

**Kentucky Employers' Mutual Insurance
Request for Proposals (RFP) No. 2023-101
Purpose: Actuarial Services**

The procurement by competitive negotiation is desired by Kentucky Employers' Mutual Insurance (hereinafter "KEMI") for Actuarial Services.

Responses must be submitted electronically, in a single PDF document limited to 100MB, via KEMI's online procurement submission portal at: www.kemi.com/rfp

The online procurement submission portal utilizes a two-step process to upload responses. Vendors must complete the access request form by providing contact information and a valid email address. An access link will be sent to the email address provided. Vendors must then follow the access link to the proposal submission form.

Proposals must be submitted On or before: **12:00 PM Eastern Time on February 25, 2023**

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I. RFP SPECIFICATIONS

A. Scope of Services

KEMI requires an actuary to develop and recommend the following:

- Adequate loss and LAE reserves;
- Actuarially sound rating plans;
- Adequate levels of surplus; and
- Dividend amounts, if any.

KEMI requires a complete a detailed analysis of KEMI's current rating tier structure and historical performance. If necessary, work with management on enhancements to the overall rating structure, including but not limited to the potential expansion of additional rating tiers, changes to rate adjustment factors, and reallocation of current policies into new tiers or pricing structures.

KEMI requires an actuary to produce the following in accordance with the following deadlines:

- Statement of Actuarial Opinion by February 15th
- Summary of Actuarial Opinion by February 15th
- Full analysis of unpaid losses and LAE by March 20th
- Rate work analysis by October 1st

Finally, KEMI requires assistance in understanding the process of using federal black lung data and the impact to the actuarial analysis. KEMI requires completion of any other actuarial task that may be required.

B. Selection Criteria

Consideration will be given to Offerors based on the scoring criteria listed below in Section I.C. A committee will evaluate all responses to ascertain which Offeror(s) best meets KEMI's business needs and requirements.

C. Scoring

	Maximum Points Possible
Firm Overview, Personnel and Expertise	60
Cost	30
Business Continuity Form	5
Diversity, Equity and Inclusion	5
MAXIMUM POINTS POSSIBLE	100
Interviews/Discussions, if selected	100

D. Schedule of Events

The following schedule of events represents KEMI's best estimate of the schedule that shall be followed. KEMI, in its sole discretion, may alter and/or amend this schedule at any time, including not conducting virtual interviews/discussions. Any adjustments to the schedule of events will be emailed to the prospective offeror's contact on record with Sarah Kosin.

- RFP Publication Date – January 18, 2023
- Deadline for Inquiries – January 25, 2023
- KEMI Response to Inquiries – February 1, 2023
- Deadline for Submission of Proposals – February 15, 2023
- Interview/Discussions (Optional) – February 27-28, 2023
- Estimated Contract Award – July 1, 2023

II. PROPOSAL REQUIREMENTS

A. Firm Overview, Personnel and Prior Experience

a. Firm Overview

- i. Name, including any d/b/a, location of corporate headquarters, telephone number, facsimile number, and website address. Also include the location of any branch office that Offeror proposes to provide the actuarial services.
- ii. Total number of years in existence, description of ownership structure, and brief history of the organization.
- iii. Description of your quality control program and how it will assure KEMI will receive the highest quality service from your organization.
- iv. A description of the actuarial resources available to support the Scope of Services requested by KEMI and a complete description of your peer review process.
- v. Detailed description of your process to obtain an initial understanding of KEMI, KEMI's business, and any and all issues relevant to KEMI that could impact the actuary services you are asked to perform.
- vi. Detailed description of your process and plan for completion of the actuarial services described in the Scope of Services, including any recommendations that you have for interim work to assist in completion of the annual reviews. Include samples of data requests needed to complete these reviews.
- vii. Detailed description of what can be expected from the interaction between KEMI staff and your firm including the related communication associated with all actuarial efforts and issued reports indicating the results of those efforts.
- viii. Detailed description of what services and interaction can be expected from your firm in providing assistance to KEMI staff in understanding and interpreting any and all actuarial reports that are issued.
- ix. Detailed information regarding any lawsuits, regulatory action, complaints or proposed disciplinary action pending with the Actuarial Board for Counseling and Discipline (the ABCD) filed against the organization or any of its members within the last ten (10) years, including the allegations and the outcome.

- x. A listing of any Personal Service Contracts with any agencies of the Commonwealth of Kentucky you currently have or have had at any time during the past three (3) years.
- xi. Provide the following financial information for the past five (5) fiscal years and current year-to-date information where available:
 - 1. Annual financial reports
 - 2. Audited financial statements
- xii. Provide details on any mergers or acquisitions that you are currently committed to and the expected impact on services referenced by this RFP.

b. Personnel

- i. Provide the name, title, business address, email address, and telephone number of the individual who will be the principal actuary assigned to KEMI. This individual must be a member in good standing with the American Academy of Actuaries, have a current designation of Fellow of the Casualty Actuarial Society and meet the Qualification Standards of the American Academy of Actuaries for rendering an actuarial opinion for inclusion in KEMI's annual statement filings. This individual must have the ability to assume responsibility for making presentations to KEMI's Board of Directors.
- ii. Provide the name, title, business address, email address, and telephone number of all other actuarial professionals who will be assigned to KEMI.
- iii. Provide the name, title, business address, email address, and telephone number of the actuarial professionals who will provide peer review services.
- iv. Provide the names of executive and professional personnel, including analysts, auditors, researchers, programmers, and consultants who may provide services to KEMI. Indicate the responsibilities each individual will have. Also include the number of years each individual has been at your firm
- v. Provide resumes for each of the actuaries, executives, and other professional personnel identified in paragraphs 1 through 4 above.

c. Prior Experience

- i. Provide details on the specific experience of the actuarial professionals identified above in the following:
 - 1. Determining liability valuations, both in total and for individual claim types, for the following:
 - a. All types of non-coal related claims, including traumatic injury and cumulative trauma injury;
 - b. Traumatic injury coal claims;
 - c. State and federal black lung claims
 - 2. workers' compensation rate setting (loss costs), including for state and federal black lung exposure;
 - 3. establishing Loss Cost Modifiers (LCMs);
 - 4. establishing rating tiers;
 - 5. evaluating and recommending loss reserves and LAE reserves in workers' compensation;
 - 6. evaluating insurers' financial condition;
 - 7. recommending appropriate levels of surplus;
 - 8. recommending dividend consideration;
 - 9. working with other workers' compensation carriers, including State Funds; and
 - 10. experience and ability to present complex actuarial information to non-

actuaries.

- ii. In regard to specific experience of the actuarial professionals mentioned above in relation to determining liability valuations associated with both state and federal black lung claims, provide details which demonstrate an understanding of the following:
 1. Existing and potential legislative initiatives that affect liability valuations;
 2. Claim filing processes specifically associated with state and federal black lung claims, and how those processes can affect liability valuations;
 3. An understanding of how both national and local trends regarding the economy, the coal industry, employment opportunities, mortality, availability of healthcare, and community culture may affect claim liability valuations;
 4. Actuarial valuation methodologies that may be unique to the process of estimating black lung exposure;
 5. Factors affecting the assignment of liability to the insurer based upon the date of last exposure;
 6. Factors affecting the future valuation of indemnity benefits;
 7. Factors affecting current and future medical treatments associated with black lung exposure; and
 8. Tabular discounting rationale and processes for case and IBNR reserves
- iii. Provide any additional information you believe to be relevant.

B. Cost

- a. Provide the fees for each aspect of the services requested in this RFP. Fees must be shown as hourly rates for each of the actuaries, executives, and other professional personnel.
- b. Include an estimate of the timing and number of hours to be spent on each aspect of the services.
- c. Outline in detail any expenses for which you expect to be reimbursed and the cost for those expenses.

C. Business Continuity Form

- a. Complete the Business Continuity Form which is attached to this RFP and return it as a separate attachment with your response.

D. Diversity, Equity & Inclusion

- a. Provide an overview of your organization's diversity, equity & inclusion strategy.
- b. Provide the demographic representation of your work force by gender and race/ethnicity, including your owners, executive leadership and management teams.
- c. Describe how your organization would seek to understand KEMI's diversity, equity & inclusion strategy and how you would use this information to leverage the consulting services you are offering to support KEMI strategy.

E. References

- a. Provide at least three (3) executive-level client references for which you have provided similar services as outlined in this RFP. At least one (1) reference must include black lung in its portfolio. You must include the client's name and address and the name and phone number of the contact person. Also include what type of work you provided this client.
- b. You may also include other references such as other businesses or other resources with whom you are associated and who are capable of providing a relevant, specific assessment of your experience with workers' compensation insurance carriers.
- c. KEMI may make such investigations as deemed necessary to determine the ability of the Offeror

to perform the services specified. KEMI reserves the right to reject any response if the evidence submitted by, or investigation of, the Offeror fails to satisfy KEMI that the Offeror is properly qualified to carry out the obligations of the contract.

III. INSTRUCTIONS

**READ ALL INSTRUCTIONS CAREFULLY.
FAILURE TO DO SO WILL BE AT THE OFFEROR'S RISK.**

- A. Proposals must set forth full, accurate, and complete information as required by this RFP. Failure to follow these requirements may be cause for rejection of the proposal.
- B. KEMI is not liable for any expenses incurred in the preparation and presentation of the proposal.
- C. The Offeror Form located in the addendum must be signed by the person submitting the proposal and must include the signee's printed or typed name, business address, email address, company website, telephone number, and date. This form must be submitted with your proposal.
- D. The Sworn Statement Regarding Campaign Finance Laws Form located in the addendum must be signed, notarized, and submitted with your proposal.
- E. The Mandatory Requirements Statement located in the addendum must be signed, attesting to compliance with KEMI's mandatory requirements for this RFP, and returned with your proposal.
- F. The Proposal Submission Checklist located in the addendum is included to ensure accurate and complete submissions.
- G. Proposals must be submitted electronically via KEMI's online submission portal as specified on the first page of this RFP. Unless stated otherwise in the RFP, it is **strongly preferred** that the entire proposal is submitted in a single PDF document. If separate attachments are also submitted, they must be clearly labeled and timely submitted. Please note that only a maximum of ten (10) attachments can be submitted through the online submission portal. No other method of correspondence will be accepted.
- H. **The Proposal Deadline Date and Time are the date and time indicated on the first page of this RFP. The date and time that KEMI actually receives the proposal will determine whether the applicant has met the deadline for response.**
- I. All inquiries concerning the form and method or specific services/products as well as requests for copies of the RFP must be made in writing to:

Sarah Kosin
rfp@kemi.com

Responses to inquiries will be shared with all potential Offerors having received a copy of this RFP from KEMI. Therefore, distribution of this RFP must be handled directly by KEMI. Any unauthorized contact with any KEMI staff other than as specified above may disqualify the Offeror from further consideration.

IV. GENERAL INFORMATION

A. Background

KEMI was created in 1994 by the Kentucky General Assembly to provide workers' compensation insurance to Kentucky employers. KEMI is Kentucky's largest writer of workers' compensation insurance. As of the end of 2022, KEMI insured approximately 21,100 policyholders. On average, approximately 11,000 new claims are reported annually, and as of December 31, 2022, KEMI had approximately 4,500 open claims (approximately 70% indemnity and 30% medical only). KEMI

maintains an A- Excellent rating from A.M. Best and submits financial reports as provided for by the NAIC. For additional information about KEMI please visit www.kemi.com. For additional information about KEMI, please visit www.kemi.com.

B. Discussions with Offeror

Discussions may be conducted with all responsible Offerors who submit proposals and are determined to be reasonably qualified and susceptible of being selected for award. Discussions may be for the purpose of clarification to assure full understanding of, and conformance to, the proposal requirements; however, Offerors will not be permitted to change their original proposal. Offeror should clearly understand that any verbal representations made or assumed to be made during any oral discussion held between Offeror and KEMI are not binding.

KEMI may require Offerors among the top scoring proposals to participate in a virtual interview. See aforementioned Schedule of Events. The principal contact for KEMI will be required to participate in the interview.

C. Proposal Modifications

Any changes, amendments or modifications to a proposal after it has been submitted must be made prior to the deadline for receipt of proposals, must be in writing, and must be submitted in the same manner as the original proposal.

Proposals or modifications received by KEMI after the exact hour and date specified shall not be considered.

F. Confidentiality

Matters relating to this RFP and any resulting contracts shall not be discussed with anyone other than KEMI staff without the prior written consent of KEMI. No opinions, reports, summaries, letters, or other documents prepared with respect to the RFP shall be released without approval of KEMI, except as required by state or federal law.

Except as required by law, information furnished by any Offeror in response to this RFP will not be disclosed by KEMI without the prior written consent of the Offeror.

G. Reservation of Rights

KEMI reserves the right to:

- I. Reject any or all proposals and waive any requirement, informality, or condition of proposals.
- II. Cancel the RFP and not award the RFP.
- III. Prohibit sub-contractors of the Offeror from performing any of the Services outlined in this RFP without the prior written consent of KEMI.
- IV. Categorize Offeror as an independent contractor, denying any employee/employer relationship between KEMI and Offeror.
- V. Approve the time and format of payment for the Offeror(s). KEMI will audit fees for reasonableness and accuracy.

- VI. Add items or services within the scope of the resultant contract if mutually agreeable by both the Offeror and KEMI.
- VII. Amend this RFP. Any amendment or information provided to a prospective Offeror will be provided to all prospective Offerors. If necessary, an RFP based on revised specifications will be issued as promptly as possible.
- VIII. Perform services in-house, or to contract with another company to perform like services.
- IX. Require a contract with the winning Offeror(s). Contract negotiations will commence at the conclusion of the RFP process.

H. Type of Contract

Contracts entered into as a result of this RFP will be Personal Service Contracts pursuant to KEMI's procurement policy, and a Personal Service Contract will be filed with the Commonwealth of Kentucky Legislative Government Contract Review Committee. The personal service contract template is available on the KEMI RFP Website.

I. Registration with the Kentucky Secretary of State

By responding to this RFP, the Offeror agrees and acknowledges that:

1. If the Offeror is a foreign entity as defined under Kentucky Revised Statute (KRS) 14A.1-070(10), and it is awarded a contract, it will ensure that it is properly registered with the Kentucky Secretary of State in accordance with KRS 14A.9-010 during the life of any contract awarded, or otherwise document the legal exemption which applies.
2. If the Offeror is a Kentucky entity as defined under KRS 14A.1-070(7), and it is awarded a contract, it will ensure that it is properly registered with the Kentucky Secretary of State in accordance with KRS Chapter 14A, or otherwise document the legal exemption which applies.

The aforementioned information shall be maintained during the life of any contract awarded and provided to KEMI upon request.

J. Protest

Any offeror who is aggrieved in connection with the solicitation or award of a contract may file a written protest to KEMI's Internal Auditor.

Patrick Simpson
psimpson@kemi.com

OFFEROR INFORMATION:

IMPORTANT: SUBMISSION MUST CONTAIN ORIGINAL SIGNATURE

Signed by: _____
Date: _____
Type or Print Name: _____
Company: _____
Address: _____

City: _____ State: _____ Zip: _____
Phone No. _____ (Area Code) _____
Fax No. _____ (Area Code) _____
Email Address: _____
Company Website: _____
Federal ID or SSN # _____
Type of ownership: _____ Individual _____ Sole Proprietorship
_____ Corporation _____ Partnership

In addition to the principal contact listed above, please include below any additional contacts you would like to receive communication regarding the RFP. KEMI will only send communication regarding the RFP to the principal contact and the contact(s) listed below. The information includes, but is not limited to, KEMI's responses to inquiries, status updates about the RFP, any modifications to the RFP, requests for interview scheduling, etc.

Contact Name(s) for RFP Communication:

Contact Email(s) for RFP Communication:

MANDATORY REQUIREMENTS:

IMPORTANT: SUBMISSION MUST CONTAIN ORIGINAL SIGNATURE.

OFFERORS MUST MAKE AN AFFIRMATIVE STATEMENT THAT THE PROPOSED ACTUARIAL SERVICES MEET THE FOLLOWING REQUIREMENTS. THESE REQUIREMENTS ARE MANDATORY, AND NO SUBSTITUTIONS WILL BE PERMITTED.

1. Conduct an annual review and analysis of Loss and LAE reserves after the close of KEMI's fiscal year, which is December 31, and provide the following:
 - a) Statement of Actuarial Opinion no later than February 15 of each year,
 - b) Actuarial Opinion Summary no later than February 15 of each year, and
 - c) Report the full analysis of the Unpaid Loss and LAE no later than March 20 of each year
2. Reserve work should begin on occupational disease effective with June 30 financials and be trued up as of December 31.
3. Reserve work should begin on non-occupational disease effective with September 30 financials and be trued up as of December 31.
4. Assist KEMI in its annual ratemaking process. This analysis must be completed no later than October 1 of each year. In accordance with generally accepted actuarial principles, provide rate indication scenarios that calculate the change in premium needed to cover expected future losses and expenses.
5. The successful offeror will be expected to make an in-person presentation to KEMI's Board of Directors one to two times per year. However, if the need should arise, the successful offeror may be required to address the Board more often.
6. Complete a detailed analysis of KEMI's current rating tier structure and historical performance. If necessary, work with management on enhancements to the overall rating structure, including but not limited to the potential expansion of additional rating tiers, changes to rate adjustment factors, and reallocation of current policies into new tiers or pricing structures.
7. Provide additional services as requested by KEMI management or the Board of Directors.

The undersigned hereby affirms the above statements are accurate, understanding that any violation of the validity of the above statements will result in the dismissal of Proposal.

OFFEROR

(Signature)

(Title)

(Name of Company or Corporation)

PROPOSAL SUBMISSION CHECKLIST

The vendor **MUST** include the following with the proposal submission.
If the items below are not submitted with the proposal submission,
KEMI will reject the proposal and the Offeror will be disqualified.

- SIGNED OFFEROR INFORMATION FORM**

- SIGNED AND NOTARIZED SWORN STATEMENT REGARDING CAMPAIGN FINANCE LAWS**

- SIGNED MANDATORY REQUIREMENTS STATEMENT**

- ORIGINAL COPY OF THE PROPOSAL**
(prepared in accordance with the Specifications and Requirements described in this RFP)