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Proposal For

***Actuarial Review and Consulting
Services for Life and Health
Insurance Product Rate Filings;***

INS11013

Submitted by:

DONNA NOVAK

OF NOVAREST CONSULTING

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INSURANCE DIVISION
STATE OF WV



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Letter of Transmittal

May 10, 2011

Shelly Murray, Buyer Supervisor
Purchasing Division
2019 Washington Street, East
Charleston, West Virginia 25305-0130

Subject: *Request for Quotation INS11013*

Dear Shelly Murray:

In response to your request, NovaRest Consulting is pleased to present our quotation for actuarial review of life and health related product filings and consulting services.

Donna Novak, who has over 35 years of experience in the insurance industry and many years of experience serving state regulators, is the founder of NovaRest Consulting. We believe that NovaRest Consulting and its expert resources combine to provide West Virginia Offices of the Insurance Commissioner (OIC) with the most qualified consultants for this project.

We will provide high-quality service consistent with our reputation and your requirements. The following proposal demonstrates NovaRest meets the requirements of a qualified actuarial firm as defined by the State of West Virginia.

Our project plan and fees are enclosed in the attached.

We would like to share the following summary of our qualifications:

- ❑ Our Team's background includes an effective blend of industry and regulatory experience involving the rate filing process throughout the United States.
- ❑ All of our consultants each have well over 20 years of health insurance experience.
- ❑ Our long-term care expert has 12 years of long-term care experience



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- We have extensive experience in reviewing rate filings in other states and testifying at rate hearings.
- We are in the process of helping New Jersey develop a new rate filing review process.
- We consulted to the Department of Health and Human Services (HHS) concerning the implementation of rate review and medical loss ratio (MLR) aspects of the Patient Protection and Affordable Care Act (ACA).
- We are developing pre-ACA base line information on rates, rate increases and loss ratios using rate filings from 30 states for HHS.
- We are continuing to work directly with State Regulators, the NAIC, and HHS regarding the implementation of the ACA.
- Donna Novak was appointed to and is currently a member of the Consumer Operated and Oriented Plan (CO-OP) Program Advisory Board to the HHS.
- We 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.
- We have 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.

Again, we value the opportunity to work with you and on behalf of NovaRest; we look forward to providing West Virginia 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 520-908-7246.

Sincerely,

Donna C. Novak FCA, ASA, MAAA, MBA
President and CEO of NovaRest, Inc
Federal identification number 45-0467299



Project Activities

The following project plan details what we see as the project steps for a thorough rate filing review. With the extensive knowledge NovaRest has of the unreasonable rate increase as defined by HHS, we will be able to ensure all rate increases are within established guidelines.

Project plan steps for rate reviews conducted by our team will include:

- Review the filing for completeness, consistency, and reasonableness;
- Review the rate filing projections and actuarial assumptions to determine if rate increases are actuarially sound and make a determination of compliance of rate filing to statutory requirements;
- Write a report to the State including recommendations for accepting the proposed rates or alternatives for the requested rates;
- Prepare for and attend a public hearing (if any); and
- Prepare post hearing memorandum (if required).

Review of Filing Information:

After receiving the rate filing documentation and any requested supplemental information, we will review it for completeness and reasonableness. This will include a check that the filing includes enough detail to justify the rate increase requested by benefit plan, risk classification and rating method (even though community rating is mandated, carriers may vary their rates by pre-approved risk classifications). The data will first be checked for completeness and then for consistency and reasonableness. Skills needed include experience with general rate analysis, and rate filing formats and procedure. Also, experience with community rating and risk classifications may be needed.

Rate Filing Review:

Previous rate filings 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 basics of a current filing, namely compliance with sound actuarial assumptions and methods. Skills needed include experience with actuarial rating processes and current health care trends.

Once it is determined that the rate filing is complete, the requested rates in the current rate filing and in prior rate filings will be compared to other rates found in the marketplace to verify that rates do not appear to be excessive or inadequate. We understand 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. We plan to use marketplace rates only in considering the reasonableness of filed rates.



Requested rate increases will be reviewed to determine if they reflect efficient management of the business by the insurer, based on the stated goal of the State of West Virginia is to insure that benefits are provided at a minimum cost under efficient and economical management.

The rate reviews will start at a high level review. If the first level of review uncovers unsupported or unreasonable assumptions, NovaRest will suggest that OIC request more detailed documentation for analysis. The items and/or analyses that may be required are:

1. Review of claims projections
 - a. Base claims and corresponding experience period
 - b. Credibility;
 - c. Completion factor applied to base claims;
 - d. Contract and policy reserve estimates including deficiency reserves;
 - e. Large claim impact and pooling used;
 - f. Reinsurance impact;
 - g. Changes in actual to expected costs;
 - h. Utilization trends of services;
 - i. Changes in the mix of services
 - j. Trends in unit cost of services;
 - k. Lapse rates;
 - l. Changes in durational make-up of the block;
 - m. Coordination of benefits effectiveness;
 - n. Impact analysis of health care quality initiatives;
 - o. Impact analysis of cost containment initiatives;
 - p. Provider contract detail;
 - q. Changes in enrollment;
 - r. Legally required changes in benefits;
 - s. Other changes in benefits;
 - t. Closed block vs. open block;
 - u. Credibility issues;
 - v. Grandfathered vs. non-grandfather plans;
 - w. Rating factor development including factors for duration, age, gender, geographic area, Medicare eligibility, smoker, etc.;

2. Review of administrative costs
 - a. Sales and marketing expenses
 - b. General administrative costs;
 - c. Taxes;
 - d. Assessments; and
 - e. Fees.



3. Profitability analysis
 - a. Review of gain/loss and risk charges including consideration of current RBC levels;
 - b. Review past loss ratio estimates versus actual;
 - c. Loss ratio levels in other filings in South Carolina and in other states from this carrier;
 - d. Loss ratio levels for other products and markets served by this carrier and other carriers;
 - e. Review of lifetime loss ratio tests (if applicable);
 - f. Investment income (losses);

4. Review of rating methodology
 - a. Review of rating methodology and compliance with Actuarial Standards of Practice;
 - b. Review of rating factors for potential discriminatory practices; and
 - c. Compliance with state and federal laws and regulations.

Report Preparation:

After receiving the final rate filing and supplemental information, we will communicate our preliminary findings to the State and discuss the structure of the final Report. A final report including detailed analysis of each component of the rate filing and a summary statement will then be delivered based on our analysis. Skills needed include good communication skills including the ability to communicate technical issues to a non-technical public and interveners.

Within 30 days of receiving the filing from the OIC, NovaRest will submit its initial review and related report.

Rate Hearing

Meeting Preparation - If a public hearing is required, preparation for the hearing will be made as the report is being finalized. Written and oral testimony will be produced consistent with the report. Information will be organized and indexed for easy use by any intervener requesting our files.

As directed by the Commissioner, we will consult with the approved interveners in preparation for the public hearing and provide the required materials to them. Required skills include the ability to communicate technical issues and to be able to consult in a professional manner with interveners.

Testimony - If required, we will be prepared to provide written and oral testimony at a public hearing and answer questions from hearing participants. Skills needed include experience in a participation in a hearing setting as an expert witness including the ability to answer questions on materials being presented.



Post Meeting Memorandum Preparation - We will provide a post-hearing memorandum, if requested. The State will define the content and structure of the memorandum and the timeframes will be mutually agreed upon, at the time of the request.

Organizational Experience

NovaRest, Inc. is an independent actuarial consulting firm owned and managed by Donna Novak. The firm was formed to provide cost effective actuarial and management consulting services. The firm's vision is to assist regulators and insurers to create an efficient health insurance market that meets the needs of consumers and provides appropriate return on investment for operationally proficient risk takers.

Donna has extensive insurance financial analysis experience and training. 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 fifteen years of consulting experience.

Donna's experience includes financial examination for state insurance regulators, rate filing reviews and Medicare bid desk reviews and audits for CMS.

Project Team

Each of our consultants has significant experience in working in the health insurance industry. This experience includes all types of health insurance products including: Group and Individual Health Coverages; Medicare Supplement; Disability Income; Long Term Care and Medicare+Choice products. The work includes pricing and product design, experience analysis, rate filing, and regulatory review. NovaRest has been providing rate review services to state insurance regulators since 2002.

All of our consultants have significant experience with insurance regulatory issues and participate heavily with their profession through the American Academy of Actuaries, Actuarial Standards Board, Society of Actuaries and Conference of Consulting Actuaries and follow medical trends in the health insurance industry and are kept abreast of changes in the health insurance market and their effects on future cost trends.

Team Members

The team that we have selected for this project is comprised of senior level actuaries with extensive experience and expertise in health insurance rate analysis, group and individual health insurance rate filings, and community rating methodologies. Donna Novak will serve as the primary client contact and project leader. Each review will be overseen by Donna. With multiple senior consultants available, the OIC will be assured of receiving timely service and response. Every work product will be peer reviewed to ensure that it meets the OIC's and NovaRest's quality standards.



A short summary of each team member's pertinent strengths and information requested in the RFP follows. More extensive resumes can be found in Appendix A.

Donna Novak, FCA, ASA, MAAA, MBA - Donna has over 35 years of experience and is the leader of NovaRest consulting. She specializes in health care cost reduction, predicting the cost of health care insurance reform, as well as measuring the financial health of insurers, HMOs, and provider health care risk takers. She has worked with state regulators and the NAIC to implement new insurance reform regulations. She led the project to write the NAIC Health Financial Analyst Manual and has assisted regulators in tri-annual insurance reviews. She has been engaged by regulators to review proposed business affiliations between health insurance entities.

Donna has held a number of leadership positions with the Academy of Actuaries (AAA). She was the prior Vice-president of Financial Reporting and is currently on the Health Committee of the Actuarial Standards Board. She is frequently asked to speak to industry and professional groups on health insurance risks and the capital needs associated with health risk taking.

Prior to founding her own firm, Donna worked for three major insurance carriers, the Blue Cross and Blue Shield Association (BCBSA), two of the major accounting firms and a major benefits consulting firm.

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 the ACA. Donna is currently 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.

Janet Carstens, FSA, MAAA, FCA 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, ACA.

Mary P. Ratelle, FSA, MAAA 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.

Michael J. Recorvits, MS has over 30 years experience within the health care insurance industry. His experience includes claims trend predication, financial forecasting, claim reserving, data analysis, and financial analysis. He prepared over 175 group rate filings over the past 15 years and served as an expert actuarial witness at public rate hearings to testify for individual and Medicare supplemental plans. He also managed projects that increased affordability to individual subscribers.

Barbara Niehus, FSA, MAAA 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.

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.

Andronico Castillo, FSA, MAAA is a consulting actuary with over 12 years of long term care experience. As a long time licensed actuary, he brings a wide array of knowledge and expertise. His experience includes assisting life and annuity carriers in developing long term care riders. Andronico assisted with the developing of long term care design and pricing, development of underwriting and claims protocols, and reinsurance.

Past Experience

Design an Improved Premium Review Process for New Jersey

NovaRest was hired in 2010 to provide an evaluation of New Jersey Department of Banking and Insurance (DOBI) rate review process. After the passage of ACA, New Jersey was granted funds to enhance New Jersey's health insurance rate review process



through heightened collection, analysis and reporting of comprehensive data comprising the elements of rate increases to ensure proposed pricing meets all regulatory requirements including loss ratio requirements; to proactively identify drivers of premium increases to support statewide efforts to bend the cost curve; and, to improve overall efficiency and speed to market. As part of this process we are assisting the DOBI on matters related to:

- ❑ Review current rate filing processes;
- ❑ Made recommendations for cost-effective improvements to DOBI's process and standards;
- ❑ Recommend information to be collected, analyzed, made available to the Secretary of HHS and New Jersey consumers in as timely and accurate a manner as is possible;
- ❑ Provide written recommendations regarding the format and content of the rate filings. This report includes reasonableness tests, compliance tests and contains recommendations on how to detect and address situations where a rate other than the filled rate is quoted or billed;
- ❑ Provide recommendations taking advantage of SERFF in a way that processes could be automated and efficient;
- ❑ Coordinate the rate review process with a database design project that would analyze data and improve current public web access;
- ❑ Recommend legislative changes needed for the new rate review process;
- ❑ Train DOBI staff on changes resulting for the new process including electronic submission of information, use of database and consistency of the rate filing information.

New Jersey Rate Increase Reviews

NovaRest has been working with New Jersey since 2006 and has performed nearly over 100 rate filing reviews. The New Jersey Ratepayer Advocate is responsible for handling insurance rate complaints. The objective of these projects is to ensure that insurance rates in the State of New Jersey meet statutory requirements and are fair to the public. New Jersey requires an independent analysis of selected insurance carriers' rating practices to verify that they're reasonable compared to the benefits provided and meet statutory criteria as identified in New Jersey law and regulations. As part of this work we:

- ❑ Review the rate complaint and determine the level of review required for the particular circumstance;
- ❑ Review the contested rates in comparison to those of comparable products in the market place;
- ❑ Review the financial statement of the insurance carrier to determine historic profit margins and financial strength, if provided;



- ❑ If required and a rate filing was done in New Jersey, review the filing for completeness, consistency, and reasonableness;
- ❑ Determination of compliance of any rate filings to statutory requirements; and Write a report to the Ratepayer Advocate.
- ❑ Analysis and review of the filing
- ❑ Assistance in preparation of discovery questions/issues, review of discovery, and review of responses to discovery; and
- ❑ Preparation of Actuarial memorandum with recommendations and rationale

Rhode Island Individual Market Rate Review and Hearing Preparation

NovaRest assisted in the review and mandatory rate hearing for BlueCross and BlueShield of Rhode Island's 2011 individual rate filing. NovaRest assisted one of our subcontractors who performed the following:

- ❑ Prepared data requests and follow-up requests to BCBS of RI;
- ❑ Reviewed the rate filing and pre-filed testimony of BCBS of RI's representatives;
- ❑ Assistance in the preparation of cross-examination of Company and intervener witnesses; Attendance at hearings as requested by Rate Counsel including, but not limited to, cross examination of Company witnesses, cross examination of Advocate Consultant, rebuttal and surrebuttal hearings and preparation of same;
- ❑ Preparation of pre-filed testimony and rebuttal testimony as required by the office; Attendance at meetings, discovery, and settlement conferences including preparation for the meetings and conferences;
- ❑ Testified at the rate hearing; and
- ❑ Prepared post-hearing findings of facts and conclusions.

Rate Filing Reviews in Illinois

Starting in 2011, NovaRest is performing rate review services in Illinois as a subcontractor to another actuarial firm. We will be performing the rate filing reviews as part of a team of actuaries using our experience in other states.

Center of Medicare and Medicaid Bid Desk Reviews and Audits

NovaRest has been working with the Centers of Medicare and Medicaid System since 2005. The Centers for Medicare and Medicaid Systems ("CMS") retain several actuarial firms to review and audit Medicare Advantage bids. NovaRest is one of those firms that performs both the desk reviews and bid audits. The desk review process is similar to the review of a rate filing. During the process, we typically review between 250 and 300



Medicare Advantage or Medicare Part D bids and perform through audits of 2 firms a year.

Desk reviews consist of:

- Review bids and bid documentation for completeness and against statistical benchmarks;
- Request further information for sponsors, if unusual assumptions are not explained by the documentation;
- Review information and continue to investigate or request changes to the bid until the lead actuarial reviewer can recommend that CMS accept the bid; and
- Make recommendations to CMS;
- Document any issues with the bid and their final resolution.

Bid audits consist of:

- Extensive data request concerning the bids being audited and the carrier submitting the bid;
- On-site visits to meet with carrier management and review all aspects of the bid and how the Medicare business fits into other lines of business;
- Match bids to carrier financial statements;
- Review all contract relationships including a thorough understanding of all related party transactions;
- A Report of all findings and observations from the audit; and
- Final documentation of the audit process and findings.

Advise HHS on the Implementation of ACA

From February 2010 to October 2010, NovaRest was a contracted consultant to Health and Human Services (HHS) in the implementation of the actuarial issues of ACA. We participated in regular conference calls, summarized interested party comments in response to HHS's requests for comment, provided special reports on areas of interest for HHS, and provided analysis of interested party comments. Specific areas that we provided input on include:

- Level of aggregation for Medical Loss Ratio (MLR) standards and rebates;
- Alternative pooling principles;
- What aspects should be standardized on a national level;
- The appropriateness of rate review in the large group market and special concerns or issues in the large group market;
- Treatment of active life reserves;
- The effect of lapse rates on MLRs;
- Issues when calculating MLR rebates;



- ❑ The role of credibility in the MLR rebate formula;
- ❑ What defines market disruption?
- ❑ Issues with agent/broker commission and the MLR formula;
- ❑ And many others

Health Spending Costs For Health Insurance Plans in Iowa

In 2010, the Iowa Insurance Division (the “Division”) hired NovaRest to assist the Division in preparing an annual report for the governor of Iowa and for the Iowa legislature as required by statute. The annual report will provide findings regarding health spending costs for health insurance plans in Iowa for the previous fiscal year. As part of this project NovaRest performed the following:

- ❑ Develop a project plan that defined the project process, data sources, status of findings and report content,
- ❑ Participated in regular conference calls with the Division to keep the staff informed of the status of all the activities and any issues that had arisen.
- ❑ Assisted the Division in compiling and interpreting data in order to provide the governor and the state legislature with the annual report.
- ❑ Used data from the insurer survey in conjunction with data from a database leased by NovaRest containing NAIC statutory filings to produce a comprehensive data source.
- ❑ Created a report providing information regarding the costs of health care insurance, historic rate increases, historic loss-ratios, historic reserves and capital levels with RBC ratios, historic medical trends and medical trend drivers.

Trends in Health Insurance Premiums for National Opinion Research Center (NORC) at the University of Chicago

NORC was hired by HHS to obtain a baseline data on premium increases and medical loss ratios (MLRs) for the years 2008-2011. NovaRest is assisting NORC in the analysis of trends underway at the time of the passage of the Patient Protection and Accountability and Care Act (ACA) in the small group and individual markets. Once the study is complete the research will allow HHS to answer a number of questions including: How do MLR’s vary by type of product and state, What percentage of premium was increase were denied or modified, what is the impact of ACA on rate increases and MLRs. As part of this work we are currently:

- ❑ Analyzing rate reviews for 217 companies in 30 states;
- ❑ Creating a database to provide information on rate increases and MLRs before and after ACA;
- ❑ Participating in bi-monthly status calls with NORC and HHS; and
- ❑ Developing a report to present our finding to HHS.

Related Projects



Other State Regulatory Projects

- ❑ Assisted the states of Illinois and South Carolina in developing methods to reduce the uninsured in those states;
- ❑ Provided actuarial support for over 30 state financial examinations; and
- ❑ Assisted the states of Maine and New Jersey since 2003 in determining the impact of proposed mandated benefits.

Donna was appointed to the Consumer Operated and Oriented Plan (CO-OP) Advisory Board to HHS.

Technical guidance to the NAIC

- ❑ Donna led the American Academy of Actuaries team that developed the initial draft of the Health Reserve Guidance Manual for the Accident and Health Working Group (AHWG) of the Life and Health Actuarial Task Force; and
- ❑ NovaRest and its subcontractors were engaged to write the Health Financial Analyst Manual for the Health Entities Working Group.

Assistance to Centers for Medicare and Medicaid:

- ❑ Review of Medicare ACR filings;
- ❑ Project to reduce the cost of End Stage Renal Disease (“ESRD”) treatment; and
- ❑ Assistance in HHS understanding the data in the NAIC statutory filings.

Bid Amount

The billing rate for all of our senior consultants is \$300 per hour. Any out of pocket travel expenses shall be billed in accordance with the State of West Virginia’s Travel Rules.

Acceptance Period for Quotations

The quotations submitted in response to the RFQ shall remain fixed and valid for a period of six (6) months 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.

VENDOR COST:

\$ 300.00 PER HOUR



Appendix A - 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.
- ♦ 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.



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- ♦ 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



Janet M. Carstens FSA, MAAA, FCA

Experience:

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 from 2002 through 2005.
- Member of the Board of Directors of the Conference of Consulting Actuaries from 1999 through 2005.
- Member of the Board of Directors of the American Academy of Actuaries from 2001 through 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.



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- 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

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)



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 start up HMOs, experience and claims lag analysis for rating and determination of balance sheet reserves.

Professional Papers and Presentations:



NovaRest
ACTUARIAL CONSULTING

"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.

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 Actuarie



Michael J. Recorvits

Experience

Michael has 30+ years of experience within the health care insurance industry. His experience includes claims trend predication, financial forecasting, claim reserving, data analysis, financial analysis, and problem solving. As Chief Actuary, he managed a staff of 40 professionals within the Actuarial Department of a \$2B health care insurer. He served as Corporation's expert actuarial witness at public rate hearings to testify for individual and Medicare supplemental plans. He managed corporate work group responsible for providing solutions to the questions of affordability to individual subscribers

Michael has proven success program design and implementation for all lines of health business. He is experienced in maintaining positive professional relationships with clients, regulatory and community agencies.

Professional Experience

2005 – Present: Independent Consultant

1970 – 2005: Blue Cross & Blue Shield of Rhode Island

1985 – 1987: Survey Insights

Summary of Accomplishments

- As Chief Actuary managed a staff of 40 professionals within the Actuarial Department of a \$2B health care insurer
- Prepared and conducted various presentations to the Board of Directors
- Performed training sessions for a national actuarial consulting firm
- Served as Corporation's expert actuarial witness at public rate hearings to successfully testify for individual and Medicare supplemental plans in \$100MM of premiums
- Developed initial computer assisted rating system for rating large groups
- Provided actuarial support in developing HMO products
- Assisted in development of products that replaced Medicare (now known as Medicare Advantage plans)
- Lead in developing new state of the art rating formula for large groups
- Managed work group to provide solutions to the questions of affordability to individual subscribers
- Testified as Corporation's Actuarial Expert witness at public rate hearings
- Self-confident team player able to effectively motivate others while remaining focused on goals and objectives. Proven success in strategy development, program design, and implementation. Knowledgeable and versatile, adept at maintaining positive professional relationships with clients and staff members as well as government and community agencies.
- Provided the actuarial expertise to ensure financial gains for 7 consecutive years
- Led, as business owner, the development of cutting edge large group rating system for rating 1+B of premium



- Prepared approximately 150 group rate filing to the insurance regulator during the past 15 years with an overwhelming majority approved as filed
- Chaired rate factor executive committee on a quarterly basis to affect \$1.4B of revenue
- Managed actuarial aspects of major computer system implementation affecting \$1.2B of revenue; Provided actuarial expertise to support an advanced software technology Company that develops solutions to the Health Care Industry.
- An engagement that helped prepare potential witnesses in an insurance company to be expert witnesses in public rate hearings conducted by the Insurance Department.
- Performed an analysis of the differences in small group and large group claims experience.
- On-going review and analysis, including recommendations, of Medicare Supplemental rate filings submitted to a State Rate Counsel Department.
- Contracted to be expert witness for a client in a rating dispute with a competitor. Outcome: Client prevailed.
- Provided expert witness advice and counsel to major law firm representing a major health insurer located in the mid-west in a law-suit against the insurer. Outcome: client prevailed with lawsuit dismissed.
- Participated in a study on cost of prosthesis benefits.
- Assisted in developing a report on actuarial/underwriting methodologies and processes of an independent Blue Cross Plan.
- Project related to development of a Financial Forecasting Application System for Dental Plan.
- Conducted a pre due diligence examination of rating and actuarial practices of an HMO where Insurance Plan was considering purchasing the HMO.

Education

Master of Science – Statistics, University of Rhode Island, Kingston, RI

Bachelor of Science – Quantitative Management, University of Rhode Island, Kingston, RI



Barbara P. Niehus, FSA, MAAA

Experience

Ms. Niehus 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.

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, 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



Andronico L Castillo, FSA, MAAA

Experience

- Prior to 1988 – life product actuary at Reliastar; primary experience in term life insurance product development and pricing
- 1988 – 1998: joined Munich Re in 1988 as a life reinsurance marketing actuary and eventually became head of Munich Re's US Life Reinsurance Western Region unit responsible for reinsurance sales and marketing, pricing, and treaty negotiations
- 1998 to 2010 with Munich Re:
 - Head of Living Benefits Department – as Vice President & Actuary, responsible for Munich Re's Living Benefits US reinsurance operation covering sales/marketing, pricing, treaty negotiations and overall line risk management – Underwriting, Claims, Reinsurance Administration, Valuation, Experience Analysis and Financial Reporting
 - Living Benefits covers individual Disability Income (DI), Long Term Care (LTC) and Critical Illness (CI)
 - Profitably grew Munich's Living Benefits reinsurance operation to \$450 million premium revenues with over \$1 billion in reserves and led Munich Re as a dominant new business individual DI and LTC reinsurer in the US
 - Developed and implemented creative programs currently still in place at Munich Re
 - DIME: "DI Made Easy" - - - a joint venture with DMS (Disability Management Services) with the objective to assist companies enter the DI market via offering sales/marketing support, administration platform, pricing and product design, development of underwriting and claims protocols, and reinsurance
 - Combo LTC: a joint initiative with LifePlans with the objective to assist life and annuity carriers develop LTC riders by offering expertise in the areas of product design and pricing, development of underwriting and claims protocols, and reinsurance
 - Insurance industry participation
 - Frequent speaker, moderator, and conference organizer in industry organizations: SOA, LOMA, LIMRA, ILTCI



NovaRest

ACTUARIAL CONSULTING

(Intercompany Long Term Care Insurance), and IDIS
(International DI Society)

- Produced and directed many Munich Re-sponsored Living Benefits national and regional client conferences in the US and participated as speaker in Munich Re-sponsored conferences related to Living Benefits in Asia and Europe



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
INS11013

PAGE
1

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

VENDOR

*C14104939
 NOVAREST INC
 156 W CALLE GUIJA STE 200
 SAHUARITA AZ 85629

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
04/04/2011				

BID OPENING DATE: 05/11/2011 BID OPENING TIME 01:30PM

LINE	QUANTITY	UQP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	LS		946-12		
<p>OPEN END CONTRACT</p> <p>THE WEST VIRGINIA PURCHASING DIVISION, FOR THE AGENCY, THE WEST VIRGINIA INSURANCE COMMISSION, IS SOLICITING BIDS FOR ACTUARIAL RATE REVIEW OF LIFE AND HEALTH PRODUCT FILINGS AND CONSULTING SERVICES 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 04/25/2011 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</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE	DATE
<i>Louise C. Howard</i>	520-908-7246	5/09/2011
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE
PRESIDENT AND CEO	45-0467299	

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

GENERAL TERMS & CONDITIONS
REQUEST FOR QUOTATION (RFQ) AND REQUEST FOR PROPOSAL (RFP)

1. Awards will be made in the best interest of the State of West Virginia.
2. The State may accept or reject in part, or in whole, any bid.
3. Prior to any award, the apparent successful vendor must be properly registered with the Purchasing Division and have paid the required \$125 fee.
4. All services performed or goods delivered under State Purchase Order/Contracts are to be continued for the term of the Purchase Order/Contracts, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods this Purchase Order/Contract becomes void and of no effect after June 30.
5. Payment may only be made after the delivery and acceptance of goods or services.
6. Interest may be paid for late payment in accordance with the *West Virginia Code*.
7. Vendor preference will be granted upon written request in accordance with the *West Virginia Code*.
8. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
9. The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the seller.
10. The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern the purchasing process.
11. Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
12. **BANKRUPTCY:** In the event the vendor/contractor files for bankruptcy protection, the State may deem this contract null and void, and terminate such contract without further order.
13. **HIPAA BUSINESS ASSOCIATE ADDENDUM:** The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, is available online at www.state.wv.us/admin/purchase/vrc/hipaa.htm and is hereby made part of the agreement. Provided that the Agency meets the definition of a Cover Entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the vendor.
14. **CONFIDENTIALITY:** The vendor agrees that he or she will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the agency's policies, procedures, and rules. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in <http://www.state.wv.us/admin/purchase/privacy/noticeConfidentiality.pdf>.
15. **LICENSING:** Vendors must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, and the West Virginia Insurance Commission. The vendor must provide all necessary releases to obtain information to enable the director or spending unit to verify that the vendor is licensed and in good standing with the above entities.
16. **ANTITRUST:** In submitting a bid to any agency for the State of West Virginia, the bidder offers and agrees that if the bid is accepted the bidder will convey, sell, assign or transfer to the State of West Virginia all rights, title and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the State of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the State of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to the bidder.

I certify that this bid is made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership, or person or entity submitting a bid for the same material, supplies, equipment or services and is in all respects fair and without collusion or fraud. I further certify that I am authorized to sign the certification on behalf of the bidder or this bid.

INSTRUCTIONS TO BIDDERS

1. Use the quotation forms provided by the Purchasing Division. Complete all sections of the quotation form.
2. Items offered must be in compliance with the specifications. Any deviation from the specifications must be clearly indicated by the bidder. Alternates offered by the bidder as **EQUAL** to the specifications must be clearly defined. A bidder offering an alternate should attach complete specifications and literature to the bid. The Purchasing Division may waive minor deviations to specifications.
3. Unit prices shall prevail in case of discrepancy. All quotations are considered F.O.B. destination unless alternate shipping terms are clearly identified in the quotation.
4. All quotations must be delivered by the bidder to the office listed below prior to the date and time of the bid opening. Failure of the bidder to deliver the quotations on time will result in bid disqualifications: Department of Administration, Purchasing Division, 2019 Washington Street East, P.O. Box 50130, Charleston, WV 25305-0130
5. Communication during the solicitation, bid, evaluation or award periods, except through the Purchasing Division, is strictly prohibited (W.Va. C.S.R. §148-1-6.6).



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
INS11013

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

VENDOR

*C14104939
 NOVAREST INC
 156 W CALLE GUIJA STE 200
 SAHUARITA AZ 85629

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
04/04/2011				

BID OPENING DATE: 05/11/2011 BID OPENING TIME 01:30PM

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

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	<i>Hanna C. Howard</i>	TELEPHONE	520-908-7246	DATE	5/09/2011
TITLE	President and CEO	FEIN	45-0467299	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

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

PROPERTY

*C14104939
 NOVAREST INC
 156 W CALLE GUIJA STE 200
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 25305-0540 304-558-3707

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BID OPENING DATE: 05/11/2011 BID OPENING TIME 01:30PM

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<p>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 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>EXHIBIT 6</p> <p>PRICE ADJUSTMENT PROVISION: THE STATE OF WEST VIRGINIA WILL CONSIDER BIDS THAT CONTAIN PROVISIONS FOR PRICE ADJUSTMENTS PRIOR TO THE ORIGINAL EXPIRATION OF THE CONTRACT, PROVIDED THAT SUCH PRICE ADJUSTMENT COVERS BOTH UPWARD AND DOWNWARD MOVEMENT OF THE COMMODITY PRICE, AND THAT ADJUSTMENT IS BASED ON THE "PASS THROUGH" INCREASE OR DECREASE OF RAW MATERIALS AND/OR LABOR, WHICH MAKE UP ALL OR A SUBSTANTIAL PART OF A PRODUCT. ADJUSTMENTS ARE TO BE</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	<i>Donna C. Howard</i>	TELEPHONE	520-908-7246	DATE	5/9/2011
TITLE	PRESIDENT AND CEO	FEIN	45-047299	ADDRESS CHANGES TO BE NOTED ABOVE	

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



State of West Virginia
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 Purchasing Division
 2019 Washington Street East
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 Charleston, WV 25305-0130

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

VENDOR

*C14104939
**NOVAREST INC
 156 W CALLE GUIJA STE 200
 SAHUARITA AZ 85629**

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
04/04/2011				

BID OPENING DATE: **05/11/2011** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>BASED UPON AN ACTUAL DOLLAR FIGURE, NOT A PERCENTAGE. ALL PRICE ADJUSTMENT REQUESTS MUST BE SUBSTANTIATED IN A MANNER ACCEPTABLE TO THE DIRECTOR PURCHASING, E.G. GOVERNMENTAL BENCH MARKS, GENERAL MARKET INCREASE, PUBLISHED PRICE LISTS. SUCH REQUESTS FOR AND INCREASE SHOULD BE RECEIVED IN WRITING BY THE DIRECTOR OF PURCHASING AT LEAST 30 DAYS IN ADVANCE OF THE EFFECTIVE DATE OF THE INCREASE. ANY TIME THE VENDOR REQUESTS A PRICE ADJUSTMENT, THE PURCHASING DIVISION MAY EITHER ACCEPT THE PRICE ADJUSTMENT AND AMEND THE CONTRACT ACCORDINGLY OR REJECT THE ADJUSTMENT IN ITS ENTIRETY AND CANCEL THE CONTRACT.</p> <p>PREFERRED TERMS: IT IS PREFERRED THAT THE PRICES ON THIS CONTRACT ARE FIRM FOR LIFE OF THE CONTRACT, AS INDICATED IN THE LIFE OF CONTRACT CLAUSE CONTAINED HEREIN, NOT TO EXCEED ONE (1) YEAR.</p> <p>PASS THROUGH PRICE INCREASES WILL BE CONSIDERED AT TIME OF CONTRACT RENEWAL ONLY.</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: DEPARTMENT OF ADMINISTRATION PURCHASING DIVISION BUILDING 15</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS			
SIGNATURE <i>Wonna C Howard</i>	TELEPHONE 520-908-7296	DATE 05-09-2011	
TITLE PRESIDENT AND CEO	FEIN 45-0467299	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

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INS11013

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

VENDOR

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NOVAREST INC
156 W CALLE GUIJA STE 200

SAHUARITA AZ 85629

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
04/04/2011				

BID OPENING DATE: **05/11/2011** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
				2019 WASHINGTON STREET, EAST CHARLESTON, WV 25305-0130		
<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.: INS11013</p> <p>BID OPENING DATE: 05/11/2011</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>Honora C. Howard</i>	TELEPHONE 500-908-7246	DATE 05-09-2011
TITLE President Mary CEO	FEIN 45-0467299	ADDRESS CHANGES TO BE NOTED ABOVE

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



State of West Virginia
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 2019 Washington Street East
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VENDOR

*C14104939
 NOVAREST INC
 156 W CALLE GUIJA STE 200
 SAHUARITA AZ 85629

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
04/04/2011				

BID OPENING DATE: **05/11/2011** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
***** THIS IS THE END OF RFQ INS11013 ***** TOTAL: _____						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>L. Donald Howard</i>	TELEPHONE 520-908-7246	DATE 05-09-2011
TITLE President and CEO	FEIN 45-0467295	ADDRESS CHANGES TO BE NOTED ABOVE

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