

# Legislative Audit Division REQUEST FOR PROPOSAL (RFP)

**RFP Title:**

*Engagement to Study and Evaluate Montana State Fund's Premium Rates, Claims Reservation Process, and Estimated Claims Liability*

**RFP Response Due Date and Time:**

June 7, 2006  
2 p.m., Local Time

Number of Pages: 22

**Contract Liaison:**

Angie Lang

**Issue Date:**

May 8, 2006

Legislative Audit Division  
Room 160 Capitol Building  
PO Box 201705  
Helena, MT 59620

Phone: (406) 444-3122

Website:

<http://www.leg.mt.gov/css/audit/default.asp>

**Return Proposal to:**

Legislative Audit Division  
Room 160 Capitol Building  
PO Box 201705  
Helena, MT 59620

**Mark Face of Envelope/Package:**

RFP Reference: Montana State Fund-06  
RFP Response Due Date: June 7, 2006

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>Offeror's RFP Checklist</b> .....	3
<b>Schedule of Events</b> .....	4
<b>Section 1: Project Overview and Instructions</b> .....	5
1.0 Project Overview .....	5
1.1 Contract Term .....	5
1.2 Single Point of Contact.....	5
1.3 Required Review .....	5
1.4 General Requirements .....	6
1.5 Submitting a Proposal .....	7
1.6 Cost of Preparing a Proposal .....	7
<b>Section 2: RFP Standard Information</b> .....	8
2.0 Offeror Competition .....	8
2.1 Receipt of Proposals and Public Inspection .....	8
2.2 Classification and Evaluation of Proposals .....	8
2.3 LAD's Rights Reserved .....	9
<b>Section 3: Scope of Project</b> .....	11
3.0 Montana State Fund Background Information .....	11
3.1 Scope of Work Required .....	11
<b>Section 4: Offeror Qualifications/Informational Requirements</b> .....	13
4.0 LAD's Right to Investigate and Reject.....	13
4.1 Offeror Qualifications/Informational Requirements .....	13
<b>Section 5: Cost Proposal</b> .....	14
<b>Section 6: Evaluation Process</b> .....	14
6.0 Basis of Evaluation.....	15
6.1 Evaluation Criteria.....	15
<b>Appendix A - Contract</b> .....	17
<b>Appendix B - RFP Response Form</b> .....	22

## OFFEROR'S RFP CHECKLIST

### The 8 Most Critical Things to Keep in Mind When Responding to an RFP for the Legislative Audit Division

1. \_\_\_\_\_ **Read the *entire* document.** Note critical items such as: mandatory requirements; supplies/services required; submittal dates; number of copies required for submittal; funding amount and source; contract requirements (i.e., contract performance security, insurance requirements, performance and/or reporting requirements, etc.).
2. \_\_\_\_\_ **Note the contract liaison's name, address, phone numbers and e-mail address.** This is the only person you are allowed to communicate with regarding the RFP and is an excellent source of information for any questions you may have.
3. \_\_\_\_\_ **Take advantage of the “question and answer” period.** Submit your questions to the contract liaison by the due date listed in the Schedule of Events and view the answers given in the formal “addenda” issued for the RFP. All addenda issued for an RFP are posted on LAD’s website and will include all questions asked and answered concerning the RFP.
4. \_\_\_\_\_ **Follow the format required in the RFP** when preparing your response. Provide point-by-point responses to all sections in a clear and concise manner.
5. \_\_\_\_\_ **Provide complete answers/descriptions.** Read and answer **all** questions and requirements. Don't assume LAD or evaluator/evaluation committee will know what your company capabilities are or what items/services you can provide, even if you have previously contracted with LAD or MSF. The proposals are evaluated based solely on the information and materials provided in your response.
6. \_\_\_\_\_ **Check LAD’s website for RFP addenda.** Before submitting your response, check LAD’s website at <http://www.leg.mt.gov/css/audit/default.asp> to see whether any addenda were issued for the RFP.
7. \_\_\_\_\_ **Review and read the RFP document again** to make sure that you have addressed all requirements. Your original response and the requested copies must be identical and be complete. The copies are provided to the evaluator/evaluation committee members and will be used to score your response.
8. \_\_\_\_\_ **Submit your response on time.** Note all the dates and times listed in the Schedule of Events and within the document, and be sure to submit all required items on time. Late proposal responses are ***never*** accepted.

**This checklist is provided for assistance only and should not be submitted with Offeror’s Response.**

**SCHEDULE OF EVENTS**

<b><u>EVENT</u></b>	<b><u>DATE</u></b>
<b>RFP Issue Date .....</b>	<b>May 8, 2006</b>
<b>Deadline for Receipt of Written Questions .....</b>	<b>May 19, 2006</b>
<b>Deadline for Posting of Written Responses to the LAD's Website .....</b>	<b>May 26, 2006</b>
<b>RFP Response Due Date .....</b>	<b>June 7, 2006</b>

## SECTION 1: PROJECT OVERVIEW AND INSTRUCTIONS

### 1.0 PROJECT OVERVIEW

The MONTANA LEGISLATIVE AUDIT DIVISION (hereinafter referred to as "LAD") is seeking a contractor to provide 1) actuarial consulting services to assist LAD in determining, in accordance with section 39-71-2362, MCA, if rates established by Montana State Fund (MSF) for workers' compensation insurance are excessive, inadequate, or unfairly discriminatory, 2) actuarial consulting services to assist LAD in evaluating, in accordance with section 39-71-2361, MCA, the adequacy of procedures used in the claim reservation process and the amount of claims reserved as estimated claims liability at June 30, and 3) actuarial consulting services to make recommendations to LAD addressing areas, if any, where MSF can improve its procedures for estimating claims liability and its rate making procedures to ensure rates are not excessive, inadequate, or unfairly discriminatory. A more complete description of the services sought for this project is provided in Section 3, Scope of Project. Proposals submitted in response to this solicitation must comply with the instructions and procedures contained herein.

### 1.1 CONTRACT TERM

The contract term is for the review of state fiscal year ending June 30, 2006. Renewals of the contract, at the discretion of LAD, may be made at one-year intervals, or any interval that is advantageous to LAD. This contract, including any renewals, may not exceed a total of seven years, at the option of LAD.

### 1.2 SINGLE POINT OF CONTACT

From the date this Request for Proposal (RFP) is issued until an offeror is selected and the selection is announced by the procurement officer, **offerors are not allowed to communicate with any state staff or officials regarding this procurement, except at the direction of Angie Lang**, the contract liaison in charge of the solicitation. Any unauthorized contact may disqualify the offeror from further consideration. Contact information for the single point of contact is as follows:

Contract Liaison: Angie Lang  
Address: PO Box 201705, Helena, MT 59620  
Telephone Number: (406) 444-3122  
Fax Number: (406) 444-9784  
E-mail Address: [alang@mt.gov](mailto:alang@mt.gov)

### 1.3 REQUIRED REVIEW

**1.3.1 Review RFP.** Offerors should carefully review the instructions, mandatory requirements, specifications, standard terms and conditions, and contract set out in this RFP and promptly notify the contract liaison identified above in writing or via e-mail of any ambiguity, inconsistency, unduly restrictive specifications, or error which they discover upon examination of this RFP. This should include any terms or requirements within the RFP that either preclude the offeror from responding to the RFP or add unnecessary cost. This notification must be accompanied by an explanation and suggested modification and be received by the deadline for receipt of written or e-mailed inquiries set forth below. The Legislative Audit Division will make any final determination of changes to the RFP.

**1.3.2 Form of Questions.** Offerors with questions or requiring clarification or interpretation of any section within this RFP must address these questions in writing or via e-mail to the contract liaison referenced above on or before May 19, 2006. Each question must provide clear reference to the section, page, and item in question. Questions received after the deadline may not be considered.

**1.3.3 LAD's Response.** The LAD will provide an official written response by May 26, 2006 to all questions received by May 19, 2006. The LAD's response will be by formal written addendum. Any other form of interpretation, correction, or change to this RFP will not be binding upon the LAD. Any formal written addendum will be posted on the LAD's website alongside the posting of the RFP at <http://www.leg.mt.gov/css/audit/default.asp> by the close of business on the date listed. **Offerors must sign and return with their RFP response an Acknowledgment of Addendum for any addendum issued.**

## **1.4 GENERAL REQUIREMENTS**

**1.4.1 Acceptance of Standard Terms and Conditions/Contract.** By submitting a response to this RFP, offeror agrees to acceptance of the standard terms and conditions and contract as set out in Appendices A and B of this RFP. Much of the language included in the standard terms and conditions and contract reflects requirements of Montana law. Requests for additions or exceptions to the standard terms and conditions, contract terms, including any necessary licenses, or any added provisions must be submitted to the contract liaison referenced above by the date for receipt of written/e-mailed questions and must be accompanied by an explanation of why the exception is being sought and what specific effect it will have on the offeror's ability to respond to the RFP or perform the contract. The LAD reserves the right to address non-material requests for exceptions with the highest scoring offeror during contract negotiation. Any material exceptions requested and granted to the standard terms and conditions and contract language will be addressed in any formal written addendum issued for this RFP and will apply to all offerors submitting a response to this RFP. The LAD will make any final determination of changes to the standard terms and conditions and/or contract.

**1.4.2 Resulting Contract.** This RFP and any addenda, the offeror's RFP response, including any amendments, a best and final offer, and any clarification question responses shall be included in any resulting contract. The LAD's contract, attached as Appendix B, contains the contract terms and conditions which will form the basis of any contract between the LAD, MSF, and the highest scoring offeror. In the event of a dispute as to the duties and responsibilities of the parties under this contract, the contract, along with any attachments prepared by the LAD, will govern in the same order of precedence as listed in the contract.

**1.4.3 Mandatory Requirements.** To be eligible for consideration, an offeror *must* meet the intent of all mandatory requirements. The LAD will determine whether an offeror's RFP response complies with the intent of the requirements. RFP responses that do not meet the full intent of all requirements listed in this RFP may be subject to point reductions during the evaluation process or may be deemed non-responsive.

**1.4.4 Understanding of Specifications and Requirements.** By submitting a response to this RFP, offeror agrees to an understanding of and compliance with the specifications and requirements described in this RFP.

**1.4.5 Prime Contractor/Subcontractors.** Firms may join with other firms in a joint venture response. If this is done, one firm must be designated as the primary contractor and the other firm(s) as subcontractor(s). The highest scoring offeror will be the prime contractor if a contract is awarded and shall be responsible, in total, for all work of any subcontractors. All subcontractors, if any, must be listed in the proposal. The LAD reserves the right to approve all subcontractors. The Contractor shall be responsible to the LAD for the acts and omissions of all subcontractors or agents and of persons directly or indirectly employed by such subcontractors, and for the acts and omissions of persons employed directly by the Contractor. Further, nothing contained within this document or any contract documents created as a result of any contract awards derived from this RFP shall create any contractual relationships between any subcontractor and the LAD.

**1.4.6 Offeror's Signature.** The proposals must be signed in ink by an individual authorized to legally bind the business submitting the proposal. The offeror's signature on a proposal in response to this RFP guarantees that the offer has been established without collusion and without effort to preclude the Legislative Audit Division from obtaining the best possible supply or service. Proof of authority of the person signing the RFP response must be furnished upon request.

**1.4.7 Offer in Effect for 120 Days.** A proposal may not be modified, withdrawn or canceled by the offeror for a 120-day period following the deadline for proposal submission as defined in the Schedule of Events, or receipt of best and final offer, if required, and offeror so agrees in submitting the proposal.

## **1.5 SUBMITTING A PROPOSAL**

**1.5.1 Organization of Proposal.** Offerors must organize their proposal into sections that follow the format outlined in Appendix B, with tabs separating each section. A point-by-point response to all numbered items is required. If no explanation or clarification is required in the offeror's response to a specific item, the offeror shall indicate so in the point-by-point response or utilize a blanket response for the entire section with the following statement:

**“(Offeror’s Name)” understands and will comply.**

**1.5.2 Failure to Comply with Instructions.** Offerors failing to comply with these instructions may be subject to point deductions. The LAD may also choose to not evaluate, may deem non-responsive, and/or may disqualify from further consideration any proposals that do not follow this RFP format, are difficult to understand, are difficult to read, or are missing any requested information.

**1.5.3 Multiple Proposals.** Offerors may, at their option, submit multiple proposals, in which case each proposal shall be evaluated as a separate document.

**1.5.4 Copies Required and Deadline for Receipt of Proposals.** Offerors must submit **one original proposal and one copy** to the Legislative Audit Division offices. **PROPOSALS MUST BE SEALED AND LABELED ON THE OUTSIDE OF THE PACKAGE** to clearly indicate that they are in response to this RFP. ***Proposals must be received at the receptionist’s desk of the Legislative Audit Division prior to 2 p.m., local time June 7, 2006. Facsimile responses to requests for proposals will not be accepted.***

**1.5.5 Late Proposals.** ***Regardless of cause, late proposals will not be accepted and will automatically be disqualified from further consideration.*** It shall be the offeror's sole risk to assure delivery at the receptionist's desk at the designated office by the designated time. Late proposals will not be opened and may be returned to the offeror at the expense of the offeror or destroyed if requested.

## **1.6 COST OF PREPARING A PROPOSAL**

**1.6.1 LAD Not Responsible for Preparation Costs.** The costs for developing and delivering responses to this RFP and any subsequent presentations of the proposal as requested by LAD are entirely the responsibility of the offeror. The LAD is not liable for any expense incurred by the offeror in the preparation and presentation of their proposal or any other costs incurred by the offeror prior to execution of a contract.

**1.6.2 All Timely Submitted Materials Become LAD Property.** All materials submitted in response to this RFP become the property of LAD and are to be appended to any formal documentation, which would further define or expand any contractual relationship between LAD, MSF, and offeror resulting from this RFP process.

## **SECTION 2: RFP STANDARD INFORMATION**

### **2.0 OFFEROR COMPETITION**

The LAD encourages free and open competition among offerors. Whenever possible, the LAD will design specifications, proposal requests, and conditions to accomplish this objective, consistent with the necessity to satisfy the LAD's need to procure technically sound, cost-effective services.

### **2.1 RECEIPT OF PROPOSALS AND PUBLIC INSPECTION**

**2.1.1 Public Information.** All information received in response to this RFP, including copyrighted material, is deemed public information and will be made available for public viewing and copying shortly after the time for receipt of proposals has passed with the following three exceptions: (1) bona fide trade secrets meeting the requirements of the Uniform Trade Secrets Act, Title 30, chapter 14, part 4, MCA, that have been properly marked, separated, and documented; (2) matters involving individual safety as determined by the LAD; and (3) other constitutional protections.

**2.1.2 Contract Liaison Review of Proposals.** Upon opening the proposals received in response to this RFP, the contract liaison in charge of the solicitation will review the proposals and separate out any information that meets the referenced exceptions in Section 2.1.1 above, providing the following conditions have been met:

- Confidential information is clearly marked and separated from the rest of the proposal.
- The proposal does not contain confidential material in the cost or price section.

### **2.2 CLASSIFICATION AND EVALUATION OF PROPOSALS**

**2.2.1 Initial Classification of Proposals as Responsive or Nonresponsive.** All proposals will initially be classified as either "responsive" or "nonresponsive," in accordance with ARM 2.5.602. Proposals may be found nonresponsive at any time during the procurement process if any of the required information is not provided; the submitted price is found to be excessive or inadequate as measured by criteria stated in the RFP; or the proposal is not within the plans and specifications described and required in the RFP. If a proposal is found to be nonresponsive, it will not be considered further.

**2.2.2 Determination of Responsibility.** The contract liaison will determine whether an offeror has met the standards of responsibility in accordance with ARM 2.5.407. Such a determination may be made at any time during the procurement process if information surfaces that would result in a determination of nonresponsibility. If an offeror is found nonresponsible, the determination must be in writing, made a part of the procurement file and mailed to the affected offeror.

**2.2.3 Evaluation of Proposals.** An evaluator/evaluation committee will evaluate the remaining proposals and recommend whether to award the contract to the highest scoring offeror or, if necessary, to seek discussion/negotiation or a best and final offer in order to determine the highest scoring offeror. All responsive proposals will be evaluated based on stated evaluation criteria. In scoring against stated criteria, LAD may consider such factors as accepted industry standards and a comparative evaluation of all other qualified RFP responses in terms of differing price, quality, and contractual factors. These scores will be used to determine the most advantageous offering to LAD and MSF. If an evaluation committee meets to deliberate and evaluate the proposals, the public may attend and observe the evaluation committee deliberations.

**2.2.4 Completeness of Proposals.** Selection and award will be based on the offeror's proposal and other items outlined in this RFP. Submitted responses may not include references to information located



elsewhere, such as Internet websites or libraries, unless specifically requested. Information or materials presented by offerors outside the formal response or subsequent discussion/negotiation or “best and final offer,” if requested, will not be considered, will have no bearing on any award, and may result in the offeror being disqualified from further consideration.

### **2.2.5 Opportunity for Discussion/Negotiation and/or Oral Presentation/Product Demonstration.**

After receipt of all proposals and prior to the determination of the award, LAD may initiate discussions with one or more offerors should clarification or negotiation be necessary. Offerors may also be required to make an oral presentation to clarify their RFP response or to further define their offer. The oral presentation may be conducted via telephone.

**2.2.6 Best and Final Offer.** The “Best and Final Offer” is an option available to LAD under the RFP process, which permits LAD to request a “best and final offer” from one or more offerors if additional information is required to make a final decision. Offerors may be contacted asking that they submit their “best and final offer,” which must include any and all discussed and/or negotiated changes. LAD reserves the right to request a “best and final offer” for this RFP, if any, based on price/cost alone.

**2.2.7 Evaluation Committee Recommendation for Contract Award.** The evaluation committee will provide a written recommendation for contract award to the contract liaison that contains the scores, justification and rationale for the decision. The contract liaison will review the recommendation to ensure its compliance with the RFP process and criteria before concurring in the evaluation committee’s recommendation.

**2.2.8 Request for Documents Notice.** Upon concurrence with the evaluation committee’s recommendation for contract award, the contract liaison will issue a “Request for Documents Notice” to the highest scoring offeror to obtain the required insurance documents, contract performance security, an electronic copy of any requested material, i.e., response to clarification questions and/or Best and Final Offer, and any other necessary documents. Receipt of the “Request for Documents Notice” does not constitute a contract and no work may begin until a contract signed by all parties is in place. The contract liaison will notify all other offerors of LAD’s intent to begin contract negotiation with the highest scoring offeror.

**2.2.9 Contract Negotiation.** Upon issuance of the “Request for Documents Notice,” the procurement officer and/or state agency representatives may begin contract negotiation with the responsive and responsible offeror whose proposal achieves the highest score and is, therefore, the most advantageous to LAD and MSF. If contract negotiation is unsuccessful or the highest scoring offeror fails to provide necessary documents or information in a timely manner, or fails to negotiate in good faith, LAD may terminate negotiations and begin negotiations with the next highest scoring offeror.

**2.2.10 Contract Award.** Contract award, if any, will be made to the highest scoring offeror who provides all required documents and successfully completes contract negotiation. A formal contract utilizing the Contract attached as Appendix A will be executed by all parties.

## **2.3 LAD’S RIGHTS RESERVED**

While LAD has every intention to award a contract as a result of this RFP, issuance of the RFP in no way constitutes a commitment by the State of Montana or the Legislative Audit Division to award and execute a contract. Upon a determination such actions would be in its best interest, LAD, in its sole discretion, reserves the right to:

- cancel or terminate this RFP;
- reject any or all proposals received in response to this RFP;
- waive any undesirable, inconsequential, or inconsistent provisions of this RFP which would not have significant impact on any proposal;

- not award if it is in the best interest of the LAD not to proceed with contract execution; or
- if awarded, terminate any contract if LAD determines adequate state funds are not available.

## **SECTION 3: SCOPE OF PROJECT**

### **3.0 MONTANA STATE FUND BACKGROUND INFORMATION**

Montana State Fund is a non-profit, public corporation and was established for the purpose of allowing an option for employers to insure their liability for workers' compensation and occupational disease coverage in Montana. The State Fund is Montana's largest writer of workers' compensation insurance. The State Fund is one of three options employers have to provide for their workers' compensation insurance coverage. Employers may self-insure, contract with private insurance carriers, or contract with the State Fund.

The State Fund is commonly known as the Plan 3 option for employers. Though specifically created in law, the State Fund competes with private insurance carriers for the insurance business of Montana employers. Unlike most private carriers, the State Fund is a mono-line insurance company engaged in providing only workers' compensation and occupational disease insurance. The State Fund functions as the guaranteed market for workers' compensation insurance for Montana employers.

The State Fund is operated much the same as a private insurance carrier, using actuarially sound principles in setting its insurance rates. By law, the State Fund must be neither more nor less than self-supporting. The State Fund currently has about 28,000 employer policyholders in the state of Montana.

### **3.0 SCOPE OF WORK REQUIRED**

To accomplish the purpose of this RFP, as described in above, the actuarial consultant must perform the following:

- A. Review MSF rates effective July 1, 2006. The review shall include appropriate analysis of the data used in the rate setting process and the process for setting the overall rate level and rates by class. Based on the work performed, comment and conclude on the reasonableness of the rate setting methodology, formulas, and procedures; and conclude as to whether rates effective July 1, 2006 are excessive, inadequate, or unfairly discriminatory.
- B. Assess, comment, and conclude on the reasonableness of the data, formulas, and methodology used by MSF in its claims reservation process. Assess, comment, and conclude on the reasonableness of the amounts MSF's contract actuary estimated for the MSF claims reserves at June 30, 2006. The actuarial consultant may, to the extent possible, review and use an analysis of the MSF's contract actuary's work to facilitate this requirement.
- C. Review the procedures used by MSF's contract actuary, in relation to provisions A and B above, to assess the validity of information obtained from the MSF and determine the amount of reliance placed on the information. Comment and conclude on the adequacy of procedures used by MSF's contract actuary to assess the validity of information obtained from the MSF.
- D. Review the data elements used by the MSF's contract actuary in the rate setting process and the estimation of claims liability respective to each fiscal year reviewed. Rank the data elements used by the actuary in terms of risk that erroneous data could materially effect the rates and estimated claims liability
- E. Reporting Requirements:  
The actuarial consultant shall write a formal report addressed to LAD which specifically addresses each item in A through D above. The report must summarize the scope, results, and conclusions of the actuarial consultant's work and make appropriate recommendations, if necessary, to MSF and/or LAD.

The actuarial consultant must include in the report a written response provided by MSF addressing the actuarial consultant's findings.

The actuarial consultant must print and submit 25 copies and 1 unbound original of the final report to LAD to be made available to the governor, the legislature, and the board of directors and management of the state fund. Reports must be provided to LAD two weeks after receiving the MSF contract actuary's claims reserve report, designated by MSF as final, for June 30, 2006, or an agreed upon date, requested of and approved in writing by LAD based on reasonable explanations provided by the actuarial consultant for a change in dates. It is anticipated that the MSF contract actuary's work will be final on September 1, 2006. The report is due three weeks from the date of receipt of the final report from the State Fund contract actuary or by October 10, 2006.

## **SECTION 4: OFFEROR QUALIFICATIONS/INFORMATIONAL REQUIREMENTS**

### **4.0 LAD'S RIGHT TO INVESTIGATE AND REJECT**

LAD may make such investigations as deemed necessary to determine the ability of the offeror to perform the services specified. LAD reserves the right to reject any proposal if the evidence submitted by, or investigation of, the offeror fails to satisfy LAD that the offeror is properly qualified to carry out the obligations of the contract. *This includes LAD's ability to reject the proposal based on negative references.*

### **4.1 OFFEROR QUALIFICATIONS/INFORMATIONAL REQUIREMENTS**

In order for LAD to determine the capabilities of an offeror to provide the supplies and/or perform the services specified in Section 3 above, the offeror must respond to the following requests for information regarding its ability to meet LAD's requirements. **THE RESPONSE "(OFFEROR'S NAME) UNDERSTANDS AND WILL COMPLY" IS NOT APPROPRIATE FOR THIS SECTION.**

**NOTE: Each item must be thoroughly addressed. Offerors taking exception to any requirements listed in this section may be found non-responsive or be subject to point deductions.**

**4.1.1 References.** Offeror shall provide a minimum of three references that are using services of the type proposed in this RFP. The references may include state government or universities where the offeror, preferably within the last five years, has successfully completed an engagement studying and evaluating premium rates, claims reservation processes and claims liabilities for a workers' compensation insurance company. At a minimum, the offeror shall provide the company name, the location where the services were provided, contact person(s), customer's telephone number, e-mail address, and a complete description of the service type, and dates the services were provided. These references may be contacted to verify offeror's ability to perform the contract. LAD reserves the right to use any information or additional references deemed necessary to establish the ability of the offeror to perform the conditions of the contract. Negative references may be grounds for proposal disqualification.

**4.1.2 Company Profile and Experience.** Offeror shall specify how long the individual/company submitting the proposal has been in the business of providing supplies and/or services similar to those requested in this RFP and under what company name. Offeror should provide a complete description of any relevant past projects, including the supply/service type and dates the supplies and/or services were provided. A description of services provided by the offeror during the past five years, including: 1) approximate percentage of business conducted in the following areas: Actuarial, claims administration, consulting services, management services, rate review/rate setting, and other; and 2) the number of years of insurance experience in the following areas: Property, casualty, life and disability, workers' compensation, claims administration, and other insurance related claims, is also required.

**4.1.3 Résumés.** Offeror shall provide a résumé or summary of qualifications, work experience, education, skills, etc., which emphasizes previous experience in this area for all key personnel who will be involved with any aspects of the contract. It should be stated if the firm, any subsidiaries, affiliates, or any individuals who will be involved with any aspects of the contract have a possible conflict of interest and, if so, the nature of that conflict. The Offerer shall also disclose any material business relationships with MSF's contract actuary, Towers-Perrin. LAD must be notified in advance of any staff assignments change during the course of the contract.

**4.1.4 Method of Providing Services.** Offeror shall provide a description of a work plan and the methods to be used that will convincingly demonstrate to LAD what the offeror intends to do, the timeframes necessary to accomplish the work, and how the work will be accomplished to meet the contract requirements as more specifically detailed above in Section 3.

## SECTION 5: COST PROPOSAL

Offeror should prepare a line item cost proposal based on the scope outlined in Section 3. The offeror will provide the following information

- A. Price which the firm proposes to charge for performance of the Engagement:
  - a. Include all costs normally associated with the engagement, as outlined in the scope, including the work necessary to conduct the actual engagement, use of additional consultants, preparation of a report, review of MSF reply, and explanation of the report.
  - b. Exclude the cost of travel and subsequent appearance before any oversight bodies.
- B. Proposed Price for Travel: Price which the firm proposes to charge for travel and transportation associated with this engagement.
- C. Total price proposed for this agreement.
- D. Proposed hourly rate(s), which the firm would charge for supplementary efforts in conjunction with this engagement, such as subsequent appearance before legislative committees, hearings, etc. for each staff member assigned to the engagement.

## SECTION 6: EVALUATION PROCESS

### 6.0 BASIS OF EVALUATION

The evaluator/evaluation committee will review and evaluate the offers according to the following criteria based on a total number of 100 points.

#### SCORING GUIDE

In awarding points to the evaluation criteria, the evaluator/evaluation committee will consider the following guidelines:

**Superior Response (95-100%):** A superior response is a highly comprehensive, excellent reply that meets all of the requirements of the RFP. In addition, the response covers areas not originally addressed within the RFP and includes additional information and recommendations that would prove both valuable and beneficial.

**Good Response (85-94%):** A good response meets all the requirements of the RFP and demonstrates in a clear and concise manner a thorough knowledge and understanding of the project, with no deficiencies noted.

**Fair Response (60-84%):** A fair response minimally meets most requirements set forth in the RFP. The offeror demonstrates some ability to comply with guidelines and requirements of the project, but knowledge of the subject matter is limited.

**Failed Response (0-59%):** A failed response does not meet the requirements set forth in the RFP. The offeror has not demonstrated sufficient knowledge of the subject matter.

### 6.1 EVALUATION CRITERIA

<b>References</b>	<b>20% of points for a possible 20 points</b>
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**Category**

- A. References (Complete Contact Information Provided)

<b>Company Profile and Experience</b>	<b>20% of points for a possible 20 points</b>
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**Category**

- A. Years of Experience
- B. Nature of Services provided in last 5 years

<b>Résumés</b>	<b>20% of points for a possible 20 points</b>
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**Category**

- A. Summary of Qualifications
- B. Work Experience
- C. Education
- D. Skills
- E. Conflict of interest disclosed

<b>Method of Providing Services</b>	<b>20% of points for a possible 20 points</b>
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**Category**

- A. Methods
- B. Work Plan
- C. Timeframes

<b>Cost Proposal</b>	<b>20% of points for a possible 20 points</b>
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**Category**

- A. Cost Proposal



## APPENDIX A: SAMPLE CONTRACT

### CONTRACT FOR SERVICES

BY THIS CONTRACT, made this \_\_\_\_\_ day of \_\_\_\_\_ 2006, by and between the Montana State Legislative Audit Division, hereinafter referred to as the "State," and \_\_\_\_\_, hereinafter referred to as the "Consultant," and the Montana State Fund, hereinafter referred to as the "State Fund," it is hereby agreed that:

#### Scope of Work

1. The Consultant will evaluate the reasonableness of the methodology, formulas, and procedures used by the State Fund to establish rates. The Consultant will also assess the reasonableness of the methodology, formulas, and procedures used by the State Fund in determining rates that will become effective July 1, 2006, and conclude whether the rates are excessive, inadequate, or unfairly discriminatory. The Consultant will assess, comment, and conclude on the reasonableness of the data, formulas, and methodology used by the State Fund in its claims reservation process and on the reasonableness of the amounts State Fund's contract actuary estimated for the State Fund's claims reserves at June 30, 2006. The Consultant will review the procedures used by State Fund's contract actuary to assess the validity of information obtained from State Fund, determine the amount of reliance placed on the information, and comment and conclude on the adequacy of procedures used by State Fund's contract actuary to assess the validity of information obtained from State fund. The Consultant will review the data elements used by the State Fund's contract actuary in the rate setting process and the estimation of claims liability respective to each fiscal year reviewed and rank these data elements in terms of risk that erroneous data could materially effect the rates and estimated claims liability.
2. The Consultant's study and evaluation will be conducted in accordance with the terms of the Legislative Audit Division's Request for Proposal document dated April 2006 and the Consultant's bid response dated \_\_\_\_\_. By this reference, these documents are incorporated as part of this contract, except as expressly modified by the terms of this contract.
3. The Consultant shall render a comprehensive written report of comments and recommendations to the State and the State Fund which shall include, but not limited to, the following matters:
  - a. The scope, results, and conclusions of the Consultant's work.
  - b. An evaluation of the reasonableness of procedures used by the State Fund and any recommendations for improvement of State Fund rate-making procedures.
  - c. A table of contents and numbered pages.
  - d. A list of administrative officials.
  - e. State Fund reply to the Consultant's findings.
  - f. All other matters agreed to by the Consultants, State Fund and the State.

4. The report will exclude all proper names of individuals except as required in the list of administrative officials and in formal agency responses.

#### **Confidentiality**

5. All material and information in which there is an individual right to privacy or is considered proprietary by the State Fund which is provided to the consultant by the State Fund or acquired by the Consultant on behalf of the State Fund, whether oral, written, magnetic media, or otherwise, shall be taken by the Consultant to safeguard the confidentiality of such material or information. All information or materials in which there is not an individual right to privacy or not deemed proprietary by the State Fund is nonconfidential. Consultant shall not use confidential information except in fulfillment of this contract.

If the Consultant receives a request from a third party for material or information provided by the State Fund, it will contact the State Fund for a determination as to whether or not the information or material can be released. State Fund shall provide such authorization in writing.

#### **Independent Contractor**

6. The Consultant shall at all times be deemed an independent contractor and its employees are not employees of the State. The Consultant shall furnish certification from the Department of Labor and Industry establishing either that it has elected workers' compensation coverage for itself, or has an approved exemption from coverage as required by section 39-71-401, MCA, before the beginning date of the contract.

The Consultant certifies, by signing this contract, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction (contract) by any governmental department or agency. If the Consultant cannot certify this statement, attach a written explanation for review by the State.

#### **Consulting and Assignability**

7. The Consultant shall obtain the written approval of the State prior to the engagement of correspondent actuaries or consultants to provide services in connection with this project. The contractor shall not assign, transfer, or subcontract any portion of the contract without the express written consent of the State.

#### **Working Paper Availability and Retention**

8. The State shall have access, in the Legislative Audit Division, for review purposes, to working papers, work products, time records, and all other documents and end products resulting from performance under this contract. The Consultant also agrees to make the supporting working papers available to the State, in the Legislative Audit Division, for use by the State or other firms as directed by the State in future work at the State Fund. The Consultant shall not destroy any documentation and working papers resulting from this contract for five years from the date the report is submitted to the Legislative Audit Division.

#### **Discrimination**

9. No part of this contract may be performed in a manner which discriminates against any person on the basis of race, color, religion, creed, political ideas, sex, age, marital status, physical or mental handicap, or national origin by the persons performing the contract. Neither will the Consultant discriminate against

any employee or applicant for employment because of race, religion, creed, color, or national origin, or because of age, physical or mental handicap, marital status, or sex when the reasonable demands of the position do not require such a distinction; actions in which such discrimination is prohibited include, but are not limited to, employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. Any hiring must be on the basis of merit and qualifications directly related to the requirements of the particular position being filled. The Consultant also agrees to comply with the applicable provisions of state and federal minimum wage laws.

### **Hold Harmless and Indemnification**

10. The Consultant agrees to protect, defend, and save the State, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Consultant's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Consultant and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under this agreement.

### **Exclusivity**

11. The Consultant agrees that they will not arrange for, or accept actuarial work with the State Fund while the engagement covered by this contract is in process without the approval of the State in writing.

### **LAD Consultation and Assistance**

12. The State will provide a maximum of eight hours consultation to the Consultants without charge unless we agree otherwise in writing. Any consultation requested of the Legislative Audit Division's staff exceeding the eight hours will be provided at the Consultant's expense. The Consultant will be charged for consultation at a rate which equals the average hourly rate bid by the Consultant in their contract for the audit engagement or the State rate, whichever is greater. Charges for consultation exceeding eight hours will be deducted from progress payments made to the Consultant as the job progresses.

### **Timeframe**

13. The Consultant shall deliver 25 copies to State Fund and one unbound original of the final report to the State as described in Request for Proposal information three weeks from the date of receipt of the final report from the State Fund contract actuary or by October 10, 2006, whichever is later, unless an extension of time has been granted by the State in writing. A request for an extension of time to complete the contract must be in writing and will be granted only for good cause shown as determined by the State. Failure of the Consultant to complete and deliver the final report to the State three weeks from the time of receipt of the final actuarial report from the State Fund, or by October 10, 2006, whichever is later, will result in a penalty of two and one-half percent (2.5%) of the contract price per week, or portion thereof, being assessed against the Consultant by the State, unless an extension of time has been granted. Any penalties assessed by the State will be subtracted from the amount owing to the Consultant under this contract. The State reserves the right to terminate the contract if the Consultant fails to complete and deliver the final report by the date specified above. The final report will be the property of the State.

### **Contract Liaison**

14. The State will designate a contract coordinator to serve as liaison between the State and the Consultant for purposes of fulfilling the terms of this contract. All communications, requests, and billings between the Consultant and the State will be submitted through the contract coordinator, Angela Lang.

### **Billing and Payments**

15. The Consultant shall submit, on forms provided by the State, all billings directly to the State for approval and, upon approval, the State Fund will process such billings for payment. Total compensation to the Consultant pursuant to this contract for services and expenses shall be \$\_\_\_\_\_. Any payments in excess of the stated amount must be the result of a separate written contract between the Consultant and the State. A retention of twenty percent (20%) of each approved payment will be made by the State until the final report has been delivered to the State

Upon receipt and acceptance of the final report and receipt of such support agreed upon in paragraph five of this contract, the State shall pay the Consultant the remaining amount of the contract price, less any late charges assessed per paragraph 13.

### **Performance Review**

16. Contingent upon satisfactory performance, the Consultant may have the opportunity to annually renew this contract for the next contract term at a price agreed upon by all parties. Should the parties be unable to negotiate a mutually acceptable fee, the contract may put out for proposal for the subsequent engagement period.

### **Termination and Default**

17. The State may, by written notice to the Consultant, terminate this contract without cause. The State must give written notice of termination to the Consultant at least 30 days prior to the effective date of termination. In the event of default and nonperformance of the contract by the Consultant as determined by the State, the right to any compensation under the terms of this contract is forfeited. The State at its sole discretion may terminate or reduce the scope of this contract if available funding is reduced for any reason.

### **Governing Law**

18. The laws of the State of Montana shall govern the construction and interpretation of this contract. For all proceedings among the parties to this contract arising hereunder, venue shall be the First Judicial District Court in and for Lewis and Clark County, Montana.

### **Limits, Modification, Severability and Amendment**

19. This contract contains the entire understanding and agreement of the parties. No modification or amendment thereto shall be valid unless the same is reduced to writing and made a part of this contract. A declaration by any court, or any other binding legal source, that any provision of the contract is illegal and void shall not affect the legality and enforceability of any other provision of the contract, unless the provisions are mutually dependent.

State of Montana

Legislative Audit Division

Scott Seacat, Legislative Auditor

By: \_\_\_\_\_

Date \_\_\_\_\_

Montana State Fund

By: \_\_\_\_\_

Date \_\_\_\_\_

Consultant

By: \_\_\_\_\_

Date \_\_\_\_\_

Approved for Legal Content:

By: \_\_\_\_\_

Date \_\_\_\_\_

## APPENDIX B: RFP RESPONSE FORM

1. Offeror has read, understood, and agrees to comply with all items contained in this RFP.

Agreed

\_\_\_\_\_  
Offeror's Signature

\_\_\_\_\_  
Date

### OFFEROR MUST PROVIDE THE FOLLOWING INFORMATION THAT WILL BE EVALUATED BY THE RFP EVALUATOR/EVALUATION COMMITTEE:

2. **References.**
3. **Company Profile and Experience.**
4. **Résumés.**
5. **Method of Providing Services.**
6. **Cost Proposal.**
7. **Sign and Date Response.** The response must contain a signature of the agent taking responsibility for the response, typed name and title of the signer, offering firm's name, and the date of the response.
8. **Completeness of Proposal.** An offeror's response must be complete at the time of submittal and contain all the reference materials necessary to provide a complete response to the RFP. An offeror making the statement "Refer to our literature..." or "Please see www.....com" may be deemed non-responsive or receive point deductions. If making reference to materials located in another section of the RFP response, specific page numbers and sections must be noted.
9. **Number of Copies and Due Date.** Offerors must submit one original and one copy to the address listed below. Proposals must be received at the receptionist's desk of the Legislative Audit Division prior to 2 p.m., local time, June 7, 2006. Proposals received after this time will not be accepted for consideration. Facsimile or electronic submissions are not acceptable.

**Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena, MT 59620**