

State of Maine Procurement Justification Form

This form must accompany all contract requests and sole source requisitions (RQS) over \$5,000 submitted to the Division of Procurement Services.

INSTRUCTIONS: Please provide the requested information in the white spaces below. All responses (except signatures) must be typed; no hand-written forms will be accepted. See the guidance document posted with this form on the Division of Procurement Services website (Forms page) for additional instructions.

PART I: OVERVIEW			
Department Office/Division/Program:	DPFR / Insurance		
Department Contract Administrator or Grant Coordinator:	Vanessa J. Sullivan 624.8452		
(If applicable) Department Reference #:			
Amount: (Contract/Amendment/Grant)	\$150,000	Advantage CT / RQS #:	20180604 3817
CONTRACT	Proposed Start Date:	Proposed End Date:	
AMENDMENT	Original Start Date:	Effective Date:	07/01/2018 09/17/2020
	Previous End Date:	New End Date:	06/30/2021 06/30/2022
GRANT	Project Start Date:	Grant Start Date:	
	Project End Date:	Grant End Date:	
Vendor/Provider/Grantee Name, City, State:	Milliman, Inc. 71 S. Wacker Drive, 31st Floor Chicago, IL 60606 VC1000065245		
Brief Description of Goods/Services/Grant:	Unum Life Insurance Company of America Actuarial Services		

PART II: JUSTIFICATION FOR VENDOR SELECTION			
Mark an "X" before the justification(s) that applies to this request. (Check all that apply.)			
	A. Competitive Process		G. Grant
X	B. Amendment		H. State Statute/Agency Directed
X	C. Single Source/Unique Vendor		I. Federal Agency Directed
	D. Proprietary/Copyright/Patents		J. Willing and Qualified
X	E. Emergency		K. Client Choice
	F. University Cooperative Project		L. Other Authorization

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PART III: SUPPLEMENTAL INFORMATION

Please respond to ALL of the following:

1. Provide a more detailed description and explain the need for the goods, services or grant to supplement the response in Part I.

The Maine Bureau of Insurance (“MBOI”) is charged with the financial oversight of domestic insurance companies pursuant to 24-A M.R.S.A. As a result of certain developments, the MBOI needs to engage an actuary with specific skills related to long-term care insurance products (“LTC”) offered by Unum Life Insurance Company of America (“ULA”) in order to for the MBOI to perform the NAIC prescribed financial examination.

ULA is Maine’s largest domestic insurance company and presents an insurer with extremely complex reserve matters. The work to be performed, set forth in this contract (and described below), supports the NAIC prescribed five-year financial examination

As a result of actuarial analysis services, the Provider will deliver to the MBOI the following LTC reserve examination deliverables:

- Assess the reserve adequacy of statutory reserves reported by ULA in respect of its LTC business on its December 31, 2018, statutory financial statements;
- Examine and assess the statutory reserves reported by ULA in respect of its LTC business at December 31, 2018, for compliance with NAIC minimum valuation standards, prescribed valuation assumptions, and State of Maine valuation requirements;
- Review and assess reinsurance contracts covering LTC business for appropriateness and to ensure validity of purported risk transfer;
- Complete the NAIC prescribed risk-focused matrix documentation for the LTC components of the ULA financial examination as of December 31, 2018;
- Assist with LTC control environment review and control testing in support of the LTC pricing and reserving key activities. This will include attendance at required meetings with ULA, review of the external auditor work-papers, and additional actuarial review of certain processes and procedures, as requested by Maine;
- Prepare a written report of Provider’s findings and conclusions, focusing on the items defined above and related to ULA’s LTC business as of December 31, 2018;
- Work in conjunction with the MBOI’s consulting actuary engaged to complete the non-LTC components of the ULA financial examination as of December 31, 2018, in order to ensure an integrated, final work product addressing the actuarial aspects of the examination. Provider will answer questions raised by MBOI’s consulting actuary related to ULA’s LTC business in the context of the ULA financial examination at December 31, 2018.

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PART III: SUPPLEMENTAL INFORMATION

2. Provide a brief justification for the selected vendor to supplement the response in Part II.

The MBOI knows of two actuarial firms, Milliman and Deloitte, with extensive long-term care actuarial analysis experience with economically significant insurers. In each case the long-term care/disability insurance actuarial expertise resides in the respective firm's Chicago office(s).

Milliman has specific, sought after long-term care insurance actuarial analysis skill set(s). Milliman has successfully resolved several long-term care insurance reserve projects with nationally significant insurance companies. Milliman also has a successful history of assisting various state insurance regulators, including those regulators of states in which Unum statutory legal entities reside with long-term care insurance reserving matters.

This contract is the third long-term care insurance reserve project with Milliman. In fact the MBOI has been working closely with Milliman on this long-term care insurance reserve analysis project since 2015. The Milliman team, engaged through this contract, has also provided long-term care insurance reserve analysis support to insurance regulators on similar projects since 2015 as well.

To sum, Milliman (and Deloitte) employ skilled staff with significant germane product experience.

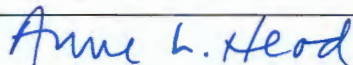
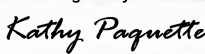
3. Explain how the negotiated costs or rates are fair and reasonable; or how the funding was allocated to grantee.

The rates proposed by Milliman are reasonably competitive with those of other actuarial consulting firms. While not an apples-to-apples, comparison, hourly rates observed by the MBOI have ranged from \$185-\$270 for an assistant actuary up to \$508-\$611 for a principal actuary.

4. Describe the plan for future competition for the goods or services.

The MBOI views certain actuarial projects as special cases. Factors creating special cases include, but are not limited to, product characteristics, economic impact, and time-lines. The MBOI anticipates that certain sole-source actuarial projects will continue in the future. The MBOI anticipates following the sole source contract parameters set forth by Purchases. The MBOI tries to follow the Purchases prescribed RFP process when practical.

PART IV: APPROVALS

Signature of requesting Department's Commissioner (or designee):	<i>By signing below, I signify that I approve of this procurement request.</i>		
			
Printed Name:	Anne L. Head	Date:	09/ 22/2020
Signature of DAFS Procurement Official:	<small>DocuSigned by:</small> 		
Printed Name:	<small>41C2BA36FAF44CD...</small> Kathy Paquette	Date:	9/24/2020