



289 Edgewater Drive  
Wakefield, MA 01880-6215  
USA

May 16, 2011

Main +1 781 213 6200  
Fax +1 781 213 6201

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

milliman.com

**RE: State of West Virginia  
Request for Quotation for Actuarial Services**

Dear Ms. Murray:

Milliman, Inc. is pleased to respond to your Request for Quotation for actuarial services regarding actuarial rate reviews of property and casualty related product filings and consulting services. The attached proposal outlines how we would approach the assignment, provides background on our firm and the consultants who will work on the assignment, and estimates the cost for our services.

The submission of Milliman's proposal is not an acceptance of the West Virginia Offices of the Insurance Commissioner's terms and conditions, and Milliman will not be obligated to perform any services until a mutually acceptable contract is executed.

We appreciate the opportunity to submit this proposal. Please call if there is any further information we can provide. We are also available to meet with representatives of the West Virginia Offices of the Insurance Commissioner to present our proposal or to respond to any questions.

Best regards,

John Herzfeld, FCAS, MAAA

Amy P. Angell, FCAS, MAAA

Enclosure

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2011 MAY 17 A 9:50



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  
 INS11014

PAGE  
 1

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

\*823001055 04 781-213-6200  
 MILLIMAN INC  
 289 EDGEWATER DRIVE  
 WAKEFIELD MA 01880

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

DATE PRINTED	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS
05/02/2011				

BID OPENING DATE: 05/17/2011 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
----- ADDENDUM NO. 1 -----						
THIS ADDENDUM IS ISSUED TO ADDRESS THE QUESTIONS RECEIVED PRIOR TO THE QUESTION SUBMISSION DEADLINE OF 04/25/2011.						
THE BID OPENING DATE IS EXTENDED:						
FROM: 05/11/2011						
TO : 05/17/2011						
0001	1	HR		946-12		
ACTUARIAL SERVICES						
EXHIBIT 10						
REQUISITION NO.: INS11014						
ADDENDUM ACKNOWLEDGEMENT						
I HEREBY ACKNOWLEDGE RECEIPT OF THE FOLLOWING CHECKED ADDENDUM(S) AND HAVE MADE THE NECESSARY REVISIONS TO MY PROPOSAL, PLANS AND/OR SPECIFICATION, ETC.						
ADDENDUM NO. S:						
NO. 1 .. x .. .						
NO. 2 .....						
NO. 3 .....						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>John Held</i>	TELEPHONE 781-213-6200	DATE 5/16/11
TITLE Consulting Actuary	FEIN 91-0675641	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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\*823001055 04 781-213-6200

MILLIMAN INC  
 289 EDGEWATER DRIVE

WAKEFIELD MA 01880

INSURANCE COMMISSION

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

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05/02/2011				

BID OPENING DATE: 05/17/2011 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
NO. 4	.....					
NO. 5	.....					
<p>I UNDERSTAND THAT FAILURE TO CONFIRM THE RECEIPT OF THE ADDENDUM(S) MAY BE CAUSE FOR REJECTION OF BIDS.</p> <p>VENDOR MUST CLEARLY UNDERSTAND THAT ANY VERBAL REPRESENTATION MADE OR ASSUMED TO BE MADE DURING ANY ORAL DISCUSSION HELD BETWEEN VENDOR'S REPRESENTATIVES AND ANY STATE PERSONNEL IS NOT BINDING. ONLY THE INFORMATION ISSUED IN WRITING AND ADDED TO THE SPECIFICATIONS BY AN OFFICIAL ADDENDUM IS BINDING.</p> <p>.....            SIGNATURE</p> <p>..... Milliman, Inc. ....            COMPANY</p> <p>..... 5/16/11 .....            DATE</p> <p>NOTE: THIS ADDENDUM ACKNOWLEDGEMENT SHOULD BE SUBMITTED WITH THE BID.</p> <p>----- END OF ADDENDUM NO. 1 -----</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE <i>John Heled</i>	TELEPHONE 781-213-6200	DATE 5/16/11
TITLE Consulting Actuary	FEIN 91-0675641	ADDRESS CHANGES TO BE NOTED ABOVE

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**SHELLY MURRAY  
 304-558-8801**

RFQ COPY  
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MILLIMAN, INC.  
 289 EDGEWATER DRIVE  
 WAKEFIELD, MA 01880

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
0001	1	HR		946-12		
<p><b>OPEN END CONTRACT</b></p> <p>THE WEST VIRGINIA PURCHASING DIVISION, FOR THE AGENCY, THE WEST VIRGINIA INSURANCE COMMISSION, IS SOLICITING BIDS FOR ACTUARIAL RATE REVIEW OF PROPERTY AND CASUALTY 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 ADDRESSE 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 *[Signature]* TELEPHONE 781-213-6200 DATE 5/16/11  
 TITLE Consulting Actuary FEIN 91-0675641 ADDRESS CHANGES TO BE NOTED ABOVE

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



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

VENDOR

RFQ COPY  
 TYPE NAME/ADDRESS HERE

**MILLIMAN, INC.**  
 39 EDGEWATER DRIVE  
 AKEFIELD, MA 01880

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
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<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>John N. Gold</i>	TELEPHONE 781-213-6200	DATE 5/16/11
TITLE Consulting Actuary	FEIN 91-0675641	ADDRESS CHANGES TO BE NOTED ABOVE

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MILLIMAN, INC.  
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 WAKEFIELD, MA 01880

INSURANCE COMMISSION

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

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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>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</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS		
SIGNATURE	TELEPHONE	DATE
<i>John H. Gledhill</i>	781-213-6200	5/16/11
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE
Consulting Actuary	91-0675641	

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State of West Virginia  
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4

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VENDOR

MILLIMAN, INC.  
 289 EDGEWATER DRIVE  
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 CHARLESTON, WV  
 25305-0540 304-558-3707

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04/04/2011				

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

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<p>SUBSTANTIAL PART OF A PRODUCT. ADJUSTMENTS ARE TO BE 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>NOTICE</p> <p>A SIGNED BID MUST BE SUBMITTED TO:            DEPARTMENT OF ADMINISTRATION</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE	DATE
<i>John H. Hall</i>	781-213-6200	5/16/11

TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE
Consulting Actuary	91-0675641	

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**304-558-8801**

RFQ COPY  
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VENDOR

MILLIMAN, INC.  
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INSURANCE COMMISSION  
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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
PURCHASING DIVISION BUILDING 15 2019 WASHINGTON STREET, EAST CHARLESTON, WV 25305-0130						
THE BID SHOULD CONTAIN THIS INFORMATION ON THE FACE OF THE ENVELOPE OR THE BID MAY NOT BE CONSIDERED:  SEALED BID						
BUYER:				SHELLY MURRAY		
RFQ. NO.:				INS11014		
BID OPENING DATE:				05/11/2011		
BID OPENING TIME:				1:30 PM		
PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID:  -----781-213-6200-----						
CONTACT PERSON (PLEASE PRINT CLEARLY):  -----JOHN HERZFELD-----						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE	DATE
<i>John Herzfeld</i>	781-213-6200	5/16/11
TITLE	FAX	ADDRESS CHANGES TO BE NOTED ABOVE
Consulting Actuary	91-0675641	

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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 exceeds 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.

**WITNESS THE FOLLOWING SIGNATURE**

Vendor's Name: Milliman, Inc.

Authorized Signature: *[Signature]* Date: May 16, 2011

State of Massachusetts

County of Middlesex, to-wit:

Taken, subscribed, and sworn to before me this 16<sup>th</sup> day of May, 2011.

My Commission expires September 15, 2017.

AFFIX SEAL HERE

NOTARY PUBLIC

*Linda M. MacDonald*



**LINDA M. MACDONALD**  
Notary Public  
Commonwealth of Massachusetts  
My Commission Expires  
September 15, 2017

**PROPOSAL FOR ACTUARIAL SERVICES  
FOR  
WEST VIRGINIA INSURANCE COMMISSION**

**May 16, 2011**

Prepared by:  
John Herzfeld, FCAS, MAAA  
Amy P. Angeli, FCAS, MAAA  
Milliman, Inc.  
289 Edgewater Drive  
Wakefield, MA 01880  
(781) 213-6200

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### ATTACHMENT

#### A: RESUMES OF CONSULTANTS

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## **I. INTRODUCTION**

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### **A. Offices of the Insurance Commissioner**

The West Virginia Offices of the Insurance Commissioner ("OIC") is seeking a qualified actuarial firm to review property and casualty rate filings. Property and casualty rate filings include, but are not limited to, marine, surety, homeowners, liability, medical malpractice, workers' compensation, product liability, personal auto, commercial auto, credit, and title. Additional services may be required, such as appearances by the firm's personnel before legislative and executive bodies. The actuarial firm is also to develop a manual of rate review guidelines for use by the OIC staff.

### **B. Milliman, Inc.**

Milliman, Inc. ("Milliman") welcomes the opportunity to assist OIC. Milliman is among the largest actuarial and management consulting firms in the world. The firm employs approximately 2,500 people, including a professional staff of over 1,300 qualified actuaries and consultants in 54 offices around the world. We provide actuarial consulting services in the property/casualty, life, health, and pension areas to clients which include insurance companies, insurance purchasers, regulators, self-insurers, and pension plan sponsors. Services provided cover such diverse areas as evaluation of loss and expense reserves, pricing and funding requirements, risk retention, insurance management and operations, financial analysis, claims consulting, and reinsurance issues. The services we offer are as diverse as our clientele, but all are custom-tailored to meet the unique requirements of each client. For more detail on Milliman, please visit our website at [www.milliman.com](http://www.milliman.com).

The firm is owned by persons actively engaged in its consulting practice. Its sole business is providing independent consulting services on a fee-for-service basis. We do not act as an agent, broker, reinsurance intermediary, third party administrator, or adjuster, and we generally do not accept any form of contingency or brokerage compensation. The Principals of the firm are not permitted to own stock in any insurance or reinsurance company. In this way, Milliman is able to provide analyses and opinions that are completely independent and objective.

Milliman has performed studies on all aspects of property and casualty insurance, for public and private clients, in virtually all jurisdictions of the United States. Milliman is retained by the insurance departments of Rhode Island and Vermont to provide similar services.

We believe that Milliman distinguishes itself from its competitors as follows:

<b>Milliman Difference</b>	<b>Value Added to OIC</b>
➤ Extensive experience with property and casualty rate filings.	➤ Knowledge specific to rate filings reviews and OIC.
➤ Global firm with expertise in all aspects of property/casualty insurance.	➤ Resources of over 50 offices are available, if needed.
➤ Local decision makers / local profit center.	➤ Local consultants answer to clients, not to corporate level.
➤ Independent firm not affiliated with brokerage firms, reinsurance intermediaries, TPAs, or auditors.	➤ Objective analysis provided on a fee-for-service basis.
➤ Excellent communication skills.	➤ Verbal and written communications are understandable and well-documented.
➤ Pre- and post-release peer reviews.	➤ Enhances quality control.
➤ Creative approaches to each project.	➤ Workable solutions to problems.
➤ Commitment to service and high quality.	➤ High quality work and responsiveness to client needs.

References are available upon request.

## II. METHODOLOGY

---

The proposed assignment involves the review of property and casualty rate filings submitted to the State of West Virginia. The rate filing review process, which we have successfully implemented in Kentucky, Maryland, New Hampshire, Rhode Island, and Vermont, is described below in four stages:

### A. Conflict Clearance

Prior to reviewing any filing, we will perform an internal conflict clearance to determine if a potential conflict within Milliman might exist. If the conflict clearance indicates a potential issue, we will notify OIC immediately to resolve any conflict or, if necessary, decline to review the filing.

We have assisted BrickStreet Mutual Insurance Company with rate filings in many states, but not in West Virginia.

### B. The Review

We will review the rate or loss cost filing for reasonableness and compliance with applicable OIC Laws and Regulations. We will analyze the filing to make sure the rates are not excessive, inadequate, or unfairly discriminatory. We will also look for any pertinent changes or unusual data in the filing. Our primary goal will be to assess the reasonableness of the calculated rate level indication, which serves as the basis for the requested rate or loss cost level change. Also, other areas affecting rates and loss costs such as changes to increased limits factors, territory definitions, and class plans will be reviewed. Finally, when requested, we will review what effect the approval or disapproval of the filing might have on the West Virginia insurance market.

The items that we look for in our reviews include, but are not limited to:

1. adjustments to premiums or exposures

- a. on-leveling
- b. trend (where appropriate)
- c. common basis (e.g., deductible level)

2. adjustments to losses

- a. development
- b. trend
- c. allocated loss adjustment expenses (ALAE)
- d. unallocated loss adjustment expenses (ULAE)
- e. recognition of catastrophes or large losses

- f. common basis (e.g., deductible level)
3. credibility weighting of the following loss ratios or pure premium
- a. accident year
  - b. actual versus expected
  - c. territorial
4. selection of permissible loss ratio
5. consideration of investment income
6. rate level impact of program changes (where applicable)
- a. classification factors
  - b. increased limits factors
  - c. deductible factors
  - d. amount of insurance relativities

### **C. The Report**

We will prepare a brief written report listing pertinent comments, observations, and conclusions, followed by a list of possible questions to be asked of the filing entity regarding data, methodology, calculations, and/or unsupported assumptions and conclusions. We will explain our reasons for any critical comments, identify issues that need to be addressed, and suggest possible solutions. We will also provide a recommendation as to whether any requested change is reasonable.

Our target deadline for delivering our report will be 15 working days from our receipt of the filing. If we cannot complete the review within 15 working days, we will contact the State to explain the situation and establish a deadline that would be acceptable.

The annual NCCI filing will take longer to review because of the volume and rounds of questions typically asked.

### **D. The Follow-Up**

We will review the responses of the filing entity to questions raised on behalf of the State and prepare a brief follow-up report. We will also be available to provide expert testimony at rate and loss cost hearings.

### III. RELATED EXPERIENCE

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The Boston Casualty Office of Milliman has reviewed over 2,500 rate filings and performed other actuarial work for insurance regulators. We have reviewed and provided analyses of insurer rate filings for the following regulators:

- Kentucky Insurance Department
- Maryland Insurance Department
- New Hampshire Insurance Department
- Rhode Island Insurance Department
- Vermont Department of Banking, Insurance, Securities and Health Care Administration

The Boston Casualty Office has provided actuarial services (loss reserving studies, Statements of Actuarial Opinion, rate reviews, and rate filings) for many property and casualty insurance companies throughout the United States. Our clients include the following insurance companies:

- A.I.M. Mutual Insurance Company
- Acadia Insurance Company
- Allmerica Financial (Hanover and Citizens)
- Andover Insurance Companies – Homeowners Rate Filings
- Arrow Mutual Insurance Company
- BrickStreet Mutual Insurance Company
- Builders Insurance Company
- CGU Insurance Company
- Connecticut Life & Casualty
- Farm Family Casualty Insurance Company
- Guard Insurance Group
- Housing Authority Property Insurance, A Mutual Company
- Hingham Mutual Group
- Merchants Insurance Group
- Midstate Mutual Insurance Company
- Missouri Employers Mutual Insurance Company
- Narragansett Bay Insurance Company
- Norfolk & Dedham Insurance Company
- Omega US Insurance, Inc.
- Pan Atlantic Insurance Company
- Patriot Mutual Insurance Company
- Preferred Mutual Insurance Company
- Providence Mutual Insurance Company
- Safety Insurance Company
- SeaBright Insurance Company
- St. Paul Insurance Group



- Sterling Insurance Company
- United Casualty and Surety Insurance Company
- Virginia Surety Company

As mentioned earlier, we have not assisted BrickStreet Mutual Insurance Company with the preparation of rate filings in West Virginia.

Public Entities - Milliman has provided actuarial consulting services to the following public entities:

- Maine Blue Ribbon Commission - Assisted the commission in estimating the cost impacts of major changes to the Maine workers compensation laws.
- Maine Workers Compensation Coordinating Council - Milliman estimated the potential liabilities of the Employment Rehabilitation Fund and also provided a frequency analysis of Maine workers compensation claims.
- National Council on Compensation Insurance - A comprehensive examination of the data gathering and ratemaking functions of the NCCI on behalf of the National Association of Insurance Commissioners.
- Vermont Medical Malpractice Study Committee - We were retained by the State of Vermont Banking, Insurance, Securities, and Health Care Administration to provide expert assistance to the Vermont legislative Medical Malpractice Study Committee. The 18-month project involved collecting and analyzing statewide, regional, and countrywide insurer data and information; researching numerous pertinent medical malpractice issues; reporting to the Committee regularly; and meeting with members of the legislature.

Expert Hearing Testimony - Milliman actuaries have testified as expert witnesses at various legislative or regulatory hearings.

#### **IV. TEAM MEMBERS**

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The project will be coordinated through Milliman's Boston Office.

The project team will be headed by John Herzfeld. John is a Principal of Milliman, a Fellow of the Casualty Actuarial Society ("FCAS"), and a Member of the American Academy of Actuaries ("MAAA"). John has extensive experience reviewing company rate filings on behalf of numerous state insurance departments. If required, John will be assisted by Amy Angell, FCAS, MAAA. Amy is a Principal of Milliman with over 15 years of experience. To maintain cost efficiencies, John and Amy will be assisted by one or two actuarial analysts (depending on the number of filings reviewed). Attachment A includes John's and Amy's resumes and certifications, providing further information on their education and experience.

The staff of Milliman's Boston office currently includes 10 consulting actuaries, 4 associate actuaries, and 15 actuarial analysts who can be called upon to assist John and Amy as needed.

Milliman personnel from other offices may be called upon if their expertise is required. Our intent is to utilize the resources and expertise within Milliman that are most appropriate for each project.

## **V. TIMING**

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We can start the project as soon as we are notified of the acceptance of this proposal and the contract is negotiated and executed.

For filings other than the NCCI filing, if we have no questions for the filer, we will provide our review within 15 working days of receipt of the filing. If we have questions, we will provide our initial review and questions within 15 working days. Upon receipt of the responses, we will provide our complete review within 15 working days.

The annual NCCI filing will take longer to review.

## **VI. COST OF SERVICES**

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The cost of rate filing review services will be \$170 per hour.

Out of pocket travel expenses will be billed in accordance with the State of West Virginia's Travel Rules.

## **VII. GENERAL LIMITATIONS**

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We will rely on data and information provided by OIC. We will not audit or independently verify this data. If the data and information received is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. We will perform a limited review of the data used directly in our analysis for reasonableness and consistency. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or relationships that are materially inconsistent. Such a review is beyond the scope of our assignment.

Our estimates will reflect our best professional judgment, arrived at after careful actuarial analysis of the available data. However, estimates of expected claim costs involve future contingencies such as economic conditions, court decisions, and legislative actions. Therefore, our estimates are subject to uncertainty, and actual results will vary from our estimates.

This proposal shall remain effective for 90 days, after which it will expire unless Milliman and OIC agree to an extension.

## **VIII. TERMS AND CONDITIONS**

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The submission of Milliman's proposal is not an acceptance of West Virginia Offices of the Insurance Commissioner's terms and conditions, and Milliman will not be obligated to perform any services until a mutually acceptable contract is executed.

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**ATTACHMENT A:**  
**RESUMES OF CONSULTANTS**

**John Herzfeld**

FCAS, MAAA  
Consulting Actuary



**CURRENT RESPONSIBILITY**

John is a principal and consulting actuary with the Boston office of Milliman. He joined the firm in 1986.

**EXPERIENCE**

John works extensively on property and casualty consulting assignments. These assignments cover areas such as loss reserving, ratemaking, captive planning, feasibility studies, and rate-of-return analysis. His substantial expertise includes pricing and analysis of workers' compensation benefit changes and group self insurance programs for various lines, including workers' compensation and medical professional liability. In addition to multiline property and casualty insurers, his clients include self-insurers, captive insurers, reinsurers, medical professional liability specialty insurers, and workers' compensation specialty insurers.

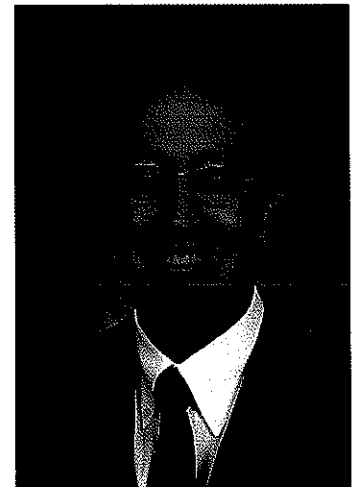
John priced workers' compensation benefit changes in Florida, Indiana, Maine, New Hampshire, Oklahoma, Rhode Island, and Vermont. He assisted the Connecticut, Maryland, Pennsylvania, and Rhode Island insurance departments with the examinations of several large national insurers and reinsurers. He has worked with more than 25 group self-insurance programs.

**PROFESSIONAL DESIGNATIONS**

- Fellow, Casualty Actuarial Society
- Member, American Academy of Actuaries

**EDUCATION**

- Graduate, Yale University





**Amy P. Angell**  
FCAS, MAAA  
Consulting Actuary



**CURRENT RESPONSIBILITY**

Amy is a principal with the Boston office of Milliman. She joined the firm in 1993.

**EXPERIENCE**

Amy has worked with a wide range of clients, including large self-insured corporations, liability insurers, captives, and state insurance departments. Her areas of expertise include casualty insurance pricing and loss reserving, financial modeling, and management reporting.

Amy has assisted with the formation and ongoing operation of several alternative risk financing vehicles. Clients in this area include self-insurers, captive insurance companies, and risk retention groups. Areas of insurance covered include workers' compensation, general liability, auto liability, employment practices liability, directors and officers liability, and professional liability.

Amy has assisted the Connecticut, Vermont, Rhode Island, Illinois, and Maryland insurance departments with the examinations of insurers and reinsurers. These examinations involved the estimation of loss and loss expense reserves, financial modeling, analyses of risk transfer, and the review of company reserving procedures and practices. Amy also reviews captive and risk retention group applications for the Vermont, Hawaii, and Montana insurance departments.

**PROFESSIONAL DESIGNATIONS**

- Fellow, Casualty Actuarial Society
- Member, American Academy of Actuaries

**EDUCATION**

- BS, Mathematics, New Mexico State University
- BA, Philosophy, New Mexico State University

