KAA/OT/HQ/0003/2019-2020

30th July, 2019

To All Tenderers,

RE: PROVISION OF UNDERWRITING SERVICES FOR STAFF MEDICAL INSURANCE COVER- TENDER NO. KAA/OT/HQ/0003/2019-2020
ADDENDUM NO.1

The following are tender clarifications/addendum issued regarding the above tender in accordance to the Evaluation Criteria Clause No 4.2.9 and 4.2.12 of the bidding document.

Queries raised by the tenderer

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<th>No</th>
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| 1  | Reference is made to the subject matter. We write to seek reconsideration of the following two clauses:—

1. Mandatory Requirement item number 4.2.9 page 36 which reads "Must have Gross Annual underwritten premium turnover of at least Kshs. 2.5Billion in medical business for each of the last three consecutive years i.e. 2018, 2017 and 2016".

2. Mandatory Requirement item number 4.2.12 page 37 which reads "Must have a portfolio balance between motor and non-motor business with gross underwritten premium for motor business not exceeding an average of 30% of the total general business for the last three consecutive years i.e. 2016, 2017 and 2018". | The mandatory criteria is developed commensurate with the required standards and services of the tender. Specifically, the criteria has been established to:

(i). Safeguard the quality of cover for the procuring entity's medical cover beneficiaries;

(ii). Secure a bidder that demonstrates a solid financial position to support underwriting cover for a large population such as that of the procuring entity.

The procuring entity has no control of tenderers’ capabilities in achieving the thresholds required by this tender.

The mandatory requirements 4.2.9 on page 36 and 4.2.12 on page 37 therefore remains as stated in the tender document. |
These two thresholds that are mandatory requirements are very restrictive and is likely to be met by very few select insurers thus not meeting the basic requirement of free and fair participation in the public procurement of tenders. In view of the foregoing, we propose that these thresholds be reviewed to read as follows to enhance fair participation and competitiveness in the subject tender:-

1. Mandatory Requirement Item 4.2.9 page 36 to be revised to read “**Must have Gross Annual underwritten premium turnover of at least Kshs. 1.5Billion in medical business for each of the last three consecutive years i.e. 2018, 2017 and 2016**”.

2. Mandatory Requirement item number 4.2.12 page 37 which reads “**Must have a portfolio balance between motor and non-motor business with gross underwritten premium for motor business not exceeding an average of 40% of the total general business for the last three consecutive years i.e. 2016, 2017 and 2018**”.

We trust that our proposals will receive your positive appraisal and approval.
We make reference to the above tender which we would wish to participate. In order to provide a competitive quote, kindly provide us with the following information:

I. Loss Ratio over the last three (3) years i.e. total annual claims measured against premiums for (2017, 2018 & 2019)

II. Total annual claims over the last three (3) years i.e. 2017, 2018 and 2019.

Additionally, under the mandatory requirements item 4.2.12, the portfolio balance of 30% motor and 70% Non-motor, it is our view that this requires review since the same curtails competition by restricting the subject tender to a very small group of underwriters. We propose a portfolio balance of 50:50.

Finally, the mandatory requirement no 4.2.9 on gross written medical premiums of Ksh.2.5 billion for the last three years is too restrictive. We propose that the same be revised to Ksh.1.5 billion in order to afford KAA the benefit of competitive bidding.

The total annual claims against premiums for 2017, 2018 and 2019 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium (less Ksh.8.5M smart card costs)</th>
<th>Annual Claims</th>
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<tbody>
<tr>
<td>2017</td>
<td>225,458,608</td>
<td>271,762,975</td>
</tr>
<tr>
<td>2018</td>
<td>296,422,192</td>
<td>293,568,743</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 months</td>
<td>197,249,793</td>
<td>173,800,000</td>
</tr>
</tbody>
</table>

The mandatory criteria is developed commensurate with the required standards and services of the tender. Specifically, the criteria has been established to:

(i). Safeguard the quality of cover for the procuring entity’s families.

(ii). Secure a bidder that demonstrates a solid financial position to support underwriting cover for a large population such as that of the procuring entity.

The procuring entity has no control of tenderers’ capabilities in achieving the thresholds required by this tender.

The mandatory requirements 4.2.9 on page 36 and 4.2.12 on page 37 therefore remain as stated in the tender document.

The closing/opening date remains on 1st August, 2019 at the same time and place.

Yours sincerely,

Patrick K. Wanjuki
GM (PROCUREMENT & LOGISTICS)
FOR: MANAGING DIRECTOR/CEO