

Request for Proposal for Property & Casualty Actuarial Consulting Services

October 14, 2014 Rev. 2

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Background

New Jersey Schools Insurance Group (NJSIG) is the largest P&C pool for public schools in New Jersey. NJSIG has over 390 members. NJSIG retains financial responsibility for a significant portion of this exposure. Claims data has been maintained in the STARS RMIS.

NJSIG is searching for a global P&C actuarial consulting firm (Consultant) to provide actuarial valuations and calculations of the ultimate claims liabilities and related information, as well as provide non-recurring services as requested. The following objectives are indicative of NJSIG's expectations for their P&C actuarial consultant:

- Provide accurate, timely, and consistent valuations of NJSIG's exposures for workers' compensation, automobile liability, general liability, property and errors and omissions.
- Coordinate accurate, timely, and consistent funding and financial reporting results in accordance with requirements and be able to coordinate effectively with Nisivoccia, the Group's auditor.
- Provide actuarial work products necessary for management to file with insurance regulators, as needed.
- Assist NJSIG in making recommendations regarding program structure and funding.
- Provide a creative, cost-effective consulting approach.
- Provide insights into drivers of results and use judgment in analysis.

Scope of Services

NJSIG has established a variety of programs to retain financial responsibility for various P&C insurance liabilities, including workers compensation, automobile liability, general liability and property.

A tabular summary of unpaid claims estimates by coverage is included as Appendix 1.

Appendix 2 provides information regarding the NJSIG exposure and the level of detail for which the actuarial indications will be requested. The chosen proposer will have available data that includes historical valuations of paid and reported claim counts and amounts at successive valuation dates. In addition, data regarding payroll, vehicle units, and average daily attendance are available. The actuarial services to be provided in response to this Request for Proposal (RFP) can be apportioned into the following two categories:

Recurring services

Recurring services include all known and recurring actuarial work and responsibilities. This work can be defined in advance and should be covered under a time and expense/fixed fee arrangement. An overview of recurring services follows:

- 1) Provide an annual reserve analysis for the NJSIG programs, based on data valued at 6/30, including an analysis of loss development to be made available to NJSIG's external auditor Nisivoccia to facilitate their review in order to form a view on the Group's accrual.
- 2) Provide a rate analysis for NJSIG programs for future policy periods. The workers compensation analysis will include a rate analysis for each of the 7 sub fund groups.
- 3) Provide Statement of Actuarial Opinion on the losses included in NJSIG's budget for the prospective year.
- 4) Prepare materials for NJSIG's internal meetings and financial filings through coordinating with NJSIG and Nisivoccia.
- 5) Serve as a resource for NJSIG with respect to specific statutory, funding, and accounting questions.
- 6) Serve as a resource for the Group with respect to specific accounting questions.

Analyses should include reconciliation of changes in assumptions and estimates from prior analyses. We expect the consultant to provide estimates of unpaid claim liabilities on a nominal basis. We expect the consultant will provide point-estimates of the liabilities on a net retained basis as well as estimates at higher confidence levels.

The rate analysis should include a central estimate as well as 70% and 90% confidence levels

Scheduled meetings

NJSIG has found it very useful to conduct regularly scheduled meetings and calls with its Consultant. At a minimum, the Consultant should anticipate attendance at two Board of Trustee meetings to discuss findings from the reserve study and rate analysis.

Non-recurring services

Non-recurring services include all non-recurring actuarial work and responsibilities. Some of this work can be anticipated, but the scope of the projects is unknown. This work cannot be fully defined in advance and should be covered on an agreed upon fee-for-service basis, based on hourly billing rates. Some examples of these types of services are as follows:

- Retention analyses
- Experience modification analysis
- Deductible analysis
- Allocating safety grant monies to the Group's sub funds.
- Assistance in rating new exposures

In addition, there may be actuarial services required that cannot be anticipated.

Timing of services

NJSIG anticipates selecting the Consultant by the end of March 2015. A liability analysis will be required as of June 30, 2015. Preliminary findings, including observations and questions, are expected to be available to NJSIG by the end of July.

The rate analysis will be based on September 30th data. The draft analysis will be due to NJSIG by the end of October.

Actuarial Opinion for the 2015/16 budget loss provision is due in June of 2015 within a week of receiving the approved budget.

Records Retention

All working papers, reports and data must be retained, at the actuary's expense, during the term of the agreement and thereafter for the period of 7 years, unless the actuary is notified in writing by the Group of the need to extend the retention period. The actuary is required to make the workpapers, reports and data available upon request.

Proposal and Selection Process

Selection criteria

NJSIG will evaluate consulting firms who respond to this RFP based on the following criteria:

- Strength of RFP response
 - Complete, clear and concise response
 - Ability to fulfill the RFP services (deliverables, meetings & calls)
- Service Delivery Capabilities
 - Actuarial resources & locations
 - Transition / Implementation methodology & timing
 - Valuation platform & tools
 - Thought leadership, innovation and collaboration capacity
- Breadth of Experience
 - Relevant experience / credentials of the responding team
 - Relevant experience with clients in the same market segment and industry sector as well as other industries
- Fee structure / pricing
 - Recurring services fees
 - Non-recurring services fees
 - Expense billing policy
- Contractual Requirements
 - Performance guarantees & willingness to place fees at risk
 - Commitment to accept contractual framework
 - Acceptance of terms of services regarding billing timing and detail required

Time table

The following timetable is expected to apply during this process:

Release of RFP	October 20, 2014
Deadline for questions	October 30, 2014
Answers to questions	November 7, 2014
Proposal receipt deadline	November 14, 2014
Notification of finalists	December 12, 2014
Finalist presentations	TBD
Selection date, all parties informed	TBD
Negotiate and execute contract	TBD
Transition period, liability analysis	June 30, 2015

Questions and submission of proposal

Any questions regarding this RFP should be submitted in writing and electronically, to NJSIG to Martin Kalbach (mkalbach@njsig.org) by October 30, 2014. Answers to questions will be consolidated and provided to all participants.

Proposals in response to this request should be submitted in hard copy (eight copies) as well as electronically. They must be delivered no later than 5:00 p.m. EDT on November 14, 2014. Proposals received after that date will not be considered.

Responses should be limited to no more than 15 pages and follow the suggested structure outlined in this RFP. Responses should be sent to Martin Kalbach (mkalbach@njsig.org).

If your organization is included as a finalist, a follow-up meeting may be scheduled. At that time, items in your proposal or other topics may be discussed or clarified in relation to your proposal.

It is understood that NJSIG may accept or reject your proposal, in part or in its entirety, for any reason at its discretion and that no contractual relationship will be created unless a contract is issued by NJSIG and executed by both parties. Any costs incurred in connection with this RFP are not the responsibility of NJSIG. All proposals become the property of NJSIG.

Information Provided Within Your Proposal

Your proposal should be organized in the following five sections and be responsive to the following items:

Section 1 - Information about your organization

1. Provide a chart outlining the proposed engagement team, including reporting structures, professional qualifications, (FCAS, etc.), other client responsibilities, length of service with your firm, and responsibilities of each team member and their respective office location.
2. Provide brief resumes/CV's for the key team members with whom NJSIG would likely interact.
3. Provide the lead team member's general availability as well as the backup to the lead member.
4. Discuss any impending changes in your organization that may impact the delivery of services.
5. Identify the differentiator between your firm and other global actuarial consulting firms and the reasons your firm should be selected.
6. Provide the affirmative action and equal employment opportunity policy.

Section 2 - Account management

7. Describe your firm's philosophy with respect to attracting and maintaining client relationships.
8. Identify existing relationships that your organization has with NJSIG. Please identify the NJSIG personnel and any engagements your organization has performed over the past 3 years.
9. Provide the names of three P&C actuarial consulting clients similar in size, scale, and revenue to NJSIG and contact information for individuals within those organizations who can be contacted as a reference. Also, indicate the length of the relationship.

Section 3 - Actuarial approach and quality assurance

10. Describe the approach you would use and the types of methods that would be considered in your standard analysis. A sample of a representative actuarial analysis may be provided to allow NJSIG to assess the type of review that is typically performed.
11. Describe the extent of quality control over the software and specific files created during the course of the analysis.
12. Provide details on your work quality standards.
13. Discuss your quality assurance and review procedures regarding actuarial consulting services and staff supervision.
14. Discuss your security procedures to prevent unauthorized physical or electronic access to NJSIG data as well as your disaster recovery plan.

Section 4 - Transition Plan

15. Describe how you will manage the transition process from the current actuarial consultant to your firm. Include the steps required, a draft timetable, data that must be received from NJSIG and the prior actuary, required documentation, and any other elements you consider pertinent.
16. Indicate in the schedule below if there are any additional one time fees associated with the transition.
17. Based on your understanding of NJSIG's current risk management structure and organizational challenges, discuss the most important issues that you believe NJSIG will need to address over the next two to five years.

Section 5 - Fees and Contractual Requirements

18. Confirm agreement to provide a three-year guaranteed arrangement.
19. Provide a sample contract
20. Describe how your firm will partner with NJSIG to control fees and manage budgets.
21. Please provide your quote broken down by the following categories;
 - Liability Analysis
 - Rates
 - E . Mods
 - Grant Analysis
 - Opinion for NJ DOBI
 - Retention Analysis

Appendix 1 - Summary of Insurance Accruals As of 6/30/14

The following tables provide a profile of the unpaid claims liabilities. The amounts shown are based on recent actuarial studies and are stated in millions of US dollars.

Coverage	Amount
WorkersqCompensation	\$ 173,662
General Liability	\$ 25,597
Auto Liability	\$ 8,836
Auto Physical Damage	\$ 96
Errors & Omissions	\$ 517
Property	\$ 3,885
Inner Aggregate	\$ 829
	\$213,382

Appendix 2 - Summary of Exposures and Retentions

The tables below provide summary information regarding the NJSIG's historical retentions.

Liability

Year	General Liability		Auto Liability		Errors & Omissions	
	ADA	Retention	Vehicles	Retention	ADA	Retention
1988		250,000		250,000		0
1989		250,000		250,000		0
1990		250,000		250,000		0
1991		250,000		250,000		0
1992		250,000		250,000		0
1993		250,000		250,000		0
1994		250,000		250,000		0
1995		250,000		250,000		0
1996		250,000		250,000		0
1997		250,000		250,000		0
1998		250,000		250,000		0
1999		100,000		100,000		0
2000		100,000		100,000		0
2001		100,000		100,000		0
2002		100,000		100,000		0
2003		500,000		500,000		1,000,000
2004		500,000		500,000		1,000,000
2005		500,000		500,000		1,000,000
2006		500,000		500,000		1,000,000
2007		500,000		500,000		1,000,000
2008		500,000		500,000		1,000,000
2009	488,089	500,000	5,465	500,000	534,023	0
2010	475,409	500,000	5,495	500,000	524,889	0
2011	486,695	500,000	5,561	500,000	526,351	0
2012	492,723	500,000	5,683	500,000	503,162	0
2013	505,918	500,000	5,796	500,000	513,592	0
2014	529,434	500,000	5,696	500,000	512,701	0

WorkersqCompensation

Year	Exposure	Retention
1989		500,000
1990		500,000
1991		500,000
1992		350,000
1993		350,000
1994		350,000
1995		350,000
1996		350,000
1997		350,000
1998		350,000
1999		350,000
2000		350,000
2001		350,000
2002		350,000
2003		500,000
2004		1,000,000
2005		1,000,000
2006		1,000,000
2007		1,000,000
2008		1,000,000
2009	5,289,508,827	1,000,000
2010	5,576,409,906	1,000,000
2011	6,019,473,965	1,000,000
2012	5,799,363,385	1,000,000
2013	6,004,062,733	1,000,000
2014	6,246,912,530	1,000,000

Property

Year	Property		Auto Physical Damage	
	Retention	Total Insured Value	Retention	Number of Vehicles
1989	150,000			
1990	150,000			
1991	150,000			
1992	150,000			
1993	150,000			
1994	150,000			
1995	150,000			
1996	150,000			
1997	150,000			
1998	150,000			
1999	150,000			
2000	150,000			
2001	150,000			
2002	1,000,000			
2003	1,000,000			
2004	1,000,000			
2005	1,000,000			
2006	1,000,000			
2007	1,000,000			
2008	1,000,000			
2009	1,000,000	17,721,451,686		5,235
2010	1,000,000	18,160,007,994		5,335
2011	1,000,000	18,663,579,140		5,305
2012	1,000,000	19,541,527,341		5,558
2013	1,000,000	20,525,429,734		5,675
2014	1,000,000	21,674,047,704		5,598

Appendix 3 - Contractual Requirements

CERTIFICATE OF INSURANCE

Before commencing performance of any work under this RFP, the Contractor supply NJSIG a certificate of insurance evidencing Professional Liability insurance coverage with at least a: \$2,000,000 limit of liability. The Contractor shall assume any and all deductibles in the described insurance policies. The Contractor's insurers shall have no right of recovery or subrogation against NJSIG and the described Contractor's insurance shall be primary coverage.

STATUTORY AND OTHER REQUIREMENTS

The following are mandatory requirements of this bid and contract.

A. MANDATORY AFFIRMATIVE ACTION CERTIFICATION

No firm may be issued a contract unless it complies with the affirmative action provisions of N.J.S.A. 10:5-31 et seq. and N.J.A.C. 17:27-1 et seq. The following information summarizes the full, required regulatory text, which is included as Exhibit A of this bid specification.

1. Goods and Services (including professional services) Contracts

Each contractor shall submit to the public agency, after notification of award but prior to execution of a goods and services contract, one of the following three documents:

- i. A photocopy of a valid letter that the contractor is operating under an existing Federally approved or sanctioned affirmative action program (good for one year from the date of the letter); or
- ii. A photocopy of a Certificate of Employee Information Report approval, issued in accordance with N.J.A.C. 17:27-4; or
- iii. A photocopy of an Employee Information Report (Form AA 302) provided by the Division and distributed to the public agency to be completed by the contractor in accordance with N.J.A.C. 17:27-4.

2. Maintenance/Construction Contracts

After notification of award, but prior to signing the contract, the contractor shall submit to the public agency compliance officer and the Division of Contract Compliance and Equal Employment Opportunity in Public Contracts (Division) an initial project workforce report (Form AA201) provided to the public agency by the Division for distribution to and completion by the contractor, in accordance with N.J.A.C. 17:27-7.

The contractor shall also submit a copy of the Monthly Project Workforce Report once a month thereafter for the duration of the contract to the Division and to the public agency compliance officer. The contractor shall also cooperate with the public agency in the payment of budgeted funds, as is necessary, for on-the job and/or off-the-job programs for outreach and training of minorities and women.

B. AMERICANS WITH DISABILITIES ACT OF 1990

Discrimination on the basis of disability in contracting for the purchase of goods and services is prohibited. Bidders are required to read Americans With Disabilities language that is included as Appendix A of this specification and agree that the provisions of Title II of the Act are made a part of the contract. The contractor is obligated to comply with the Act and to hold the owner harmless.

C. STOCKHOLDER DISCLOSURE

N.J.S.A. 52:25-24.2 provides that no corporation or partnership shall be awarded any contract for the performance of any work or the furnishing of any goods and services, unless, prior to the receipt of the bid or accompanying the bid of said corporation or partnership, bidders shall submit a statement setting forth the names and addresses of all stockholders in the corporation or partnership who own ten percent or more of its stock of any class, or of all individual partners in the partnership who own a ten percent or greater interest therein. The included Statement of Ownership shall be completed and attached to the bid proposal. This requirement applies to all forms of corporations and partnerships, including, but not limited to, limited partnerships, limited liability corporations, limited liability partnerships and Subchapter S corporations. Failure to submit a stockholder disclosure document shall result in rejection of the bid.

D. PROOF OF BUSINESS REGISTRATION

N.J.S.A. 52:32-44 requires that each bidder (contractor) submit proof of business registration with the bid proposal. Proof of registration shall be a copy of the bidder's Business Registration Certificate (BRC). A BRC is obtained from the New Jersey Division of Revenue. Information on obtaining a BRC is available on the internet at www.nj.gov/njbgs or by phone at (609) 292-1730. N.J.S.A. 52:32-44 imposes the following requirements on contractors and all subcontractors that **knowingly** provide goods or perform services for a contractor fulfilling this contract:

- 1) The contractor shall provide written notice to its subcontractors and suppliers to submit proof of business registration to the contractor;
- 2) Prior to receipt of final payment from a contracting agency, a contractor must submit to the contracting agency an accurate list of all subcontractors or attest that none was used;
- 3) During the term of this contract, the contractor and its affiliates shall collect and remit, and shall notify all subcontractors and their affiliates that they must collect and remit to the Director, New Jersey Division of Taxation, the use tax due pursuant to the Sales and Use Tax Act, (N.J.S.A. 54:32B-1 et seq.) on all sales of tangible personal property delivered into this State.

A contractor, subcontractor or supplier who fails to provide proof of business registration or provides false business registration information shall be liable to a penalty of \$25 for each day of violation, not to exceed \$50,000 for each business registration not properly provided or maintained under a contract with a contracting agency. Information on the law and its requirements is available by calling (609) 292-1730.

Appendix 4 – Non-collusive Bidding Certification

By responding to this request for proposals, each firm submitting a proposal and each person signing on behalf of any such firm certify, and in the case of a joint proposal each party thereto certifies as to its own organization, under penalty of perjury, that to the best of their knowledge and belief:

1. The prices listed on this request for proposals have been arrived at independently, without collusion, consultation, communication or agreement, for the purpose of restricting competition, as to any matter relating to such prices with any other person or with any competitor; and
2. Unless otherwise required by law, the prices which have been quoted in this request for proposals have not been knowingly disclosed by the firm submitting a proposal and will not knowingly be disclosed by the firm directly or indirectly, to any other person or to any competitor; and
3. No attempt has been made or will be made by the firm submitting a proposal to induce any other person, partnership, or corporation to submit or not to submit a request for proposals, for the purpose of restricting competition.

Signed:

Title:

Company:

Address:

Phone:

E-mail:

Dated: