC with Testimony before judicial, legislative and executive or other bodies.



## Our Team

Members of our team are Fellows of the Society of Actuaries (and they are also members of the American Academy of Actuaries) with more than twenty five years experience in health care consulting. The summaries below are followed by full resumes in the Appendix.

### Donna Novak, FCA, ASA, MAAA, MBA

Donna has 40 years of experience and is the leader of NovaRest consulting. She is an accredited actuary and holds an MBA in Health Care Management and Finance from Northwestern University (Kellogg). Donna's experience includes twelve years with commercial carriers, three years with the BlueCross BlueShield Association and over twenty years of insurance consulting experience. She has worked with state regulators and the NAIC to implement new health insurance reform regulations. She led the project for the NAIC to write the NAIC Health Financial Analyst Manual.

Donna's current consulting activities focus on supporting state and federal insurance regulators. Donna has participated in CMS Medicare bid desk reviews, CMS Medicare bid audits, and reviews of Retiree Drug Subsidy actuarial attestations. Donna has worked with state regulators, the NAIC, and HHS to implement of the Patient Protection and Affordable Care Act (PPACA). Donna is currently a Member of the Health Committee of the Actuarial standards board and of the Advisory Board to the HHS Consumer Operated and Oriented Plan (CO-OP) Program.

### Kirk Yeager FLMI CIE MCM

Kirk has worked in the business of insurance or in regulation of insurance since 1980 and was previously affiliated with the Colorado Division of Insurance from 1989 through 2005. As a director for RSM McGladrey, he is responsible for managing contract market regulation services provided for state insurance departments and has been actively involved in examinations, multi-state engagements and regulatory consulting. Previously, as Deputy Commissioner of Market Regulation, he oversaw the Market Conduct, Market Analysis, Actuarial, Rates and Forms, and Investigations departments for the Division.

As a member of various working groups for the National Association of Insurance Commissioners, he has participated in the development of the Consumer Complaints Best Practices White Paper, the Market Conduct Examiner's Handbook, is co-chairperson of Market Information Systems, and is active on numerous committees and working groups related to Market Conduct and Market Analysis.

Mr. Yeager is a past president and former executive board member of the Insurance Regulatory Examiner Society and holds the following professional designations: Certified Insurance Examiner (CIE), Fellow of Life Management Institute (FLMI), Chartered Property and Casualty Underwriting (CPCU), and Market Conduct Manager (MCM).

### Barbara Niehus FSA, MAAA

Barbara is a consulting actuary with over 40 years of life and health insurance experience. As a seasoned insurance executive, she brings extensive skills and expertise in a broad range of management and technical functions such as: product design, pricing, underwriting, administration, reinsurance, mergers and acquisitions, regulatory compliance, financial control, management reporting, experience analysis, and litigation support and management.

## Our Team

Ms. Niehus provided actuarial and management consulting services to insurance companies, state governments, HMOs, third party administrators, associations, and plan sponsors. In addition, she provides expert testimony and consulting in insurance and reinsurance legal disputes involving a variety of issues dealing with group and individual life and health products, as well as, rate filing hearings.

Ms. Niehus has played an active role in the industry through the Society of Actuaries and other industry organizations. For the Society of Actuaries, she has twice been elected to serve 3-year terms on the Health Section Council, and has served on the Elections Committee and authored materials for the exam syllabus. She has addressed groups including the Society of Actuaries and the American Bar Association Torts and Insurance Practice Section.

### Josh Windsor FSA, FIA, MAAA

Josh has over 25 years of actuarial life and health experience with national consulting firms, Big 4 accounting firms and a life insurance company at the forefront of our life and health practice. Most recently, he has been a consulting actuary to the Commonwealth of Massachusetts and has participated in exams for the states of MI, MS, PA, NH. As a product development actuary, Josh submitted policy forms for approval in more than 20 States. Josh is currently a member of several Society of Actuaries and American Academy of Actuaries committees dealing with aspects of Market Risk, Principles Based Approach and the mortality experience of Guaranteed Issue Life Insurance policies. Josh will be the primary peer reviewer for all filings.

### Mary P. Ratelle, FSA, MAAA

Mary has over 25 years experience in managing the risks of health care plans/insurers, captives, multi-employer trusts, health care providers and self-funded employers. Her consulting experience includes reimbursement strategies, product design, experience analysis, pricing, underwriting, administration, management reporting, risk modeling, contribution strategies, small group reform, financial reporting, and expert witness. Market segments include commercial group (large and small), individual direct pay, Medicare, Medicaid, and managed Workers Compensation.

### Janet Carstens, FSA, MAAA, FCA

Janet has over 25 years experience as a healthcare consulting actuary and has extensive experienced in Medicare, Medicaid and commercial lines of business, including significant involvement in projects related to the Medicare Modernization Act. Janet has participated in rate reviews for various states and has consulted on actuarial, underwriting, financial and other operational aspects to various managed care organizations. Janet served on the Board of Governors for the SOA, Board of Directors of the AAA and Board of Directors of the CCA and is a frequent speaker and author. She has worked with state regulators, the NAIC, and HHS to implement the current federal insurance reform, PPACA.

# Appendix I - Resumes

## **Donna C. Novak, FCA, ASA, MAAA, MBA**

### **Experience**

Forty years of diversified management and consulting experience with health insurance carriers and employee benefits consulting firms. Twelve years of consulting experience specializing in carrier and regulatory assignments. Professional designations include Associate of the Society of Actuaries, Member of the Academy of Actuaries, Fellow of Life Management Institute and Health Insurance Associate.

### **Major Accomplishments**

Advise regulators in such areas as insurance market reform, carrier business affiliations, and Medicaid Risk rates including the determination of the upper-payment limit for Medicaid Risk contractors. Consult to carriers to prepare statutory and federal insurance filings, including ACR preparation for Medicare Risk contracts, state Medicaid filings, actuarial opinions for annual statement preparation and state rate filings and certification.

Primary speaker at actuarial workshops, congressional staff briefings, and association conferences on many technical topics including Risk Based Capital, Insurance Market Reform, and Insurance Cost Projections.

Advised federal and state policy makers on health insurance market reform including:

- ♦ Health Insurance Portability and Accountability Act structure and provisions,
- ♦ Effect of state mandated benefits,
- ♦ Rate reviews of state rate filings,
- ♦ Actuarial support of numerous state financial examinations,
- ♦ Methods to reduce undesirable effects of small group health insurance market reforms. Helped the State of Illinois to expand on three strategies to reduce the uninsured in Illinois. and
- ♦ Engaged by the NAIC to write the Health Financial Examiners Manual

Played a lead role in activities at the American Academy of Actuaries including:

- ♦ Vice-president of the Financial Practice Council,
- ♦ Chairman of the Medical Subgroup of the Health Risk Based Capital Work Group, which addressed capital requirements indemnity carriers, HMOs and PHOs,
- ♦ Member of committee that advised reviewed the Health Care Financing Administration's new risk-adjuster mechanism for Medicare, and
- ♦ Chairman of the work group that drafted the proposed Health Reserve Guidance Manual for the National Association of Insurance Commissioners (NAIC).

### **Career History**

Twenty-five years of consulting experience including:

- ♦ Provided consulting services to state regulators reviewing carrier business affiliations and mutual holding company conversions
- ♦ Helped carrier clients understand state and federal regulations and their financial impact.
- ♦ Determined Medicaid Risk upper-payment limit for state regulators.
- ♦ Wrote the Health Financial Analyst Handbook for the NAIC.

## Appendix I - Resumes

- ♦ Helped clients determine optimum capital level for financial protection.
- ♦ Reviewed regulatory reserve and rate filing of HMOs, BlueCross BlueShield Plans, and commercial carriers.
- ♦ Small group rate certifications

Three years of Blue Cross and Blue Shield Association experience including:

- ♦ Determined actuarial impact of insurance reform on a state and national level.
- ♦ Forecasted profitability for BlueCross BlueShield Plans by line of business.
- ♦ Team leader of review teams that performed financial and operational analysis of Blue Cross Blue Shield Plans. Teams were responsible for analysis, monitoring and reporting to the Blue Cross and Blue Shield Association Board on potential problems and provide progress reports on prior initiatives to improve below standard financials.

Twelve years of commercial carrier experience including:

- ♦ Director of Group Department Strategic Projects responsible for managing interdepartmental strategic projects including new product marketing, pricing, underwriting, customer service, and membership services.
- ♦ Coordinated cost effective implementation of all new marketing products from the data processing systems and administrative procedures perspective including production of administrative manuals. Two years of responsibility for data processing education, office automation, and the information center.

### Education

DePaul University, Chicago, Illinois BA, Mathematics with a Business minor, 1972

Post graduate work in mathematics at Illinois Institute of Technology, Chicago Illinois, 1972 - 1973.

MBA in Health Management and Finance at Northwestern University (Kellogg), Chicago Illinois - 2000

### Professional Designations

Fellow of the Conference of Consulting Actuaries (FCA)

Associate of the Society of Actuaries (ASA)

Member of the Academy of Actuaries (MAAA)

Fellow, Life Management Institute (FLMI)

Article in the National Underwriter on Health Trends

Gross Premium Calculation in the SOA Textbook on Group Insurance

## Appendix I - Resumes

### Kirk R. Yeager, CIE, CPCU, FLMI, MCM

#### Experience

##### Director with RSM McGladrey, Inc.

Performs market regulatory services including analysis and a full range of market regulatory responses for state insurance departments and other governmental regulatory entities.

- **Delaware Department of Insurance** – served as the Director for six targeted market conduct examinations of health carriers related to compliance with prompt payment of claims
- **Florida Office of Insurance Regulation** – participated as the Examiner-In-Charge on the market conduct examinations of Stewart Title Guaranty and Alliance Title of America
- **Georgia Department of Insurance** -- participated as the Director on a market conduct examination of Chicago Title Insurance Company
- **Indiana Department of Insurance** – participated as the Director and Examiner-In-Charge on the market conduct examination of Medical Assurance Company and State Farm Fire & Casualty Company
- **Iowa Insurance Division and 43 participating states and the District of Columbia** – monitoring United Healthcare Insurance Company and its subsidiaries and affiliates for compliance with a multi-state regulatory settlement agreement
- **Massachusetts Division of Insurance** – participated as the Examiner-In-Charge on the market conduct examinations of the three companies comprising the Norfolk and Dedham Group
- **New Hampshire Department of Insurance** – participated as the Director on market conduct examinations of First American Title Insurance Company and Signature Title Corporation.
- **Utah Department of Insurance** – participated as the Director on market conduct examinations of Attorneys Title Guaranty Fund and the LandAmerica Group of title insurance companies
- **West Virginia Office of the Insurance Commissioner** – participating as the Examiner-In-Charge in the market conduct examination of West Virginia Mutual Insurance Company
- **COPIC Insurance Company** – provided consultation and training related to market regulation compliance. This included review of processes for rate development, rate application and filing of rates and rules.

##### Deputy Commissioner of Consumer Affairs with the Colorado Division of Insurance

Managed operations of Market Regulation work units, including Investigations, Actuarial Services, Rates and Forms, Consumer Complaints, Producer Licensing, Market Analysis and Market Conduct Examinations. Participated in National Association of Insurance Commissioners (NAIC) efforts to improve regulation of insurance practices, including the development of the NAIC Market Conduct Examiners Handbook, the Market Analysis Handbook and the Consumer Complaints White Paper. Served as a trainer for NAIC schools for insurance regulators. Worked extensively with review of proposed legislation, development of regulations and Division policy and procedures. Served as the lead staff person on the Division's Property and Casualty Policy Group. Developed compliance training programs for insurers operating in Colorado.

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## Supervisor, Market Conduct Section

Supervised market conduct examination functions, which included start up of a new work unit, requiring selection, hiring and training of new employees. Shared in development of NAIC Market Conduct Examiners Handbook. Developed and implemented procedures for newly formed Market Conduct Section. Completed more than forty examinations of insurance companies resulting in identification and change of harmful business practices.

## Supervisor, Property and Casualty Section

Assisted Colorado citizens by investigating insurance complaints and facilitating resolution of disputes between consumers and insurers. Established procedures for thorough investigation of complaints and analysis of factual information.

## Senior Market Conduct Examiner

Performed market conduct examinations of marketing, underwriting, advertising, claims, and rating practices of insurers. Reviewed insurance company rate, rule and form filings.

## Financial Planner for IDS Financial Services

Developed financial plans, including budgeting, for clients based on their needs and objectives. Assisted clients in selection and procurement of insurance and investment products.

## Product Coordinator/Market Conduct Examination Coordinator for the Central National Insurance Company

Responsible for development and submission of insurance programs for regulatory approval with each of the state insurance regulatory agencies. Responsible for coordination of market conduct examinations. Monitored and revised existing programs for compliance with state and federal regulations.

## Market Conduct Examiner III for the Nebraska Department of Insurance

Supervised market conduct examination of Life, Health, and Property and Casualty Insurance Companies. Prepared Examination Reports. Examined marketing, underwriting, policyholder service and claims procedures of insurance companies for compliance with Nebraska insurance statutes and regulations.

## Woodmen Accident and Life Company

Reviewed group health, life and dental claims for a thirteen state territory to determine eligibility for payment.

## **Training Experience**

- **Colorado Division of Insurance** – provided on-going seminars for insurance company staff regarding compliance with Colorado Insurance Laws
- **Indiana Department of Insurance** – performed training on Title Insurance exams
- **Association of Insurance Compliance Professionals (AICP)** – Provided training at the 2007 annual conference on best practices in market conduct.
- **National Association of Insurance Commissioners** – participated as an instructor in national training programs for regulators, such as Integrating the Marketplace, Staff Education, Market Conduct Examiner's Handbook Training, E-Reg, and the online training program.

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- **Insurance Regulatory Examiners Society** – served as presenter and section chair for annual CDS seminars and as instructor for IRES Foundation seminar. Participated in the development of the IRES Certification Program.
- **General presentations** – provided many presentations upon request for national and local organizations on topics involving insurance regulation, insurance issues and consumer concerns.
- **RSM McGladrey, Inc.** – Internal Career Development Seminar – Planning and Developing Market Conduct Workshops; ID and Evaluate Prospective Risks (Financial and MC Groups); Best Practices for Adverse Examination Situations (2008), NAIC Update; Risk-focused Exam for Market Conduct (2007)

## Education

Doane College

Bachelor of Arts – History and Political Science

Continuing Education

IRES CDS – 2007-2009

## Professional Involvement and Credentials

Market Conduct Management (MCM)

Certified Insurance Examiner (CIE)

Chartered Property and Casualty Underwriter (CPCU)

Fellow of the Life Management Institute (FLMI)

Insurance Regulatory Examiners Society

- Board of Directors – 2000 – present
- Executive Committee – 2001 – 2006
- Secretary – 2003
- Past President – 2004 – 2006

## Software

TeamMate

# Appendix I - Resumes

## **Barbara P. Niehus, FSA, MAAA**

### **Experience**

Ms. Niehus is a consulting actuary with more than 40 years of life and health insurance experience. As a seasoned insurance executive, she brings extensive skills and expertise in a broad range of management and technical functions such as: product design, pricing, underwriting, administration, reinsurance, mergers and acquisitions, regulatory compliance, financial control, management reporting, experience analysis, and litigation support and management.

Ms. Niehus entered the consulting field in 2001. She has provided actuarial and management consulting services to insurance companies, state governments, HMOs, third party administrators, associations, and plan sponsors. In addition, she provides expert testimony and consulting in insurance and reinsurance legal disputes involving a variety of issues dealing with group and individual life and health products. She has provided actuarial services to a wide range of employer sponsored plans, including programs participating in the Federal Employees Health Benefit Plan (FEHBP).

### **Professional Designations**

- ARIAS–US Certified Arbitrator – 2003
- Fellow, Society of Actuaries (FSA) – 1978
- Member, American Academy of Actuaries (MAAA) – 1977

### **Employment History**

Independent Consultant – 2001 to present  
CNA – 1994-2001  
Celtic Life Insurance Company – 1984-1994  
Allstate Insurance Companies – 1972-1984  
Montgomery Ward Life Insurance Company – 1970-1972

### **Major Accomplishments**

- Expert witness in various insurance related cases
- Individual rate filing reviews for five years including testimony at mandatory rate hearings
- Consulting with large employer and its subsidiaries on plan design and competitive and financial implications, developing all employee communication materials, and providing all insurance-related technical support (such as pricing, regulatory compliance, reserves and accounting).
- Managed underwriting functions for all group life, accident, health, and disability insurance sold by Allstate (employer and association plans). Responsibilities included underwriting, pricing, product development, reserve valuations, refund formulas, reinsurance and other related activities.
- Executive Vice President of The Small Group Division, which provided life and major medical insurance to small employers (1-25 employees). Responsibilities included all pricing, product development, regulatory compliance, underwriting, claims, litigation defense, reserving and financial reporting, product support, administration, managed-care, marketing and sales functions.
- Vice President and Senior Financial Officer for Group Operations responsible for financial reporting and planning, reserve valuations, oversight of accounting processes,



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internal and external communication of results, regulatory compliance oversight, reinsurance and M&A support.

- Vice President and Chief Actuary for Group Operations responsible for pricing, product development, regulatory compliance, financial planning, reserve reviews, analysis of financial results, reinsurance and M&A support.

## **Publications and Industry Activities**

- “Avoiding a Head-on Collision with the Cadillac Tax” *Benefits & Compensation Digest*, October, 2010 “Responsible Health Care Reform, Part 4: Funding/Financing” *The Actuary*, August/September 2010
- “Responsible Health Care Reform, Part 2: Access to Care” *The Actuary*, April/May 2010
- Assisted in authoring or peer-reviewing several Issues Papers related to Health Care Reform for the American Academy of Actuaries, 2009/2010
- “Storm Coming for Self-Funded Multiemployer Health Plans – The Wise Will Prepare, Starting Now” *Benefits & Compensation Digest*, August 2009 (co-authored)
- “Firsthand Testimony from a Health Insurance Expert” *The Actuary*, April/May 2006
- Assisted in the 2006 redesign of the Group and Health Insurance study syllabus for the SOA. Co-authored 2007 study note on Medicare Supplement Insurance.

## **Education**

- BS in Mathematics – University of Chicago, 1971

# Appendix I - Resumes

## Josh Windsor, FSA, FIA, MAAA

### Experience

#### Manager with RSM McGladrey, Inc.

Provides life and health actuarial consulting services on behalf of state insurance departments

- **Massachusetts Division of Insurance** – participated in the review of Primerica Life Insurance Company's IPO, reinsurance agreements and extraordinary dividend
- **Michigan Office of Financial and Insurance Regulation (OFIR)** – participating in the financial examination of Vista Life Insurance Company ( a subsidiary of Ford Motor Company)
- **Mississippi Insurance Department** – provided actuarial support for the risk-focused examination of Southern Security Life Insurance Company
- **New Hampshire Department of Insurance** – provided actuarial support in conjunction with loss reserve review of Anthem Health Plans of New Hampshire
- **McGladrey & Pullen, LLP**: Coordinated actuarial support for nearly 80 insurance clients of the McGladrey and Pullen practice

#### Senior Manager, Actuarial and Insurance Services with Deloitte Consulting LLP

- **Massachusetts Division of Insurance** - co-managed an Exam of Statutory Reserves of a major US Life insurer, with significant findings
- **Massachusetts Division of Insurance** - co-led a State Review of a restructuring of US subsidiaries of a major alien insurer
- **Audit practice** - supported the audit practice specializing in annuities including GLBs and VA CARVM, as well as, in Life and Annuity tax reserving. Led the firm's efforts in VA CARVM compliance and in the convergence of Financial Reporting, Accounting, Capital and Pricing Models
- **Audit of a major multinational insurer** - Project managed a team to audit all aspects of a major multinational insurer, for GAAP, Statutory and Tax accounting, with significant findings. Audit included life, annuities, health as well as P&C. Engagement included risk-assessment analysis to identify possible weaknesses in internal controls
- Wrote the Life and Annuities related sections of a US insurer's 10-K and 10-Q MD&As
- Member of Deloitte's international "Solvency II" working group

#### Consulting actuary with CPS Actuaries

- **Valuation and Pricing Actuary** to more than a dozen small life insurers
- **Annual Statements**: Produced annual and quarterly valuations for statutory returns. Completed for most of these insurers all the entries in the required annual and quarterly statements including all accounting entries.
- **Crafted new insurance plans and premium rates** for CPS clients including profitability studies, market positioning, drafting appropriate policy forms, submitting them to regulators in most states for approval, producing illustrations where necessary
- **Plan Administration**: Assisted insurers with plan administration including modifying proprietary software as necessary, data backup, responding to statutory regulations such as liquidity surveys and replacement regulations
- **Asset Liability Modeling**: Assisted insurers in matching, for the first time, assets to their liabilities
- **Produced a survey of plans and benefits of Fraternal Benefit Societies** (first in the industry)

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## Senior Manager, Tax Practice with Price Waterhouse LLP

- **M&A:** Specialized in Mergers and Acquisitions and in the integration of compensation, health, retirement and tax issues for the mobile employee
- **IRC §404A compliance:** Spearheaded the firm's effort in respect of IRC §404A
- **Stock Based Compensation:** Worked to implement stock option and other stock based compensation for foreign affiliates of US Corporations

## International Consulting Actuary with Alexander & Consulting Group

- Advised multinationals on worldwide compensation, health and benefits programs
- Built an international actuarial practice for the US Consulting Group
- Worked with the domestic Health care consulting group advising employers on health care benefit plan design, pricing and implementation
- Was part of the FASB interpretation group addressing issues associated with FAS 87,88,106 and 112
- Acted as consultant to the Parent Company's Corporate HR Department

## Actuary, Consultant with TPF&C International Consulting Office

- Advised US and European multinationals on worldwide employee benefit arrangements
- Conducted the first Asset Liability Modeling (ALM) study for Towers Perrin
- Acted as practice area leader for international mergers and acquisitions
- Served as practice area leader for international asset / liability modeling

## **Education**

### Columbia University

Computer Technology and Applications Certificate

Specialized in Object Oriented Programming, Analysis and Design

### Kings College, University of London

Bachelor of Science with first class honors in Mathematics and Physics

### Continuing Education

Working towards the Fellow, Casualty Actuarial Society designation

## **Professional Involvement and Credentials**

Fellow, Society of Actuaries (FSA)

Fellow, Institute of Actuaries (FIA)

Member, American Academy of Actuaries (MAAA)

Member, Society of Actuaries ("SOA") Pension Research Team working on a guide on life income products and approaches

Member of two current SOA working groups related to Principles Based Reserving

Former tutor, Institute of Actuaries in Pension Funds and in Investments

## **Software**

TeamMate and actuarial projection and valuation systems

# Appendix I - Resumes

## Mary P. Ratelle, FSA, MAAA

### Experience

2/00 – Current Independent consultant

Consulted with health insurers (HMOs, PPO, PHOs, and insurance companies), self-funded employers, insurance regulators, and health care providers on pricing, product design & development, and financial analysis of health insurance products.

1/97 – 2/00 Senior Consultant, Reden & Anders

Consulted with HMOs, Blue Cross and Blue Shield, and health care providers on various aspects of their health insurance products. Major projects included evaluation of Medicare Risk Products, HORBC requirements for HMOs, provider contract negotiations for health plans and provider groups, development of pricing strategies for fully insured health products, and evaluation of financial risks within proposed contracts for provider sponsored networks.

1/95 – 12/96 Actuary, Milliman and Robertson, Inc.

Consulted with HMOs, Blue Cross and Blue Shield, and health care providers on various aspects of their health insurance products. Major projects included evaluation of risk charges for fully insured products, risk based capital requirements for HMOs, stochastic modeling of health insurance risks, estimation of potential cost savings for allowing 24-hour coverage in the state of Minnesota, estimation of market impact of proposed individual health insurance market reforms, and evaluation of financial risks within proposed contracts for provider sponsored networks.

1/88 to 10/93 Consultant, Tillinghast (Currently Towers Perrin)

Consulted with HMOs, insurance companies, Blue Cross and Blue Shield plans and health care providers on the following aspects of their managed care programs: product design, pricing, underwriting, administration, management reporting, risk absorption models, small group reform compliance, financial reporting, experience analysis and merger and acquisitions. Products included: group (large and small), individual, Medicare, Medicaid, managed workers' compensation, specific and aggregate stop loss, and dental plans.

11/85 to 1/88 Actuarial Assistant, Ministers Life Insurance Company

Small group product development, large group initial and renewal rating and valuation for financial statements.

6/83 to 11/85 Actuarial Analyst, Touche Ross and Co. (Currently Deloitte & Touche)

Product design and pricing of startup HMOs, experience and claims lag analysis for rating and determination of balance sheet reserves.

### **Professional Papers and Presentations**

- "Developing a Managed Workers' Compensation Program," published in 1993 Proceedings by the Group Health Association of America (currently American Association of Health Plans - AAHP)
- Presented "Workers' Compensation I: Managing the Costs and the Benefits" at the 1993 Group Health Institute.
- Presented "Small Group Reform: Managing Costs and Benefits" at the 1999 Society of Actuaries Small Group Reform Seminar.
- Presented "HMO Rating" at the 1999 AAHP Annual Meeting.

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## **Professional Committees**

Society of Actuaries Health Section Council Member 1999 – 2001

American Academy of Actuaries Task Force for Manage Care Reforms 1997 – 2002

Minnesota Risk Adjuster Users Group Planning Committee 2000 - 2001

## **Education**

Bachelor of Arts, Math Degree

Drake University

May 1983.

## **Actuarial Credentials**

Fellow, Society of Actuaries

Member, American Academy of Actuaries

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## Janet M. Carstens, FSA, MAAA, FCA

### Employment History

October 2004 – Present: Independent Consultant

September 2003 – May 2004: Prime Therapeutics – Senior Vice President, Chief Actuary and Risk Officer

May 2001 – September 2003: Milliman USA – Senior Consultant

January 1988 – March 2001: Tillinghast-Towers Perrin - Principal

August 1982 – January 1988: Fortis Benefits Insurance Company – Senior Group Actuary

### Major Accomplishments

- Member of the Board of Governors of the Society of Actuaries, 2002 - 2005.
- Member of the Board of Directors of the Conference of Consulting Actuaries, 1999 - 2005.
- Member of the Board of Directors of the American Academy of Actuaries, 2001 - 2004; immediate past Vice President for Health.
- Responsible for clinical, product development, reporting and analysis, pricing and account management operating areas.
- Developed a U.S. based health care consulting practice advising health maintenance organizations, Blue Cross Blue Shield plans, insurance companies, health care providers, state regulators and employer unions. Activities included:
  - Appraisals of economic value for mergers/acquisitions/divestitures
  - Due diligence for mergers/acquisitions/divestitures
  - Assessment of market conduct exposure
  - Assessment of FEHBP liability
  - Assessment of health plan operations
  - Support with start-up operations
  - Assistance with managed care strategies
  - Development of pricing and rating methodologies
  - Development of new products for commercial, Medicare and Medicaid populations
  - Determination of capital requirements and capital and surplus adequacy
  - Development of reserving methodologies
  - Development of provider reimbursement and risk sharing arrangements
  - Assessment of competitive market environment
  - Certification of small group rates
- Participated as part of a subgroup of the Society of Actuaries to review the National Health Expenditure projections with CMS actuaries.
- Reviewed bids received by CMS in conjunction with the Medicare Modernization Act.
- Audited bids received by CMS in conjunction with the Medicare Modernization Act.
- Audited RDS attestations received by CMS in conjunction with the Medicare Modernization Act.
- Responsible for:
  - Group financial forecasting
  - Group financial reporting
  - Group medical insurance pricing
  - Management information reporting on group products
  - Health Special Risk pricing and regulatory response

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## **Education**

University of Minnesota -- Graduated in 1981 with a Bachelor of Arts degree in mathematics

## **Industry Designations**

Fellow of the Society of Actuaries (FSA)

Member of the American Academy of Actuaries (MAAA)

Fellow of the Conference of Consulting Actuaries (FCA)

## Appendix II – Training Experience

Description of Work – Our practice has provided training to the Michigan Office of Financial and Insurance Regulation under various contracts since 2000. During that time, we conducted the following programs:

- One day seminar on property and casualty reinsurance in 2008
- One day seminar on information systems hot topics training in 2006
- Two day risk-focused examinations training in 2005
- One day seminar on annual statement analysis in 2004
- Two day seminar on reinsurance in 2004
- One day seminar on deferred taxes in 2003
- Two day fraud training seminar in 2002
- Five training programs totaling over 10 days in 2000. The five programs were Current Industry Trends, Financial Analysis, Financial Reporting, Loss Reserves and Reinsurance

Deliverables – Six and one half hours of presentation material per date as well as a participant binder that contains copies of slides, case study documentation and appendices. Participants will also receive a certificate of completion.

Results – Positive scores (average better than 4.0 on 1-5 scale) on evaluation forms. Positive feedback from client.

### **Summary of Selected Programs**

RSM McGladrey is committed to providing training and development to regulators. The following is a list of selected regulatory training programs.

#### Insurance Regulatory Examiners Society

- Conducted a training session on the financial track at the 2003 IRES Career Development Seminar titled "The Evolving Role of the External Auditor in Risk-Focused Statutory Examinations.
- Conducted ACL training at the 2001 IRES Career Development Seminar in Baltimore, Maryland.
- This training focused on using ACL to match up separate databases and identify exceptions. In addition, Marg Spencer conducted a workpaper documentation best practices program.

#### Society of Financial Examiners

- Conducted five sessions on risk-focused examinations and general insurance industry topics at the 2009 Career Development Seminar.
- Conducted sessions on risk-focused examinations and general insurance industry topics at the 2008 Career Development Seminar.
- Conducted five sessions on risk-focused examinations and general insurance industry topics at the 2007 Career Development Seminar.
- Conducted six sessions on the various parts of risk assessment at the 2006 Career Development Seminar.
- Conducted sessions on reinsurance and risk-based examination approach at the 2004 Career Development Seminar.



## Appendix II – Training Experience

- Developed and taught a session on financial analysis of health entities using the Z-Score at the 2003 Career Development Seminar. The program included an analysis of four nationally significant health care organizations.
- Conducted “Codification Update” at the 2002 Annual Career Development Seminar. The session focused on Taxes (SSAP 10), Goodwill and Impairment. The session was conducted jointly with the Delaware Department of Insurance.
- Marg Spencer and Jan Moenck taught Examination Best Practices at the 2001 SOFE CDS Insurance Accounting & System Association
- Taught program on risk-based examination best practices at the IASA Annual Conference in 2004.

### California Department of Insurance

- Conducted a full day session on risk-focused examinations in 2005.
- Conducted a ½ day session on deferred taxes in 2003.

### Illinois Chapter of SOFE

- Conducted a full day of programs during the 2007 Annual Career Development Seminar on risk focused examinations.
- Conducted a full day of programs during the 2005 Annual Career Development Seminar on statutory accounting and risk-focused examinations.
- Conducted a full day of programs during the 2002 annual Career Development Seminar.
- Topics included Goodwill Accounting, Risk Based Examination Practices, Taxes (with case studies), Reinsurance and Z-Score as it applies to HMOs.

### Illinois Department of Insurance

- Conducted a one day program on risk-focused examinations in 2008.
- Conducted a two day program on statutory accounting for new examiners in 2006.
- Conducted a full day program on risk-focused examinations in 2006.
- Conducted a 1.5 hour program on the Sarbanes Oxley Act of 2002 in 2005.

### Kansas Insurance Institute

- Conducted a one day risk assessment training in 2006.

### Maryland Chapter of SOFE

- Conducted a session on prospective risks at the 2008 MD Chapter CDS.
- Conducted a session on Deferred Taxes at the 2004 MD Chapter CDS.
- Conducted a session on Benford's Law and the use of ACL for fraud detection at the 2003 MD Chapter CDS
- Conducted a full day of programs during 2002 annual Career Development Seminar. Topics included Taxes, Risk-Based Capital, Codification Update/Hot Topics, Investments (with case studies) and Examination Standards Documentation using TeamMate.
- Conducted several sessions during the 2001 annual Career Development Seminar including ACL – Its Time Has Come, AICPA Industry Risk Alerts with an Emphasis on Derivatives, TeamMate 2000
- Overview and Software Demo, Income Tax Overview and Examination Procedures.
- Conducted portions of our Current Industry Trends training at the 2000 annual Career Development Program.

## Appendix II – Training Experience

### New Jersey Department of Banking and Insurance

- Conducted a one day program on prospective risks and corporate governance in 2007
- Conducted a one day program on risk-focused examination approach in 2007.
- Conducted a one day program on risk-focused examinations in 2006.
- Conducted a one and a half day program on Sarbanes-Oxley and risk-focused examinations in 2005.
- Conducted a full day session on deferred taxes in 2003.
- Conducted a training session on risk assessment for the Department's financial examiners.\*

### New York State Insurance Department

- Conducted a one day session on corporate governance and risk-focused examination approach in 2007.
- Conducted a one day session on interviewing skills for risk-focused examinations in 2006.
- Conducted a two day session on risk-focused examinations in 2006.
- Conducted 2 one-day sessions on Deferred Taxes in 2004.
- Developed and is under contract to teach a four-day training program for new financial examiners.
- Topics included statutory accounting, annual statements and financial analysis. The two-day statutory program includes a comparison of statutory accounting principles to the New York insurance laws for each Statement of Statutory Accounting Principles. We have taught this program, twice in 2001 and once in 2004, 2006 - 2009.

### A Northeast State Insurance Department

- Conducted a three hour program on prospective risks 2008.
- Conducted a two hour program on reinsurance 2008.
- Conducted a full day session on risk-focused examinations and Z-Scores in 2006.
- Conducted a full day session on reinsurance and risk-focused examinations in 2005.
- Conducted a full day session in 2004 on current industry issues including deferred taxes, using Benford's Law to detect fraud, risk-based capital, utilizing the Z-Score to analyze HMOs at the holding company level.

### Pennsylvania Insurance Department

- Conducted a half day session on utilizing actuaries in the risk-focused examination process in 2008.
- Conducted a half day training program on interviewing skills for risk-focused examinations in 2006.
- Conducted a full day session on Z-scores and an Introduction to risk-focused examinations in 2005.
- Conducted a full day session on Deferred Taxes in 2004 State Regulation

### **State Regulation**

- RSM McGladrey has been assisting states with examinations for over 20 years. During this time, we have assisted on numerous examinations that were selected for review by the NAIC in the Accreditation process.
- RSM McGladrey regulatory staff (in current or previous positions) has experience in working with over 27 state insurance departments.

## Appendix II – Training Experience

- RSM McGladrey has developed over 30 man-days of regulatory training to state insurance departments. We consistently provide training to States, the NAIC, SOFE and other organizations. In the past year, we taught courses to the New York, Connecticut, Michigan, Maine, New Jersey and Illinois departments and the Maryland Chapter of SOFE.
- RSM McGladrey employs nearly 70 professionals with insurance regulatory examination experience and experience reviewing insurance companies on a targeted and comprehensive basis.
- RSM McGladrey has a managing director who participated with regulators and industry on the White Paper Focus Group which was a subgroup of the Risk Assessment Working Group and the NAIC/AICPA Working Group, formed to address reliance upon and use of the CPA's audit workpapers.
- RSM McGladrey has a Managing Director who participates on the NAIC/AICPA Working Group as a member of the AICPA's NAIC Task Force.

### **IRES, SOFE and NAIC**

- One of our Managing Directors was selected by the NAIC to assist them in teaching Codification to regulators and companies. He taught the course over 15 times to regulators and industry.
- RSM McGladrey assisted the NAIC in establishing the criteria regarding use of certified public accountants on multi-state examinations.
- RSM McGladrey employees are active at NAIC meetings providing comment letters to the Financial Examiners Coordination Working Group, the Health Entities Working Group (HEWG), White Paper Focus Group and the Audit Software Working Group, among others. RSM McGladrey has recommended scoring tools (Z-Score) to the HEWG that were adopted for solvency monitoring.
- RSM McGladrey recently conducted risk-focused financial examinations, ACL and workpaper documentation training for IRES attendees.
- RSM McGladrey developed and taught the NAIC's Fraud Training Program six times in 2001.
- RSM McGladrey has two employees who are past presidents of IRES.
- RSM McGladrey employees have taught at the NAIC's Market Conduct Handbook School and Regulating the Marketplace.
- RSM McGladrey employees have been presented at the IRES Foundation School of Market Regulation (formerly, the School of Market Conduct).
- RSM McGladrey employees have held various NAIC chairmanships (as former state employees) including chair of the NAIC Market Conduct Handbook subcommittee on Health.
- RSM McGladrey has given presentations at the IRES, MD, IL, DE and SOFE Annual Career Development Seminars. Topics included using risk-focused financial examination, ACL for insurance examinations, examination best practices and various Codification related issues.

### **AICPA and State Societies**

- RSM McGladrey has two Managing Directors who contributed to the updates of the AICPA Audit Risk Alert—Insurance Industry Developments in 2003 through 2008.
- RSM McGladrey has one Managing Director who participates on the AICPA's NAIC Task Force.
- RSM McGladrey has contributed to the updates to the AICPA's Property and Casualty and Life and Health Audit Guide Reviews in 2005 through 2009.

granted, shall release the vendor from its liability for the prompts and effective performance of the obligations hereunder.

**Taxes**

The State of West Virginia and the West Virginia Offices of the Insurance Commissioner are exempt from Federal Excise taxes and from State and local sales and use taxes on the services to be supplied as a result of any contracts resulting from this RFQ. Consequently, the State of West Virginia and the West Virginia Offices of the Insurance Commissioner will have no responsibilities for the payment of any taxes that become payable by the successful firm.

**Acceptance Period for Quotations**

The quotations submitted in response to the RFQ shall remain fixed and valid for a period a period of six (6) month commencing on the date the quotations are due.

**Firm Information**

Responding firms should include the following information with their bid proposal submittal. The West Offices of the Insurance Commissioner reserves the right to request this and any additional information at any time during the bid evaluation process prior to their recommendation of award notification to the West Virginia Purchasing Division.

- (a) Name and address of the firm submitting the quotation along with the federal employer identification number of the vendor.
- (b) Date of registration to do business in the State of West Virginia. Foreign corporations and businesses do not need to register to do business in West Virginia to submit a quotation, but must do so before a contract can be issued.

**Bid Amount**

The amount of the bid submitted by each potential vendor shall be a fixed hourly rate for services rendered. This rate shall be the same regardless of which partner or member performs the services and shall be sufficient to cover any and all incidental expenses. Out of pocket travel expenses shall be billed in accordance with the State of West Virginia's Travel Rules as prescribed by the Travel Management Unit, Purchasing Division.

**VENDOR COST:**

\$ 240 PER HOUR

## **Appendix III – Required Forms**

The required forms for this submission are included in this Appendix.



State of West Virginia  
 Department of Administration  
 Purchasing Division  
 2019 Washington Street East  
 Post Office Box 50130  
 Charleston, WV 25305-0130

# Request for Quotation

RFQ NUMBER
INS11006

PAGE
1

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

RFQ COPY

TYPE NAME/ADDRESS HERE

SHIP TO

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

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

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

LINE	QUANTITY	UOP	QAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	HR		946-12		
<p>THE WEST VIRGINIA PURCHASING DIVISON, 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	TELEPHONE	DATE
<i>[Signature]</i>	860 678 1577	12-15-10
TITLE	ADDRESS CHANGES TO BE NOTED ABOVE	
MANAGING DIRECTOR		

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



State of West Virginia  
 Department of Administration  
 Purchasing Division  
 2019 Washington Street East  
 Post Office Box 50130  
 Charleston, WV 25305-0130

# Request for Quotation

RFQ NUMBER  
**INS11006**

PAGE  
**2**

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

VENDOR

RFQ COPY  
 TYPE NAME/ADDRESS HERE

SHIP TO

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

DATE PRINTED <b>11/14/2010</b>	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
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BID OPENING DATE: **12/16/2010** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
<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>Joseph P. Clark</i>	TELEPHONE <b>860 678 1577</b>	DATE <b>12-15-10</b>
TITLE <b>MANAGING DIRECTOR</b>	ADDRESS CHANGES TO BE NOTED ABOVE	

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



State of West Virginia  
 Department of Administration  
 Purchasing Division  
 2019 Washington Street East  
 Post Office Box 50130  
 Charleston, WV 25305-0130

# Request for Quotation

RFQ NUMBER  
**INS11006**

PAGE  
**3**

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

RFQ COPY  
 TYPE NAME/ADDRESS HERE

**INSURANCE COMMISSION**

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

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

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

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
<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>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>Joseph J. Clark</i>	TELEPHONE <i>8606781577</i>	DATE <i>12-15-10</i>
TITLE <i>MANAGING DIRECTOR</i>	ADDRESS CHANGES TO BE NOTED ABOVE	

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





State of West Virginia  
 Department of Administration  
 Purchasing Division  
 2019 Washington Street East  
 Post Office Box 50130  
 Charleston, WV 25305-0130

# Request for Quotation

RFQ NUMBER  
**INS11006**

PAGE  
**4**

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

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**TYPE NAME/ADDRESS HERE**

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

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

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

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
<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>-----</p> <p>CONTACT PERSON (PLEASE PRINT CLEARLY):</p> <p>-----</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>Joseph A. Clark</i>	TELEPHONE <b>860 678 1577</b>	DATE <b>12-15-10</b>
TITLE <b>MANAGING DIRECTOR</b>	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE

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

RFQ No. INS11006

STATE OF WEST VIRGINIA  
Purchasing Division

**PURCHASING AFFIDAVIT**

**West Virginia Code §5A-3-10a states:** No contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and the debt owed is an amount greater than one thousand dollars in the aggregate.

**DEFINITIONS:**

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any Instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

**EXCEPTION:** The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

Under penalty of law for false swearing (*West Virginia Code* §61-5-3), it is hereby certified that the vendor affirms and acknowledges the information in this affidavit and is in compliance with the requirements as stated. *to the best of my knowledge*

**WITNESS THE FOLLOWING SIGNATURE**

Vendor's Name: RSM McGladrey, Inc.

Authorized Signature: *Joseph J. Clark* Date: 12/15/10

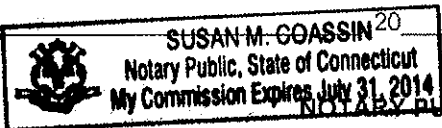
State of Connecticut

County of Hartford, to-wit:

Taken, subscribed, and sworn to before me this 15<sup>th</sup> day of December, 2010.

My Commission expires \_\_\_\_\_

AFFIX SEAL HERE



*Susan Goassin*