



Washington State Auditor's Office

CONTRACT NO. K636-C-1912

AMENDMENT 4

CONTRACT FOR PROFESSIONAL SERVICES

BETWEEN

WASHINGTON STATE AUDITOR'S OFFICE

AND

DELOITTE CONSULTING LLP

This Contract Amendment is made and entered into by and between the WASHINGTON STATE AUDITOR'S OFFICE (SAO) and the below named CONTRACTOR ("Contractor").

Deloitte Consulting LLP

711 Capitol Way South, Suite 102

Olympia, WA 98501

1.213.688.0800 Tel

1.213.688.0100 Fax

micgreen@deloitte.com

Washington State UBI Number: 602356799

Federal ID Number: 06-1454513

This amendment is effective on the date of last signature of the parties and amends the scope of work, the deliverables, period of performance, and compensation in Contract NO. K636-C-1912 (the "Contract") for the June 1, 2024 to June 30, 2025 contract year as set forth herein.

Item 1: Section 3 of the Contract is hereby amended to add the following deliverables:

3. **DELIVERABLES**

For contract year June 1, 2024 to June 30, 2025:

- Deliverable #1: Calculation of classification code relative base rates of the Medical Aid Fund and Accident Fund and Stay at Work rates – **August 30, 2024**
- Deliverable #2: Opinion on experience rating plan changes – **August 30, 2024**
- Deliverable #3: Opinion on premium receivable estimates – **October 2, 2024**
- Deliverable #4: Opinion on retrospective rating adjustment premium liability - **October 2, 2024**
- Deliverable #5: GAAP Statement of Actuarial Opinion on the Accident, Medical Aid and Pension Fund Loss and Loss Adjustment Expense Liabilities - **October 14, 2024**
- Deliverable #6: SAP Statement of Actuarial Opinion on the Accident, Medical Aid and Pension Fund Loss and Loss Adjustment Expense Liabilities – **October 14, 2024**
- Deliverable #7: GAAP Statement of Actuarial Opinion on supplemental pension fund liabilities - **October 14, 2024**
- Deliverable #8: Analysis of unpaid loss and loss adjustment expense liabilities – **October 11, 2024**
- Deliverable #9: Analysis of the Department's indicated breakeven rate level changes of the Accident Fund and Medical Aid Fund, including the Stay at Work Account as of June 30, 2023 – **December 2, 2024**
- Deliverable #10: Assessment of the financial impact of adopted rate level changes on the actuarial solvency of the Accident Fund, Medical Aid Fund and Pension Reserve Fund – **December 2, 2024.**

Item 2: Section 4 of the Contract is deleted in its entirety and replaced with the following:

4. **PERIOD OF PERFORMANCE**

The period of performance shall begin on June 1, 2020, or date of execution, whichever is later, and end on June 30, 2025. Amendments extending the period of performance, if any, will be at the sole discretion of the State Auditor's Office. The State Auditor's Office reserves the right, at its discretion, to extend the contract for up to one additional year.

Item 3: The first paragraph of Section 5 of the Contract is deleted in its entirety and replaced with the following:


Compensation for the contract year June 1, 2020 to June 30, 2021 shall not exceed Three Hundred and Fifty Thousand and Seventy Eight Dollars (\$350,078). Compensation for the contract year June 1, 2021 to June 30, 2022, shall not exceed Three Hundred and Sixty-Four Thousand and two Hundred and Sixty-One Dollars (\$364,261). Compensation for the contract year June 1, 2022 to June 30, 2023, shall not exceed Three Hundred and Seventy-Eight Thousand and Nine Hundred and Twelve Dollars (\$378,912). Compensation for the contract year June 1, 2023 to June 30, 2024, shall not exceed Three Hundred and Ninety-Three Thousand and Seven Hundred and Fifty-Three Dollars (\$393,753). Compensation for the contract year June 1, 2024 to June 30, 2025, shall not exceed Three Hundred and Forty-Nine Thousand and Three Hundred and Six Dollars (\$349,306). Total compensation for the contract period shall not exceed One Million Eight Hundred Thirty-Six Thousand and Three Hundred and Ten Dollars (\$1,836,310). The contractor's compensation for services rendered will be based on the schedule set forth in Attachment A. If the State Auditor's Office decides to modify the final Performance Statement of Work, including deleting tasks, after completing the planning process or at critical points during the course of the contract, the parties will negotiate in good faith whether to make an adjustment to the compensation set forth in Attachment A.

Item 4: Exhibit 1 to this Amendment 4, titled "Attachment A: Amended Statement of Work Contract Year June 1, 2024 to June 30, 2025 Updates", attached hereto and incorporated herein, is hereby added to Attachment A – Statement of Work of the Contract, and sets forth the services that Contractor will provide for the contract year June 1, 2024 to June 30, 2025.

THIS CONTRACT AMENDMENT, is executed by the persons signing below who warrant that they have the authority to execute this contract amendment.

A copy of this amendment, consisting of ten pages, shall be attached to/and incorporated into, the Contract. Any reference in that Contract to the “contract” shall mean “contract as amended.” All other items and conditions of the Contract or prior amendments shall remain in full force and effect.

Deloitte Consulting LLP

Signature  Michael Green (Apr 23, 2024 11:55 PDT) 04/23/24
Michael Green Date
Title: Principal

Washington State Auditor’s Office

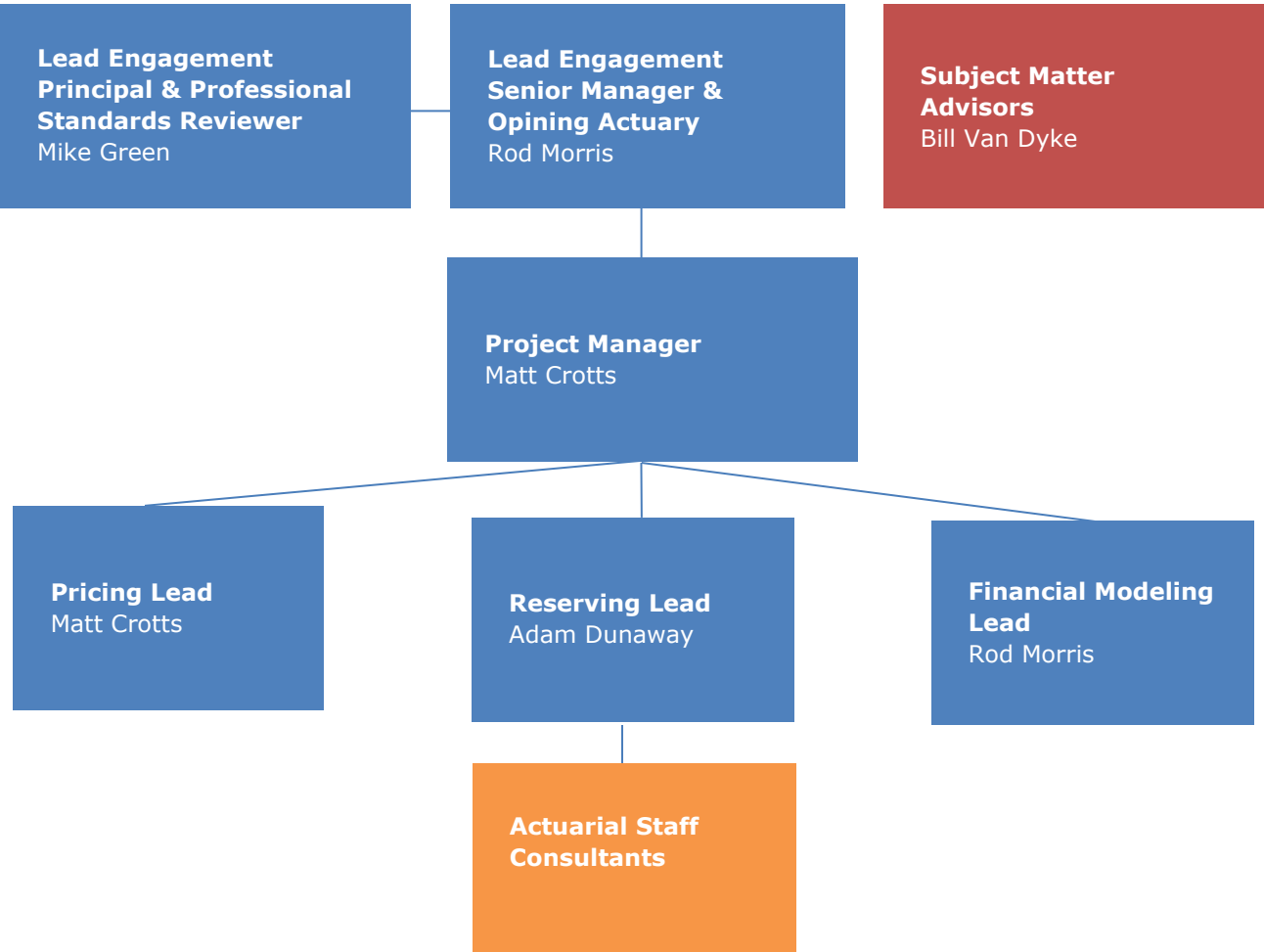
Signature  Sadie Armijo (Apr 24, 2024 10:06 PDT) 04/24/24
Sadie Armijo Date
Title: Director of State Audit

APPROVED AS TO FORM:
Assistant Attorney General
Date: 4/22/24

Exhibit 1 to Amendment 4

Attachment A: Amended Statement of Work
Contract year June 1, 2024 – June 30, 2025 updates

This figure is an overview of the proposed staff, with a summary of the key team members following:



As shown in the chart above, Mike Green will be overall Lead Engagement Principal for this engagement and will have the prime responsibility and final authority for the work.

While Mike Green will be the overall Lead Engagement Principal for this engagement and will have the prime responsibility and final authority for the work, Rod Morris will be the designated lead who the SAO management can work with to resolve any problems, issues, or concerns.

Project Approach / Methodology

Opinion on experience rating plan changes

Deloitte Consulting will review L&I's experience rating plan for premium rates effective January 1, 2025 and specifically the changes to the parameters of the 2025 experience rating plan to assess whether the changes made are reasonable and consistent with actuarial standards of practice as issued by the Actuarial Standards Board and whether they attempt to limit unreasonable fluctuations in premium rates. Contractor's review will include all underlying assumptions, including the maximum claim value, the medical only claim deductible, the maximum primary and excess loss, and the load factor selected by L&I. Additionally Contractor will review the underlying parameters of the experience rating plan itself, including the split point between primary and excess components, the credibility used for each piece, the expected losses for individual employers, and the targeted average experience modification factor.

June 1, 2024 to June 2025 Project Schedule

The Contractor will participate in significant planning and effective communication with the SAO. The following table displays the detailed schedule of the project and deliverables for performance of the actuarial reviews:

Phase of Work	Proposed Date of Completion
1. Kick-off meeting	June 2024
2. Submit June 30, 2024 Data Request	June 2024
3. Receipt of data for rate review	July 2024
4. Rate Level Review Performed	August 2024
5. Report for Classification Code Relative Base Rates	August 25, 2024
6. Receipt of data for reserve review	August 2024
7. Reserve Review performed	September 2024
8. Opinion on Experience Rating Plan changes	September 1, 2024
9. Opinion on Premium Receivable Estimates	October 2, 2024
10. Opinion on methodology for estimating retrospective premium liabilities	October 2, 2024
11. GAAP and Statutory Statement of Opinion on Loss Reserves	October 13, 2024
12. Opinion on Supplemental Pension Fund Liabilities	October 13, 2024
13. Report for Unpaid Loss and Loss Adjustment Expenses	October 9, 2024
14. Report on indicated rate level change and calculation of classification code adopted base rates	December 1, 2024
15. Financial Modeling to assess the impact of proposed rate level changes	December 1, 2024

Deliverables

The Contractor shall submit the following deliverables:

1. *Report for Classification Code Relative Base Rates for the Accident Fund, Medical Aid Fund, and Stay at Work rates*

This report will summarize Contractor's review and conclusions as to the reasonableness of L&I's recommended classification relative base rates for the Accident Fund, Medical Aid Fund, and Stay at Work rates. The report will include Contractor's view as to whether the classification rates and relativities recommended by L&I meet the criteria of being fair and not excessive, inadequate, or unfairly discriminatory.

2. *Opinion on proposed changes to experience rating plan*

This opinion letter will state whether the changes to the parameters of the experience rating plan are reasonable based on generally accepted actuarial principles and whether they attempt to limit unreasonable fluctuations in premium rates.

3. *Opinion for methodology to estimate premium receivable*

This opinion letter will state whether the amount recorded by L&I for premium receivables is appropriate, and if the methodology used by L&I is consistent with generally accepted actuarial principles.

4. *Opinion for methodology to estimate retro premium liabilities*

This opinion letter will state whether the amount booked by L&I for retro premium liabilities is appropriate, and if the methodology used by L&I is consistent with generally accepted actuarial principles.

5. *GAAP Statement of Opinion on Loss Reserves*

This opinion letter will be in the standard format as required to be submitted with the GAAP financial statements.

6. *Statutory Statement of Opinion on Loss Reserves*

This opinion letter will be in the standard format as required to be submitted with the Statutory and GAAP financial statements.

7. *Loss Reserve Opinion on the Supplemental Pension Fund*

This opinion letter will state whether the reserves in the Supplemental Pension Fund were prepared in accordance with actuarial standards of practice.

8. *Report for Unpaid Loss and Loss Adjustment Expenses*

This report will summarize Contractor's independent review of the reasonableness of L&I's unpaid loss and loss adjustment expenses for the Medical Aid Fund, Accident Fund, and the Pension Reserve Fund.

9. *Report for Indicated Breakeven Rate Level Changes of the Accident Fund and the Medical Aid Fund, including the Stay at Work account*

This report will summarize Contractor's independent actuarial analysis performed to estimate the rate level change for the upcoming underwriting year for the Accident Fund and the Medical Aid Fund. This report will also summarize Contractor's findings regarding the appropriateness of the procedures used by L&I in determining the upcoming classification code rates and relativities.

10. *Report summarizing the financial impact of proposed rate level changes*

This report will summarize Contractor's assessment of the financial impact of the rate change proposed by L&I on the actuarial solvency risk for the funds.

SAO shall approve each Deliverable that conforms in all material respects to the requirements therefor set forth in this SOW. Approval of a Deliverable shall be deemed given by SAO if SAO has not delivered to Contractor a notice that such Deliverable does not conform with the foregoing within five days of delivery.

It is mutually agreed that Deloitte Consulting's deliverables are estimates and advice only, and that comparison of said deliverables to other estimates from other parties, and any associated actions taken are the sole responsibility of Client.

Cost Breakdown Fixed-Priced Cost Proposal

Contractor's fees will be based on the hourly rates of the professional staff assigned to an engagement and, per the RFP, include labor, travel, lodging, per diem, administrative and all incidentals necessary to complete the performance of the proposed contract.

Based on the scope of services, the Contractor's fixed fees for professional services and expenses is set forth by Deliverable in the "Fees" column of the table below, and will not exceed \$349,306 for the June 1, 2024 to June 30, 2025 contract year. If the contract is extended beyond June 30, 2025, the Rates per Hour will increase by 4% each year thereafter, and will be used for purposes of pricing the additional services to be performed during the extension periods.

	Rate Per Hour *					Hours	Fees
	\$510	\$460	\$405	\$360	\$250		
Deliverable Number	Principal	SMAs	Specialist Leader	Manager	Staff Consultant	Hours	Fees
Deliverable #1	8	4	20	8	40	80	26,900
Deliverable #2	0	0	8	12	0	20	7,560
Deliverable #3	2	0	10	15	5	31	11,496
Deliverable #4	0	0	8	12	0	20	7,560
Deliverable #5	0	0	6	12	0	18	6,750
Deliverable #6	0	0	6	12	0	18	6,750
Deliverable #7	0	0	6	12	0	18	6,750
Deliverable #8	12	4	88	104	172	380	124,040
Deliverable #9	14	8	63	90	124	299	99,735
Deliverable #10	8	8	31	45	61	153	51,765
Total	44	24	246	322	402	1,037	349,306

NOTE:

- Deliverable #1 Calculation of classification code relative base rates of the Medical Aid Fund and Accident Fund and Stay at Work Rates
- Deliverable #2 Opinion letter on proposed changes to L&I's 2024 experience rating plan
- Deliverable #3 Opinion on premium receivable estimates
- Deliverable #4 Opinion on retrospective rating adjustment premium liabilities
- Deliverable #5 GAAP Statement of Actuarial Opinion on Reserves
- Deliverable #6 Statutory Statement of Opinion on Reserves
- Deliverable #7 GAAP Statement of Actuarial Opinion on the Supplemental Pension Fund Liabilities
- Deliverable #8 Analysis and Report on Unpaid Loss and Loss Adjustment Expenses
- Deliverable #9 Report on Independent analysis of the indicated rate change and calculation of the proposed classification code adopted base rates
- Deliverable #10 Financial Modeling Analysis and Report

*** Rate includes the professional fees plus the cost of all expenses including travel expenses**