Please find the Texas Windstorm Insurance Association’s (TWIA) responses to the written questions received in connection with the Association’s Request for Proposals for Actuarial Services- Rate Indications.

Additional questions may be made prior to the February 26, 2020 submission deadline by emailing ActuarialRFP@twia.org. We will do our best to respond to all questions by the established deadline.
1. Please confirm whether both a hardcopy and electronic copy of proposals should be submitted. The RFP cover (page 1) indicates mail or email is acceptable, while Section 8.2 (page 13) indicates a hardcopy and electronic copy are required.

An electronic copy is acceptable for the purpose of meeting the response deadline.

As a convenience, TWIA is requesting hardcopies of the proposals for distribution to the Actuarial & Underwriting Committee members of the TWIA Board.

2. Regarding Section 9.3 of the RFP, our accounting department found it uncommon that a State of Texas taxpayer number would be requested if services are provided in locations other than Texas. Please confirm that both the State of Texas taxpayer number and Federal Employer’s Identification Number (FEIN) are required, or whether only providing the FEIN would be acceptable.

If a State of Texas taxpayer number is not available, providing only the FEIN would be acceptable.

3. Section 9.9 makes reference to filing deadlines, but nowhere else in the RFP are rate filings mentioned, including the deadlines corresponding to those filings. Please clarify if the deliverables resulting from Section 3.1 and Section 3.2 will be used to support rate filings and what the deadlines are for those filings.

Deliverables from Section 3.1 and Section 3.2 are due July 10, 2020. If deliverables resulting from Section 3.1 and Section 3.2 will be used to support TWIA’s annual rate filings, the filing deadline for the rate filing is August 15, 2020.

4. When completing the Mandatory Pricing Form, what assumptions should be used related to Section 3.3 (Expert Testimony) given that those services are being requested on an “as needed” basis? Based on the information in the RFP, it is unclear how many meetings would require expert testimony, the duration of those meetings, and the level of preparation needed for each meeting. Does TWIA expect the proposals to include a provision for the expert testimony services in the cost estimate?

Respondents should assume that expert testimony by the Selected Respondent will be required in connection with at least one meeting of the Actuarial & Underwriting Committee in Austin, TX. For pricing purposes this meeting is projected to be 8 hours (including time for public comment). The meeting will include a review of the TWIA staff rate indications and the rate indications of the Selected Respondent along with time for questions and answers. It is possible that other expert testimony would be requested (for example, at a formal rate hearing or meeting of the TWIA Board of Directors), but the Mandatory Pricing Form should assume only one 8 hour meeting of the Actuarial & Underwriting Committee will be required.

TWIA will reimburse travel-related expenses (i.e. flight, car rental, food, and hotel expenses). Actual expert testimony time, including time for testimony preparation, will be paid based on the hourly rate outlined in the Mandatory Pricing Form.
5. Regarding Section 3.1 of the RFP, does TWIA expect the rate-level indications to be evaluated by territory or at the statewide level?

TWIA expects the rate-level indications to be evaluated at the statewide level and by line of business (Residential and Commercial).

6. Regarding Section 3.2 of the RFP and the request for professional insights into the differences between the AIR and RMS models, does TWIA plan to provide any documentation or background information on the hurricane models that they may have received from the model vendors (including model versions), or is TWIA looking for a purely independent perspective based on the actuarial service provider’s experience?

TWIA will provide the documentation and other background information including the model versions received from AIR and RMS on the hurricane models. TWIA will also provide the model outputs (average annual loss and probable maximum loss) and the hurricane event files applied. Independent perspectives based on the actuarial service provider’s experience are encouraged.

7. Does the Association prefer or require that the Respondent’s methodology employed in the rate indication calculations match that of the rate adequacy analysis performed by the Association's actuarial staff? In particular, should the Respondent consider the same catastrophe model perspectives and the same period of historical industry and Association hurricane losses in the selection of projected hurricane loss?

TWIA does not require the Respondent’s methodologies employed in the rate indication calculations to match those employed by TWIA actuarial staff.

TWIA’s methodologies are supported by the data maintained in TWIA’s data warehouse. If the Respondent recommends different catastrophe model perspectives, TWIA can investigate the availability of the data necessary for that approach.

The Respondent is not required to select the same period of historical industry and Association hurricane losses in the selection of projected hurricane loss.

8. What will be the format and level of granularity of the provided catastrophe model output? Will allocations of modeled losses, reinsurance premium, and/or reinsurance recoveries to the level of county, territory, or policy type be available? Will individual event data sets be provided?

Catastrophe model output (modeled average annual loss) can be provided by line of business (Commercial and Residential) and by county in Excel file format.

Reinsurance premium cannot be allocated to the level of county or line of business.

Reinsurance recoveries in terms of expected average annual losses can be allocated to the level of county and line of business. TWIA’s reinsurance program renews on June 1, 2020.

Individual event data sets will be provided by request.

9. Will we be provided access to the CAT models through TWIA or will TWIA personnel run the models and provide us with their respective outputs?
TWIA personnel will have Guy Carpenter run the models and provide the model output. Alternatively, TWIA can provide exposure data for Respondents to run the models, if they have access to the software.

10. Would TWIA be able to provide development triangles by accident quarter?
   
   Yes.

11. Would TWIA be able to provide claim count development triangles by accident quarter?
   
   Yes.

12. Would TWIA be able to provide earned premium and earned house years by calendar quarter?
   
   TWIA can provide earned premium by calendar quarter, but not earned house years by calendar year.

13. Would TWIA be able to provide detailed risk characteristics by policy such as coverage amount and type of roof? If so, how many years of policy data are available?
   
   TWIA can provide coverage amount and type of roof by risk for the past four years.

14. What limitations, if any, will there be on the data that we can request and/or be supplied with to perform the analyses?
   
   There are no limitations on the data Respondents can request, TWIA will provide data based on availability and by Texas statutes.

15. Is the scope relatively similar to the publicly available TWIA Rate Level review prepared by the TWIA actuary?
   
   Yes.

16. Are Territory relativities part of the scope?
   
   No.

17. The TWIA analysis uses 5% as a UW contingency. Is a cost of capital part of this analysis?
   
   No.

18. Will CAT modeling input and full results be made available?
   
   Yes. TWIA will make CAT modeling output available by line of business and by county. TWIA can also make modeling input available to the extent allowed by policyholder privacy laws/rules.

19. Is the pricing for the previous winning bid going to be released?
   
   We do not intend to release the pricing for the previous winning bid.