

**January 2011 Invitation for Bids
for the
Workers Compensation Alternative Residual Market Contract
IFB SDA 501-WC ARM 2011**

This document constitutes a request for competitive, sealed bids from qualified individuals and organizations to perform services in accordance with the terms and conditions set forth herein. This request for bids shall be referred to as “this January 2011 IFB” or simply as “this IFB.” The entity submitting a bid for consideration and to whom the contract is awarded may be variously referred to in this document as “respondent”, “bidder” or “contractor”.

By means of this January 2011 IFB, the Missouri Department of Insurance, Financial Institutions & Professional Registration (“the Department” or “DIFP”) seeks to contract with one or more entities to administer and provide workers’ compensation insurance for the state’s Alternative Residual Market Plan (ARM Plan), per the attached specifications. All respondents must submit pricing information associated with Exhibit A of this January 2011 IFB, which must be completed, signed, dated, and returned along with the respondent’s proposal. Other proposal requirements are stated throughout this January 2011 IFB. Five (5) hard copies of the respondent’s sealed written proposal and an electronic copy of the entire proposal in a PDF format (either on CD or sent to DIFP via e-mail) must be received by the Department on or before 5:00 p.m. central time, Monday, February 28, 2011 at the address listed below.

Address: Missouri Department of Insurance, Financial Institutions & Professional Registration
Attn: Mark Doerner - Alternative Residual Market Bids
301 West High Street, Room 530
P.O. Box 690
Jefferson City, Missouri 65102-0690

If the respondent is submitting alternative bids, the respondent shall submit five (5) hard copies along with an electronic copy of the entire proposal in a PDF format (either on CD or sent to DIFP via e-mail) of each of the alternatives. The various alternatives and their accompanying signed January 2011 IFB pages should be labeled distinctly so as to avoid any confusion among the alternatives.

A request for the actuarial information relating to the rates and rate structure of a proposal required under Exhibit A of the IFB will be made by the Department only *after* sealed bids are opened, following the February 28, 2011, filing deadline. Upon request from the Department you will be required to submit this actuarial information in a PDF format on CD or by email, for purposes of speeding up the actuarial analysis of the responses. Include the name, telephone number/s, fax number and e-mail address of the contract person/s for this function in the initial IFB responses.

[Please Note: Under the provisions of Section 610.021, RSMo, subdivision (12), any bids submitted become open public records after the sealed bids are opened, or, in the alternative, all bids are rejected.]

A proposal conference regarding this IFB will be held in mid-January 2011, at the Department’s Offices in Room 530 of the Truman State Office Building, Jefferson City, Missouri. Please consult the Department’s website, <http://insurance.mo.gov/industry/WCBID>, for the specific location, date and time of the conference. Attendance at this conference is not required to submit a proposal, however, questions, clarifications, and possible amendments relating to this IFB may be discussed. Individuals unable to attend in person may participate by teleconference. The number for the teleconference will be available after January 5, 2011, from Mark Doerner at Mark.Doerner@insurance.mo.gov. If you have questions you can also contact Mark by phone at (573) 751-1950. Those attending either in person or via teleconference, should notify Mark Doerner by email no later than 5:00 p.m., January 9, 2011, so that the room can be configured to accommodate the number of people attending and so the Department will know how many participants to expect on the teleconference.

The Department intends to award a contract pursuant to this IFB for a period of one year, with the option of subsequent annual renewals following completion of satisfactory performance, for up to three renewal periods. The commencement

of administrative and insurance services for the new residual market plan shall begin on July 1, 2011. The Department's goal is to award the contract sometime during first quarter, 2011.

A copy of this January 2011 IFB, with a signed page 2 and a signed Exhibit A, along with a signed first page of any subsequent amendments to this IFB, should be returned with the respondent's proposal, which shall constitute acceptance by the respondent of all terms and conditions of this January 2011 IFB and said IFB amendments. The respondent is advised to review all proposal submission requirements stated in this January 2011 IFB and in any amendments thereto. Any amendments will be posted on the Department's web site at <http://insurance.mo.gov/industry/WCBID> following the proposal conference but no later than January 17, 2011.

The Department recognizes that the "respondent" may be providing only a portion of the actual services under a proposal. Where multiple entities will be responsible for elements of a proposal, page 2 of this IFB shall be signed not only by an authorized representative of the IFB respondent, but also by the authorized representatives of any additional plan administrators, third-party administrators, insurers, reinsurers or other participants in the proposed plan structure who will possess any performance responsibilities under the proposal, as have been ascertained at the time of the submission of the proposal. In no event shall a proposal be deemed to comply with this IFB if it is not signed by the authorized representative(s) of the insurer(s) to be utilized, and the plan administrator to be utilized, if different from the insurer. Should a prospective respondent have questions concerning which entities should sign their bids, these questions may be communicated in writing to Mark Doerner, at the email address listed above.

The respondent understands that the Department reserves the right to reject any or all bids.

The respondent hereby agrees to provide the services and/or items at the prices, premium levels and rate structures quoted, pursuant to the requirements of this document and the respondent's proposal and further agrees that when this document is countersigned by the Director of the Missouri Department of Insurance, Financial Institutions & Professional Registration, a binding contract, as defined herein, shall exist between the respondent and the Department.

Signature of Respondent's Representative: _____

Representative's Name and Title (Printed): _____

Company Name: _____

Proposal Title and Date: _____

Mailing Address: _____

Telephone: (____) _____ Social Security or Federal Tax Number: _____

NOTICE OF AWARD (This section for Department use only.)

This proposal is accepted by the Missouri Department of Insurance, Financial Institutions & Professional Registration as follows:

Signature

Title

Date

PART ONE - INTRODUCTION AND GENERAL INFORMATION

ORGANIZATION

This document, referred to as “this January 2011 IFB” or simply “this IFB,” constitutes a request for interested entities to submit sealed bids for the operation of Missouri’s Alternative Residual Market Plan under Regulation 20 CSR 500-6.960, for the contract year beginning July 1, 2011. This January 2011 IFB has been divided into the following parts for the convenience of the respondent:

PART ONE - INTRODUCTION AND GENERAL INFORMATION

PART TWO - SCOPE OF WORK

PART THREE - GENERAL CONTRACTUAL REQUIREMENTS

PART FOUR - PROPOSAL SUBMISSION INFORMATION

PROPOSAL AND ATTACHMENTS

EXHIBIT A PRICING PAGE

EXHIBIT B MISSOURI SERVICE-DISABLED VETERAN BUSINESS PREFERENCE

EXHIBIT C BUSINESS ENTITY CERTIFICATION, ENROLLMENT DOCUMENTATION,
AND AFFIDAVIT OF WORK AUTHORIZATION

The Department desires to contract per the attached specifications. All respondents offering to so contract must submit the pricing information on Exhibit A concerning their proposed one-year premium level and one-year rate structure, which must be completed, signed, dated, and returned with the respondent’s proposed offer. Respondents may submit multiple bids to the extent necessary to reflect different loss retention levels or different operational scenarios, provided, however, that each proposal shall be separate and distinct from any other bids submitted by the respondent.

All questions regarding technical specifications, bid process, etc. must be directed in writing to Mark Doerner at the Department’s mailing address, by email to Mark Doerner at the above address, or to fax number (573) 526-4839. Respondents or their representatives may *not* contact other employees of the Department concerning this IFB while the bidding and evaluation are in progress.

The respondent is advised that the only official position of the Department regarding this January 2011 IFB is a position which is stated in writing and issued by the Department as an Invitation for Bid and any amendment thereto. No other means of communication, whether oral or written, shall be construed as a formal or official response or statement.

BACKGROUND INFORMATION

During the 1993 Legislative Session, the Missouri General Assembly passed a workers’ compensation reform package known as Senate Bill 251. Section 14 of that bill (subsequently assigned to Section 287.896 of the Revised Statutes of Missouri) required the Department to “approve a plan of operation for a new residual market that will guarantee insurance coverage and quality loss prevention and control services for employers seeking coverage through the plan.” The Department was directed to approve such a plan within forty-five days of the section’s effective date, to become effective January 1, 1994. The premium rates for this new residual market were to be set by the Director after a hearing “so that the amount required in premiums, together with reasonable investment income earned on those premiums, is not excessive, inadequate or unfairly discriminatory and is actuarially sufficient to apply claims and losses and reasonable operating expenses of the insurers.”

Pursuant to this section, on October 14, 1993, the Director approved a residual market plan of operation that became effective January 1, 1994. The plan approved at that time was based on the one that had previously been filed by the National Council on Compensation Insurance, Inc. (NCCI) and approved by the Department on February 9, 1993.

On January 3, 1994, the Department issued a "Notice to Solicit Bids for a Plan of Operation for the Workers' Compensation Residual Market." After reviewing these bids and conducting follow-up discussions with a number of the respondents, the Department concluded that it might be possible to reorganize Missouri's residual market in such a way that it better accomplished Section 287.896 RSMo.'s goals of guaranteed insurance, quality loss prevention and control services, and self-sufficient rates which are not excessive, inadequate, or unfairly discriminatory.

After a thorough review process by the Department's staff, including on-site evaluations of the top candidates, the Director selected The Travelers to function as the Contract Carrier under the first year of the ARM Plan, in a joint venture with Alexander & Alexander. Travelers officially began providing services at the beginning of the first contract year on July 1, 1995. The contract was rebid in 2003 and 2006 at which times it was also awarded to Traveler's.

PART TWO - SCOPE OF WORK

GENERAL REQUIREMENTS

Potential Bid Options and Preferred Bid Options: Consistent with the provisions in 20 CSR 500-6.960, the Director seeks response for structuring the administration of the ARM Plan under both the Contract Carrier Option and the Servicing Carrier Option.

Under this IFB, as between responses under the Contract Carrier Option and responses under the Servicing Carrier Option, responses under the Contract Carrier Option will be preferred. It is permissible, but not required, for respondents to provide responses under both the "Contract Carrier" and "Servicing Carrier" options. Respondents are advised that the Department's preferred option is for the selection of a Contract Carrier to be on the risk for the paid losses and ALAE of the Missouri residual market up to a retention level of a minimum of 100% of collected premium. Higher retention levels of 105%, 110%, and 115% will also be considered. *The higher retention level is preferred and will be given more weight in the evaluation for awarding the IFB.* In evaluating bids, the Department will balance the goal of protecting the voluntary market from deficits with the goal of avoiding significant rate increases for policyholders covered by the ARM Plan. Responses under the "Servicing Carrier" option will be considered even if responses are received under the "Contract Carrier" option, although the latter will receive more weight in the evaluation process. The fact that it is unlikely "direct assignment carriers" will be able to be identified prior to July 1, 2011 under a servicing carrier option will not be a factor in the bid evaluations.

The Contract Carrier Option. Under this option, by means of this IFB, the Director may select a duly licensed and financially sound insurer as "Contract Carrier" to administer the Missouri residual market. The Contract Carrier will then be on the risk for the paid losses and ALAE of the residual market, up to a retention level proposed by the Contract Carrier and selected by the Director.

In its capacity as the Contract Carrier, the insurer so selected, and any duly-licensed and approved subcontractors of that insurer, shall perform all of the functions required of a workers' compensation insurer, such as employee classification, underwriting, policy issuance, safety engineering, loss control, premium collection, claims handling, claims reserving, auditing, complaint handling, and benefits payment, all under performance standards selected by the Director, for those insured employers and their injured employees covered under the ARM Plan. To the extent the Contract Carrier and the Director cannot agree as to a particular point regarding performance standards, the Director will decide. Such performance standards shall become the Contract Carrier's written manual.

If losses exceed the selected retention level and results in a deficit, each insurer licensed to write workers' compensation insurance in Missouri (including the Contract Carrier if it is also a voluntary market insurer) will participate in any such deficit in a proportional manner based upon the insurer's pro rata share of voluntary market premium. The deficit collection function shall be administered by the NCCI as Reinsurance Administrator under the oversight of an advisory board appointed by the Director under Regulation 20 CSR 500-6.960.

As part of this IFB, the Department invites each bidding insurer to specify one or more of four (4) loss retention levels for paid losses and ALAE, as defined in Regulation 20 CSR 500-6.960, that the insurer is willing to retain in its capacity as Contract Carrier, provided the levels should not be lower than 100% of collected premium for a given contract year. In addition to a specified loss retention level of 100%, the Department also invites each respondent to respond at 105%, 110%, and 115% should the respondent so choose. *Loss retention levels in excess of 100% will be given more weight in the evaluation process.*

The premium rates charged to an insured employer under the Contract Carrier option shall be based on rates and rating plans recommended by the respondent for the particular loss retention level specified. A primary goal is for the Contract Carrier to collect sufficient premium to cover paid losses and ALAE, up to the specified loss retention level, so as to avoid a "deficit" under the ARM Plan that would require the assessment of carriers in the voluntary market. Regardless of the

loss retention level specified, the respondent's premium rates under the ARM Plan, and the investment income earned thereon, are required to be actuarially sufficient to cover the losses and the reasonable operating expenses of the Plan, and shall not be excessive, inadequate or unfairly discriminatory, as required under Section 287.896, RSMo. The rates require approval by the Director and are ultimately set by the Director after a hearing in compliance with Section 287.896, RSMo.

The Servicing Carrier Option. Under this option, the Director *may* select a "Plan Administrator" to administer the Missouri residual market, should an acceptable "Contract Carrier" not be found. The Plan Administrator shall not be on the risk for the losses of the residual market, but shall instead cede those losses to the insurers in the state's voluntary workers' compensation market, who shall act as reinsurers under Regulation 20 CSR 500-6.960, in return for the premium collected by the Plan Administrator less the Plan Administrator's percentage of that premium, as provided for below. The same shall be true of any servicing carriers employed by the Plan Administrator, provided, that a servicing carrier's reimbursement shall be paid out of the Plan Administrator's percentage of the premium.

If the Plan Administrator is a licensed and admitted workers' compensation insurer, the Plan Administrator, and any duly-licensed and approved subcontractors of the Plan Administrator, may perform all of the functions required of a workers' compensation insurer, such as employee classification, underwriting, policy issuance, safety engineering, loss control, premium collection, claims handling, claims reserving, auditing, complaint handling, and benefits payment, all under performance standards agreed to between the Plan Administrator and the Director, for those insured employers and injured employees covered under the ARM Plan. To the extent the Plan Administrator and the Director cannot agree as to a particular point regarding performance standards, the Director shall decide. Such performance standards shall become the Plan Administrator's written manual.

If the Plan Administrator is itself *not* an insurer, it may delegate any insurance functions to one or more licensed and admitted servicing carriers selected or designated by the Plan Administrator and approved by the Director, and, at the option of the Director, one or more licensed and admitted direct assignment carriers. The Plan Administrator shall assign risks covered by the ARM Plan to any such servicing carrier(s) and direct assignment carrier(s) in a manner specified by the Plan Administrator in its bid, or any subsequent modifications thereto agreed to by the Director.

Under the servicing carrier option, the "Plan Administrator" is the "contractor" under Part Three – Contractual Requirements." However, any servicing carriers employed by the "Plan Administrator" under this option will also need to adhere to Part Three's requirements, as legal "agents" of the Plan Administrator.

The Plan Administrator, and the servicing carrier(s), if any, shall perform their services in return for a percentage of premium authorized by the Director as part of the bid process to reimburse the Plan Administrator and any servicing carriers. The remaining premium shall be transferred to the insurers licensed to write workers' compensation insurance in Missouri in a manner specified by the Plan Administrator in its bid.

In return for a share of the ARM Plan's premiums (less the Plan Administrator's percentage of premium) which share shall be based on the insurer's pro rata share of the Missouri voluntary workers' compensation market premium, each insurer licensed to write workers' compensation insurance in Missouri (including the Plan Administrator or any servicing carriers if they are also voluntary market insurers) shall participate under Regulation 20 CSR 500-6.960 by accepting its share of the ARM Plan's liabilities for losses under policies insured by the ARM Plan, in a proportional manner based on the insurer's pro rata share of the voluntary market's premium.

The Plan Administrator shall account for all premiums collected and losses paid under the ARM Plan in a manner specified under subsection (7)(H) of Regulation 20 CSR 500-6.960.

If the Director authorizes the use of direct assignment carriers under the servicing carrier option, such carriers shall be assigned applications by the Plan Administrator. A direct assignment carrier shall thereafter provide to such insured employers all the services required to be provided by the Plan Administrator and servicing carrier(s). A direct assignment carrier shall receive the premiums of such an assigned insured employer and shall accept all the liability for the losses of such an employer under the policy, but shall be exempt from participating further under 20 CSR 500-6.960 on a pro rata basis as to either collected premiums or paid losses. The direct assignment carrier's portion of the state's voluntary market premium shall be subtracted from the total voluntary market premium for purposes of calculating the pro rata shares of the remaining voluntary market carriers who are functioning as reinsurers for the losses of the ARM Plan.

The premium rates charged to an insured employer under the serving carrier option of this rule shall be based on rates and rating plans recommended by the Plan Administrator. The rates require approval by the Director and are ultimately set by the director after a hearing in compliance with Section 287.896, RSMo. Premium rates under the ARM Plan, together with investment income thereon, shall be actuarially sufficient to cover the losses and the reasonable operating expenses of the plan, and shall not be excessive, inadequate or unfairly discriminatory, as required under Section 287.896, RSMo.

One-Year Premium Level and Rate Structure: Regardless of option, each respondent shall specify the one-year premium level and one-year rate structure that it proposes the Director approve for July 1, 2011-June 30, 2012 in return for respondent's agreement to function as a Contract Carrier or Plan Administrator. (At a minimum, "premium level" may be expressed as a positive or negative percentage, to indicate the percent of premium above or below that currently collected by the ARM Plan). Respondents are advised that the Department seeks to provide coverage to employers insured by the residual market at premium rates as low as possible, consistent with the requirement of Section 287.896, RSMo that premiums, and the investment income thereon, be adequate to cover the losses of the ARM Plan. Respondents are encouraged to use detailed payroll, premium and loss information provided by the current Contract Carrier and posted on the Department's Web site at: <http://insurance.mo.gov/industry/WCBID>.

Fees as Part of a Rate Structure: Respondents shall have considerable flexibility in proposing their rate structure for the residual market; however, respondents should consider the following points:

1. The Department prefers a fee structure with as few ancillary non-premium fees as possible. It is permissible to charge fees for services such as premium financing, installment payments, or safety inspections. The Department will give preference to rate structures that build such fees into the rates.
2. Where separate fees are charged, they will be treated as "premium" for purposes of premium taxation.
3. Consistent with Section 287.896, RSMo, respondents shall require that employers with expiring annual premiums greater than two hundred and fifty thousand dollars (\$250,000) to negotiate a retrospective rating plan, and may require employers who refuse to agree to the proposed retrospective rating plan to pay an additional premium surcharge, provided however, that, where the retrospective rating plan has not been previously approved by the Department, the Department will allow such employers to appeal the terms of the proposed plan to the Department within thirty (30) days of the submission of the respondent's written proposal to the employer. The respondent shall put the employer on notice of this right of appeal when applicable. The Department may require the modification of the plan to the extent it is unreasonable under the circumstances, and may require the use of standard premium until the resolution of the issue. Respondents *may* list any proposed premium surcharges in their proposal. Respondent may employ a standard retrospective rating plan or plans, rather than conducting individual negotiations with each employer, so long as a given plan has been approved by the Department.
4. Respondents may also implement and utilize a loss sensitive rating plan (LSRP) or other loss-related incentive programs applicable to all risks with annual estimated premium or standard premium below \$250,000.
5. Respondents shall not use an employer's use of an employee leasing company as grounds for the application of a surcharge, unless authorized by subsequent Department regulation.
6. Because the size of the Missouri residual market fluctuates over time due to a number of factors, respondent should submit a suggested plan for dealing with high administrative costs should the pool size Diminish to the point of making the overall administrative costs too high to be borne by the remaining pool participants.

Performance Standards: As with previous RFPs, this January 2011 IFB's operational performance standards are set forth only generally. By agreeing to the terms of this IFB, each respondent agrees to implement these general administrative requirements. A respondent's specific method of implementation of these administrative requirements shall be developed by the respondent, in consultation with the Department, after the award of the contract under this IFB.

Number of Entities Under Respondent's Proposal: The Department preference is to limit to the smallest number possible the number of insurers and sub-contracting entities providing insurance and loss control services under this IFB, consistent with the other requirements set forth in this IFB. IFB respondents should consider this preference in formulating their bids.

Where multiple entities *will* be providing services under the respondent's IFB response, an authorized representative of *each* such entity will be required to sign the IFB in recognition of that entity's responsibility under the IFB. For example, where the respondent proposes functioning as the overall administrator under the plan, but an insurer will provide "the paper" and bear the ultimate financial risk, *both* should sign page 2 and Exhibit A of the IFB, and any amendments. (The IFB respondent may add a page "2a" to the extent necessary to accommodate additional signatures.) In addition, the respondent's written proposal should clearly delineate the specific duties for which each entity is agreeing to be responsible.

Overhead: The Department seeks to have the administrative and insurance services required under the Plan to be provided at a competitively priced rate. Each respondent shall specify its anticipated cost of administering this proposal (i.e., costs for all items except losses and ALAE), as a percent of collected premium, documented in sufficient detail to reveal each element of this proposed administrative overhead.

Missouri Employees: Consistent with Section 287.896, RSMo, the Department seeks to assure that the administrative, insurance, loss prevention and control, and ancillary services under the Plan be performed, to the greatest degree possible, by Missouri citizens or residents.

Commencement Date: The Department contemplates service under this IFB shall become available to Missouri employers on July 1, 2011. The respondent's proposal should indicate whether and to what extent the respondent will be able to begin the operation of its proposed plan on July 1, 2011.

(Note on duration of coverage under previous WCIP and the Amended 12/1994 and 3/2003 Plans: The Contract Carrier under the Amended 12/94 RFP plan became responsible for losses incurred by its insured employers after reassignment under the RFP; losses incurred during policy periods under the WCIP remained the responsibility of the WCIP. The WCIP is still responsible for losses incurred by an employer while that employer was covered under the WCIP, even though the claim was made after the employer's coverage was transferred to the Contract Carrier under the Amended 12/94 RFP. The Amended 12/94 RFP contractor and the March 2003 contractor were the same. That contractor was responsible for new claims arising from accidents or injuries occurring *after* the transition in July 1995. The respondent awarded the contract under the January 2011 IFB will be responsible for losses incurred after the inception of this contract or July 1, 2011 whichever is later.)

Renewals Based on Satisfactory Performance: Under this January 2011 IFB, the Department seeks a Contract Carrier or Plan Administrator committed to the mission of improving all aspects of the residual market and carrying forward these improvements into the foreseeable future. Although this IFB requires respondents to propose a one-year rate structure, and the initial contract period is for one year, based on the Department's evaluation of a successful completion of the initial year, a longer-term arrangement for the administration of the ARM plan by the contractor is optional. The period of the contract is for one year, renewable at the state's option for up to three (3) renewals. Historically, the Department has renewed this contract for the maximum available renewal options under the previous RFPs. The Department is operating under a special delegation of authority of the state's Office of Administration in awarding the contract. One-year renewal options will require O.A. approval.

ADMINISTRATIVE REQUIREMENTS

The general performance standards required of "servicing carriers" and "contract carriers" are set forth below as "General Administrative Requirements" and "Day-to-Day Administrative Requirements".

The IFB respondent awarded the contract under this January 2011 IFB will be expected to develop a specific written plan of operation to implement these performance standards *after* the award of the contract, in consultation with, and subject to

the approval of, the Department. To the degree any respondent deems it appropriate, the respondent *may* set forth its anticipated plan of implementation in its IFB response. Whenever developed, the plan, by statute (Section 287.896, RSMo) must provide a level of service comparable to that available in the voluntary market for such service areas as employee classification, safety engineering, loss control, claims handling and claims reserving.

This January 2011 IFB's administrative requirements cover the following general topics:

General Administrative Requirements

Day-to-Day Administrative Requirements:

- Underwriting
- Billing and Collection of Premium
- Audits
- Claims Handling
- Complaint Handling
- Safety and Other Loss Prevention and Control Services
- Customer Satisfaction Survey
- Data Collection and Reporting

These requirements, which will be expected from the Contract Carrier or Plan Administrator awarded the contract, fall into two broad categories. The general requirements are designed to provide ready access to the plan, facilitate communications between the ARM Plan and others, and increase employer cooperation with the Contract Carrier or Plan Administrator or their designees. The day-to-day requirements concern underwriting, billings and collections, audits, claims, loss control, customer services and data collection and analysis.

The following is the outline of the requirements in these two categories:

General Administrative Requirements:

Convenient Access

- 1-800 telephone number for contacting the plan along with the name of the service personnel for agents to contact.
- Fax and electronic capability for filing applications and claims.
- The employment of personnel to act as the "single point of contact", unless done otherwise by letter:
 - To handle initial contacts with employers;
 - To act as an information coordinator;
 - To monitor employer compliance with safety guidelines;
 - To inform employers of significant changes in non-claim areas, such as pending rate increases or significant changes to posted reserves; and
 - To provide convenient access to loss runs.
- More weight will be given in the evaluation process to plans that provide on-line access of general account information that can include submission of applications, loss runs, claim reporting, billing, payments, as well as underwriting rules and procedures for agents.

Communications

- All written communication should be in easy-to-read, easy-to-understand language and should include, at a minimum, an introductory informational packet, billing explanations, explanations of audit times and procedures, safety and other loss control information, explanations of collection procedures, and an explanation of the loss runs.
- Provide detailed explanations of the plan's position in any ongoing dispute with any insured employer, injured employee, health care provider, agent or broker. The plan must also provide detailed explanations of

any appeal rights, including the right to discuss a dispute with Department staff as well as file a formal complaint with the Department's Consumer Affairs Division, or where appropriate, seek a hearing before the Determinations Review Board.

Department Oversight

- The Department shall utilize its financial examiners and market conduct examiners to examine the financial, claims handling and other performance of the Plan on an as needed basis. Such examinations shall be paid for by the Plan.
- The Plan's general compliance with the terms of this January 2011 IFB shall be monitored by the Department, at the Department's expense.

Day-To-Day Administrative Requirements:

Underwriting

Policy Application Process

- Availability of an introductory information packet.
- Immediate notice to new risks of the 1-800 number, fax number and their "single point of contact" employee.
- More weight will be given in the evaluation for plans with the capability to accept applications by e-mail and other electronic means.
- Application information corrections via telephone and fax.
- Annual updates to policy information pages.
- Accuracy review of policies issued (at Department's option).
- Prompt issuance of policies, certificates of coverage (within 2 business days), and endorsements (within 20 business days).
- Notification of the termination of coverage to persons who have received a certificate of insurance from the Plan or its designee during the current policy period.
- Notice of the availability of voluntary market coverage.
- Notification regarding contractor's credit program, retro-rated plans, loss-sensitive rating programs and any other unique or similar programs.

Agent Interaction

- Notice to agent of record regarding renewals, lapses of coverage, cancellations, and reinstatements.
- Agent access to appropriate written materials.
- Making certificates of insurance available through the agent of record.
- Providing a written explanation for any unusual information or documentation request made by the Plan.
- Making take-out lists available to interested parties at a monthly/quarterly interval upon their request or available through some common electronic means such as the Internet.

Renewals/Cancellations

- Lapse notices warning insureds and agents that payment has not been received.
- Consistent reinstatement procedures.
- Notice of the availability of voluntary market coverage.
- Cancellation and non-renewal notifications in accordance with Section 379.883, RSMo.

Billing and Collection of Premium

- Consistent written collection procedures, reviewable by the Department.
- Continuation of coverage pending resolution of formal written disputes regarding premiums, classifications, etc.
- Reports to Department regarding ongoing disputes, upon request from the Department.

Audits

- Audits shall be performed pursuant to the specifications in Regulation 20 CSR 500-6.500.
- Audits shall be preceded by notice and an outline of procedures and the records that will be required.
- Audits shall be conducted according to a schedule and under procedures established by the Plan in its written manual.

Claims Handling

General

- Claims handling procedures shall be documented in the Plan's written manual.
- A 1-800 telephone number for claims reporting.
- More weight will be given in the evaluation for plans that provide on-line claim reporting.
- The Plan shall have the responsibility of completing (or assisting in the completion) of all Division of Workers' Compensation forms.
- The Plan's written manual shall include written claim investigation protocols.
- The Plan's claim procedures shall be in compliance with any applicable provisions of Missouri's Unfair Claims Settlement Practices Act, sections 375.1000 to 375.1018, RSMo.
- The Plan shall have the capability of providing insureds with regular loss runs.

Claim Reserving Practices

- Claim reserves shall be reviewed by the contract or servicing carrier every 90 days.
- Plan files shall contain documentation of any reserve reviews and changes.
- Insured employers shall be notified in writing by the contract or servicing carrier of any significant changes in reserves.

Hearings and Settlements

- The Plan's written manual shall provide procedures for controlling and managing claim-related litigation.
- The Plan's written manual shall provide procedures for reporting and combating fraudulent claims.

Safety and Other Loss Prevention and Control

- The Plan's safety program shall pass the certification requirements of the Missouri Department of Labor and Industrial Relations.
- The Plan shall develop a method to deliver safety programs to smaller employers.
- The Plan's written manual shall list any specialized inspection services which will be available to employers upon request.
- The Plan shall maintain a library of safety and loss control information for employers, including written and video-taped materials.
- The Plan shall provide incentives and disincentives to encourage the use of safety and other loss prevention and control services.

Customer Service

- The Plan shall, at the Department's option, conduct satisfaction surveys of insured employers and/or injured employees.

Data Collection and Reporting

- The Department shall be authorized to review any data and files maintained by the Plan Administrator or its designee concerning the operation of the residual market.
- The Plan shall track all key indicators of the status of the residual market concerning such items as the number of insureds, payroll, premiums, claims, losses, and loss ratios.
- The Plan shall provide loss runs to employers with claims, to accompany annual renewal quotes, with additional loss runs available to the employer upon request.
- The Plan shall collect, store and report data required to carry out all necessary accounting, NCCI Statistical Plan and results reporting requirements.
- The Plan shall make available electronically on-line a “take-out list” of policyholders to interested parties making a request for it.

PART THREE - CONTRACTUAL REQUIREMENTS

Contract

The contract is issued under the authority granted by the Missouri Office of Administration under Special Delegation of Authority SDA501, granted on July 4, 2010.

Contractor

The respondent to this January 2011 IFB determined by the Director as having the lowest and best bid shall become the contractor under this contract. The contractor may be an insurer who will act as Contract Carrier under the Contract Carrier Option or an insurer or other entity who will act as a Plan Administrator under the Servicing Carrier Option.

Contract Price

Respondents to this January 2011 IFB are advised that the prices (i.e., premium levels and rate levels) stated in their successful response to this IFB shall be legally binding for the original contract period. (July 1, 2011 – June 30, 2012) Respondents are cautioned not to sign their IFB responses unless they are confident that the requirements of this IFB can be accomplished for the prices (i.e., premium levels and rate levels) stated in their IFB responses.

Contract Period

The original contract period shall be for a period of one year (July 1, 2011 to June 30, 2012) for the provision of actual workers' compensation insurance coverage.

The contract shall not bind, nor purport to bind, the State of Missouri for any contractual commitment in excess of the original contract period. However, the Department shall have the right, at its sole option, to renew the contract for up to three (3) additional periods, including annual renewals to conform to the one-year rate structure set forth below. Historically, the Department has renewed this contract for the maximum available renewal options under the previous RFPs. After the initial one-year contract period, the contractor will be allowed to exercise the option of filing for changes to its rates and rating plans as permitted under Section 287.896, RSMo. The Department will review any such filing, but shall approve it only to the extent the premium rates under the filing together with the investment income earned thereon, are actuarially sufficient to cover the losses and the reasonable operating expenses of the Plan, and are not excessive, inadequate or unfairly discriminatory, as required under Section 287.896, RSMo. *The Department requires at a minimum one such filing per each renewal period.*

Contract Price

The contractor shall specify the one-year premium level and one-year rate structure that it proposes the Director approve in return for contractor's agreement to bear the financial risk incurring the losses up to the loss ratio retention level specified by the contractor in its successful IFB response, of losses of the Missouri workers' compensation residual market under this IFB, except when the contract is awarded under the Servicing Carrier Option of the Contract. The one-year premium level and one-year rate structure shall specify in detail all rating plans the contractor shall utilize.

The various components of contractor's proposed one-year premium level and one-year rate structure shall be as indicated on the pricing page of this document. No amounts except those specifically identified on the pricing page (Exhibit A) shall be deemed approved by the Department upon the award of the contract.

Contractor's Duly Authorized Representative

If different from the person signing the proposal, the contractor shall, within five (5) days after the award of the contract, submit a written identification and notification to the Department of the name, title, address, email address, and telephone number of the one (1) individual within the organization as the duly authorized representative to whom all

correspondence, official notices and requests related to the contractor's performance under the contract shall be addressed. The contractor shall have the right to change or substitute the name of the individual described above as deemed necessary provided the Department is notified in writing within one (1) working day. Where the signature of more than one authorized representative is required on page 2 of this IFB, each such entity so represented shall conform to this identification and notification requirement.

Applicable State Laws and Encumbrances

The contract shall be construed according to the laws of the State of Missouri. The contractor shall comply with all local, state, and federal laws and regulations related to the performance of the contract to the extent that the same may be applicable. The contractor must be registered and maintain good standing with the Missouri Secretary of State and other regulatory agencies, as may be required by law or regulation.

Conflict of Interest

In accordance with all applicable provisions of the Revised Statutes of the State of Missouri, no official or employee of the state agency or its governing body and no other public official of the State of Missouri who exercises any functions or responsibilities in the review or approval of the undertaking or carrying out of the project covered by the contract shall voluntarily acquire any personal interest, directly or indirectly, in the contract or proposed contract.

The contractor covenants that he/she presently has no interest and shall not acquire any interest, directly or indirectly, which would conflict in any manner or degree with the performance of the services hereunder. The contractor further covenants that no person having any such known interest shall be employed or conveyed an interest, directly or indirectly, in the contract.

The contractor shall agree and understand that the Department shall make the final determination as to what constitutes a conflict of interest and that the decision of the Department shall be final and without recourse. The contractor shall further agree and understand that a determination by the Department of the existence of a conflict of interest, either real or perceived, which the contractor has not previously communicated to the Department, may be grounds for termination of the contract.

Title

Title to any leased equipment required by the contract shall be held by and vested in the contractor. The State of Missouri shall not be liable in the event of loss, incident, destruction, theft, damage, etc., for the leased equipment including, but not limited to, devices, wires, software, technical literature, etc. It shall be the contractor's sole responsibility to obtain insurance coverage for such loss in an amount that the contractor deems appropriate.

Remedies

No provision in this document or in the contractor's response shall be construed, expressly or impliedly, as a waiver by the State of Missouri of any existing or future right and/or remedy available by law in the event of any claim of default or breach of contract made by the contractor.

The contractor shall be responsible for any and all injury or damage as a result of the contractor's negligence involving any equipment or service provided under the terms and conditions of the contract. In addition to the liability imposed upon the contractor on account of personal injury, bodily injury (including death), or property damage suffered as a result of the contractor's negligence, the contractor assumes the obligation to save the State of Missouri, including its agencies, employees, and assigns, from every expense, liability, or payment arising out of such negligent act. The contractor also agrees to hold the State of Missouri, including its agencies, employees, and assigns, harmless for any negligent act or omission committed by any subcontractor or other person employed by or under the supervision of the contractor under the terms of the contract.

However, the contractor shall not be responsible for any injury or damage occurring as a result of any negligent act or omission committed by the State of Missouri, including its agencies, employees, and assigns.

The contractor agrees and understands that the contract shall constitute an assignment by the contractor to the State of Missouri of all rights, title and interest in and to all causes of action that the contractor may have under the antitrust laws of the United States or the State of Missouri for which causes of action have accrued or will accrue as the result of or in relation to the particular goods or services purchased or procured by the contractor in the fulfillment of the contract with the State of Missouri.

Cancellation

The Department may cancel the contract, without penalty or recourse, at any time for the contractor's material breach of contractual obligations under this January 2011 IFB by providing the contractor with a written notice of such cancellation at least ninety (90) calendar days prior to the effective date of such cancellation. Prior to issuing such a notice, the Department will, if appropriate, provide the contractor with an opportunity to cure the breach within a reasonable period of time. Such cancellation shall terminate the contractor's right to receive new or renewal business for Missouri's workers' compensation residual market. Such cancellation shall not, however, relieve the contractor of its obligation for losses incurred by employers during the period of the workers' compensation policies issued to them by the contractor. Any insurers selected by the Department to replace the contractor to administer the residual market shall only become responsible for new claims arising from accidents or injuries occurring after the renewal by them of such policies. In the event of such a cancellation, or upon the completion by the contractor of a full contract period, any information maintained by the contractor necessary to renew or rate employers insured by the contractor under this IFB, including the individual loss experience of each employer, shall become the property of the State of Missouri and shall be transferred to the Department within thirty (30) days of request. The Department shall have the option of utilizing an alternative administrator for the ARM Plan as authorized under Regulation 20 CSR 500-6.960.

Contract Documents

The contract between the State of Missouri and the contractor shall consist of: (1) the January 2011 IFB (including Exhibit A), and any subsequent amendments thereto, and (2) the contractor's response to the January 2011 IFB, including supporting documentation. The state reserves the right to clarify any contractual relationship in writing with the concurrence of the contractor, and such written clarification shall govern in case of conflict with the applicable requirements stated in this January 2011 IFB or the contractor's response. In all other matters not affected by the written clarification, if any, this January 2011 IFB shall govern.

To the extent that a provision of the contract is contrary to the Constitution or laws of this State or of the United States, the provision shall be void and unenforceable. However, the balance of the contract shall remain in force between the parties unless terminated by consent of both the contractor and the Department.

If approved by the Department in writing, the contractor may subcontract for those services described herein provided that any subcontracts include appropriate provisions and contractual obligations to ensure the successful fulfillment of all contractual obligations agreed to by the contractor and the State of Missouri and to ensure that the State of Missouri is indemnified, saved, and held harmless from and against any and all claims of damage, loss, and cost (including attorney fees) of any kind related to a subcontract in those matters described in the contract between the State of Missouri and the contractor. The contractor shall expressly understand and agree that he shall assume and be solely responsible for all legal and financial responsibilities related to the execution of a subcontract. The contractor shall agree and understand that utilization of a sub-contractor to provide any of the equipment or services in the contract shall in no way relieve the contractor of the responsibility for providing the equipment or services as described and set forth herein.

Amendments to Contract

Any change in the contract, whether by modification and or supplementation, must be accompanied by a formal contract amendment signed and approved by and between the duly authorized representatives of the contractor and the

Department. Any such amendment shall specify the effective date, any increase or decrease in the amount of the contractor's compensation, if any, and be identified as an "Amendment," and be signed by the parties identified in the preceding sentence. The contractor expressly and explicitly understands and agrees that no other method and/or no other document, including correspondence, acts and oral communications by or from any person, shall be used or construed as an amendment to the contract.

The contract shall be read and enforced as though it includes each and every provision of law and clause required by law to be inserted herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party the contract shall forthwith be physically amended to make such insertion or correction.

Coordination

The contractor shall fully coordinate its activities in the performance of the contract with those of the Department. As the work progresses, advice and information on matters covered by the contract shall be made available by the contractor to the Department throughout the effective period of the contract. At its option, the Department may require the contractor to engage in regular meetings with Department personnel to assist this coordination.

Contractor's Personnel

Affidavit of Work Authorization

Section 285.530, RSMo, states

1. No business entity or employer shall knowingly employ, hire for employment, or continue to employ an unauthorized alien to perform work within the state of Missouri.
2. As a condition for the award of any contract or grant in excess of five thousand dollars by the state or by any political subdivision of the state to a business entity, or for any business entity receiving a state-administered or subsidized tax credit, tax abatement, or loan from the state, the business entity shall, by sworn affidavit and provision of documentation, affirm its enrollment and participation in a federal work authorization program with respect to the employees working in connection with the contracted services. Every such business entity shall sign an affidavit affirming that it does not knowingly employ any person who is an unauthorized alien in connection with the contracted services. Any entity contracting with the state or any political subdivision of the state shall only be required to provide the affidavits required in this subsection to the state and any political subdivision of the state with which it contracts, on an annual basis. During or immediately after an emergency, the requirements of this subsection that a business entity enroll and participate in a federal work authorization program shall be suspended for fifteen working days. As used in this subsection, "emergency" includes the following natural and manmade disasters: major snow and ice storms, floods, tornadoes, severe weather, earthquakes, hazardous material incidents, nuclear power plant accidents, other radiological hazards, and major mechanical failures of a public utility facility.
3. All public employers shall enroll and actively participate in a federal work authorization program.
4. An employer may enroll and participate in a federal work authorization program and shall verify the employment eligibility of every employee in the employer's hire whose employment commences after the employer enrolls in a federal work authorization program. The employer shall retain a copy of the dated verification report received from the federal government. Any business entity that participates in such program shall have an affirmative defense that such business entity has not violated subsection 1 of this section.
5. A general contractor or subcontractor of any tier shall not be liable under sections 285.525 to 285.550 when such general contractor or subcontractor contracts with its direct subcontractor who violates subsection 1 of this section, if the contract binding the contractor and subcontractor affirmatively states that the direct subcontractor is

not knowingly in violation of subsection 1 of this section and shall not henceforth be in such violation and the contractor or subcontractor receives a sworn affidavit under the penalty of perjury attesting to the fact that the direct subcontractor's employees are lawfully present in the United States.

The contractor shall only utilize personnel authorized to work in the United States in accordance with applicable federal and state laws. This includes but is not limited to the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) and INA Section 274A.

If the contractor is found to be in violation of this requirement or the applicable state, federal and local laws and regulations, and if the State of Missouri has reasonable cause to believe that the contractor has knowingly employed individuals who are not eligible to work in the United States, the state shall have the right to cancel the contract immediately without penalty or recourse and suspend or debar the contractor from doing business with the state. The state may also withhold up to twenty-five percent of the total amount due to the contractor.

The contractor shall agree to fully cooperate with any audit or investigation from federal, state or local law enforcement agencies.

If the contractor meets the definition of a business entity as defined in section 285.525, RSMo, pertaining to section 285.530, RSMo, the contractor shall maintain enrollment and participation in the E-Verify federal work authorization program with respect to the employees hired after enrollment in the program who are proposed to work in connection with the contracted services included herein. If the contractor's business status changes during the life of the contract to become a business entity as defined in section 285.525, RSMo, pertaining to section 285.530, RSMo, then the contractor shall, prior to the performance of any services as a business entity under the contract:

- (1) Enroll and participate in the E-Verify federal work authorization program with respect to the employees hired after enrollment in the program who are proposed to work in connection with the services required herein; AND
- (2) Provide to the DIFP the documentation required in the exhibit titled, Business Entity Certification, Enrollment Documentation, and Affidavit of Work Authorization affirming said company's/individual's enrollment and participation in the E-Verify federal work authorization program; AND
- (3) Submit to the DIFP a completed, notarized Affidavit of Work Authorization provided in the exhibit titled, Business Entity Certification, Enrollment Documentation, and Affidavit of Work Authorization.

In accordance with subsection 2 of section 285.530 RSMo, the contractor should renew their Affidavit of Work Authorization annually. A valid Affidavit of Work Authorization is necessary to award any new contracts.

Missouri Service-Disabled Veteran Business Preference

Pursuant to section 34.074, RSMo, a three (3) bonus point preference shall be granted to respondents who qualify as Missouri service-disabled veteran businesses and who complete and submit Exhibit B, Missouri Service-Disabled Veteran Business Preference with the bid. If the bid does not include the completed Exhibit B and the documentation specified on Exhibit B in accordance with the instructions provided therein, no preference points will be applied.

Use of Specific Personnel

The contractor agrees and understands that the Department's agreement to the contract is predicated, in part and among other considerations, on the utilization of the specific individual(s) and/or personnel qualification(s) as identified and/or described in the contractor's proposal. Therefore, any substitution made pursuant to this paragraph must be equal or better than originally proposed.

Assignments

The contractor shall not transfer any interest in the contract, whether by assignment or otherwise, without the prior written consent of the Department.

The contractor shall agree and understand that, in the event the Department consents to a financial assignment of the contract in whole or in part to a third party, any payments made by, or agreed to by the State of Missouri pursuant to the contract, including all of those payments assigned to the third party, shall be contingent upon the performance of the contractor in accordance with all terms, conditions, and provisions of the contract.

Upon the assignment of any interest in the contract, both the contractor and the assignee must execute an “AGREEMENT AND CONSENT” form.

The Department shall keep a record of all such assignees.

Communications and Notices

Any written notice to the contractor shall be deemed sufficient when deposited in the United States mail postage prepaid, or hand-carried and presented to an authorized employee of the contractor at the contractor’s address as listed on the signature page of the contract or at such address as the contractor may have requested in writing.

Bond Required

The contractor shall file with the Department a fiduciary bond in the amount of **two hundred fifty thousand dollars (\$250,000)** obtained from an insurance company licensed to do business in Missouri, provided however, that if the contractor is a Missouri-licensed insurance company, a third-party administrator that is an affiliate or subsidiary of an insurance company licensed in Missouri, or licensed rating or licensed advisory organization, the contractor shall not be required to file such a bond so long as the Director is satisfied with the financial condition of the contractor.

Bankruptcy or Insolvency

Upon filing for any bankruptcy or insolvency proceeding by or against the contractor, whether voluntary or involuntary, or upon the appointment of a receiver, trustee, or assignee for the benefit of creditors, the contractor must notify the Department immediately. Upon learning of the actions herein identified, the Department reserves the right at its sole discretion to either cancel the contract or affirm the contract and hold the contractor responsible for damages.

Inventions, Patents, and Copyrights

The contractor shall defend, protect, and hold harmless the State of Missouri, its officers, agents, and employees against all suits of law or in equity resulting from patent and copyright infringement concerning the contractor's performance or products produced under the terms of the contract. The contractor shall report to the Department promptly and in reasonable written detail, each notice or claim of patent or copyright infringement based on the performance of the contract of which the contractor has knowledge.

Information Ownership

All data collected, developed or acquired by the contractor as a result of work under the contract involving Missouri’s residual market shall be made available to the Department at their request and shall be considered the work product of the Department throughout the duration of the contract for the Department’s use as needed. All data collected, developed and acquired by the contractor as a result of the work performed under the contract involving Missouri’s residual market shall become the work product of the Department at the termination of the contract. No material or reports prepared by the contractor related to the data collected developed or acquired by the contractor as a result of the work under the contract involving Missouri’s residual market shall be released to interested parties without the prior written consent of the Department.

Employment Laws

In connection with the furnishing of supplies or performance of work under the contract, the contractor agrees to comply with the Fair Labor Standards Act, the Equal Opportunity Employment Act, and all other applicable Federal and State laws, regulations, and executive orders to the extent the same may be applicable and further agrees to insert the foregoing provision in all subcontracts awarded hereunder.

Non-Discrimination In Employment

In connection with the furnishing of supplies and the performance of work under the contract, the contractor shall agree, from the outset of the contract, to make a good faith effort to reach the goal of 10% MBE and 5% WBE in accordance with Executive Order 05-30 and of maintaining employment practices:

- 1) Which do not discriminate against recipients of services on the basis of race, color, religion, national origin, sex, disability, veteran status, or age.
- 2) Which do not discriminate against any employee or applicant for employment on the basis of race, color, religion, national origin, sex, disability, veteran status, or age.
- 3) Which, if the contractor or subcontractor employs at least fifty (50) persons, requires said contractor or subcontractors to have and maintain an affirmative action program which shall include:
 - a) A written policy statement committing the organization to affirmative action and assigning management responsibilities and procedures for evaluation and dissemination;
 - b) The identification of a person designated to handle affirmative action;
 - c) The establishment of non-discriminatory selection standards, objective measures to analyze recruitment, an upward mobility system, a wage and salary structure, and standards applicable to lay-off, recall, discharge, demotion, and discipline;
 - d) The exclusion of discrimination from all collective bargaining agreements; and
 - e) Performance of an internal audit of the reporting system to monitor execution and to provide for future planning.

Americans with Disabilities Act

In connection with the furnishing of goods and services under the contract, the contractor and contractor's subcontractor shall comply with all applicable requirements and provisions of the Americans with Disabilities Act (ADA).

Certification

By signing the January 2011 IFB, the contractor hereby certifies compliance with the Non-Discrimination in Employment and Americans With Disabilities Act clauses listed.

If discrimination by a contractor is found to exist, the Department shall take appropriate enforcement action which may include; but not necessarily be limited to, cancellation of the contract, removal from all respondent's lists issued by the Department until corrective action by the contractor is made and ensured, and referral to the Attorney General's Office, whichever enforcement action may be deemed most appropriate.

Insurance

The contractor shall understand and agree that the State of Missouri cannot save and hold harmless and/or indemnify the contractor or employees against any liability incurred or arising as a result of any activity of the contractor or any activity of the contractor's employees related to the contractor's performance under the contract.

Therefore, the contractor shall maintain adequate liability insurance to protect the State of Missouri, its agencies, its clients, and the general public against any loss, damage, and/or expense related to his/her performance under the contract. The insurance coverage shall include, but shall not necessarily be limited to, workers' compensation, general liability, professional liability, etc. In addition, automobile liability coverage for the operation of any motor vehicle must be maintained if the terms of the contract require any form of transportation services. The limits of liability for all types of coverage shall not be less than (1) **\$300,000 per person**, and (2) **\$1,000,000 per occurrence**. Written evidence of the

insurance coverage shall include, but shall not necessarily be limited to: effective dates of coverage, limits of liability, insurers' names, policy numbers, endorsement by representatives of the insurance company, etc. Evidence of self-insurance coverage or of another alternate risk financing mechanism may be utilized provided that such coverage is verifiable and irrevocably reliable. The evidence of insurance coverage must be submitted before or upon award of the contract. In the event the insurance coverage is cancelled, the Department must be notified immediately. The Department shall be provided certificates of insurance for the coverages in question.

Contractor Status

The contractor represents himself or herself to be an independent contractor offering such services to the general public and shall not represent himself/herself or his/her employees to be an employee of the State of Missouri. Therefore, the contractor shall assume all legal and financial responsibility for taxes, FICA, employee fringe benefits, workers' compensation insurance, employee insurance, minimum wage requirements, overtime, etc., and agrees to indemnify, save, and hold the State of Missouri, its officers, agents, and employees, harmless from and against, any and all loss; cost (including attorney fees); and damage of any kind related to such matters.

PART FOUR- PROPOSAL SUBMISSION INFORMATION

Submission of Bids

Bids must be priced, signed, sealed, and returned (with necessary Exhibits and attachments) to the Missouri Department of Insurance, Financial Institutions & Professional Registration by the filing deadline specified on page one of this IFB.

Specifically, any form containing a signature line, including any amendments, pricing pages, etc., must be manually signed and returned as part of the proposal.

In addition to the original proposal, the respondent should include five (5) copies of the proposal and an electronic copy of the entire proposal format (either on a CD or sent to DIFP via e-mail).

The respondent must respond to this January 2011 IFB by submitting all information and data required herein in order for its proposal to be evaluated and considered for award. Failure to submit such information and data shall be deemed sufficient cause for disqualification of a proposal from further consideration for award.

Bids must be valid for at least forty-five (45) days following February 28, 2011. The respondent shall not be permitted to withdraw its proposal until after that time. The contract prices (i.e., premium levels and rate levels) must be valid for the original contract period.

Clarification of Requirements

Respondents are strongly encouraged to read the entire January 2011 IFB prior to submission of a proposal. The respondent must comply with all stated requirements.

Any questions regarding specifications, requirements, competitive procurement process, etc., must be directed to the contact person specified on page one of this IFB.

The respondent is advised that the only official position of the Department is that position which is stated in writing and issued by the Department as an IFB, or any written amendment or clarification thereto. No other means of communication, whether oral or written, shall be construed as a formal or official response or statement.

Evaluation Process

After determining that a proposal satisfies the mandatory requirements stated in this January 2011 IFB, the comparative assessment of the relative benefits and deficiencies of the proposal in relationship to these requirements shall be made by using objective and subjective judgment. The award of a contract resulting from this IFB shall be based on the lowest price in combination with the retention rate and best proposal received by the Department. The Department's evaluation committee shall use the following relative weights in its evaluations:

25%: Proposed Employer/Employee Services:

Agrees to (or Exceeds) the Department's General and its Day-to-Day Administrative Requirements

25%: Proposed Implementation:

Administrative Structure (Simpler is Better)

Number of entities (subcontractors) involved in servicing the contract

Overall Proposal Is Detailed and Well-Thought-Out

Administrator's Experience and Reliability: *(see page 22 for more detail)*

Administering Large Organizations

Administering Workers' Compensation

Administering Residual Market Pools

Personnel/Staffing *(see page 23 for more detail)*

Use of Missouri Employees
Employment Practices
July 1, 2011 Implementation Date

Interest in Providing Services Beyond Initial Contract Year

The extent the Respondent is willing to make the finances of its operations of the Plan public, as opposed to sharing them only with the Department and the Reinsurance Administrator, as authorized under Regulation 20 CSR 500-6.960.

50%: Proposed Insurance Structure, Rate Structure, Premium Level/Rates

Insurer(s) or Reinsurers are Truly "On the Risk"

The Loss Ratio Retention Level Respondent is Willing to Accept

Insurer(s) Issue or Front Coverage

Insurer(s) or Reinsurer(s) Possess Workers' Compensation Experience

Insurer(s) or Reinsurer(s) Current and Long-Term Financial Health

First Year Rate Structure

First Year Rate Structure including Incentives

Competitively-Priced Rates or Fees for Administrative Services, Which Are Set Forth In Detail

First Year Premium Level Change (the Lower, the Better)

Reasonableness of the Proposed Premium Level Change

Probability of a Deficit is Virtually Non-Existent

After an initial screening process, a technical question and answer conference or interview may be conducted, if deemed necessary by the Department, to clarify or verify the respondent's proposal and to develop a comprehensive assessment of the proposal. The Department will set up this conference if needed.

The Department reserves the right to consider historic information and fact, whether gained from the respondent's proposal, question and answer conferences, references, or any other source, in the evaluation process.

The respondent is cautioned that it is the respondent's sole responsibility to submit information related to the evaluation categories and that the Department is under no obligation to solicit such information if it is not included with the respondent's proposal. Failure of the respondent to submit such information may cause an adverse impact of the evaluation of the respondent's proposal.

Contract Award

Any award of a contract resulting from this IFB will be made only in writing by the Director of the Missouri Department of Insurance, Financial Institutions & Professional Registration.

The Department reserves the right to reject any or all bids. Should the Department reject all bids, it may nevertheless provide a written explanation of its evaluation of the bids submitted to it as of the 5:00 p.m., February 28, 2011 deadline.

Pricing

The Respondent must use Exhibit A to provide its proposed one-year premium level and one-year rate structure.

Respondent's Experience and Reliability

Experience and reliability of the respondent's organization is considered in the evaluation process. Therefore, the respondent is advised to submit any information which documents successful and reliable experience in past performance, especially those performances related to the requirements of this IFB, as well as documentation of a stable and reliable organization.

The qualification of the personnel proposed by the respondent to perform the requirements of this IFB, to the extent they are known to the respondent at this point in time, will be considered in the evaluation. Therefore, the respondent should submit detailed information related to the experience and qualifications of the staff proposed.

The Department will be particularly interested in the respondent's experience administering large organizations, administering workers' compensation insurance, and administering residual market plans.

Personnel /Staffing

The respondent should provide a detailed explanation of the personnel staffing plan the respondent anticipates using to carry out its responsibilities under the contract. This explanation should include the following:

- 1) The *general* job descriptions of each distinct position;
- 2) The number of persons to be employed at each position;
- 3) The relevant work-load for each position;
- 4) The geographic location of each employee;
- 5) The salary range for each position;
- 6) The proposed hiring schedule;
- 7) The organizational chart for the over-all plan administration;
- 8) The general methodology for obtaining the number qualified personnel needed in the time-frame proposed; and,
- 9) The respondent's affirmative action and ADA policies.

Final Note on Overall Submission

Bids will be evaluated based on the respondent's distinctive plan for performing the requirements of this January 2011 IFB. Respondent should present a written narrative that demonstrates the method or manner in which the respondent proposes to satisfy the requirements of this IFB. The language of any narrative should be straightforward and limited to facts, solutions to problems, and plans for proposed actions.

PROPOSAL AND ATTACHMENTS

Along with respondent's signed copy of page two of this January 2011 IFB, a signed Exhibit A and any signed pages of subsequent amendments, respondent's proposal should be organized in the following sections, set forth in boldfaced type or by dividers, and in the following order. The materials to be included in a number of the sections are described elsewhere in this IFB:

Executive Summary

A one or two page synopsis of the respondent's proposal, summarizing:

Respondent's acceptance of the Department's Administrative Requirements;

Respondent's planned Administrative Structure;

The Loss Ratio Retention Level the Respondent is willing to accept; and

Respondent's Proposed Premium Level Change.

Proposed Employer/Employee Services

Plan of Operation/Written Manual

Respondent should, at a minimum, provide at least an outline of its plan to implement the General Administrative Requirements and the Day-to-Day Administrative Requirements set forth in this IFB, as well as any other unique services it intends to perform or procedures it intends to implement. At respondent's option, respondent may undertake a more detailed description or even construct a draft Written Manual.

Proposed Implementation

Administrative Structure

A detailed analysis of the proposed administrative structure should be provided, including whatever organizational charts are necessary. To the extent multiple entities will be used, the formal agreements between the parties under which this will be done shall be provided.

Administrator's Experience and Reliability

Personnel/Staffing

Use of Missouri Employees

Employment Practices

Implementation Timetable

Willingness to Make a Long-Term Commitment

Willingness to Make Public Some or All of that Data Required to be Reported to the Reinsurance Administrator and the Department

Proposed Insurance Structure, Rate Structure, Premium Level/Rates

Insurance Structure

The respondent should give a general overview of the proposed insurance structure. The respondent should indicate which insurer(s) or reinsurer(s) shall be bearing the insurance risk for this plan, and the respondent shall clearly document their agreement to bear this risk by having them sign page 2 of this IFB, Exhibit A, and any amendments thereto. The respondent should indicate the insurer(s) or reinsurer(s) experience in the workers' compensation market and their current financial health. The most recent financial reports of the various participating entities should be included.

Rate Structure

Respondent should indicate its intention to change any aspects of the current rating structure, including distribution of premiums among industry groups or classes. Currently the pool's class relativities are being aligned with NCCI's class relativities and the Department requests that this process continue.

Respondent should describe any rating plans it intends to employ.

Respondent should explain how the administrative fees indicated in its Exhibit A are competitively priced.

Premium Level/Rates (Attached as "Exhibit A")

Respondent should set forth its first year premium level change, discuss the general reasonableness of that premium level and the likelihood it will result in a deficit at respondent's proposed loss ratio retention level. Respondent's description should be accompanied by the signed statement of an actuary (who is a Member of the American Academy of Actuaries and who has experience in Workers' Compensation ratemaking indicating the information upon which the rate structure, premium level and rates are based and certifying that the proposed rate structure, premium level and rates are actuarially sound for purposes of generating sufficient premium income to cover the loss ratio retention level selected by the respondent for the contract period and thereby avoid a deficit under Regulation 20 CSR 500-6.960, and also that the Respondent's rate structure, premium level and rates, together with reasonable investment income earned on premiums, are sufficient to cover the losses and reasonable operating expenses of the Plan and are not excessive, inadequate or unfairly discriminatory. The actuary should document his or her Workers' Compensation experience.

Exhibit A

**(Pricing Page)
Premium Level /Rates**

Respondent shall set forth an attachment labeled “Exhibit A” containing the following materials:

Respondent shall specify its proposed first year premium level change over the current ARM Plan premium level, at the loss ratio retention level (the ratio of paid losses and ALAE to collected premium) proposed by Respondent, which shall also be specified.

Respondent shall also include an actuarial report that addresses all the considerations outlined in “The Statement of Principles Regarding Property and Casualty Insurance Ratemaking” published by the Casualty Actuarial Society.

This report shall discuss the general reasonableness of that premium level and the likelihood it will result in a deficit at respondent’s proposed loss ratio retention level. Respondent’s description should be accompanied by the signed statement of an actuary who is a Member of the American Academy of Actuaries specifying the information upon which the rate structure, premium level and rates are based and certifying that the proposed rate structure, premium level and rates are actuarially sound for purposes of generating sufficient premium income to cover the loss ratio retention level selected by the Respondent for the contract period and avoid a deficit under Regulation 20 CSR 500-6.960, and also that the Respondent’s rate structure, premium level and rates, together with reasonable investment income earned on premiums, are sufficient to cover the losses and reasonable operating expenses of the Plan and are not excessive, inadequate or unfairly discriminatory.

(Note: The above items would normally make up the bulk of a traditional rate filing. The extent of the detail in which Respondent decides to describe these items is up to Respondent. Be advised, however, that the Department will be using an actuary to evaluate the reasonableness of Respondent’s proposal, so a more thorough explanation is likely better.)

In addition, Respondent shall specifically:

- Provide a list of class code rates.
- Indicate how the class code rates were derived, in relation to NCCI loss costs or otherwise.
- Discuss any additional rating plans and how they factor into respondent’s proposal.
- Provide the algorithm for calculating individual premiums using the rates and rating plans proposed, with example calculations.

Respondent shall sign and attach a copy of this page to its proposal attesting to the accuracy the information included in its proposal in response to the requirements of Exhibit A.

Respondent’s Signature: _____

Respondent’s Name and Title (Printed): _____

Respondent’s Telephone Number: _____ Fax: _____

Respondent’s Company Name: _____

Exhibit B

Missouri Service-Disabled Veteran Business Preference

Pursuant to section 34.074, RSMo, the Department of Insurance, Financial Institutions and Professional Registration has a goal of awarding three (3) percent of all contracts for the performance of any job or service to service-disabled veteran businesses (see below for definitions included in section 34.074, RSMo) either doing business as Missouri firms, corporations, or individuals; or which maintain Missouri offices or places of business.

Definitions:

Service-Disabled Veteran is defined as any individual who is disabled as certified by the appropriate federal agency responsible for the administration of veterans' affairs.

Service-Disabled Veteran Business is defined as a business concern:

- a. not less than fifty-one (51) percent of which is owned by one or more service-disabled veterans or, in the case of any publicly owned business, not less than fifty-one (51) percent of the stock of which is owned by one or more service-disabled veterans; and
- b. the management and daily business operations of which are controlled by one or more service-disabled veterans.

If a respondent meets the definitions of a service-disabled veteran and a service-disabled veteran business as defined in section 34.074, RSMo, and is either doing business as a Missouri firm, corporation, or individual; or maintains a Missouri office or place of business, the respondent **must** provide the following with the bid in order to receive the Missouri service-disabled veteran business preference of a three-point bonus over a non-Missouri service-disabled veteran business:

- a. a copy of an award letter from the Department of Veterans Affairs (VA), or a copy of the respondent's discharge paper (DD Form 214, Certificate of Release or Discharge from Active Duty) from the branch of service the respondent was in; and
- b. a completed copy of this exhibit

(NOTE: For ease of evaluation, please attach copy of the above-referenced letter from the VA or a copy of the respondent's discharge paper to this Exhibit. The above-referenced letter from the VA and a copy of the respondent's discharge paper shall be considered confidential pursuant to subsection 14 of section 610.021, RSMo.)

By signing below, I certify that I meet the definitions of a service-disabled veteran and a service-disabled veteran business as defined in section 34.074, RSMo, and that I am either doing business as a Missouri firm, corporation, or individual; or maintain Missouri offices or places of business at the location(s) listed below.

Service-Disabled Veteran's Name
(Please Print)

Service-Disabled Veteran Business Name
(Please Print)

Service-Disabled Veteran's Signature

Missouri Address of Service-Disabled Veteran Business



Memorandum

To: File
From:
Date:
Re: Missouri Service-Disabled Veteran Business Confidential Information

The following documentation required by Exhibit B of IFB SDA 501-WC ARM 2011 to be submitted for the Missouri service-disabled veteran/veteran business preference, shall be considered confidential pursuant to subsection 14 of section 610.021, RSMo:

- a copy of an award letter from the Department of Veterans Affairs (VA), OR
- a copy of the respondent's discharge paper (DD Form 214, Certificate of Release or Discharge from Active Duty) from the branch of service the respondent was in.

The information considered confidential can be found in the attached envelope, but will not be made available for public review.

EXHIBIT C

**BUSINESS ENTITY CERTIFICATION, ENROLLMENT DOCUMENTATION,
AND AFFIDAVIT OF WORK AUTHORIZATION**

BUSINESS ENTITY CERTIFICATION:

The bidder/contractor must certify their current business status by completing either Box A or Box B or Box C on this Exhibit.

- BOX A:** To be completed by a non-business entity as defined below.
- BOX B:** To be completed by a business entity who has not yet completed and submitted documentation pertaining to the federal work authorization program as described at:
http://www.dhs.gov/xprevprot/programs/gc_1185221678150.shtm.
- BOX C:** To be completed by a business entity who has current work authorization documentation on file with a Missouri state agency including Division of Purchasing and Materials Management.

Business entity, as defined in section 285.525, RSMo, pertaining to section 285.530, RSMo, is any person or group of persons performing or engaging in any activity, enterprise, profession, or occupation for gain, benefit, advantage, or livelihood. The term “**business entity**” shall include but not be limited to self-employed individuals, partnerships, corporations, contractors, and subcontractors. The term “**business entity**” shall include any business entity that possesses a business permit, license, or tax certificate issued by the state, any business entity that is exempt by law from obtaining such a business permit, and any business entity that is operating unlawfully without such a business permit. The term “**business entity**” shall not include a self-employed individual with no employees or entities utilizing the services of direct sellers as defined in subdivision (17) of subsection 12 of section 288.034, RSMo.

Note: Regarding governmental entities, business entity includes Missouri schools, Missouri universities (other than stated in Box C), out of state agencies, out of state schools, out of state universities, and political subdivisions. A business entity does not include Missouri state agencies and federal government entities.

BOX A – CURRENTLY NOT A BUSINESS ENTITY

I certify that _____ (Company/Individual Name) **DOES NOT CURRENTLY MEET** the definition of a business entity, as defined in section 285.525, RSMo, pertaining to section 285.530, RSMo as stated above, because: (check the applicable business status that applies below)

- I am a self-employed individual with no employees; **OR**
- The company that I represent utilizes the services of direct sellers as defined in subdivision (17) of subsection 12 of section 288.034, RSMo.

I certify that I am not an alien unlawfully present in the United States and if _____ (Company/Individual Name) is awarded a contract for the services requested herein under IFB SDA 501-WC ARM 2011 and if the business status changes during the life of the contract to become a business entity as defined in section 285.525, RSMo pertaining to section 285.530, RSMo, then, prior to the performance of any services as a business entity, _____ (Company/Individual Name) agrees to complete Box B, comply with the requirements stated in Box B and provide the Department of Insurance, Financial Institutions and Professional Registration with all documentation required in Box B of this exhibit.

Authorized Representative's Name
(Please Print)

Authorized Representative's Signature

Company Name (if applicable)

Date

EXHIBIT C, continued

BOX B – CURRENT BUSINESS ENTITY STATUS

(Complete the following if you DO NOT have the E-Verify documentation and a current Affidavit of Work Authorization already on file with the State of Missouri. If completing Box B, do not complete Box C.)

I certify that _____ (Business Entity Name) **MEETS** the definition of a business entity as defined in section 285.525, RSMo, pertaining to section 285.530.

Authorized Business Entity
Representative's Name
(Please Print)

Authorized Business Entity
Representative's Signature

Business Entity Name

Date

E-Mail Address

As a business entity, the bidder/contractor must perform/provide the following. The bidder/contractor should check each to verify completion/submission:

- Enroll and participate in the E-Verify federal work authorization program (Website: http://www.dhs.gov/xprevprot/programs/gc_1185221678150.shtm; Phone: 888-464-4218; Email: e-verify@dhs.gov) with respect to the employees hired after enrollment in the program who are proposed to work in connection with the services required herein; AND
- Provide documentation affirming said company's/individual's enrollment and participation in the E-Verify federal work authorization program. Documentation shall include EITHER the E-Verify Employment Eligibility Verification page OR a page from the E-Verify Memorandum of Understanding (MOU) listing the bidder's/contractor's name and the MOU signature page completed and signed, at minimum, by the bidder/contractor and the Department of Homeland Security – Verification Division. If the signature page of the MOU lists the bidder's/contractor's name and company ID, then no additional pages of the MOU must be submitted; AND
- Submit a completed, notarized Affidavit of Work Authorization provided on the next page of this Exhibit.

EXHIBIT C, continued

The bidder/contractor who meets the section 285.525, RSMo, definition of a business entity must complete and return the following Affidavit of Work Authorization.

Comes now _____ (Name of Business Entity Authorized Representative) as _____ (Position/Title) first being duly sworn on my oath, affirm _____ (Business Entity Name) is enrolled and will continue to participate in the E-Verify federal work authorization program with respect to employees hired after enrollment in the program who are proposed to work in connection with the services related to contract(s) with the State of Missouri for the duration of the contract(s), if awarded in accordance with subsection 2 of section 285.530, RSMo. I also affirm that _____ (Business Entity Name) does not and will not knowingly employ a person who is an unauthorized alien in connection with the contracted services provided under the contract(s) for the duration of the contract(s), if awarded.

In Affirmation thereof, the facts stated above are true and correct. (The undersigned understands that false statements made in this filing are subject to the penalties provided under section 575.040, RSMo.)

Authorized Representative's Signature

Printed Name

Title

Date

E-Mail Address

Subscribed and sworn to before me this _____ of _____. I am
(DAY) (MONTH, YEAR)

commissioned as a notary public within the County of _____, State of
(NAME OF COUNTY)

_____, and my commission expires on _____.
(NAME OF STATE) (DATE)

Signature of Notary

Date