

STATE OF NORTH CAROLINA

Department of Insurance

Request for Proposal #: 12-001242

**For Contract Market Conduct and Rate and Form Filing Review
Services**

Date of Issue: March 8, 2024

Proposal Opening Date: April 26, 2024

At 2:00 PM ET

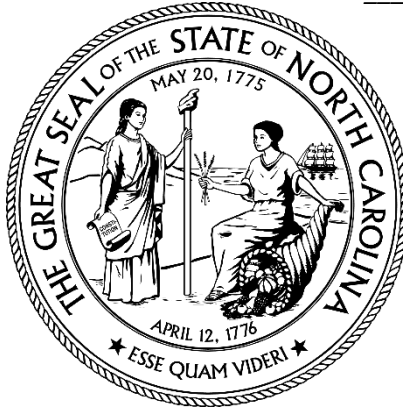
Direct all inquiries concerning this RFP to:

Wendy Holland

Purchasing Officer

Email: Wendy.Holland@ncdoi.gov

Phone: 919-807-6038



STATE OF NORTH CAROLINA

Request for Proposal

12-001242

For internal State agency processing, including tabulation of proposals, provide your company's eVP (Electronic Vendor Portal) Number. Pursuant to G.S. 132-1.10(b) this identification number shall not be released to the public. **This page will be removed and shredded, or otherwise kept confidential**, before the procurement file is made available for public inspection.

**This page shall be filled out and returned with your proposal.
Failure to do so may subject your proposal to rejection.**

Vendor Name

Vendor eVP#

Note: For a contract to be awarded to you, your company (you) must be a North Carolina registered vendor in good standing. You must enter the vendor number assigned through eVP (Electronic Vendor Portal). If you do not have a vendor number, register at <https://vendor.ncgov.com/vendor/login>.

STATE OF NORTH CAROLINA

Department of Insurance

Refer <u>ALL</u> Inquiries regarding this RFP to the procurement lead through the Message Board in the Sourcing Tool. See section 2.5 for details:	Request for Proposal #: 12-001242 Proposals will be publicly opened: April 26, 2024 @ 2:00 PM Microsoft Teams meeting Join on your computer, mobile app or room device Click here to join the meeting Meeting ID: 224 541 165 303 Passcode: EZDyAj Download Teams Join on the web Join with a video conferencing device ncgov@m.webex.com Video Conference ID: 119 313 080 3 Alternate VTC instructions Or call in (audio only) +1 984-204-1487,,240313164# United States, Raleigh Phone Conference ID: 240 313 164# Find a local number Reset PIN Learn More Meeting options
Using Divisions: Market Regulation, Life and Health, Property and Casualty	Commodity No. and Description: 941016 Professional Associations
Requisition No.: NA	

EXECUTION

In compliance with this Request for Proposals (RFP), and subject to all the conditions herein, the undersigned Vendor offers and agrees to furnish and deliver any or all items upon which prices are bid, at the prices set opposite each item within the time specified herein.

By executing this proposal, the undersigned Vendor understands that false certification is a Class I felony and certifies that:

- this proposal is submitted competitively and without collusion (G.S. 143-54),
- none of its officers, directors, or owners of an unincorporated business entity has been convicted of any violations of Chapter 78A of the General Statutes, the Securities Act of 1933, or the Securities Exchange Act of 1934 (G.S. 143-59.2), and
- it is not an ineligible Vendor as set forth in G.S. 143-59.1.

Furthermore, by executing this proposal, the undersigned certifies to the best of Vendor's knowledge and belief, that:

- it and its principals are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from covered transactions by any Federal or State department or agency.

As required by G.S. 143-48.5, the undersigned Vendor certifies that it, and each of its sub-Contractors for any Contract awarded as a result of this RFP, complies with the requirements of Article 2 of Chapter 64 of the NC General Statutes, including the requirement for each employer with more than 25 employees in North Carolina to verify the work authorization of its employees through the federal E-Verify system.

As required by Executive Order 24 (2017), the undersigned vendor certifies will comply with all Federal and State requirements concerning fair employment and that it does not and will not discriminate, harass, or retaliate against any employee in connection with performance of any Contract arising from this solicitation.

G.S. 133-32 and Executive Order 24 (2009) prohibit the offer to, or acceptance by, any State Employee associated with the preparing plans, specifications, estimates for public contracts; or awarding or administering public contracts; or inspecting or supervising delivery of the public contract of any gift from anyone with a contract with the State, or from any person seeking to do business with the State. By execution of this response to the RFP, the undersigned certifies, for Vendor's entire organization and its employees or agents, that Vendor is not aware that any such gift has been offered, accepted, or promised by any employees of your organization.

Proposal Number: 12-001242

Vendor: _____

By executing this bid, Vendor certifies that it has read and agreed to the **INSTRUCTION TO VENDORS** and the **NORTH CAROLINA GENERAL TERMS AND CONDITIONS incorporated herein**. These documents can be accessed from the Ariba Sourcing Tool.

Failure to execute/sign proposal prior to submittal may render proposal invalid and it MAY BE REJECTED. Late proposals shall not be accepted.

COMPLETE/FORMAL NAME OF VENDOR:		
STREET ADDRESS:	P.O. BOX:	ZIP:
CITY & STATE & ZIP:	TELEPHONE NUMBER:	TOLL FREE TEL. NO:
PRINCIPAL PLACE OF BUSINESS ADDRESS IF DIFFERENT FROM ABOVE (SEE INSTRUCTIONS TO VENDORS ITEM #21):		
PRINT NAME & TITLE OF PERSON SIGNING ON BEHALF OF VENDOR:		FAX NUMBER:
VENDOR'S AUTHORIZED SIGNATURE*:	DATE:	EMAIL:

VALIDITY PERIOD

Offer shall be valid for at least sixty 60 days from date of bid opening, unless otherwise stated here: _____ days, or if extended by mutual agreement of the parties in writing. Any withdrawal of this offer shall be made in writing, effective upon receipt by the agency issuing this RFP.

ACCEPTANCE OF PROPOSAL

If your proposal is accepted, all provisions of this RFP, along with the written results of any negotiations, shall constitute the written agreement between the parties ("Contract"). The NORTH CAROLINA GENERAL TERMS AND CONDITIONS are incorporated herein and shall apply. Depending upon the Goods or Services being offered, other terms and conditions may apply, as mutually agreed.

EXEMPTION FROM STATE PURCHASING REQUIREMENTS

It should be noted that pursuant to G.S. 58-2-69, this contract is not subject to Articles 3, 3C or 8 or Chapter 143 of the North Carolina General Statutes, is not subject to Article 3D of Chapter 147 of the North Carolina General Statutes and is not subject to related purchase and contract regulations, including the protest procedures set forth in ATTACHMENT B: INSTRUCTIONS TO VENDORS to this RFP.

FOR STATE USE ONLY: Offer accepted and Contract awarded this _____ day of _____, 20____, as indicated on

The attached certification, by _____.

(Authorized Representative of the North Carolina Department of Insurance)

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1.0 PURPOSE AND BACKGROUND

This RFP is for the purpose of improving the North Carolina Department of Insurance's ("Department") regulation of the market conduct activity of North Carolina domestic and foreign insurers, and its review of rate and form filings for domestic and foreign insurers utilizing the System for Electronic Rate and Form filing (SERFF) system. Services performed under this RFP will allow market regulation examinations, market analysis services (including Level 1, Level 2, and Market Conduct Annual Statement (MCAS) reviews), and data analysis, and rate and forms review work to be performed in a timelier manner.

This RFP solicits proposals from Vendors to provide three (3) separate classes of services, as follows:

- a) Market Regulation Examinations and Market Analysis Services
- b) Life and Health Rate and Form Filings Review Services
- c) Property and Casualty Rate and Form Filings Review Services

Vendors may apply for any or all of the listed services. See Section 5.0 SPECIFICATIONS AND SCOPE OF WORK for additional information regarding the classes of service.

The Department's Market Regulation Division monitors market conduct activity of a variety of entities regulated by the Department, including domestic and foreign Property and Casualty (P&C) insurance companies, Life and Health (L&H) insurance companies, Premium Finance companies, Health Maintenance Organizations (HMO), and Preferred Provider Organizations (PPO).

Examinations are used to monitor compliance with statutes and regulations in the following areas: Policyholder Treatment, Sales, Marketing, Underwriting and Rating, Agent Appointments and Terminations, Nonforfeitures General Administration, Provider Relations and Delivery Systems, Utilization Management, Quality Management, Provider Credentialing, Delegated Oversight, and Claims.

The Department's Life and Health Division licenses all insurers who carry on the business of insurance within North Carolina and authorizes the specific types of insurance in which the insurer may engage. In addition to the general authority afforded through the license, the insurer must submit to the Department for prior approval all insurance policy rates and forms for any health insurance plan the insurer intends to use in North Carolina. This prior approval requirement applies across all types of health insurance plans (i.e., preferred provider, indemnity, point of service, HMO, etc.) and across all health insurance markets (individual/non-employer group, small and large employer group).

The Department's Property and Casualty Division licenses all insurers who carry on the business of insurance within North Carolina and authorizes the specific types of insurance in which the insurer may engage. In addition to the general authority afforded through the license, the North Carolina Rate Bureau for insurance companies licensed to write workers' compensation, private passenger automobile, homeowners and dwelling fire insurance coverage in North Carolina must submit rates and forms filings to the Department for prior approval rating. This prior approval requirement applies across all types of insurance rating plans.

SERFF is the preferred method of all rates and forms submissions. SERFF is the most efficient way to submit rates and forms filings to North Carolina. The form submittal, document management and review access provided by the platform accelerates the pace of market-entry for new and renewing products, while ensuring compliance with consumer protection requirements.

The services required by this RFP will be requested on an as-needed basis. By placing one or more qualified Vendors on contract to provide professional services, the Department will have a list of available Vendors which will allow the Department to be better prepared to address regulatory needs and other nonrecurring, acute increases in workload. Additionally, services performed under this RFP will allow the Department to respond in a timely manner and provide the highest level of service.

The Department will select, at its discretion, individual Vendors for particular projects as the need arises. A specific Services Agreement between the selected Vendor and the Department, including a statement of scope of services and compensation, will be executed for each project arising during the term of this RFP period. The Vendors agree that the terms and provisions of this RFP and any addenda issued hereto shall be included in the specific Services Agreements for each project.

This RFP seeks cost and pricing structure for the period July 1, 2024 through June 30, 2027. The proposal may offer services for any or all periods indicated.

APPROVED VENDORS ARE NOT GUARANTEED A MINIMUM OR MAXIMUM AMOUNT UNDER THIS CONTRACT. THE STATE MAKES NO COMMITMENT TO ACQUIRE ANY SERVICES UNDER THIS CONTRACT.

1.1 CONTRACT TERM

The Contract shall have an initial term of three (3) years, beginning on July 1, 2024 and ending on June 30, 2027.

At the end of the Contract's initial term, the State shall have the option, in its sole discretion, to renew the Contract on the same terms and conditions for up to two (2) additional one-year terms. The State will give the Vendor written notice of its intent to exercise each option no later than thirty (30) days before the end of the Contract's then-current term. In addition to any optional renewal terms, and with the Vendor's concurrence, the State reserves the right to extend the Contract after the last active term.

Proposals shall be submitted in accordance with the terms and conditions of this RFP and any addenda issued hereto.

2.0 GENERAL INFORMATION

2.1 REQUEST FOR PROPOSAL DOCUMENT

This RFP is comprised of the base RFP document, any attachments, and any addenda released before Contract award, which are incorporated herein by reference.

2.2 E-PROCUREMENT FEE

ATTENTION: This is an NC eProcurement solicitation facilitated by the Ariba Network. The E-Procurement fee may apply to this solicitation. See the paragraph entitled ELECTRONIC PROCUREMENT of the North Carolina General Terms and Conditions.

General information on the E-Procurement Services can be found at: <http://eprocurement.nc.gov/>.

What is the Ariba Network?

The Ariba Network is a web-based platform that serves as a connection point for buyers and vendors. Vendors can log in to the Ariba Network to view purchase orders, respond to electronic requests for quotes, participate in Sourcing Events, and collaborate with buyers on contract documents.

For training on how to use the Sourcing Tool to view solicitations, submit questions, develop responses, upload documents, and submit offers to the State, Vendors should go to the following site:

<https://eprocurement.nc.gov/training/vendor-training>.

2.3 NOTICE TO VENDORS REGARDING RFP TERMS AND CONDITIONS

It shall be the Vendor's responsibility to read the Instructions to Vendors, the North Carolina General Terms and Conditions, all relevant exhibits and attachments, and any other components made a part of this RFP and comply with all requirements and specifications herein. Vendors are also responsible for obtaining and complying with all Addenda and other changes that may be issued in connection with this RFP.

If Vendors have questions, issues, regarding any component of this RFP, those must be submitted as questions in accordance with the instructions in the PROPOSAL QUESTIONS Section. If the State determines that any changes will be made as a result of the questions asked, then such decisions will be communicated in the form of an RFP addendum. The State may also elect to leave open the possibility for later negotiation of specific provisions of the Contract that have been addressed during the question-and-answer period, prior to contract award.

Other than through the process of negotiation under 01 NCAC 05B.0503, the State rejects and will not be required to evaluate or consider any additional or modified terms and conditions submitted with Vendor's proposal or otherwise. This applies to any language appearing in or attached to the document as part of the Vendor's proposal that purports to vary any terms and conditions or Vendors' instructions herein or to render the proposal non-binding or subject to further negotiation. Vendor's proposal shall constitute a firm offer that shall be held open for the period required herein ("Validity Period" above).

The State may exercise in its discretion to consider Vendor proposed modifications. By execution and delivery of this RFP Response, the Vendor agrees that any additional or modified terms and conditions, whether submitted purposely or inadvertently, shall have no force or effect, and will be disregarded unless expressly agreed upon through negotiations and incorporated by way of a Best and Final Offer (BAFO). Noncompliance with, or any attempt to alter or delete, this paragraph shall constitute sufficient grounds to reject Vendor's proposal as nonresponsive.

2.4 RFP SCHEDULE

The table below shows the *intended* schedule for this RFP. The State will make every effort to adhere to this schedule.

Event	Responsibility	Date and Time
Issue RFP	State	March 8, 2024
Submit Written Questions	Vendor	March 25, 2024 @ 3:00 PM ET
Provide Response to Questions	State	March 28, 2024
Submit Proposals	Vendor	April 26, 2024 @ 2:00 PM ET
Contract Award	State	June 21, 2024

2.5 PROPOSAL QUESTIONS

Upon review of the RFP documents, Vendors may have questions to clarify or interpret the RFP in order to submit the best proposal possible. To accommodate the Proposal Questions process, Vendors shall submit any such questions by the "Submit Written Questions" date and time provided in the RFP SCHEDULE Section above, unless modified by Addendum.

Questions related to the content of the solicitation, or the procurement process should be directed to the person on the title page of this document via the Sourcing Tool's message board by the date and time specified in the RFP SCHEDULE Section of this RFP. Vendors will enter "**RFP # 12-001242 – Questions**" as the subject of the message. Question submittals should include a reference to the applicable RFP section. This is the only manner in which questions will be received.

Questions or issues related to using the Sourcing Tool itself can be directed to the North Carolina eProcurement Help Desk at 888-211-7440, Option 2. Help Desk representatives are available Monday through Friday from 7:30 AM ET to 5:00 PM ET.

Questions received prior to the submission deadline date, the State's response, and any additional terms deemed necessary by the State will be posted in the Sourcing Tool in the form of an addendum and shall become an Addendum to this RFP. No information, instruction or advice provided orally or informally by any State personnel, whether made in response to a question or otherwise in connection with this RFP, shall be considered authoritative or binding. Vendors shall rely only on written material contained in the RFP and an addendum to this RFP.

2.6 PROPOSAL SUBMITTAL

IMPORTANT NOTE: This is an absolute requirement. Late bids, regardless of cause, will not be opened or considered, and will be automatically disqualified from further consideration. Vendor shall bear the sole risk of late submission due to unintended or unanticipated delay. It is the Vendor's sole responsibility to ensure its proposal has been received as described in this RFP by the specified time and date of opening. Failure to submit a proposal in strict accordance with instructions provided shall constitute sufficient cause to reject a Vendor's proposal(s). Solicitation responses are subject to Sealed Bidding requirements.

Vendor's proposals for this procurement must be submitted through the Sourcing Tool. For training on how to use the Sourcing Tool to view solicitations, submit questions, develop responses, upload documents, and submit offers to the State, Vendors should go to the following site: <https://eprocurement.nc.gov/training/vendor-training>.

Questions or issues related to using the Sourcing Tool itself can be directed to the North Carolina eProcurement Help Desk at 888-211-7440, Option 2. Help Desk representatives are available Monday through Friday from 7:30 AM EST to 5:00 PM EST.

Tips for Using the Sourcing Tool

1. Vendors should review available training and confirm that they are able to access the Sourcing Event, enter responses, and upload files well in advance of the date and time response are due to allow sufficient time to seek assistance from the North Carolina eProcurement Help Desk.
2. Vendors may submit their responses early to make sure there are no issues, and then submit a revised response any time prior to the response due date and time. The State will only review the most recent response.
3. Vendors should respond to all relevant sections of the Sourcing Event. Certain questions or items are required in order to submit a response and are denoted with an asterisk. The Sourcing Tool will not allow a response to be submitted unless all required items are completed. The Sourcing Tool will provide error messages to help identify any required information that is missing when response is submitted.
4. Simply saving your response in the Sourcing Tool is not the same as submitting your response to the State. Vendors should make sure they complete the submission process and receive a message that their response was successfully submitted.

5. **Only Proposals submitted through the Content Section of the Ariba Sourcing Event will be considered. Proposals submitted through the Message Board will not be accepted or considered for award.**

If confidential and proprietary information is included in the proposal, also submit one (1) signed, REDACTED copy of the proposal. Such information may include trade secrets defined by N.C. Gen. Stat. § 66-152 and other information exempted from the Public Records Act pursuant to N.C. Gen. Stat. §132- 1.2. Vendor may designate information, Products, Services or appropriate portions of its response as confidential, consistent with and to the extent permitted under the statutes and rules set forth above. By so redacting any page, or portion of a page, the Vendor warrants that it has formed a good faith opinion, having received such necessary or proper review by counsel and other knowledgeable advisors, that the portions determined to be confidential and proprietary and redacted as such, meet the requirements of the Rules and Statutes set forth above. However, under no circumstances shall price information be designated as confidential.

If the Vendor does not provide a redacted version of the proposal with its proposal submission, the Department may release an unredacted version if a record request is received.

2.7 PROPOSAL CONTENTS

Vendors shall provide responses to all questions and complete all attachments for this RFP that require the Vendor to provide information and upload them to the Sourcing Event in the Sourcing Tool. Vendor may not be able to submit its response in the Sourcing Tool unless all required items are addressed. Vendors shall provide authorized signatures where requested. Failure to provide all required items, or Vendor's submission of incomplete items, may result in the State rejecting Vendor's proposal, in the State's sole discretion.

Vendor shall include the following items and attachments in the Sourcing Tool:

- a) Cover Letter, which must contain the following: (i) a statement that confirms that the proposer has read the RFP in its entirety, including all links, and all Addenda released in conjunction with the RFP, (ii) a statement that the Vendor agrees to perform in accordance with the scope of work, requirements, and specifications contained herein; and (iii) Vendor's agreement to comply with all instructions, terms and conditions, and attachments. The proposal may address any or all of the following:
 - 1) Market Regulation Examinations Services
 - 2) Life and Health Rate and Form Review Services
 - 3) Property and Casualty Rate and Form Review Services
- b) Title Page: Include the company name, address, phone number and authorized representative along with the Proposal Number.
- c) Completed and signed version of all EXECUTION PAGES, along with the body of the RFP.
- d) Signed receipt pages of any addenda released in conjunction with this RFP, if required to be returned.
- e) Vendor's Proposal addressing all Specifications of this RFP. [Indicate relative section references as a guide to responding to sections requiring additional responses outside of the solicitation document. If not required, delete.]
- f) Completed version of ATTACHMENT A: PRICING FORM
- g) Completed version of ATTACHMENT D: HUB SUPPLEMENTAL VENDOR INFORMATION
- h) Completed version of ATTACHMENT E: CUSTOMER REFERENCE FORM
- i) Completed version of ATTACHMENT F: LOCATION OF WORKERS UTILIZED BY VENDOR
- j) Completed and signed version of ATTACHMENT G: CERTIFICATION OF FINANCIAL CONDITION

2.8 ALTERNATE PROPOSALS

Unless provided otherwise in this RFP, Vendor may submit alternate proposals for comparable Goods, various methods or levels of Service(s), or that propose different options. Alternate proposals must specifically identify the RFP requirements and advantage(s) addressed by the alternate proposal. Each proposal must be for a specific set of Goods and Services and must include specific pricing. Each proposal must be complete and independent of other proposals offered. If a Vendor chooses to respond with various offerings, Vendor shall follow the specific instructions for uploading Alternate Proposals in the Sourcing Tool.

2.9 DEFINITIONS, ACRONYMS, AND ABBREVIATIONS

Relevant definitions for this RFP are provided in 01 NCAC 05A .0112 and in the Instructions to Vendors found in the Sourcing Tool, which are incorporated herein by this reference.

The following definitions, acronyms, and abbreviations are also relevant to this RFP:

- a) **NAIC:** The National Association of Insurance Commissioners (NAIC) is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from all 50 states.
- b) **SERFF:** The System for Electronic Rate and Form Filing (SERFF) is a form submittal, document management and review access platform offered by the NAIC.

3.0 METHOD OF AWARD AND PROPOSAL EVALUATION PROCESS

3.1 METHOD OF AWARD

North Carolina G.S. 143-52 provides a general list of criteria the State shall use to award contracts, as supplemented by the additional criteria herein. The Goods or Services being procured shall dictate the application and order of criteria; however, all award decisions shall be in the State's best interest. All qualified proposals will be evaluated, and awards will be made to the Vendor(s) meeting the specific RFP Specifications and achieving the highest and best final evaluation, based on the criteria described below.

While the intent of this RFP is to award a Contract(s) to multiple Vendors, the State reserves the right to make separate awards to different Vendors for one or more line items, to not award one or more line items or to cancel this RFP in its entirety without awarding a Contract, if it is considered to be most advantageous to the State to do so.

The State reserves the right to waive any minor informality or technicality in proposals received.

3.2 CONFIDENTIALITY AND PROHIBITED COMMUNICATIONS DURING EVALUATION

While this RFP is under evaluation, the responding Vendor, including any subcontractors and suppliers, is prohibited from engaging in conversations intended to influence the outcome of the evaluation. See Paragraph 29 of the Instructions to Vendors entitled COMMUNICATIONS BY VENDORS.

Each Vendor submitting a proposal to this RFP, including its employees, agents, subcontractors, suppliers, subsidiaries and affiliates, is prohibited from having any communications with any person inside or outside the using agency; issuing agency; other government agency office or body (including the purchaser named above, any department secretary, agency head, members of the General Assembly and Governor's office); or private entity, if the communication refers to the content of Vendor's proposal or qualifications, the content of another Vendor's proposal, another Vendor's qualifications or ability to perform a resulting contract, and/or the transmittal of any other communication of information that could be reasonably considered to have the effect of directly or indirectly influencing the evaluation of proposals, the award of a contract, or both.

Any Vendor not in compliance with this provision shall be disqualified from evaluation and award. A Vendor's proposal may be disqualified if its subcontractor and/or supplier engage in any of the foregoing communications during the time that the procurement is active (i.e., the issuance date of the procurement until the date of contract award or cancellation of the procurement). Only those discussions, communications or transmittals of information authorized or initiated by the issuing agency for this RFP or inquiries directed to the purchaser named in this RFP regarding requirements of the RFP (prior to proposal submission) or the status of the award (after submission) are excepted from this provision.

3.3 PROPOSAL EVALUATION PROCESS

Only responsive submissions will be evaluated.

The State will conduct a One-Step evaluation of Proposals:

Proposals will be received according to the method stated in the Proposal Submittal Section above.

All proposals must be received by the issuing agency not later than the date and time specified in the RFP SCHEDULE Section above, unless modified by Addendum. Vendors are cautioned that this is a request for offers, not an offer or request to contract, and the State reserves the unqualified right to reject any and all offers at any time if such rejection is deemed to be in the best interest of the State.

At the date and time provided in the RFP SCHEDULE Section above, unless modified by Addendum, the proposal from each responding Vendor will be opened publicly and all offers (except those that have been previously withdrawn, or voided bids) will be tabulated. The tabulation shall be made public at the time it is created. When negotiations after receipt of bids are authorized pursuant to G.S. 143-49 and 01 NCAC 05B.0503, only the names of offerors and the Goods and Services offered shall be tabulated

at the time of opening. If negotiation is anticipated, cost and price shall become available for public inspection at the time of the award. Interested parties are cautioned that these costs and their components are subject to further evaluation for completeness and correctness and therefore may not be an exact indicator of a Vendor's pricing position.

At their option, the evaluators may request oral presentations or discussions with any or all Vendors for clarification or to amplify the materials presented in any part of the proposal. Vendors are cautioned, however, that the evaluators are not required to request presentations or other clarification—and often do not. Therefore, all proposals should be complete and reflect the most favorable terms available from the Vendor.

Upon completion of the evaluation process, the State will make award(s) based on the evaluation and post the award(s) to the electronic Vendor Portal (eVP), <https://evp.nc.gov/>, under the RFP number for this solicitation. Award of a Contract to one Vendor does not mean that the other proposals lacked merit, but that, all factors considered, the selected proposal was deemed most advantageous and represented the best value to the State.

The State reserves the right to negotiate with one or more vendors, or to reject all original offers and negotiate with one or more sources of supply that may be capable of satisfying the requirement, and in either case to require Vendor to submit a Best and Final Offer (BAFO) based on discussions and negotiations with the State.

3.4 EVALUATION CRITERIA

BEST VALUE: "Best Value" procurement methods are authorized by N.C.G.S. §§143-135.9 and 143B-1350(h). The award decision is made based on multiple factors, including: total cost of ownership, meaning the cost of acquiring, operating, maintaining, and supporting a product or service over its projected lifetime; the evaluated technical merit of the Vendor's offer; the Vendor's past performance; and the evaluated probability of performing the specifications stated in the solicitation on time, with high quality, and in a manner that accomplishes the stated business objectives and maintains industry standards compliance. The intent of "Best Value" procurement is to enable Vendors to offer and the Agency to select the most appropriate solution to meet the business objectives defined in the solicitation and to keep all parties focused on the desired outcome of a procurement.

A ranking method of source selection will be utilized in this procurement using evaluation criteria listed in order of importance in the Evaluation Criteria section below to allow the State to award this RFP to the Vendor(s) providing the Best Value and recognizing that Best Value may result in award other than the lowest price or highest technically qualified offer. By using this method, the overall ranking may be adjusted up or down when considered with, or traded-off against, other non-price factors.

EVALUTION METHOD: Narrative and by consensus of the evaluating committee, explaining the strengths and weaknesses of each proposal and why the recommended awardee(s) provide the best value to the State.

All qualified proposals will be evaluated, and award made based on considering the following criteria listed in descending order of importance, to result in an award most advantageous to the State:

Evaluation Criteria
Organizational Management, Structure and Procedures – Demonstrate, via the written proposal, that the offeror has the ability to provide all required services in a timely, efficient, and professional manner. This also includes evidence that the offeror can comply with guidelines as outlined in the NAIC Market Regulation Handbook and SERFF and comply with each requirement of the specialty area(s) for which the vendor desires to be eligible for bidding on future projects. Emphasis will be placed on the ability to provide services at a nationwide level. Proposal completeness and content will also be evaluated.
Organizational Experience - Demonstrate that highly qualified and experienced staff is available to fulfill the requirements outlined in the bid.
Professional References - References from past and/or current clients.
Price - The Vendor's hourly rates will be reviewed for completeness and competitiveness. Individual projects will not be awarded to qualified Vendors based solely on hourly rates. This is a pre-qualification process, so details of individual projects, including a statement of scope of work or services, will be provided later during the term covered by this RFP. Then, applicable Vendors will be asked to provide a cost of service.

Award of a Contract to one Vendor does not mean that the other proposals lacked merit, but that, all factors considered, the selected proposal was deemed most advantageous and represented the best value to the State.

The evaluation team, upon a review of the quality of services offered within each proposal and based on the hourly rates of the qualifying proposals, will determine which proposals satisfy the requirements of this RFP. Vendors will be placed on an approved Vendor list, for each approved class of service.

3.5 PERFORMANCE OUTSIDE THE UNITED STATES

Vendor shall complete ATTACHMENT F: LOCATION OF WORKERS UTILIZED BY VENDOR. In addition to any other evaluation criteria identified in this RFP, the State may also consider, for purposes of evaluating proposed or actual contract performance outside of the United States, how that performance may affect the following factors to ensure that any award will be in the best interest of the State:

- a) Total cost to the State
- b) Level of quality provided by the Vendor
- c) Process and performance capability across multiple jurisdictions
- d) Protection of the State's information and intellectual property
- e) Availability of pertinent skills
- f) Ability to understand the State's business requirements and internal operational culture
- g) Particular risk factors such as the security of the State's information technology
- h) Relations with citizens and employees
- i) Contract enforcement jurisdictional issues

3.6 INTERPRETATION OF TERMS AND PHRASES

This RFP serves two functions: (1) to advise potential Vendors of the parameters of the solution being sought by the State; and (2) to provide (together with other specified documents) the terms of the Contract resulting from this procurement. The use of phrases such as "shall," "must," and "requirements" are intended to create enforceable contract conditions. In determining whether proposals should be evaluated or rejected, the State will take into consideration the degree to which Vendors have proposed or failed to propose solutions that will satisfy the State's needs as described in the RFP. Except as specifically stated in the RFP, no one requirement shall automatically disqualify a Vendor from consideration. However, failure to comply with any single requirement may result in the State exercising its discretion to reject a proposal in its entirety.

4.0 REQUIREMENTS

This Section lists the requirements related to this RFP. By submitting a proposal, the Vendor agrees to meet all stated requirements in this Section as well as any other specifications, requirements, and terms and conditions stated in this RFP. If a Vendor is unclear about a requirement or specification, or believes a change to a requirement would allow for the State to receive a better proposal, the Vendor is urged to submit these items in the form of a question during the question-and-answer period in accordance with the Proposal Questions Section above.

4.1 PRICING

Proposal price shall constitute the total cost to the State for complete performance in accordance with the requirements and specifications herein, including all applicable charges for handling, transportation, administrative and other similar fees. Complete ATTACHMENT A: PRICING FORM and upload in the Sourcing Tool. The pricing provided in ATTACHMENT A, or resulting from any negotiations, is incorporated herein and shall become part of any resulting Contract.

4.2 INVOICES

Requests for service fee or travel reimbursements are to be submitted to the Department for approval. Original invoices, bills, and related documentation are required to be submitted. The Vendor will not be paid for travel time en route to/from work location. The Vendor must prepare a time sheet and invoice listing work site, dates, and hours worked and shall submit it to the Department for approval. The following fields shall be included on all invoices, as relevant:

Vendor's Billing Address, NC Contract Number, Order Date, Description, and Price.

INVOICES MAY NOT BE PAID UNTIL AN INSPECTION HAS OCCURRED AND THE GOODS OR SERVICES ACCEPTED.

4.3 FINANCIAL STABILITY

As a condition of contract award, the Vendor must certify that it has the financial capacity to perform and to continue to perform its obligations under the Contract; that Vendor has no constructive or actual knowledge of an actual or potential legal proceeding being brought against Vendor that could materially adversely affect performance of this Contract; and that entering into this Contract is not prohibited by any contract, or order by any court of competent jurisdiction.

Each Vendor shall certify it is financially stable by completing ATTACHMENT G: CERTIFICATION OF FINANCIAL CONDITION. The State is requiring this certification to minimize potential issues from contracting with a Vendor that is financially unstable. From the date of the Certification to the expiration of the Contract, the Vendor shall notify the State within thirty (30) days of any occurrence or condition that materially alters the truth of any statement made in this Certification. The Contract Manager may require annual recertification of the Vendor's financial stability.

4.4 HUB PARTICIPATION

Pursuant to North Carolina General Statute G.S. 143-48, it is State policy to encourage and promote the use of small, minority, physically handicapped, and women contractors in purchasing Goods and Services. As such, this RFP will serve to identify those Vendors that are minority owned or have a strategic plan to support the State's Historically Underutilized Business program by meeting or exceeding the goal of 10% utilization of diverse firms as 1st or 2nd tier subcontractors. Vendor shall complete ATTACHMENT D: HUB SUPPLEMENTAL VENDOR INFORMATION.

4.5 VENDOR EXPERIENCE

In its Proposal, Vendor shall demonstrate experience with public and/or private sector clients with similar or greater size and complexity to the State. Vendor shall provide information as to the qualifications and experience of all executive, managerial, legal, and professional personnel to be assigned to this project, including resumes citing experience with similar projects and the responsibilities to be assigned to each person.

4.6 REFERENCES

Vendor shall upload to the Sourcing Tool at least three (3) references, using ATTACHMENT E: CUSTOMER REFERENCE FORM, for which it has provided Services of similar size and scope to those proposed herein. The State shall contact these users to determine whether the Services provided are substantially similar in scope to those proposed herein and whether Vendor's performance has been satisfactory. The information obtained shall be considered in the evaluation of the Proposal.

4.7 PERSONNEL

Vendor warrants that qualified personnel shall provide Services under this Contract in a professional manner. "Professional manner" means that the personnel performing the Services will possess the skill and competence consistent with the prevailing business standards in the industry. Vendor will serve as the prime contractor under this Contract and shall be responsible for the performance and payment of all subcontractor(s) that may be approved by the State. Names of any third-party Vendors or subcontractors of Vendor may appear for purposes of convenience in Contract documents; and shall not limit Vendor's obligations hereunder. Vendor will retain executive representation for functional and technical expertise as needed in order to incorporate any work by third party subcontractor(s).

Should the Vendor's proposal result in an award, the Vendor shall be required to agree that it will not substitute key personnel assigned to the performance of the Contract without prior written approval by the Contract Lead. Vendor shall further agree that it will notify the Contract Lead of any desired substitution, including the name(s) and references of Vendor's recommended substitute personnel. The State will approve or disapprove the requested substitution in a timely manner. The State may, in its sole discretion, terminate the Services of any person providing Services under this Contract. Upon such termination, the State may request acceptable substitute personnel or terminate the contract Services provided by such personnel.

4.8 VENDOR'S REPRESENTATIONS

If Vendor's Proposal results in an award, Vendor agrees that it will not enter any agreement with a third party that may abridge any rights of the State under the Contract. If any Services, deliverables, functions, or responsibilities not specifically described in this solicitation are required for Vendor's proper performance, provision and delivery of the Service and deliverables under a resulting Contract, or are an inherent part of or necessary sub-task included within such Service, they will be deemed to be implied by and included within the scope of the Contract to the same extent and in the same manner as if specifically described in the Contract. Unless otherwise expressly provided herein, Vendor will furnish all of its own necessary management, supervision, labor, facilities, furniture, computer and telecommunications equipment, software, supplies and materials necessary for the Vendor to provide and deliver the Services and/or other Deliverables.

4.9 PROFESSIONAL WORK PAPERS

The Department retains ownership of all working papers, information, documents, and copies thereof produced by, obtained by, or disclosed to the Vendor or any other person in connection with the work performed under this contract. Selected Vendors are encouraged to retain work paper copies for the completion of their internal files.

Work papers are all records generated by the contracted professional documenting procedures followed, tests performed, information obtained, and conclusions reached. Work papers, accordingly, may include work programs, analyses, memoranda, letters, abstracts of company documents and schedules, or commentaries prepared or obtained by the contracted professional in the course of his assignment that support the professionals' conclusions.

4.10 AGENCY INSURANCE REQUIREMENTS MODIFICATION

Default Insurance Coverage from the General Terms and Conditions applicable to this Solicitation:

- ☐ Small Purchases
- ☒ Contract value in excess of the Small Purchase threshold, but up to \$1,000,000.00
- ☐ Contract value in excess of \$1,000,000.00

5.0 SPECIFICATIONS AND SCOPE OF WORK

This scope of work is intended to describe the required objectives and tasks for each class of service. Vendors may apply for some or all of the listed services. General Description of Services Required.

5.1 CLASSES OF SERVICE

a) For Market Regulation Examination and Market Analysis Services:

The Department solicits proposals from vendors to provide three classes of market regulation examination and market analysis support services on a nationwide basis, as follows:

- 1) Auditing
- 2) Actuarial Services
- 3) Information Technology

Vendors may apply for any or all of the listed services. Prospective Vendors are expected to provide services that comply with standards established by the Department, the NAIC, and the applicable professional organizations in their respective fields of work.

Individual assignments will vary in terms of project definition and resources required. Prospective vendors are expected to provide examination support services that comply with generally accepted auditing standards, the auditing standards established by the Department, and procedures contained in the NAIC Market Regulation Handbook. Accordingly, their work will include tests of market regulation review and other records and other auditing procedures prescribed by the Department. Examination services may be on a full-scope basis or limited-scope basis as set forth in the Handbook/Guidelines at the discretion of the Department. Audit work will result in a Report on Examination presented in accordance with reporting practices prescribed by Chapter 58 of the North Carolina General Statutes.

b) For Life and Health Rate and Form Filings Review Services:

The Department solicits proposals from vendors to provide assistance with life and health insurance forms and rate information utilizing SERFF for multiple lines of insurance including:

- 1) Rate and Form Filings Review Services
- 2) Actuarial Services
- 3) Information Technology

Vendors may apply for any or all of the listed services. Prospective Vendors are expected to provide services that comply with standards established by the Department, the NAIC, and the applicable professional organizations in their respective fields of work.

[Product-specific NCDOI checklists](#) are provided to assist with rate and form filing submissions. Though use of an NCDOI checklist when preparing a filing for submission is encouraged, filers are not required to submit a completed NCDOI checklist along with a rate and form filing submission. In addition, when creating a submission to the state of North Carolina using the SERFF system, filers are provided with general information regarding life and health rate and form filing

submission requirements for North Carolina. Please also note, the SERFF rate and form filing system also offers a trade secret filing feature.

Individual assignments will vary in terms of project definition and resources required. Prospective vendors are expected to provide rate and form filing support services that comply with generally accepted auditing standards, the auditing standards established by the Department, and procedures contained in SERFF, promulgated by the NAIC. Accordingly, their work will include tests of market regulation review and other records and other auditing procedures prescribed by the Department. Examination services may be on a full-scope basis or limited-scope basis as set forth in the Handbook/Guidelines at the discretion of the Department. Audit work will result in a Report on Examination presented in accordance with reporting practices prescribed by Chapter 58 of the North Carolina General Statutes.

c) For Property and Casualty Rate and Form Filings Review Services:

The Department solicits proposals from vendors to provide assistance with property and casualty insurance forms and rate information utilizing SERFF for multiple lines of insurance.

- 1) Rate and Form Filings Review Services
- 2) Actuarial Services
- 3) Information Technology

Vendors may apply for any or all of the listed services. Prospective Vendors are expected to provide services that comply with standards established by the Department, the NAIC, and the applicable professional organizations in their respective fields of work.

Product-specific NCDOL checklists are provided to assist with rate and form filing submissions. Though use of an NCDOL checklist when preparing a filing for submission is encouraged, filers are not required to submit a completed NCDOL checklist along with a rate and form filing submission. In addition, when creating a submission to the state of North Carolina using the SERFF system, filers are provided with general information regarding life and health rate and form filing submission requirements for North Carolina. Please also note, the SERFF rate and form filing system also offers a trade secret filing feature.

Individual assignments will vary in terms of project definition and resources required. Prospective vendors are expected to provide examination support services that comply with generally accepted auditing standards, the auditing standards established by the Department, and procedures contained in the NAIC Market Regulation Handbook. Accordingly, their work will include tests of market regulation review and other records and other auditing procedures prescribed by the Department. Examination services may be on a full-scope basis or limited-scope basis as set forth in the Handbook/Guidelines at the discretion of the Department. Audit work will result in a Report on Examination presented in accordance with reporting practices prescribed by Chapter 58 of the North Carolina General Statutes.

5.2 VENDOR REQUIREMENTS AND RESPONSIBILITIES

a) For Market Regulation Examination and Market Analysis:

- 1) At the direction of the Department, the Vendor shall provide analytical support services needed for any examination or analysis related functions performed by the Department, including without limitation:
 - i) Market surveillance, targeting and prioritization of examinations,
 - ii) Identification of the scope and nature of examinations,
 - iii) Conduct of examination-related research,
 - iv) Finalization of examination reports,
 - v) Resolution of examination exceptions through appropriate actions, and
 - vi) Review and follow up on corrective action plans.
- 2) At the direction of the Department, the Vendor shall perform other duties that are reasonably required by the Department and that relate to the examination work performed hereunder, including, without limitation:
 - i) Testifying as a witness in any administrative or court proceeding demanded by or commenced against any examinee and relating to any matters disclosed by any such examination.
 - ii) Traveling to the offices of the examinee, either within or outside of the State of North Carolina.
 - iii) Representing the Department in a multi-state or collaborative examination as called by the NAIC.

- iv) Assisting the Department in responding to any examinee objections to Reports of Examination.
- 3) A Vendor shall immediately notify the Department when an examination site office is closed on a day other than a weekend or a North Carolina state-observed holiday.
- 4) A Vendor shall provide all his/her own supplies and equipment, including ordinary office supplies and equipment, up-to-date computer-related hardware and software, and any reference materials not available from the Department unless specified by the following exceptions:
 - i) The Department may provide the Vendor with reference materials from the NAIC, or other examination guidelines or directives for use in conjunction with examination work.
 - ii) The Vendor may use the photocopiers and/or facsimile machines of an examinee or the Department for examination-related purposes.
 - iii) The Vendor may use the Department's computer-related hardware and software when assigned to provide services from an office of the Department.
 - iv) The Department may supply storage materials for examination work papers and may supply reference materials that are available to the Department at no cost and that the Department deems necessary for the performance of the work.
- 5) The Department shall not be responsible for loss of or damage to Vendors' supplies or equipment. A Vendor may pursue a claim for loss or damage with an examinee; however, the Department must be provided copies of all correspondence and reparation information associated with the claim.
- 6) With regard to computer-related software:
 - i) A Vendor must have the equipment, software and knowledge to be able to deliver examination work papers and reports in forms and formats acceptable to the Department.
 - ii) A Vendor may be required to efficiently and effectively select random samples and synthesize sampled data from examinee electronic transactions. The Department currently permits designated Vendors to use Department owned copies of "ACL for Windows" software to perform this electronic sampling and analysis of data files. Individuals associated with a Vendor may be required to learn how to use the software.
 - iii) A Vendor may be required to use electronic software products for the development and maintenance of automated examination work papers. The Department currently permits designated individuals to use Department owned copies of "Teammate" software for automated examination work papers processing. Individuals associated with a Vendor may be required to learn how to use the software.
 - iv) A Vendor must upgrade hardware and software as necessary to remain able to deliver work products in formats acceptable to the Department.

b) For Life and Health Rate and Form Filings Review Services:

The completed work product will include a detailed report addressing all or most of the items specified in this Section.

1) All health insurance market segments (individual, small group, and large group)

- i) An evaluation of the standards used to determine that rates are adequate, not excessive and not unfairly discriminatory and recommendations for enhancements (this may include additional loss ratio tests or recognition of other factors).
- ii) Recommendations for any areas where the rate review process could be enhanced in the future. This may include initial rate filings for new products and the extent to which companies may be held to their initial actuarial pricing assumptions in future filings.
- iii) Recommendations for any further data items or information that could be required in rate filing submissions including explanations or justifications of rate increases to consumers.
- iv) Recommendations for any outside (the Department and NAIC) data sources or computer software that may be acquired to enhance the rate review processes.
- v) Actuarial estimates or reasonable ranges for the amounts of justifiable premium increases due to specific benefit and other changes resulting from provisions in PPACA.
- vi) Recommendations for or against including pros/cons of incorporating the following items into the rate review analysis and determination of the justified rate revision percentages for approval:

- A) Current and projected levels of surplus (consideration for minimum, target and maximum levels);
- B) Review of pricing margins (including consideration of profits from other lines of business);
- C) Review of administrative expenses (including executive salaries and bonuses);
- D) Investment income or losses;
- E) Review of cost containment or quality improvement activities; or
- F) Other factors.

Where recommendation is for the item to be incorporated, an outline describing the specifics for how to accomplish this should be included.

- vii) Evaluation of deemer periods for rate filings by market segment and type of health insurance plan;
- viii) Evaluation of the methods of negotiation for rate revision requests between the Department and the filer;
- ix) Analysis of any specific issues that may arise.
- x) Review of statutes and procedures governing rate reviews and recommendations on potential improvements and/or enhancements to current statutes and/or procedures that will facilitate the rate hearing process.

2) Individual (non-group) health insurance rate review

- i) An evaluation of the Department's actuarial review processes for determining the justified rate revision percentages for approval within individual comprehensive medical health insurance rate filing submissions. This may include data requirements, data quality, credibility, actuarial adjustments to data, durational factors or change in contract reserves, projection methodologies, independent analysis and determination of justified rate revision indications. At least three (3) recent rate revision filings will be reviewed in depth. The purpose of this review is not to critique the handling of past filings. The review must focus on creating a list of recommendations for enhancements in the future.
- ii) Recommendations regarding expanding the individual (non-group) rate review processes for compliance with PPACA including any necessary law changes.

3) Small group health insurance rate review

- i) An evaluation of the current rate review process for ensuring that small group carriers are in compliance with statutory rating restrictions and any recommendations for enhancements.
- ii) Recommendations regarding expanding the small group rate review process for compliance with PPACA including any necessary law changes. This may include increased rate authority over small group PPO and indemnity insurance plans.

4) Large group health insurance rate review

- i) An evaluation of the current rate review process for large group rating methodologies and rating factors where applicable and any recommendations for enhancements.
- ii) Recommendations regarding expanding the large group rate review process for compliance with PPACA including any necessary law changes. This may include increased rate authority over large group PPO and indemnity insurance plans.

5) Health Maintenance Organization (HMO) rate review

- i) A review of the HMO data requirements including any recommendations for modifications and enhancements.
- ii) Review and evaluation of HMO actual to projected analysis and submitted financial projections including Risk-Based Capital (RBC) analysis. At least one (1) recent rate revision filing will be reviewed in depth.

c) For Property and Casualty Rate and Form Filings Review Services:

The completed work product will include a detailed report addressing all or most of the items specified in this Section.

1) All insurance market segments

- i) An evaluation of the standards used to determine that rates are adequate, not excessive and not unfairly discriminatory and recommendations for enhancements.

- ii) Recommendations for any areas where the rate review process could be enhanced in the future. This may include initial rate filings for new products and the extent to which companies may be held to their initial actuarial pricing assumptions in future filings.
- iii) Recommendations for any further data items or information that could be required in rate filing submissions including explanations or justifications of rate increases to consumers.
- iv) Recommendations for any outside (the Department and NAIC) data sources or computer software that may be acquired to enhance the rate review processes.
- v) Actuarial estimates or reasonable ranges for the amounts of justifiable premium increases.
- vi) Recommendations for or against including pros/cons of incorporating the following items into the rate review analysis and determination of the justified rate revision percentages for approval:
 - A) Current and projected levels of surplus (consideration for minimum, target and maximum levels),
 - B) Review of pricing margins (including consideration of profits from other lines of business),
 - C) Review of administrative expenses (including executive salaries and bonuses),
 - D) Investment income or losses,
 - E) Review of cost containment or quality improvement activities, or
 - F) Other factors.

Where recommendation is for the item to be incorporated, an outline describing the specifics for how to accomplish this should be included.

- vii) Evaluation of deemer periods for rate filings by market segment.
- viii) Evaluation of the methods of negotiation for rate revision requests between the Department and the filer.
- ix) Analysis of any specific issues that may arise.
- x) Review of statutes and procedures governing rate reviews and recommendations on potential improvements and/or enhancements to current statutes and/or procedures that will facilitate the rate hearing process.

5.3 DESCRIPTION OF SUBJECT MATTER EXPERTS

For Market Regulation Examinations, Market Analysis, Life and Health, and Property and Casualty Rate and Form Filings Review Services:

Individual assignments will vary in terms of project definition and resources required. The Department solicits proposals from vendors to provide examination, analysis, and rate and form review support services on a nationwide basis; multi-operational/product auditing, actuarial, and information technology. The Department reserves the exclusive right to select the specific discipline of a professional vendor to be used on subject assignments.

The following is a list of professional qualities and/or characteristics that vendors must demonstrate in order to deliver a satisfactory professional work product. Prospective vendors must also provide a list of references using ATTACHMENT E: CUSTOMER REFERENCE FORM.

- a) **For Auditing of Property and Casualty Insurance Companies, Life and Health Insurance Companies, HMOs, and PPOs through Market Regulation Examinations, Market Analysis, Life and Health, and Property and Casualty Rate and Form Filings Review Services:**

For Market Regulation Examinations and Market Analysis, selected vendors must employ staff who are Certified Insurance Examiners ("CIE"), or Accredited Insurance Examiners ("AIE") in good standing with the Insurance Regulatory Examiners Society ("IRES").

For Market Regulation Examinations, Market Analysis, Life and Health, and Property and Casualty Rate and Form Filings Review Services, selected vendors must employ staff who hold appropriate L&H and P&C designations such as: (Life and Health: The Associate, Life and Health Claims (ALHC), The Fellow, Life and Health Claims (FLHC) LOMA, FLMI, and/or HIA) (Property & Casualty: Chartered Property Casualty Underwriter (CPCU), INS, Associates in Claims (AIC) designations), and/or (b) Certified Public Accountants ("CPA") in good standing with the State Board of Certified Public Accountant Examiners in all states in which they are licensed to practice.

Vendors must demonstrate independence, professional competence, and insurance industry expertise.

Selected vendors must enjoy a good reputation throughout the insurance industry. They must demonstrate substantial levels of managerial and communication skills in addition to reinsurance expertise in order to assist with market regulation audits.

Prospective vendors will need to exhibit a high degree of familiarity with the application of the NAIC Market Regulation Handbook.

1) Certified Insurance Examiners (“CIE”) and Accredited Insurance Examiners (“AIE”)

- i) Independence – A CIE or AIE is independent as long as the standards of the IRES Code of Professional Conduct and Ethics are met.
- ii) Professional Competence – Depending upon the project, a CIE and AIE assigned shall possess expertise in the areas of property and casualty, life, annuity, and/or health insurance operations including managed care products. A CIE and AIE assigned shall have a working knowledge of one or more of the following areas: claims, provider networks and contracting, utilization and quality management, provider credentialing, member/policyholder services, sales and marketing, producer appointments and terminations, underwriting, delegated oversight, intermediary relationships, premium calculations/rating, theory, and contract provisions. CIE and AIE designations awarded by the Insurance Regulatory Examiners Society will be evidence of significant professional competence.
- iii) Insurance Industry Expertise – Examination support services performed by a CIE/AIE pursuant to this contract must be staffed by professionals experienced in various facets of insurance operations. The staff assigned to an audit pursuant to this contract is considered to be experienced in insurance operations if:
 - A) Supervisory staff that has been assigned to or has had prior responsibility for audit engagements in the insurance industry in an amount averaging at least 30 percent of their chargeable time during the last three (3) years. Supervisory staff must have worked in the capacity of an examiner-in-charge, senior market analyst or other related supervisory role at a state insurance department for five (5) years or more. For the supervisory staff, the contractor must furnish proof of certification and documentation of recent experience using the NAIC Market Regulation Handbook.
 - B) Non-supervisory staff has been assigned to or has had responsibility for audit engagements in the insurance industry in an amount averaging at least 15 percent of their chargeable time during the last three (3) years or during their period of overall employment if employed less than three (3) years. Non-supervisory staff should have market regulation experience at a state insurance department and/or an insurance company for three (3) years or more.

2) Certified Public Accountants (“CPA”)

- i) Independence – A CPA is independent as long as the standards of the profession, as contained in the Code of Professional Ethics of the American Institute of Certified Public Accountants; and Rules and Regulations and Code of Ethics and Rules of Professional Conduct of the North Carolina State Board of Certified Public Accountant Examiners, or similar code, are met.
- ii) Professional Competence – CPAs must evidence expertise in the areas of insurance auditing and insurance accounting. A CPA firm is experienced in the areas of insurance auditing and accounting if the firm contracted by the Department has existing audit clients in the insurance or financial services industries. A CPA firm must have a good reputation in the field of financial and market condition insurance regulation.
- iii) Insurance Industry Expertise – Examination support services performed by CPAs pursuant to this contract must be staffed by managerial staff experienced in the areas of insurance auditing and insurance accounting and by majority or equal non-managerial staff experienced in the areas of insurance auditing, insurance accounting, possess appropriate industry designations such as but not limited to Chartered Property Casualty Underwriters (“CPCU”) or Fellow, Life Management Institute (“FLMI”), and exhibit a high degree of familiarity with the application of the NAIC Market Regulation Handbook to conduct market regulation examinations or market analysis. The staff assigned to an audit pursuant to this contract is experienced in the areas of insurance auditing and insurance accounting if:
 - A) For CPA firms, supervisory staff that has been assigned to or has had responsibility for audit engagements in the insurance industry in an amount averaging at least 30 percent of their chargeable time during the last three (3) years.

- B) For CPA firms, non-supervisory staff has been assigned to or has had responsibility for audit engagements in the insurance industry in an amount averaging at least 15 percent of their chargeable time during the last three (3) years or during their period of overall employment if employed less than three (3) years.

b) For Market Regulation Examinations, Market Analysis, Life and Health, and Property and Casualty Rate and Form Filings Review Services:

- 1) **Independent Actuary (“Actuary”)** – Selected vendors must be in good standing with the American Academy of Actuaries. Selected vendors must demonstrate substantial levels of managerial and communication skills in addition to actuarial ability in order to assist with market regulation audits. Prospective vendors will need to exhibit a high degree of familiarity with the application of NAIC audit guidelines and actuarial guidelines applicable to insurance operations. They must demonstrate independence, professional competence and insurance industry expertise.
 - i) Independence – An Actuary is independent as long as standards of the profession, as contained in the Code of Professional Conduct and Actuarial Standards of Practice of the American Academy of Actuaries, are met.
 - ii) Professional Competence – An Actuary must evidence expertise in various areas of insurance operations, including but not limited to, reserving practices and theory, product pricing and financial reporting requirements promulgated by the N.C. General Assembly and the NAIC.
 - iii) Insurance Industry Expertise – Services performed by an Actuary pursuant to this contract must be staffed by credentialed professionals, experienced in insurance operations. All staff should be a Member of the American Academy of Actuaries who certify that they currently meet the U.S. Qualification Standards. The staff assigned to an audit pursuant to this contract is experienced in insurance operations if:
 - A) Supervisory staff that has been assigned to or has had responsibility for consulting engagements in the insurance industry in an amount averaging at least 75 percent of their chargeable time during the last three (3) years. Supervisory staff must be a Fellow of the Society of Actuaries for Life & Health projects, or a Fellow of the Casualty Actuarial Society for Property & Casualty projects.
 - B) Non-supervisory staff that has been assigned to or has had responsibility for consulting engagements in the insurance industry in an amount averaging at least 50 percent of their chargeable time during the last three (3) years or during their period of employment if employed less than three (3) years. Non-supervisory staff must be an Associate of the Society of Actuaries for Life & Health projects, or an Associate of the Casualty Actuarial Society for Property & Casualty projects.

c) For Market Regulation Examinations, Market Analysis, Life and Health, and Property and Casualty Rate and Form Filings Review Services:

- 1) **Information Technology (“IT”)** – Selected vendors must be computer audit specialists with a good reputation throughout the insurance industry. The selected firm and staff should be knowledgeable of the systems developed and/or utilized by the NAIC. The selected firm and staff must be in good standing with the Information Systems Audit and Control Association (“ISACA”). Staff must also possess professional designations granted by these two organizations: a Certified Information Systems Auditor (“CISA”) or an Automated Examination Specialist (“AES”), respectively, or similarly recognized professional designation.

They must demonstrate professional competence, and insurance industry expertise. Selected vendors must demonstrate substantial levels of managerial and communication skills in addition to technological expertise in order to assist with market regulation examinations/audits, or market analysis. Prospective vendors will need to exhibit a high degree of familiarity with the application of NAIC audit guidelines.

- i) Professional Competence – Selected Vendors must assign individuals possessing expertise in the areas of assessing controls and control risks inherent in a Company’s computer-based operations, systems acquisition, development and enhancements, system-wide security, service bureau agreements, and internet functionalities.
- ii) Insurance Industry Expertise – Examination support services performed by a computer audit specialist pursuant to this contract must be staffed by professionals experienced in various facets of insurance systems operations. The staff assigned to an audit pursuant to this contract is experienced in insurance operations if:
 - A) Supervisory staff has been assigned or has had responsibility for computer audit consulting engagements in the insurance industry in an amount averaging at least 30 percent of their chargeable time during the last three (3) years.

- B) Non-supervisory staff has been assigned or has had responsibility for computer audit consulting engagements in the insurance industry in an amount averaging at least 15 percent of their chargeable time during the last three (3) years or during their period of employment if employed less than three (3) years.

5.4 SKILLS REQUIRED

Proposals will be considered and evaluated based upon the completion of the following content. This area addresses the skills and disciplines required in order to assist the Department with conducting market regulation examinations/audits, or market analysis. Vendors in these groups will need to demonstrate substantial depth, knowledge and experience with NAIC methodology and compliance with the North Carolina General Statutes and North Carolina Administrative Code.

a) **For Market Regulation Examinations and Market Analysis:**

Proposals will be considered and evaluated based upon the completion of the following content. This area addresses the skills and disciplines required in order to assist the Department with conducting market regulation examinations/audits or market analysis. Vendors in these groups will need to demonstrate substantial depth, knowledge and experience with NAIC methodology and compliance with the North Carolina General Statutes and North Carolina Administrative Code.

1) **The CIE, AIE, and CPA Professionals must possess or be able to meet the following requirements:**

- i) In depth knowledge of the guidelines presented in the NAIC Market Regulation Handbook,
- ii) Ability to review and analyze the reasonableness and adequacy of a company's operations, policies, and procedures,
- iii) Capability to provide in depth knowledge of contracts, provider networks and adequacy, utilization and quality management, provider credentialing, member/policyholder services, claims, sales and marketing, underwriting, delegated oversight, intermediary relationships and premium calculations/rating, accounting, and underwriting coupled with related transactions,
- iv) Ability to readily identify deficiencies in all areas of operations including but not limited to policyholder treatment, sales, marketing, underwriting and rating, producer appointments and terminations, nonforfeitures, general administration, provider relations and delivery systems, utilization management, quality management, provider credentialing, delegated oversight, and claims,
- v) Sufficient nationwide resources to accommodate examinations occurring outside of North Carolina,
- vi) Capability to accurately calculate premium adjustments and retrospective premiums,
- vii) Ability to properly analyze any contracts that may be in place, and be familiar with contract clauses (past and present),
- viii) Experienced professionals who bring an uncommonly high degree of expertise to help the Department achieve its standards and goals,
- ix) In depth regulatory and industry experience,
- x) Ethical conduct and work product that meets or exceeds applicable professional standards,
- xi) Familiarity with the North Carolina General Statutes and North Carolina Administrative Code,
- xii) Employ staff who possess the knowledge and ability to conduct market regulation examinations, market analysis,
- xiii) For CPAs only, familiarity with the guidelines outlined in the NAIC Financial Conditions Examiners Handbook in order to assist with the market regulation examinations, and market analysis, and
- xiv) For CPAs only, ability to comply with the standards established by the American Institute of Certified Public Accountants and the Public Company Accounting Oversight Board.

b) **For Market Regulation Examinations, Market Analysis, Life and Health, and Property and Casualty Rate and Form Filings Review Services:**

1) **Independent Actuaries must possess or be able to meet the following requirements:**

- i) Staff who are Fellows of the Society of Actuaries or Casualty Actuarial Society,
- ii) Familiarity with actuarial guidelines listed in the NAIC Financial Conditions Examiners Handbook in order to assist with the market regulation examination, and market analysis,
- iii) Continuing education credits for work in loss reserves or in ratemaking,
- iv) Reputation of adhering to the ethical and professional standards of the American Academy of Actuaries,

- v) Capability of computing policy values, reserves and gross premium calculations for all lines of insurance,
 - vi) Sufficient nationwide resources to accommodate examinations occurring outside of North Carolina,
 - vii) Internal resources sufficiently knowledgeable to project future operations and make preliminary estimates in the case of a prospective merger, sale or reinsurance transaction,
 - viii) Capability of calculating natural reserves for the amortization of acquisition costs and for future benefits based on Statutory Accounting Principles ("SAP"),
 - ix) Ability to analyze alternatives in terms of cost, services, earnings, and surplus objectives of existing reinsurance arrangements,
 - x) Capability of evaluating internal control procedures pertaining to the underwriting, accounting, and claims with respect to transactions involving reinsurance, and
 - xi) Knowledge that insurance laws and regulations take precedence over actuarial standards and principles.
- c) **For Market Regulation Examinations, Market Analysis, Life and Health, and Property and Casualty Rate and Form Review:**
- 1) **The Information Technology Professional must possess or be able to meet the following requirements:**
 - i) Familiarity with Examinations of Computer-based Operations Guidelines as outlined in the NAIC Financial Condition Examiner's Handbook in order to assist with the market regulation examination, market analysis, Life and Health, and Property and Casualty Rate and Form Review,
 - ii) Sufficient nationwide resources to accommodate examinations occurring outside of North Carolina,
 - iii) Capability to review a Company's record keeping systems to determine their functions and operations,
 - iv) Ability to review and report on a Company's response to the Evaluation of Controls in Information Systems ("IS") Questionnaire in order to understand the presence and effectiveness of existing internal controls,
 - v) Ability to review control procedures to ensure completeness and accuracy of data input and the proper documentation of audit trails,
 - vi) Ability to review and report on the work of a Company's independent CPA firm relating to the testing and review of information technology systems,
 - vii) Capability to review the on-going work of any internal audit department or steering committee, if applicable, regarding the computer processing activities,
 - viii) Ability to review new systems development and acquisition policies and procedures in order to determine that a systematic and logical process exists for development, testing, implementation, and change control. Review change control mechanisms designed to ensure that only approved and tested modifications to existing software occur,
 - ix) Ability to perform an assessment of the logical and physical security of the computer operations, including discussions with the system administrator regarding access restrictions, passwords, and backup/ disaster recovery,
 - x) Capability to review agreements with service bureaus that provide data processing services to a Company. Review service bureau policies and procedures regarding protection of Company data from loss, improper actions by service bureau employees, adequate service bureau internal controls over data completeness and accuracy, and overall computer operations security, and
 - xi) Ability to review a Company's policy regarding internet access and usage to ensure only authorized access is granted. Review data encryption policies, application of firewall technologies, and virus detection systems to ensure that all Company data is secure from potentially dangerous outside influences.

5.5 NCDOT TRADE SECRET REQUIREMENTS

Regardless of filing status or method of receipt, all records, reports, forms, or rates filed with the Life and Health Division (L&H) and Property and Casualty Division are open to the public as required by G.S. 132-1. Under certain circumstance an exception to the public record law can be granted provided the document meets the definition of a trade secret pursuant to G.S. 132-1.2. Trade Secret is defined by G.S. 66-152(3), as follows: "Trade secret" means business or technical information, including but not limited to a formula, pattern, program, device, compilation of information, method, technique, or process that:

- a) Derives independent actual or potential commercial value from not being generally known or readily ascertainable through independent development or reverse engineering by persons who can obtain economic value from its disclosure or use; and
- b) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The existence of a trade secret shall not be negated merely because the information comprising the trade secret has also been developed, used, or owned independently by more than one person, or licensed to other persons. You may access filing instructions at the following link:

Life and Health:

<https://www.ncdoi.gov/insurance-industry/form-and-rate-filings/life-and-health/form-and-rate-filing-instructions>

Property and Casualty:

<https://www.ncdoi.gov/insurance-industry/form-and-rate-filings/property-and-casualty-pc/form-filing>

5.6 RESOURCES AVAILABILITY

The nature of the assignments contemplated by this RFP includes work conducted on very short notice and outside of the geographic boundaries of North Carolina. Accordingly, selected vendors must have at their disposal significant resources, human and otherwise, in order to successfully participate in assignments contemplated by this RFP. The Department reserves the right to approve assigned staff for all work performed under the terms of this contract. Selected vendors must:

- a) Be capable of assigning professional resources to engagements on a national scale,
- b) Be capable of staffing assignments of varying size and complexity, within two (2) weeks of Department notice,
- c) Possess sufficient professional human resources to complete assignments within the agreed upon parameters, and
- d) Possess research resources capable of rendering professionally sound analysis of complex technical issues.

The Department reserves the exclusive right to select the specific discipline of a professional Vendor to be used on subject assignments. The Department further reserves the right to approve assigned staff for all work performed under the terms of this contract.

5.7 CORPORATE BACKGROUND AND EXPERIENCE

This Section should include background information on the organization and provide the following information:

- a) Full name, address, and telephone number of the organization
- b) Date established
- c) Ownership form (public company, partnership, subsidiary, etc.)
- d) If incorporated, the state of incorporation must be included

Details of experience with similar projects including a list of references, in ATTACHMENT E CUSTOMER REFERENCE, for whom similar work has been performed. See Section 4.5 VENDOR EXPERIENCE for additional information.

5.8 PROJECT ORGANIZATION

Vendor shall describe the organizational and operational structure it proposes to utilize for the work described in this RFP and identify the responsibilities to be assigned to each person Vendor proposes to staff the work. This section must include the proposed staffing, deployment and organization of personnel that can be assigned to projects. The Vendor shall provide information as to the qualifications and experience of all executive, managerial, and professional personnel to be assigned to projects, including resumes citing experience with similar projects and the responsibilities to be assigned to each person. This section should also address the Vendor's ability to staff and begin projects within two (2) weeks of notice, and complete assignments within agreed upon timeframes. See Sections 4.5 VENDOR EXPERIENCE, 4.7 PERSONNEL, and 4.8 VENDOR'S REPRESENTATIONS for additional information.

5.9 TECHNICAL APPROACH

Vendor's proposal shall include, in narrative, outline, and/or graph form the Vendor's approach to accomplishing the tasks outlined in the Scope of Work section of this RFP. A description of each task and deliverable and the schedule for accomplishing each shall be included.

6.0 CONTRACT ADMINISTRATION

All Contract Administration requirements are conditioned on an award resulting from this solicitation. This information is provided for the Vendor's planning purposes.

6.1 CONTRACT MANAGER AND CUSTOMER SERVICE The Vendor shall be required to designate and make available to the State a contract manager. The contract manager shall be the State's point of contact for Contract related issues and issues concerning performance, progress review, scheduling, and service, as well as for customer service-related issues. It is the responsibility of the Vendor to notify the Department of subsequent updates of the designated contract manager.

6.2 POST AWARD PROJECT REVIEW MEETINGS

The Vendor, at the request of the State, shall be required to meet periodically as stated in the Services Agreement between the Vendor and the Department. The purpose of these meetings will be to review project progress reports, discuss Vendor and State performance, address outstanding issues, review problem resolution, provide direction, evaluate continuous improvement and cost saving ideas, and discuss any other pertinent topics.

6.3 CONTINUOUS IMPROVEMENT

The State encourages the Vendor to identify opportunities to reduce the total cost the State. A continuous improvement effort consists of various ways to enhance business efficiencies as performance progresses.

6.4 ACCEPTANCE OF WORK

Performance of the work shall be conducted and completed at least in accordance with the Contract requirements and recognized and customarily accepted industry practices. Performance shall be considered complete when the Services are approved as acceptable by the Contract Administrator.

The State shall have the obligation to notify Vendor, in writing ten (10) calendar days following completion of such work or delivery of a deliverable described in the Contract that it is not acceptable. The notice shall specify in reasonable detail the reason(s) it is unacceptable. Acceptance by the State shall not be unreasonably withheld; but may be conditioned or delayed as required for reasonable review, evaluation, installation, or testing, as applicable to the work or deliverable. Final acceptance is expressly conditioned upon completion of all applicable assessment procedures. Should the work or deliverables fail to meet any specifications, acceptance criteria or otherwise fail to conform to the Contract, the State may exercise any and all rights hereunder, including, for Goods deliverables, such rights provided by the Uniform Commercial Code, as adopted in North Carolina.

6.5 FAITHFUL PERFORMANCE

Any Contract may include terms ensuring a Vendor's performance such as: (1) a bond, or similar assurance; (2) liquidated damages; (3) a percentage of the Contract value held as a retainage; (4) withholding final payment contingent on acceptance of the final deliverable; and (5) any other provision that assures performance of the Vendor.

6.6 DISPUTE RESOLUTION

During the performance of the Contract, the parties agree that it is in their mutual interest to resolve disputes informally. Any claims by the Vendor shall be submitted in writing to the State's Contract Manager for resolution. Any claims by the State shall be submitted in writing to the Vendor's Project Manager for resolution. The Parties shall agree to negotiate in good faith and use all reasonable efforts to resolve such dispute(s).

During the time the Parties are attempting to resolve any dispute, each shall proceed diligently to perform their respective duties and responsibilities under this Contract. The Parties will agree on a reasonable amount of time to resolve a dispute. If a dispute cannot be resolved between the Parties within the agreed upon period, either Party may elect to exercise any other remedies available under the Contract, or at law. This provision, when agreed in the Contract, shall not constitute an agreement by either party to mediate or arbitrate any dispute.

6.7 CONTRACT CHANGES

Contract changes, if any, over the life of the Contract shall be implemented by contract amendments agreed to in writing by the State and Vendor. Amendments to the contract can only be through the contract administrator.

7.0 OTHER CONSIDERATIONS

Unless otherwise stated in the individual proposal, the situations described below will be followed.

- a) Projects will usually be accomplished from the Vendor's place of business. In the event a project must be worked on at the Department's office, the Department will provide workspace and facilities for all Vendor personnel. Vendor personnel must conform to work procedures, safety, and security policies applicable to the Department's employees.
- b) The Vendor will be responsible to its employees for salaries, all taxes, all benefits, and any expenses incurred in the performance of the job. The Department has no financial liability, implied or otherwise, to the Vendor's employees.
- c) The Vendor will be responsible for ensuring its employees are adequately trained. When requested by the Department, the Vendor, at its own expense, will provide its employees with the training required to properly perform their duties.
- d) In consideration of the decision to acquire personnel under these contracts, the needs of the Department are foremost. The Department reserves the right to contract for personnel services from other sources, if the skills required exceed those specified in the RFP, or if the project definition incorporates specific skill requirements and time constraints which cannot be met by Vendors under this contract.
- e) Vendors must comply with all applicable Department, NAIC, and other policy standards and procedures, as well as, North Carolina laws and regulations.
- f) For each project arranged under this RFP, a specific Services Agreement between the selected Vendor and the Department will be executed. The Services Agreement will include provisions for the term, scope of services to be provided, compensation, and funding. Each Services Agreement will be specific to the particular project.

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8.0 ATTACHMENTS

****IMPORTANT NOTICE****

RETURN THE REQUIRED ATTACHMENTS WITH YOUR RESPONSE

FOLLOW THE LINKS TO ACCESS ATTACHMENTS B-G

ATTACHMENT A: PRICING FORM

Complete and return the Pricing associated with this RFP, which can be in the table below:

Cost proposal pricing shall be all-inclusive, incorporating all applicable requirements and responsibilities as delineated in Section 5.0 Specifications and Scope of Work, including all travel and per diem costs incurred by the Vendor. Individual task awards will not exceed the hourly rates in the schedule below. **Vendors may include additional pricing sheets as needed so that all personnel costs and other costs are included.**

Vendors should indicate if services are offered at rates for an entire year or an entire period as follows **[check the applicable box]**:

Vendor rates are for the contract period July 1, 2024, through June 30, 2027.

Vendor rates are for the following contract period (if less than the entire 3-year period of July 1, 2024, through June 30, 2027, for example, "7/1/24 through 6/30/25"):

Vendor rates change during the contract period of July 1, 2024, through June 30, 2027. Accordingly, additional pricing sheets are included for one or more periods. The rates included on this page are for the following period (for example, "7/1/24 through 6/30/25" and additional pricing sheets are included, for other periods):

Vendors shall complete the following personnel costs schedule for all of the classes of service that they are applying for and subcontractor costs (if any) must be included:

[illegible]

[illegible]

The undersigned hereby acknowledges and agrees that: **[check all applicable boxes]**

- ☐ Out-of-pocket travel and subsistence expenses (hotels and meals) will be reimbursed by the Department at State rates and in accordance with the same travel reimbursement guidelines as for State employees. The current guidelines are located at <http://www.osbm.nc.gov/library>. Click on "Budget Manual", then click on "5. Travel Policies", and then click on "5.1 Travel Policies for State Employees". **Vendors that do not agree to this term will not be accepted.**
- ☐ Vendors are not to charge for, nor be paid for travel time en route to/from the work location. Neither daily commuting travel time nor daily commuting expenses are subject to reimbursement. **Vendors that do not agree to this term will not be accepted.**

Approved By:

Company Name

Printed Name and Title of Authorized Official

Signature of Authorized Official

Date

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ATTACHMENT B: INSTRUCTIONS TO VENDORS

The Instructions to Vendors, which are incorporated herein by this reference, may be found here:

<https://ncadmin.nc.gov/formnorth-carolina-instructions-vendors032023/download?attachment>

ATTACHMENT C: NORTH CAROLINA GENERAL TERMS & CONDITIONS

The North Carolina General Terms and Conditions, which are incorporated herein by this reference, may be found here:

<https://www.doa.nc.gov/form-north-carolina-general-terms-and-conditions-11-2023/open>

ATTACHMENT D: HUB SUPPLEMENTAL VENDOR INFORMATION

Complete and return the Historically Underutilized Businesses (HUB) Vendor Information form, which can be found at the following link:

https://files.nc.gov/ncdoa/pandc/OnlineForms/Form_HUB-Supplemental-Vendor-Information_9.2021.pdf

ATTACHMENT E: CUSTOMER REFERENCE FORM

Complete and return the Customer Reference Form, which can be found at the following link:

https://files.nc.gov/ncdoa/pandc/OnlineForms/Form_Customer_Reference_Template_09.2021.pdf

ATTACHMENT F: LOCATION OF WORKERS UTILIZED BY VENDOR

Complete and return the Location of Workers Utilized by Vendor, which can be found at the following link:

<https://www.doa.nc.gov/pandc/onlineforms/form-location-workers-09-2021/download>

ATTACHMENT G: CERTIFICATION OF FINANCIAL CONDITION

Complete, sign, and return the Certification of Financial Condition, which can be found at the following link:

https://files.nc.gov/ncdoa/pandc/OnlineForms/Form_Certification-of-Financial-Condition_09.2021.pdf

ATTACHMENT H: RATE AND FORM REVIEW PROCESS OVERVIEW

For informational purposes, the following sections provide an overview of the Department's current life and health and property and casualty rate review processes:

I) **LIFE AND HEALTH RATE AND FORM FILINGS REVIEW PROCESS OVERVIEW**

A) **General Health Insurance Rate Regulation**

- 1) **Licensing Requirements** – The Department licenses all insurers who carry on the business of insurance within North Carolina and authorizes the specific types of insurance in which the insurer may engage. Any insurer, who has accident and health insurance authority, is organized as a Medical Service Corporation or a Health Maintenance Organization (HMO), is authorized to write health insurance coverage in North Carolina. In addition to the general authority afforded through the license, the insurer must submit to the Department for prior approval all insurance policy rates and forms for any health insurance plan the insurer intends to use in North Carolina. This prior approval requirement applies across all types of health insurance plans (preferred provider, indemnity, point of service, HMO, etc.) and across all health insurance markets (individual/non-employer group, small and large employer group). In reviewing the policy rates and forms associated with a health insurance plan, the Department's Life and Health Division applies all applicable statutory and regulatory requirements to the product and the rates. When necessary, the Life and Health Division seeks assistance and input from the Actuarial Services Division on the rates, but it is the Life and Health Division that takes all approval or disapproval actions upon rate filings.
- 2) **Rating Rules** – Requirements for rating and the use of case characteristics vary according to the type of insurer involved and the market in which the health plan is used. Likewise, the Department's rate review process also varies accordingly.
- 3) **Individual Health** – Insurers are required to submit rate filings at least annually, and these filings require the Department's approval prior to implementation. Individual health insurance premiums must be guaranteed for a period of not less than 12 months to the policyholder and require a 45-day prior notification period prior to implementing a rate increase on an individual. These filings must satisfy applicable incurred loss ratio standards. For individual health insurance there is no required rating methodology although most carriers use attained age rating.

Monthly or quarterly trend factors which build in automatic rate increases by calendar date are not allowed. Medical underwriting and an assignment of a rating tier at issue are currently allowed, however, an individual's renewal premium cannot be increased due to any health status related factor including duration from issue.

- 4) **Small Employer Group (Small Group)** – The Department has authority to review the rating factors used in the small employer group (employers with 1-50 eligible employees) health insurance market. Insurers must submit this information to the Department at the point that they submit a small group market entry filing, when they submit new policy forms for use with new plans, and whenever they change the demographic factors. Small group health insurance rates must be calculated using an adjusted community rating methodology with $\pm 25\%$ rating bands for underwriting and administrative expense differences. The rating factors used by small group insurers are subject to review and, in some cases, prior approval. Insurers are limited to five (5) demographic factors – age, gender, number of family members covered, geographic location and industry. Small group rates are guaranteed for 12 months unless the group's composition changes by more than 20% or there are changes made to the benefits. Annual small group rate increases are limited to the increase in the adjusted community rate plus the increase due to change in benefits or case characteristics (rating factors) plus an adjustment not to exceed 15% for group specific claims experience, health status or duration of coverage.
- 5) **Large Employer Group (Large Group)** – Insurers are statutorily required to submit an actuarial demonstration detailing the development of the premium rates for any health insurance product when the product is first submitted to the Department for approval. Health insurance premiums for traditional "life and health insurance companies" must be rated on an actuarially sound basis as certified by an actuary. Amendments to the rates charged by those insurers are not required to be submitted to the Department. However, many insurers do as a matter of business submit these revisions to the Department on a "file and use" basis. For Medical Service Corporations and HMOs, the Department reviews and approves the rating factors and/or the rates the insurer is proposing for use with health plans, both initially and any revisions thereto. Revisions to the factors that Medical Service Corporations use must be approved by the Department. HMO insurers must submit an annual rate filing to the Department for approval. For HMO and Medical Service Corporation group health insurance, there is considerable flexibility with rating methodologies as long as they are developed on an actuarially sound basis. Generally speaking, changes in a group's premium rate must be preceded by no less than a 30-day notice to the policyholder, although in some cases the notice period is longer.
- 6) **HMO Specific Information** – Insurers are required to submit rate filings at least annually and require the Department's approval prior to implementation. HMO premiums must be guaranteed for a period of not less than 12 months and require a 45-day notification period prior to implementing a rate increase. These filings must satisfy applicable incurred loss ratio standards. There is currently a 45-day deemer period for HMO rate filings.

B) Health Insurance Rate Review and Filing Requirements

1) Description of Data Included in Rate Filings

- a) **Individual Health** – For an individual health insurance rate revision submission, the filer must submit an Actuarial Memorandum which describes and demonstrates the development of any requested premium rate revision. 11 NCAC 16 .0205 specifies the "Additional Data Requirements". The regulation includes a requirement for general information such as policy form identification and justification of groupings, number of North Carolina policies and average annual premium before and after the proposed revision, as well as historical experience data including earned premium and incurred claims from inception. The incurred loss ratio is defined as incurred claims divided by earned premiums and calculated based upon current NAIC SSAPs (Statutory Statements of Accounting Practices). Durational data is typically required in order to recognize the effects of medical underwriting. Experience is typically provided on an annual basis; however, monthly data is provided when credible by the larger insurers. North Carolina specific experience is required if credible, otherwise country-wide data is required. Actuarial justification for any proposed apportionment of the rate revision is also required.
- b) **Small and Large Employer Group** – No specific data requirements are dictated in general for small group and large group rate revisions.
- c) **HMO Specific Information** – HMO rate filings must include the data requirements specified by 11 NCAC 16 .0602, .0603, .0604, .0605, and .0606. The HMO rate revision filing includes group rating methodology, base rates and all rating factors such that group specific rates may be reproduced, as well as three-year monthly financial projections which are used to demonstrate projected incurred loss ratios and risk-based capital requirements.

2) Rate Review Process

- a) **Life and Health Division Process** - All rate filings, whether revising the rate on a previously approved health insurance plan or submitted with a plan initially submitted for approval, are filed with the Life and Health Division. Those filings are received via the mail, via electronic mail and via the NAIC's System for Rate and Form Filings (SERFF). Filings received by mail or electronic mail are formatted, scanned, and/or uploaded to SERFF by the Division's Administrative Assistant. All received filings are then reviewed by a supervisor in the Division who makes an assignment of the filing to an analyst or to the Division's Filing Coordinator. The analyst/coordinator performs an initial review to assure that the filing contains the required information needed to proceed. For filings which are subject to the Department's prior review or approval, the rates are referred to an Actuary in the Actuarial Services Division. If the filing is not subject to prior review/approval or if the filing is deficient in any way, the analyst/coordinator takes the appropriate action and communicates the action to the insurer. If the filing was referred to Actuarial Services Division, the analyst/coordinator awaits a recommendation from Actuarial Services before proceeding with an action on the filing.
- b) **Actuarial Services Division Process**
- i) **Individual Health** – For an individual health insurance rate revision submission, the additional data requirements are used to generate an independent analysis of the proposed rate revision by the reviewing staff actuary. Historical experience is actuarially adjusted and used to project future results. Linear regression is performed on actual versus expected incurred claim ratios and/or on incurred loss ratios adjusted to a current rate level basis. Past experience is accumulated with interest while future experience is discounted with interest for the lifetime loss ratio calculation. The justified rate increase indication is determined as the amount required to reduce the projected future loss ratio down to the allowable incurred loss ratio subject to the constraint of also satisfying the lifetime incurred loss ratio requirement.
 - ii) **Small Employer Group**– For small group insurance, all insurers are required to submit annually by March a retrospective actuarial certification stating that they rated all of their small employer groups in the previous calendar year in accordance with the statutory requirements. These certifications are reviewed by the staff actuary and any deficiencies identified result in the insurer being instructed to take all necessary actions to resolve the deficiencies. Additionally, if an insurer revises any of the rating factors to be used with their small group business, the insurer must submit the changes to the Department along with an actuarial certification of compliance with the applicable rating requirements. A staff actuary is involved in the review of small group rates when an insurer enters the small group market, when factors are revised and the insurer involved is either an HMO or a Medical Service Corporation, and whenever the Life and Health Division staff analyst believes additional input from an actuary is warranted.
 - iii) **Large Employer Group** – For large group insurers who are neither a Medical Service Corporation nor an HMO, North Carolina law does not require that changes to large group rates be submitted to the Department, although many insurers do submit the rates for our information. This means that involvement of the Actuarial Services Division in the review of large employer group rates is limited. The rating factors, and any changes thereto, used by Medical Service Corporations must be filed with the Department for our prior approval. A staff actuary reviews those submissions although flexibility is provided to the insurer in developing those factors for use in this large group market.
 - iv) **HMO Specific Information** – For HMO rate revision filings, all rating methodologies and rating factors are reviewed for reasonableness. The company's justification for their proposed aggregate percentage rate increase is examined based upon past experience, medical trend levels and other anticipated changes. An actual versus projected analysis is performed for the most recent 12 months of historical experience. This provides an indication for how well the HMO has forecasted net income components such as membership, medical and administrative expenses. The assumptions used in the HMO's submitted three-year monthly financial projections are reviewed for reasonableness and the projections may be adjusted based upon the actual versus projected ratios. The financial projections include net income, cash flow and balance sheet as well as a risk-based capital forecast. The adjusted projections are reviewed for compliance with incurred loss ratio and risk-based capital requirements.
- c) **Staffing & Resources**
- Currently no private sector consultants are used for review of health rate filings. Two staff actuaries are involved with the review of health insurance rate filings. Actuary 1, an FSA, MAAA reviews all individual accident and health and Medicare supplement rate filings, all HMO large group filings and health insurance contract reserves. Actuary 2, an ASA, MAAA, FCA reviews all small group rate filings and certifications, BCBSNC Group Rating Formula filings, MEWAs, and health insurance claim reserves. The Life and Health Division staff currently involved

in the rate review process includes a Supervising Analyst, a Senior Policy and Rate Analyst, a Policy and Rate Analyst, a Life and Health Filing Coordinator, and an Administrative Assistant.

Other Departmental resources related to rate review include the involvement of the staffs in the Consumer Services and Market Regulation Divisions who are involved in the retrospective review based upon consumer complaints and market regulation examinations. In addition to the staff resource, the Department devotes IT resources including a computer network, internet access, personal computers, software to perform analysis and to communicate internally and externally, software to track and house data related to the rate review, archival and backup computer systems, and IT technical support.

There are also resources for educational opportunities for staff and other miscellaneous items such as purchase of other equipment, statute books and travel.

d) **Criteria for Legal Authority and Rate Evaluation**

- i) **Individual Health** – Statutory authority for rate review/approval is provided by G.S. 58-51-95 for individual health insurance, G.S. 58-67-50 for HMOs, and G.S. 58-65-40 and 45 for Medical Service Corporations. These filings are reviewed in order to ensure that the application of a requested revision produces rates which are not excessive, not inadequate and not unfairly discriminatory. Additionally, the NAIC Model “Guidelines for Filing of Rates for Individual Health Insurance Forms” (July 2000) provides general guidelines and the methodology used to determine that benefits are reasonable in relation to premiums. This includes meeting or exceeding minimum projected future and lifetime incurred loss ratio standards. A rate may be deemed excessive if the loss ratio standards are not satisfied. A rate may be deemed inadequate if the total premium is insufficient to cover the claims and administrative expenses. A rate is not unfairly discriminatory if it reflects equitable differences in expected risk.
- ii) **Small and Large Employer Group** – Small group health plans are subject to G.S. 58-50-130 for all types of insurers while statutory authority for large group rates is provided by G.S. 58-51-80 and 85 for large group health insurance, G.S. 58-67-50 for HMOs, and G.S. 58-65-40, 45 and 60 for Medical Service Corporations. For HMOs and Medical Service Corporations, proposed changes in rates are required to produce rates which are not excessive, not inadequate and not unfairly discriminatory.
- iii) **HMO Specific Information** – HMO rate filings which extend the approved twelve-month effective period are evaluated such that the projected incurred loss ratio is within the required range as specified by 11 NCAC 16 .0607 and projected risk-based capital satisfies G.S. 58-12-2 through 58-12-70. In addition, the reviewing actuary will follow guidance provided by Actuarial Standard of Practice No. 8, “Regulatory Filings for Health Plan Entities.”

e) **Grounds for Rate Approval, Modification and Rejection**

If any component of a filing is not in compliance with North Carolina law or the filing contains unjustified rating factors it will be disapproved. All data requirements must be satisfied or a filing may be closed. If the independent analysis of the Department’s staff actuary produces an indication that is less than the rate increase proposed by the company, the actuary will negotiate with the company and recommend a reduced rate increase amount for approval.

- i) **Individual Health** – For individual health insurance, the primary factors that are considered in the analysis include but are not limited to the following: the effective date of the increase; the level of benefits provided; the type of rating methodology; the average annual premium before and after the proposed revision; the historical incurred loss ratio experience (on a calendar year and durational basis); the accuracy, consistency and credibility of the experience data; the past rate revision history (earned premiums are adjusted to a current premium rate level basis in order to determine the underlying trend and account for the magnitude of all previous rate revisions); the projected medical trend levels determined by NCDOL analysis; the company’s anticipated or projected medical trend level and how this was determined; the NAIC minimum guideline loss ratio or company allowable loss ratio if greater; the actual and expected total terminations (lapse plus mortality); whether or not the block is open or closed; actuarial justification for any proposed apportionments of the rate revision; and the financial condition of the company where appropriate.
- ii) **HMO Specific Information** – For HMO rate revisions, the primary factors that are considered in the analysis include but are not limited to the following: the effective date of the increase; the level of benefits provided; the type of rating methodology; the average annual premium before and after the proposed revision; the actual versus projected ratios for membership, premium revenue, medical and administrative expenses; the anticipated impact of provider contract changes; projected medical trend levels including the cost and

utilization components; all financial projection assumptions; the projected incurred loss ratios; risk-based capital modeling and the projected risk-based capital ratios; actuarial justification for changes to rating factors; and the financial condition of the company where appropriate.

f) Prospective or Retrospective Approval/Modification/Rejection

Individual health insurance, Medical Service Corporation group rate factor amendments and HMO group health insurance rates require prior approval and may be modified or rejected on a prospective basis. For small group health insurance carriers, a retrospective certification is required. The Market Regulation Division reviews rates on an ongoing retrospective basis. Typically, Market Regulation requests any overcharges be reimbursed (or credited if group is still active) directly to the impacted employer group or individual insureds.

g) Factors that Trigger Retrospective Review

For individual health insurance, Medical Service Corporation group rate factor amendments and HMO group health insurance, there is not currently a formal retrospective review of rates. Otherwise, the main triggers for retrospective reviews by the Market Regulation Division are notifications from other Department divisions of potential issues, self-reports from insurers and overall market analysis reviews which includes information received from other states through the National Association of Insurance Commissioners (NAIC). If an insurer's use of an incorrect rate filing results in overcharges of premium rates, the insurer is instructed to implement immediate corrective action/remediation. The corrective action could include premium refunds or credits. An insurer normally implements additional internal control measures to ensure that only approved rates are used. Retrospective reviews are handled on a case-by-case basis.

h) Evidence of Modification/Negotiation

For all individual accident and health and Medicare supplement rate revision filings, the Department tracks average rate increase percentages requested versus approved by effective year. In addition, savings to North Carolina consumers are calculated as the difference in the percentage requested and percentage approved multiplied by the average annual premium per policy multiplied by the in-force policy count.

3) Current Level of Resources and Capacity for Rate Review (IT and System Capacity)

The Department uses the SERFF system to track and house all form, rate, and other related filings submitted to the Life and Health Division. SERFF makes the assignment of multiple reviewers possible. SERFF permits the joint review of the filing across multiple divisions and multiple reviewers. Communication between the Department and the insurer's filer is made within SERFF; this facilitates the process to bring filings into compliance, including changes to submission to accommodate requests for more information or statutory deficiencies. It also serves as a record of the process on each filing submitted. Lastly, SERFF provides a certain amount of reporting and aggregation of data that assist the Department in evaluating our processes and in responding to inquiries for information.

For individual health insurance, the independent analysis is performed using Excel based spreadsheets with Visual Basic macros.

For the HMO rate revision filing, the financial projections are required in Excel format such that the net income statement, cash flow and balance sheet are linked. In addition, the NAIC I-Site database may be accessed for information. Data for summary reporting is recorded manually by the staff actuary and accumulated in Excel spreadsheets.

II) PROPERTY AND CASUALTY RATE AND FORM FILINGS OVERVIEW

A) Insurance Rate Regulation

- 1) The Property and Casualty Division reviews the rates, rules and forms for the North Carolina Rate Bureau, North Carolina Reinsurance Facility, NCIUA (Coastal Property Insurance Pool), NCJUA (Fair Plan) and licensed property and casualty insurance companies. In addition, the Property and Casualty Division licenses statistical organizations (formerly rating and advisory organizations) and joint underwriting and joint reinsurance organizations, and the division reviews rate, rule and policy form filings made by these entities.
- 2) **Licensing Requirements** – The Department licenses all insurers who carry on the business of insurance within North Carolina and authorizes the specific types of insurance in which the insurer may engage. In addition to the general authority afforded through the license, the North Carolina Rate Bureau for insurance companies licensed to write workers' compensation, private passenger automobile, homeowners and dwelling fire insurance coverage in North Carolina must submit rate filings to the Department for prior approval rating. This prior approval requirement applies across all types of insurance rating plans. In reviewing the policy rates and forms associated with an insurance plan,

the Department's Property and Casualty Division applies all applicable statutory and regulatory requirements to the product and the rates. When necessary, the Property and Casualty Division seeks assistance and input from the Actuarial Services Division on the rates, but it is the Property and Casualty Division that takes all approval or disapproval actions upon rate filings.

- 3) **Rating Rules** – Requirements for rating and the use of case characteristics vary according to the type of insurer involved and the market in which the insurance plan is used. Likewise, the Department's rate review process also varies accordingly.
- 4) **North Carolina Rate Bureau Rate Filings** - The North Carolina Rate Bureau is responsible for making rate filings for insurance companies licensed to write workers' compensation, private passenger automobile, homeowners and dwelling fire insurance coverage in North Carolina.
- 5) **Workers' Compensation** - The North Carolina Rate Bureau files prospective loss costs, classification plans, rating plans and rating systems with the Department on behalf of its member companies. The insurance companies then file loss cost multipliers with the Department to determine the final rate they will charge. The companies are required to justify their filed loss cost multipliers with supporting documentation before obtaining approval.
- 6) **Medical Malpractice in North Carolina** - The Property and Casualty Division reviews the filings for premiums and policy forms submitted by medical malpractice insurers. The division works closely with the Actuarial Services Division which performs statistical analysis of premiums by doctor class for over 100 classes for the leading insurers.
- 7) **NC Surplus Lines Act** – The Property and Casualty Division is also responsible for ensuring that premium taxes generated from insurance transactions on business issued by surplus lines insurers are paid to the State. The NC Surplus Lines Act governs surplus lines insurance transactions in North Carolina. Surplus lines taxes are the responsibility of the surplus lines licensees.
- 8) **Rate Deviations** - Under the jurisdiction of the North Carolina Rate Bureau, state law allows companies to file rate deviations (discounts) on coverage such as private passenger automobile, homeowners, mobile homeowners and dwelling fire. A typical deviation would be lower insurance premiums for policies offering multi-policy discounts.
- 9) **Statistical Organizations** - Additional functions performed by P&C are the licensing of statistical organizations ISO, NCCI, ACORD, ODEN (formerly rating and advisory organizations) and the collection and processing of surplus lines taxes on business conducted by eligible surplus lines carriers (those non-admitted carriers that are licensed to conduct business in this state).

B) **Insurance Rate Review and Filing Requirements**

All property and casualty insurance rates, rules, and forms utilized in North Carolina are subject to Department's Property and Casualty Review. North Carolina is primarily considered to be a prior approval state for its filings although there are exceptions.

Policy forms for all lines of business are prior approval.

Rates for Rate Bureau lines of business are prior approval and encompass private passenger auto, residential property (homeowners, mobile homeowners, dwelling fire), and workers' compensation.

Rates for commercial lines of business are considered to be modified file and use. This means that the filing must be proper in accordance with applicable statutes before the rates may be implemented. Filings that do not meet statutory requirements will be disapproved.

There are two rate filings that are statutory and are required to be filed annually.

- 1) One is for Private Passenger Auto, which is due on or before February 1 of each year
- 2) The other is Worker Compensation, which is due on or before September 1 of each year.

For filings which are subject to the Department's prior review or approval, the rates are referred to an Actuary in the Actuarial Services Division. If the filing is not subject to prior review/approval or if the filing is deficient in any way, the analyst/coordinator takes the appropriate action and communicates the action to the insurer. If the filing was referred to Actuarial Services Division, the analyst/coordinator awaits a recommendation from Actuarial Services before proceeding with an action on the filing.

C) **Actuarial Services Division Process**

For a rate revision submission, the additional data requirements are used to generate an independent analysis of the proposed rate revision by the reviewing staff actuary. Historical experience is actuarially adjusted and used to project future results. Linear regression is performed on actual versus expected incurred claim ratios and/or on incurred loss

ratios adjusted to a current rate level basis. Past experience is accumulated with interest while future experience is discounted with interest for the lifetime loss ratio calculation. The justified rate increase indication is determined as the amount required to reduce the projected future loss ratio down to the allowable incurred loss ratio subject to the constraint of also satisfying the lifetime incurred loss ratio requirement.

D) Staffing & Resources

- 1) Currently no private sector consultants are used for review of rate filings. Staff actuaries are involved with the review of rate filings. The Property and Casualty Division staff currently involved in the rate review process includes a Supervising Analyst, a Senior Policy and Rate Analyst, a Policy and Rate Analyst, a Filing Coordinator, and an Administrative Assistant.
- 2) Other Departmental resources related to rate review include the involvement of the staffs in the Consumer Services and Market Regulation Divisions who are involved in the retrospective review based upon consumer complaints and market regulation examinations. In addition to the staff resource, the Department devotes IT resources including a computer network, internet access, personal computers, software to perform analysis and to communicate internally and externally, software to track and house data related to the rate review, archival and backup computer systems, and IT technical support.
- 3) There are also resources for educational opportunities for staff and other miscellaneous items such as purchase of other equipment, statute books and travel.

E) Statutory Authority and Rate Evaluation

Statutory authority for rate review/approval is provided by the following articles of Chapter 58 of the North Carolina General Statutes: Article 36 – North Carolina Rate Bureau, Article 37 – North Carolina Motor Vehicle Reinsurance Facility, Article 40 – Regulation of Insurance Rates, Article 41 – Insurance Regulatory Reform Act, Article 45 – Essential Property Insurance for Beach Area Property, and Article 46 – Fair access to Insurance Requirements. These filings are reviewed in order to ensure that the application of a requested revision produces rates which are not excessive, not inadequate, and not unfairly discriminatory.

F) Current Level of Resources and Capacity for Rate Review (IT and System Capacity)

The Department uses the SERFF system to track and house all form, rate, and other related filings submitted to the Property and Casualty Division. SERFF makes the assignment of multiple reviewers possible. SERFF permits the joint review of the filing across multiple divisions and multiple reviewers. Communication between the Department and the insurer's filer is made within SERFF; this facilitates the process to bring filings into compliance, including changes to submission to accommodate requests for more information or statutory deficiencies. It also serves as a record of the process on each filing submitted. Lastly, SERFF provides a certain amount of reporting and aggregation of data that assist the Department in evaluating our processes and in responding to inquiries for information.

***** Failure to Return the Required Attachments May Eliminate
Your Response from Further Consideration *****