

**NORTH DAKOTA PUBLIC
EMPLOYEES RETIREMENT SYSTEM**

- REQUEST FOR PROPOSAL -

GROUP LIFE COVERAGES

RFP Issue Date: October 15, 2004

Proposal Due Date: November 29, 2004

Proposed Effective Date: July 1, 2005

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A. INTRODUCTION AND BACKGROUND

North Dakota Public Employees Retirement System (NDPERS) is a separate agency created under North Dakota State statute, and while subject to state budgetary controls and procedures as are all state agencies, is not a state agency subject to direct executive control. NDPERS is managed by a Board comprised of seven members:

- Chairman – appointed by the Governor
- Member – appointed by the Attorney General
- Member – elected by retirees
- Members (3) - elected by active employees
- State Health Officer or Designee

NDPERS is responsible for the administration of the State's Retirement, Health, Life, EAP, Deferred Compensation, FlexComp and Retiree Health Credit, LTC, Vision and dental programs. Additionally, political subdivisions such as counties, cities and school districts are currently allowed to join the NDPERS health and life plans. Approximately 18,000 active employees and 5,000 retirees are eligible to participate in these plans.

NDPERS is seeking fully insured proposals for its group life insurance plans. The current benefit for Basic Life and AD&D is \$1,300. The State pays \$0.28 per participant for this coverage. Supplemental Life and AD&D, Spouse Supplemental Life, and Dependent Supplemental Life are age rated based on the employee's age and are entirely employee paid. The effective date of coverage is July 1, 2005. All premium rates must be guaranteed for the July 1, 2005 – June 30, 2007 state biennium.

Presently, all coverages are combined for experience rating purposes. Dividends can be paid to NDPERS. We are requesting both an experience rated and a pooled quote.

Employees can elect to increase coverage during the annual enrollment conducted each fall. All requests for increases in coverage are subject to proof of good health. Any increase, if approved, will be effective the later of the dates the coverage is approved or January 1.

CONTRACTUAL OBLIGATION

The contents of the proposal and any subsequent clarifications submitted by the successful proposers will become part of the contractual obligation and incorporated by reference into the ensuing contract.

MANDATORY REQUIREMENTS

The proposal that you submit will constitute your unqualified consent to the following mandatory requirements:

- Proposals submitted in response to this request will be considered the only submission; revised proposals will not be allowed after the proposal return date and time unless requested by NDPERS.
- All proposals must answer all applicable questions on the attached questionnaire. Please type the questions and then provide your response.
- All proposals become the property of NDPERS and will not be returned to the offering company.
- No bidders/proposers conference is scheduled nor required.

SCHEDULE OF EVENTS

The schedule for submission and review of the proposal is as follows:

- Request for Proposal released October 15, 2004.
- All complete proposals must be in sealed envelopes and clearly marked "BID – GROUP LIFE" to be eligible for consideration. The cost proposal(s) should be in a separate sealed envelope within this package and marked "COST PROPOSAL".
- Proposals must be received no later than November 29, 2004.
- Deliver or send four (4) copies of your proposal to:

Mr. Sparb Collins
Executive Director
North Dakota PERS
400 East Broadway, Suite 505
Bismarck, ND 58502

- Deliver or send two (2) copies and one electronic (MS Word/ Excel) copy of your proposal to:

William (Bill) F. Robinson, Jr.
Area Vice President
Gallagher Benefit Services
6399 South Fiddler's Green Circle, Suite 200
Greenwood Village, CO 80111-4949
303-889-2724
FAX: 303-220-7010
e-mail: bill_robinson@ajg.com

- All offering companies must be prepared to make oral presentations if requested.
- NDPERS expects to evaluate proposals and award a contract by March 1, 2005.
- Enrollment activities will occur during April and May, 2005.
- The biennium period contract begins July 1, 2005 and ends June 30, 2007.
- Annual enrollment for late enrollees is in the fall of each year.

COMPLIANCE

Proposing companies agree to comply with all federal state, and local laws, ordinances, rules, regulations, and executive orders pertaining to unlawful discrimination on account

of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, or age.

REQUIRED SUBMISSIONS TO BE INCLUDED IN PROPOSAL

All Bidders shall:

- Complete Retention Exhibit.
- Complete Questionnaire.
- Submit a list of the proposer's five largest clients, including the contact name, address and telephone number of each and the number of participating participants for each coverage type. Public sector references are preferred and at least one reference must be from a public sector client.
- List current rating by the following rating organizations:
 - AM Best
 - Duff and Phelps's
 - Moody's
 - Standard and Poors
 - Weis
- Any deviations from the specifications must be clearly noted in your proposal. Failure to note deviations may exclude the proposal from further consideration.
- A brief letter that includes the following: an acknowledgement of receipt of the group life RFP specifications and any addenda and a statement that the proposal conforms to the RFP minimum requirements. This letter must include the title and signature of a duly authorized officer of the company. As noted above, any deviations from the specifications must be clearly noted in your proposal. Failure to note deviations may exclude the proposal from further consideration.

MINIMUM CONDITIONS

- Political subdivisions are allowed to join the life plans within 60 days notice.
- Premium rates must be guaranteed for a minimum of two years, from July 1, 2005 to June 30, 2007.
- All data elements available in report format to the carrier or administrator must be available to NDPERS.
- Must comply with all requirements in the North Dakota Century Code including 54-52.1 and the North Dakota Administrative Code including 71-03.
- Must comply with the schedule of events as identified.
- All carriers must agree to issue all group life on a guarantee issue basis (no evidence of insurability required except for late enrollees and increased supplemental amounts as noted).
- The State has authorized a contribution of \$0.28 per participant per month. Currently, that amount provides a basic death benefit and AD&D of \$1,300 per active or retired employee. Supplemental coverages are 100% employee paid.

EVALUATION OF PROPOSALS

Proposal information provided in direct response to the Proposal Cost Summary and Questionnaire sections will be relied upon to evaluate all proposals. The ability to meet NDPERS minimum bid requirements is essential. The following criteria will be used:

- Ability to meet NDPERS minimum requirements as outlined in this RFP
- Financial position of the carrier, with special emphasis as to its solvency
- Cost/value of services
- Level/adequacy of services
- Completeness of response to RFP specifications
- Experience/reputation serving large accounts
- Public sector experience/reputation
- Data and reporting capabilities, ease of administration
- Flexibility to meet NDPERS needs

Price will not be the sole determinant factor in the decision to award the contract. NDPERS reserves the right to accept or reject any or all proposals. The cost of the proposal will be borne by the respondent.

TERM OF CONTRACT

The North Dakota Public Employees Retirement System is governed by North Dakota State statutes, which includes a requirement to solicit bids for group life coverage for a specified term for a fully-insured arrangement. NDPERS has determined that the specified term for providing such life benefits under a fully insured arrangement shall be six years to include three biennium periods: July 1, 2005 to June 30, 2007, July 1, 2007 to June 30, 2009, and July 1, 2009 to June 30, 2011.

NDPERS and the successful proposer will renegotiate the existing contract during the interim of each biennium without resorting to a formal bidding process. If the NDPERS and the successful proposer are unable to reach an agreement during renegotiations, a formal bidding process will be initiated. Negotiations will begin in August and end in September in the final fiscal year of the biennium. NDPERS also reserves the right to terminate any contract awarded pursuant to this bidding process within thirty (30) days notice.

ELIGIBILITY PROVISIONS

State employees or employees of participating Political Subdivisions who are eighteen (18) years of age whose services are not limited in duration, who are filling an approved and regularly funded position, and who are employed at least 17.5 hours per week and at least five months each year or those first employed after August 1, 2003, are employed at least twenty (20) hours per week and at least twenty weeks each year of employment are eligible to receive benefits.

Retirees who are enrolled in the program may continue the basic and supplemental life coverage upon retirement or disability if the employee is entitled to a retirement allowance from an eligible retirement system.

Eligible early retiree who meets all of the following requirements:

- Is age 55 but less than age 65;

- Has 10 years or more of service; and
- Has an early retirement agreement with a State University or College.

Temporary employee who is employed by the state, a participating county, city or school district, or any combination thereof, members of the legislative assembly, judges of the supreme or district courts, and elected state officers as defined by the state, who are employed for an average of fewer than 20 hours per week for less than 20 weeks per year. Temporary employees are eligible for employee's coverage, dependent and supplemental spouse coverage as described in this certificate, EXCEPT temporary employees and their dependents must provide proof of good health before the temporary employee and their dependents will be insured.

MINIMUM REQUIREMENTS

The following are the minimum requirements that need to be addressed in each proposal:

1. Effective Date of Coverage: Respondents must be able to provide required coverages and services by July 1, 2005.
2. Licensure: Respondents must have all applicable licenses required by North Dakota or agree to obtain necessary licensure prior to the effective dates of coverage.
4. Term of Contract: NDPERS is required by state statute to solicit bids for group life coverage for a specified term. NDPERS has determined that the specified term for providing such life benefits under a fully insured arrangement shall be six years to include three biennium periods: July 1, 2005 to June 30, 2007, July 1, 2007 to June 30, 2009, and July 1, 2009 to June 30, 2011.
5. Premium Rate Guarantees: For all insured proposals premium rates must be guaranteed for a minimum period of two years, from July 1, 2005 to June 30, 2007.
6. Renewals: Renewals must be submitted to NDPERS 270 days prior to the contract renewal date.
7. Contract Termination: Respondent's contract termination provision may not require more than 120-day notice and can occur only at renewal. NDPERS can terminate coverage at any time.
8. No Loss No Gain: Insured coverage must be offered on a no loss/no gain basis for all covered participants.
9. Transition Management: Respondents agree, should they be selected, they will proactively manage the transition of coverage from the subsequent carrier.
12. Administration: Respondents must agree to comply with existing administration of NDPERS. Any modifications needed to accommodate NDPERS data will be done at the vendor's own expense.
13. Audit: NDPERS reserves the right to audit the carrier.

14. North Dakota Legislation Requirements: Respondent must meet all requirements in the North Dakota Century Code including 54-52.4 and all requirements in the North Dakota Administrative Code including 71-03.
15. Company Support: Carrier must agree to provide a primary corporate contact for NDPERS servicing and client support.
16. Premium Rates: Must be divisible by two.

B. CURRENT AND PROPOSED PLAN DESIGNS

Currently NDPERS contracts with ING/Reliastar to provide its employee basic life, AD&D, supplemental life, spouse supplemental, and dependent life coverages.

BASIC LIFE

Contributions

The current benefit for Basic Life and AD&D is \$1,300. The State pays \$0.28 per participant for this coverage. A waiver of premium benefit is included for Basic Life.

Eligibility

Active Employees, Eligible Early Retirees, and Retirees (see page 4 for definitions).

ALTERNATIVE PROPOSAL

Assuming no cross subsidization by the supplemental coverages, calculate the needed monthly and annual premiums for the current basic life level of benefits and eligibility. Using this same needed monthly premium, quote on these two alternatives:

- 1) Quote the retirees and active employees separately. Provide the level of benefit the current rate of \$0.28 per participant would independently purchase for each group.
- 2) Quote the retirees with coverage termination at age 70 and for active employees your company's standard age reduction schedule.

All three basic life options should be quoted on the existing experience rated (PAR) and pooled funding arrangements.

SUPPLEMENTAL LIFE

Contributions

Employees have the option of purchasing Supplemental Life and AD&D in \$5,000 increments with the first being \$3,700 to a combined Basic and Supplemental Life maximum of \$200,000.

Accelerated Death Benefit is equal to 50% of the amount of Basic and Supplemental Life Insurance in force, or \$50,000, whichever is less. This benefit is available to employees only. Employees must have at least \$10,000 in Life Insurance coverage in force to qualify for this benefit. There is currently no maximum guaranteed issue amount for initial employee coverage.

Eligibility

All active employees, eligible early retirees, and retirees are eligible for Basic, Supplemental Life, AD&D, Supplemental Dependent Life and Spouse Supplemental life coverage.

Basic coverage of \$1,300 is provided to active eligible employees. The employer pays the cost of this coverage.

Active employees have the option of purchasing Supplemental Life & AD&D in \$5,000 increments with the first increment being \$3,700 to a combined Basic and Supplemental maximum of \$200,000.

Active Employees have the option of purchasing dependent life for their legal spouse and children less than age 19 or to age 23 if a full time student. The employee can choose either \$2,000 or \$5,000 benefit levels. The employee must purchase Supplemental Life to be eligible for this coverage.

Active Employees have the option of purchasing supplemental spouse life in the amount of 50% of the employee's supplemental life amount to a maximum of \$100,000. Proof of good health is required for amounts over \$50,000. The employee must purchase Supplemental Dependent Life to be eligible for this coverage.

For eligible early retirees, Supplemental Life, AD&D, Supplemental Dependent Life and Spouse Supplemental life coverage will terminate at age 65 at which time the participant will have the option to convert the Supplemental Life insurance coverage to an individual policy.

Upon retirement, retirees entitled to a retirement allowance from an eligible retirement system, may decrease their level of coverage, but they cannot increase levels. Supplemental Life, AD&D, Supplemental Dependent Life and Spouse Supplemental life coverage will terminate at age 65 at which time the participant will have the option to convert the supplemental life insurance coverage to an individual policy.

ALTERNATIVE PROPOSAL

In addition to quoting the current supplemental plans please provide the following alternatives:

Quote supplement life maximums of \$300,000 and \$500,000 for employees and eligible early retirees with a maximum guarantee issue amount of \$200,000 with increased spouse life proportionate to these maximums.

Quote child life maximum at \$15,000.

C. MINIMUM REQUIREMENTS

The following are the Minimum Requirements. Please complete the following chart by responding in the right hand column. If you cannot meet these criteria, you may not be considered.

The effective date of coverage is acknowledged and accepted.	___ Agree ___ Disagree
You must be licensed in North Dakota or willing to obtain a license in North Dakota.	___ Agree ___ Disagree
Renewal rates must be submitted 270 days prior to the renewal date.	___ Agree ___ Disagree
You have reviewed and accept the Minimum Requirements.	___ Agree ___ Disagree
If your company is selected to replace the existing Basic, Supplemental Life and AD&D, Spouse and dependent Basic Life and Spouse Supplemental Life and AD&D, you must agree to cover – guarantee issue – all current participants and benefit amounts.	___ Agree ___ Disagree
You have reviewed and accept the requirements for Legislative Compliance.	___ Agree ___ Disagree
You have reviewed and accept the Term of Contract requirements.	___ Agree ___ Disagree
You have reviewed and accepted the Premium Rate guarantees.	___ Agree ___ Disagree

You have reviewed and accepted the Transition Management requirements.	___Agree ___Disagree
You acknowledge PERS right to audit your company.	___Agree ___Disagree
You agree to follow all requirements in the North Dakota Century Code and North Dakota Administrative Code.	___Agree ___Disagree

Signature_____

Date_____

D. TECHNICAL QUESTIONNAIRE

Carriers must complete the Technical Questionnaire in its entirety. Include both the question and the answer in your proposal. Be certain that all questions are complete and accurate. GBS can provide the questions on disk to facilitate their restatement in your response.

FIRM / ORGANIZATION QUESTIONS

1. Provide a description of your organization, to include, at a minimum: parent company and location; quoting organization and location, if different; and subcontractors/partners, if any as well as responses to the following:
 - Date formed
 - Ratings of company(s):
 - A.M. Best
 - Moody's
 - Standard & Poor's
 - Duff and Phelps
 - Weis
 - Number of employees
 - Number of groups with over 5,000 employees in force
 - Number of covered/serviced employees
 - Have you recently been acquired or been involved with any merger/acquisition? If yes, describe.
 - Provide company's organization chart, including client service team.
 - Provide the primary contact
 - Provide the day to day contact
2. What customer service office will be responsible for this account? Will you provide a toll-free 800 number? Are any charges associated with this number? List the days and hours of operation.
3. Who will be the company's primary liaison with NDPERS? Identify any other members of the client management team, along with their roles. Provide a resume or an outline of the team members' experience and qualifications. Where will they be based?
4. Will you agree to provide draft certificate and benefit booklet language within 60 days of contract award? Please provide a sample of your booklet.
5. Please provide a copy of your most recent annual financial statement, or other documentation reflecting financial performance.
6. Describe how the claim processing and customer service functions are handled. Are both functions handled by the same person?

7. Will you need to hire additional personnel if awarded this business? If so, how will these hires be assimilated into your operations? Into the NDPERS account?
8. What kinds of employee communication materials will you provide to PERS and PERS participants? Can these materials be customized? Provide samples of these materials including a sample certificate, enrollment form(s), claim form and any other sample employee communications in the appendix of your proposal.
9. Include a sample of your standard contract in the appendix of your proposal.
10. Please include a list of your five largest accounts, with the name, address, and phone number of an individual from each group who is familiar with the administration of the plans and the level of service provided. Public sector references with 2,500 or more employees are preferred.

BASIC AND SUPPLEMENTAL LIFE AND AD&D QUESTIONS

1. Are you able to write the basic and supplemental plans as outlined? Please specify any deviations.
2. What is your maximum supplemental life guarantee issue amount? Is this maximum related to the percentage of enrollment? If yes, what are the percentages?
3. What is the highest supplemental life benefit available with medical evidence?
4. Is the policy portable at the same rates? If not, please provide rating structure for ported policies.
5. Will you provide an open enrollment to coincide with implementation of your plan? Will you make this open enrollment annual?
6. Will eligible employees be allowed to enroll late with medical evidence consistent with current rules?
7. Will you agree that termination of the master contract cannot eliminate your liability for an employee whose disability (waiver of premium) occurred prior to termination of the master contract.
8. Are the rates quoted in your proposal firm? What conditions, if any, would affect the proposed rates and costs?
9. Are the quoted rates guaranteed at a minimum through June 30, 2007? Are you willing to guarantee rates for a longer period? If so, for how long and under what terms?
10. Are the retention expenses guaranteed through June 30, 2007? Please explain.
11. How are renewal rates determined? Describe the renewal process in detail for each quoted funding option.

12. Will you require any type of premium or claim stabilization fund? If yes, identify the amount and method of determination.
13. Please provide your current turnaround time for:
 - New applications
 - Increase amounts for existing policies
 - Claims payment for both Life and AD&D claims
14. Describe how you will handle the enrollment process.
 - Basic
 - Supplemental
 - Spouse/Dependent Life
15. Does your company put any restrictions on the participation level for the supplemental life program? Describe any limitations.
16. For your experience rated (PAR) proposal, with regard to reserves for incurred but not reported (IBNR) claims, please specify:
 - What IBNR reserves do you require?
 - How are reserve levels and interest credits calculated?
 - Treatment of reserves upon cancellation?
17. For your experience rated proposal, outline how you would expect to treat life underwriting deficits should they occur. Please comment as to interest charges and deficit recovery.
18. For your experience rated proposal, will you refund all premiums in excess of total claim charges plus retention at the end of the 2005-2007 biennium? How long after the end of the biennium?
19. For your experience rated proposal, will you refund all premiums in excess of total claim charges plus retention for a terminal policy year, both on and off anniversary? How long after the termination date?
20. What is your formula for establishing premium waiver reserves? What interest do you allow on those reserves and how is it credited? Do you retain liability for existing waiver claims after plan termination?
21. Identify the conversion options available to insured participants. What is the charge to the policyholder?
22. Do your quoted rates include a provision for early payment of life proceeds upon proof of terminal illness? If yes, please explain.
23. What is the location of the office that would serve PERS with regard to:
 - Service and administration
 - Claims
24. Provide a list of your firm's exclusions.

E. CENSUS

Please see attached spreadsheet.

F. RATE/ EXPERIENCE HISTORY

Please see attached spreadsheets.

G. RETENTION EXHIBIT

2005-2007

Retention	% of Premium
Premium Taxes	
Contracts / SPD's	
Commissions	
Risk Charge	
Profit	
Other (explain)	
Total	

H. PREMIUM EXHIBITS

All rates must be guaranteed for a minimum of two years.

Basic Life

The current basic life and AD&D benefit is \$1,300.

Experience rated quote

\$_____ pepm – Active and Eligible Early Retirees and Retirees

Pooled quote

\$_____ pepm – Active and Eligible Early Retirees and Retirees

Assuming no cross subsidization from the supplemental coverages and based on the same premium quotes above, indicate the basic life/ AD&D benefits that would be available under the following alternatives.

Alternative Proposal

1) Quote the active employees and retirees separately

Based on experience rated quote

Active Employees basic life/AD&D benefit \$_____.

Retirees basic life/AD&D benefit \$_____.

Based on pooled funding arrangements

Active Employees basic life/AD&D benefit \$_____.

Retirees basic life/AD&D benefit \$_____.

2) Quote the retirees with coverage termination at age 70 and active employees with standard age reduction schedule

Based on experience rated quote

Active Employees basic life/AD&D benefit \$_____.

Retirees basic life/AD&D benefit \$_____.

Based on pooled funding arrangements

Active Employees basic life/AD&D benefit \$_____.

Retirees basic life/AD&D benefit \$_____.

Supplemental Life

Proposed Rate Plan

Rates Per \$1,000

Employee combined Basic and Supplemental Life Maximum \$200,000

Spouse Supplemental Life 50% of the Employee's to a maximum of \$100,000

Guarantee Issue for Employee \$200,000 /Spouse \$50,000

Employee's Age	Employee	Spouse
Under 25		
25 to 29		
30 to 34		
35 to 39		
40 to 44		
45 to 49		
50 to 54		
55 to 59		
60 to 64		
65 to 69		
70+		

Alternative Proposal - A

Rates Per \$1,000

Employee combined Basic and Supplemental Life Maximum \$300,000

Spouse Supplemental Life 50% of the Employee's to a maximum of \$150,000

Guarantee issue for Employee \$200,000 /Spouse \$75,000

Employee's Age	Employee	Spouse
Under 25		
25 to 29		
30 to 34		
35 to 39		
40 to 44		
45 to 49		
50 to 54		
55 to 59		
60 to 64		
65 to 69		
70+		

**Supplemental Life
Alternative Proposal - B**

Rates Per \$1,000

Employee combined Basic and Supplemental Life Maximum \$500,000

Spouse Supplemental Life 50% of the Employee's to a maximum of \$250,000

Guarantee issue for Employee \$200,000 /Spouse \$75,000

Employee's Age	Employee	Spouse
Under 25		
25 to 29		
30 to 34		
35 to 39		
40 to 44		
45 to 49		
50 to 54		
55 to 59		
60 to 64		
65 to 69		
70+		

**Dependent Life
Current Plan - Rates Per \$1,000**

Employee's Age	\$2,000	\$5,000
Under 25		
25 to 29		
30 to 34		
35 to 39		
40 to 44		
45 to 49		
50 to 54		
55 to 59		
60 to 64		
65 to 69		
70+		

Alternative Proposal

Employee's Age	\$15,000
Under 25	
25 to 29	
30 to 34	
35 to 39	
40 to 44	
45 to 49	
50 to 54	
55 to 59	
60 to 64	
65 to 69	
70+	