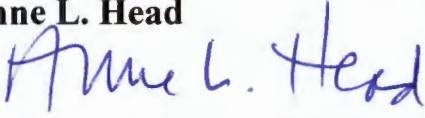


State of Maine Waiver of Competitive Bidding Request Form

Form Instructions: Please provide the requested information in the white boxes below. This form is to precede all contract requests that are not the direct result of a competitive bid process.

Requesting Department's Contract Administrator:	Vanessa J. Sullivan	Office/Division/Program of Contract Administrator:	DPFR / Insurance
Est. Contract Amount:	Amendment \$500,000 \$1,315,750 Total	Contract or RQS Number:	20180604 3817
Proposed Start Date:	07/01/2018	Proposed End Date:	06/30/2020
Vendor/Provider Name, City, State:	Milliman, Inc. 71 S. Wacker Drive, 31st Floor Chicago, IL 60606		
Short Description of Good or Service:	Unum Life Insurance Company of America Actuarial Services – Targeted Examination		
Please note, for transparency purposes, Waivers of Competitive Bidding will be publicly posted. Public postings are placed on the Division of Procurement Services website for a period of seven consecutive calendar days.	<p style="text-align: center;">To be completed by the Division of Procurement Services</p> <p>Posting dates on Division of Procurement Services website: From: <u>12/13/2019</u> To: <u>12/19/2019</u></p>		
Notice of Intent to Waive Competitive Bidding Number:	NOI# 1220192041		
1. Statutory Justification			
State of Maine statute (5 M.R.S. §1825-B(2)) allows waivers of competitive bidding only for the specific reasons listed below. Please mark the appropriate box (X) next to the justification which applies to this specific request.			
<input type="checkbox"/>	A. The procurement of goods or services by the State for county commissioners pursuant to Title 30-A, section 124, involves the expenditure of \$2,500 or less, and the interests of the State would best be served;		
<input type="checkbox"/>	B. The Director of the Bureau of General Services is authorized by the Governor, or the Governor's designee, to make purchases without competitive bidding because, in the opinion of the Governor or the Governor's designee, an emergency exists that requires the immediate procurement of goods or services;		
<input checked="" type="checkbox"/>	<i>If citing the above justification for this Waiver of Competitive Bidding request, please have the requesting Department's Commissioner or Chief Executive (as the Governor's "designee") sign and date on the right.</i>	<i>By signing below, I signify as the Governor's designee there is an emergency that necessitates this non-competitive procurement.</i> Signature: <div style="display: flex; justify-content: space-between;"> <div style="text-align: center;"> Anne L. Head  </div> <div style="text-align: center;"> 11/ 20 /2019 </div> </div>	
<input type="checkbox"/>	C. After reasonable investigation by the Director of the Bureau of General Services, it appears that any required unit or item of supply, or brand of that unit or item, is procurable by the State from only one source;		

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	<p>D. It appears to be in the best interest of the State to negotiate for the procurement of petroleum products;</p>
	<p>E. The purchase is part of a cooperative project between the State and the University of Maine System, the Maine Community College System, the Maine Maritime Academy, or a private, nonprofit, regionally accredited institution of higher education with a main campus in this State involving:</p> <p>(1) An activity assisting a state agency and enhancing the ability of the university system, community college system, Maine Maritime Academy, or a private, nonprofit, regionally accredited institution of higher education with a main campus in this State to fulfill its mission of teaching, research, and public service;</p> <p>(2) A sharing of project responsibilities and, when appropriate, costs;</p> <p><i>If citing the above justification for this sole source request, please note that the specific approval of the Governor's Office is required, in accordance with Executive Order 26 FY 11/12, "An Order to Enhance Competitive Bidding". The approval must be documented on DAFS/BGS/Division of Procurement Services "GOVCOOP" form, found here:</i> http://www.maine.gov/purchases/info/forms/govcoop.doc.</p>
	<p>F. The procurement of goods or services involves expenditures of \$10,000 or less, in which case the Director of the Bureau of General Services may accept oral proposals or bids;</p>
	<p>G. The procurement of goods or services involves expenditures of \$10,000 or less, and procurement from a single source is the most economical, effective and appropriate means of fulfilling a demonstrated need.</p>
	<p>If a different authorization specifically allows for this non-competitive procurement, please provide that <i>reference here</i>:</p>

Please note that the following four points below (#2 through 5) all require a response.

2. Description of Specific Need

Please identify, and fully describe, the specific problem, requirement, or need the resulting non-competitive contract would address and which makes the goods or services necessary. Explain how the requesting Department determined that the goods or services are critical and/or essential to agency responsibilities or operations.

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 certain products offered by Unum Life Insurance Company of America ("ULA").

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 a targeted examination.

The Provider delivered to the MBOI ("Maine Bureau of Insurance") the following long-term care insurance ("LTC") reserve services:

- a) Conduct experience analysis for the ULA ILTC and GLTC business, reflecting data through December 31, 2017. The Provider will develop actuarial assumptions related to claim incidence, claim termination, voluntary lapse, and mortality. The morbidity assumptions will use the 2017, Milliman Long Term Care Guidelines, as adjusted to fit ULA's experience. The experience analysis will cover both ULA's ILTC and GLTC business. Provident Life and Accident Insurance Company is considered out of scope for this engagement.

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- b) Prepare financial projections, as of December 31, 2018, for the ULA ILTC and GLTC business. The financial projections will include both a gross premium valuation and cash flow testing results, as of December 31, 2018. Provider will develop estimates of the reserve deficiency, if any, for the ULA's ILTC and GLTC business as of December 31, 2018.
- c) Review financial projections prepared by ULA, as of December 31, 2018, for ULA's ILTC and GLTC business for consistency with actuarial standards of practice and guidelines, statutory accounting principles, and general industry practice with respect to LTC business. The review will include the gross premium valuation and cash flow testing results (if applicable) prepared by ULA's Appointed Actuary.
- d) Review the actuarial memorandum required under Actuarial Guideline LI, as prepared by ULA's Appointed Actuary as of December 31, 2018.
- e) Evaluate the work of Unum's external actuarial consultant, as it relates to any experience analysis completed in support of year-end 2018 financial projections of the ULA LTC business.
- f) Participate in discussions with MBOI and Unum management related to reserve adequacy testing of the ULA LTC business as of December 31, 2018.
- g) Otherwise assist and support the MBOI with the targeted financial examination of ULA, as it relates to actuarial and reserve adequacy issues associated with the ULA LTC business.

As a result of certain findings related to the aforementioned services, the Provider will deliver to the MBOI the following LTC reserve services:

- Use actuarial assumptions developed by Provider pursuant to RIDER A to assess the reserve adequacy of statutory reserves reported by ULA in respect of its LTC business on 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;

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- 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.

3. Availability of other Public Resources

Please explain how the requesting Department concluded that sufficient staffing, resources, or expertise is not available within the State of Maine’s government, or other governmental entities (local, other state, or federal agencies) external to the requesting Department, which would be able to address the identified need more efficiently and effectively than the identified vendor.

- a. Sufficient staffing and expertise is not available within the Department. MBOI staff does not have the resources to analyze the actuarial models constructed under the proposed contract.
- b. Other governmental resources (local, state, or federal agencies) external to the department are not available to perform the service more efficiently or more cost effectively than the requested sole source. There are no other known long term care actuarial modeling capabilities within state government or any known federal government resources that are available to the MBOI.

4. Cost

Since a waiver of competitive bidding is being requested for this procurement, please explain how the requesting Department concluded the negotiated costs, fees, or rates are **fair and reasonable**.

Previous contracts for actuarial services range from \$200 per hour to \$611 per hour. Milliman will provide comparable services at an acceptable rate range.

It is expected that these expenses, related to this actuarial services contract, will be borne by ULA

5. Future Competition

Please describe potential opportunities which may be available to foster competition for these goods or services in the future.

The MBOI has one employee who has attained the ASA designation. Within the next five years, this employee will gain experience; however, it is unlikely that the Bureau will ever be able to employ an actuarial staff with the sufficient experience required of this project.

The MBOI views this as a special case necessitated by the financial magnitude of ULA.

The RFP process is always followed when seeking actuarial services in support of other, less complex, Maine domiciled insurance companies.

Please note that only one of the two points below (“Uniqueness” or “Timeframe”) requires a response. Requesting Departments are not required to respond to both points.

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6. Uniqueness

Please explain if the goods or services required are unique to a specific vendor. Describe the unique qualifications, abilities, and/or expertise of the vendor and how those particular unique factors address the specific need identified above. If the vendor has unique equipment, facilities, or proprietary data, also explain the necessity of these particular unique assets.

Milliman is not completely unique. Milliman does; however, have a specific, sought after long-term care insurance skill set. The Milliman team has provided actuarial consulting services to insurance regulators on similar projects. The decision not to engage Deloitte Consulting LLP (contract 2014 0321 3048) was made in order to bring a perspective, separate and distinct, from prior ULA financial examination.

As with Deloitte, experience to the extent of the proposed Provider in the areas germane to this engagement is not readily available at competing actuarial firms. As the MBOI discovered on a 2011 ULA special project, long term care/disability insurance reserving is extremely difficult to analyze and often beyond the capabilities of most FSA actuaries. Additionally, the MBOI knows of two actuarial firms with extensive long-term care experience, Milliman and Deloitte. In each case the long-term care/disability insurance actuarial expertise resides in the respective firm's Chicago office(s). Further, Milliman has a history of assisting various state insurance regulators, including those regulators of states in which Unum statutory legal entities reside.

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

7. Timeframe (Complete only if B. is the Statutory Justification marked on Page 1)

Please explain if time is of the essence and an emergency exists which requires the immediate procurement of goods or services. Describe the nature of this emergency, provide the date by which the goods or services must be delivered, and explain how that date was determined and its significance (i.e. impact if delayed beyond this date). Also, provide information as to how it was determined this vendor is the best option to address this time-sensitive procurement.

Immediate. The ULA five-year examination is ongoing, any disruption may adversely impact the MBOI's 18-month exam completion requirement date set forth by the NAIC. ULA LTC reserves are a topic of national news.

Signature of requesting Department's Commissioner or Chief Executive (or designee within the Commissioner's Office):

By signing below, I signify that my Department requests, and I approve of, this Waiver of Competitive Bidding.

Printed Name:

Anne L. Head

Date:

11/20 /2019