



TEXAS WINDSTORM INSURANCE ASSOCIATION

REQUEST FOR PROPOSALS
No. TWIA - 0001 Actuarial Services

Actuarial Services
[946-12]

Issue Date: [December 29th, 2011]

Responses to Submitted Written Questions

The following questions have been submitted to Texas Windstorm Insurance Association (TWIA) pursuant to section 1.6.16 of the RFP:

Question: Sections 2.4.1 and 4.2.8.2 both ask for lists of relevant experience. We would like to clarify exactly what the TWIA would like to see to satisfy these sections. In 2.4.1, are you looking for a list that contains only those entities that we feel may constitute a reasonable probability of presenting a conflict of interest, or does this request mean we need to provide a complete list of all of our clients? In 4.2.8.2, are we the ones determine what is meant by “services similar to those requested in this RFP.” This could be interpreted as meaning only rate review work for personal or commercial property programs. However, we believe relevant experience would include other pricing analysis for residual markets in other lines of business. Can this list include only those clients for which our relationship is public information? We want to provide information that will allow the TWIA to properly evaluate our experience while still maintaining confidentiality with our clients and without compromising our business by making our client list publicly available.

Response: A list of insurers or other business entities presenting a possible or potential conflict of interest will satisfy this requirement. Please also note section 4.2.9.

Any relevant experience should be provided, including work of a similar nature performed for other lines of business. References must include all entities, not just those whose relationship is public information.

Question: What will satisfy section 4.2.13 as evidence of financial stability? Would a copy of prior year financial statements be acceptable?

Response: Prior year financial statements should be acceptable, although TWIA reserves the right to require additional information if necessary.

Question: Please clarify sections 2.3.3 through 2.3.5. If a staff member has more than five years experience but is not an FCAS or ACAS, can they be counted in the 50% minimum work that must be done by “senior actuaries?”

Response: Lead and senior staff actuaries would be those actuaries with both the required designation and at least five years experience. Actuarial assistants would be those actuaries with the required designation but without the minimum experience. Actuarial students would be any staff members without the required designation, regardless of experience.

Question: Please clarify “examples of work” described in section 4.2.10.2. Do you want to see examples of reports we have produced for similar projects or are you looking for a simple explanation of the work performed?

Response: A detailed explanation of the work performed would be considered a sufficient response. The addition of specific examples of work product would be preferred.

Question: How much travel to Texas does TWIA expect the Contractor to do in a given year (i.e. number of visits)?

Response: The number of visits required in the deliverance of the required services is undetermined at this time. Possible visits may include an in person meeting with TWIA and the Texas Department of Insurance (TDI) to discuss the status of the actuarial work and other matters related to the Contractor's agreement with TWIA, as stated in section 2.2.3 of the RFP; presentation of the rate review to the TWIA Actuarial and Underwriting Committee and/or the TWIA Board of Directors; oral testimony given at any TDI hearing held in relation to a rate filing; and other visits as necessary. However, some or all of these possible visits may only require telephone participation.

Question: Can the TWIA inform us of the anticipated lead time between the filing date and the effective date? Can information be provided on expected lead times for regulatory review, programming, and renewals? Can the RFP be clarified as to whether the 7/1 date is a target new business effective date or new and renewal business effective date?

Response: TDI has 30 days in which to approve or disapprove a filing. The Commissioner of Insurance has stated her willingness to expedite the approval process. Programming is expected to take place concurrently with the actuarial analysis and regulatory review to the extent possible. TWIA renewals are processed 60 days in advance. July 1 is the target date for new and renewal business. Please note that Section 2.2.2 of the RFP allows that "If this date is not feasible, Contractor must indicate in its RFP response an alternative date for implementation of all changes, as well as recommendations for incremental implementation."

Question: Does the TWIA intend for the scope of the RFP to include any defense of a filing at a public or regulatory hearing if needed?

Response: Yes, although a public or regulatory hearing may not be held, and if a hearing is held written testimony may suffice.

Question: Section 2.4.1 – Conflicts of Interest. RFP requests “a complete list of insurers or other business entities for which the actuary or actuarial firm performs or reasonable expects to perform services”. Respondents may not be able to provide this information due to Non-Disclosure Agreements and/or competitive concerns as the RFP responses are subject to release under the Texas Public Information

Act. In lieu of such a list, would you accept an attestation from the respondent (as outlined in section 4.2.9) stating that “We are not aware of any conflicts of interest that would prevent us from completing the scope of services outlined in the RFP.”?

Response: A statement as outlined in section 4.2.9 is required. Additionally, section 2.4.1 requires a list of insurers or other business entities presenting a possible or potential conflict of interest, if any.

Question: Section 2.8 – Proprietary Interests. RFP indicates that upon completion of services responding will provide all original work-papers, etc. Will the TWIA require that the respondent provide functioning electronic (e.g. Excel) copies of all actuarial spreadsheets, or can this requirement be satisfied by providing PDF copies of documents.

Response: Section 2.8 requires the provision of all original work-papers, data, materials, testimony, information, and reports produced by the Respondent during the performance of services. This would include any electronic documents produced, such as Excel spreadsheets.

Question: Section 4.2.8.2 – References. RFP requests contact information for “all” other entities for which the Respondent has provided similar services. The resulting list of contacts could be extremely lengthy, i.e. dozens of entities. Can the TWIA provide a minimum number of references that would be sufficient?

Response: Respondent should provide a sufficient number of references to demonstrate its experience in providing similar services and to differentiate itself from other Respondents.

Question: Can you clarify where we should look for the answers to the questions submitted for this RFP? According to section 1.6.16 of the RFP the answers will be posted on the TWIA website. I see the website does have a link to the RFP, which I assume will be updated with the answers to questions. However, section 1.4, Schedule of events indicates response will be posted on the Electronic State Business Daily. If we must go to the Electronic State Business Daily, can you direct us to its location?

Response: Answers to all submitted written questions will be provided directly to all Respondents via email and will also be published on the TWIA website with the original RFP.

Question: Can you confirm that email response with electronic documents are acceptable in lieu of hard copy and original submissions with ink signature, provided the electronic submission properly includes an electronic signature? If an email

submission is made, will the attachment of one Adobe PDF file satisfy the requirements of one original and six hard copies?

Response: Email responses are acceptable in lieu of hard copy, as described in section 4.2.2 and 4.2.3 of the RFP. If an email submission is made, no additional copies of the Response are necessary.

Question: By year, who has provided the actuarial services to the TWIA for the last five years related to the annual rate review and filing with the TDI?

Response: All actuarial services for the last five years related to the annual rate review and filing have been performed by TWIA's internal actuary.

Question: By year for each of the last five years, what have been the fees paid for actuarial services related to the annual rate reviews and filings of the TWIA with the TDI?

Response: No external fees have been paid for the last five years related to the annual rate reviews and filings.

Question: By year for each of the last five years, please provide the number of hours billed and the hourly billing rates the TWIA has paid to the actuarial service provider(s), by title/name/certification, for the annual rate reviews and filings of the TWIA with the TDI?

Response: All actuarial services for the last five years related to the annual rate review and filing have been performed by TWIA's internal actuary.

Question: Regarding sections 1.5.5 and 1.6.4 on pages 6 and 7 of the RFP. If the respondent already has a set of terms and conditions, of which one or more may be different that TWIA's terms and conditions contained in the RFP, is it required to be commented on in the proposal to be eligible for discussion in the negotiation phase?

Response: Respondents should include in their written proposal all requirements, terms or conditions they may have, and should not assume that an opportunity exists to add such matters after the proposal submission.

Question: Section 2.3.3 on page 15 references actuarial credentials. Can a Fellow of the Casualty Actuarial Society (FCAS) or an Associate of the Casualty Actuarial Society (ACAS) be considered for the Actuarial Services in this RFP?

Response: Yes. The references to the Society of Actuaries in this section are in error. This section should read:

2.3.3 All actuaries named to provide services as part of any resulting contract with TWIA must possess one of the following designations: 1) Fellow of the Casualty Actuarial Society, FCAS, or 2) Associate of the Casualty Actuarial Society, ACAS.

Question: Section 2.4.1 on page 15 of the RFP requests the respondent to disclose potential conflicts of interest. Specifically, "Respondents must submit a complete list of insurers or other business entities for which the actuary or actuarial firms performs or reasonably expects to perform services." Should this list include insurers or other business entities in the State of Texas only? Should the list include insurers domiciled in the United States that conduct business in Texas? Should the list include insurers domiciled in the United States or other countries that do not conduct business in Texas?

Response: This list should include any insurers or other business entities presenting a possible or potential conflict of interest. Please also note section 4.2.9.

Question: Section 2.5 on page 16 references a cap on compensation. Specifically, what is the maximum dollar amount or total dollar cap that TWIA has determined for the services described in the RFP?

Response: The cap on compensation has not yet been determined. It will be included in the contract resulting from this RFP.

Question: Section 2.6 says that TWIA will not reimburse for travel costs, etc. If TWIA requires the respondent to travel, will those travel related costs be reimbursed?

Response: No. All travel related expenses shall be borne entirely by the Selected Contractor.

Question: Section 3.2 on page 18 references that contents of the respondent's proposal are subject to release to any requester. Is there a way for respondents to provide any material requested within the RFP under a separate cover that would be labeled "Confidential and Proprietary" and not subject to release to any requester under the provisions of the Texas Public Information Act, Chapter 552 of the Texas Government Code, and Attorney General Opinions issued under that statute.

Response: All information that is considered confidential and proprietary should be marked as such. The material does not need to be provided under separate cover. In the event a request for confidential and proprietary material is received by TWIA, TWIA will contact the Respondent and the Respondent will be allowed to defend the confidential and proprietary nature of its material directly with the Texas Attorney General.

Question: Section 4.2.8.2 on page 29 requests references of all other entities for the last 5 years. For actuarial consulting firms this request could make the RFP extremely voluminous. Can TWIA provide more guidance as to the maximum number of references they would like provided? Is TWIA interested only in Texas business or does TWIA want other rate review examples from other jurisdictions? Does TWIA want examples (results obtained) of each policy form for the residential and commercial property insurance coverage? Can TWIA provide more guidance on what the phrase "results obtained" means? Overall rate level indication versus the approved rate level change? By policy form?

Response: Respondent should provide a sufficient number of references to demonstrate its experience in providing similar services and to differentiate itself from other Respondents. TWIA is interested in any examples of prior services similar to those requested in the RFP, whether in Texas or other jurisdictions. "Results obtained" refers to the outcome of a project. The specific results would depend on the scope of the project but could include an implemented rate change versus the indication, rating structures revised or introduced, etc.

Question: Catastrophe Modeling: What type of catastrophe modeling tools does TWIA have? Does TWIA rely on a third party to provide catastrophe modeling support? If TWIA does rely on a third party to provide catastrophe modeling services, will the awarded respondent be required to use the catastrophe data provided by the third party? Will TWIA provide the awarded respondent catastrophe modeling data or will the awarded respondent be required to provide catastrophe modeling support services for use in the rate reviews described in this RFP?

Response: TWIA has access to AIR and RMS model results through its reinsurance intermediary. TWIA will make both the modeling data and results available to the awarded respondent for use in the rate reviews described in the RFP.

TWIA also received written questions inquiring whether TWIA would consider modifications to the RFP in the areas of Antitrust compliance, Conflicts of Interest, and Indemnity.

TWIA has no current intention to modify the RFP. Respondents should include in their written proposal all requirements, terms or conditions they may have, and should not assume that an opportunity exists to add such matters after the proposal submission.