

INVITATION TO NEGOTIATE

for

ACTUARIAL SERVICES

for the

FLORIDA AUTOMOBILE JOINT UNDERWRITING ASSOCIATION, INC. ("FAJUA")

JULY 2013

ITN Response Deadline

August 26 2013

Designated Contact:

Florida Automobile Joint Underwriting Association

C/O: General Manager

1425 Piedmont Drive, East, Suite 201A

Tallahassee, Florida 32308

Telephone: (850) 681-2003

Facsimile: (850) 681-7802

lstoutamire@fajua.org

Please do not contact other FAJUA representatives regarding this Request for Proposals (ITN). Direct all correspondence regarding this ITN to the designated contact listed above. The only official position of the FAJUA related to this ITN is that position which is stated in writing by the designated contact listed above. No other means of communication, whether oral or written, shall be construed as a formal or official response or statement.

Section One:
PURPOSE OF THIS SOLICITATION

The FAJUA is issuing the Invitation to Negotiate ("ITN") for the purpose of engaging a reputable actuarial firm to advise and assist the FAJUA with actuarial matters, to include ratemaking and reserve analyses. The selected actuary will work with the FAJUA staff, Rates & Forms Committee, and Board to appropriately address the FAJUA's actuarial needs, to include ratemaking analysis, reserve analysis, deficit elimination plans, loss ratio selection, and loss payout patterns.

The FAJUA anticipates entering into a multi-year actuarial services engagement with the most qualified actuarial firm at fees that it determines are fair, competitive, and reasonable. The Three (3) year engagement will provide for the option of a two (2) year extension by mutual agreement of the parties.

Section Two:
BACKGROUND INFORMATION

The FAJUA was established by the Florida Legislature pursuant to Section 627.311(3), and 627.351(1), Florida Statutes, to provide motor vehicle insurance to applicants who are required by law to maintain such insurance and who are in good faith entitled to, but who are unable to, purchase such insurance thorough the voluntary market. The operation of the FAJUA is subject to the supervision of a Board of Governors as determined and constituted pursuant to Florida Statutes.

The FAJUA contracts with a Service Provider and/or a policy administrator who issues policies, collects premiums, and provides loss control, premium audit, and claims administration services. The service provider does not share in any losses of the FAJUA. To the extent that the premiums and other assets of the FAJUA are inadequate to pay losses, the FAJUA Members are assessed to fund the deficit proportionately to their share of the FAJUA market.

In accordance with Florida Statutes, the Plan of Operation, and the related documents under which the FAJUA was created and presently operates, the FAJUA is soliciting responses from qualified entities to provide actuarial services as described in this ITN. A qualified entity must: 1) meet the requirements set forth herein; and 2) possess sufficient professional, administrative and personnel resources to provide the proposed services.

The FAJUA is not a state agency. Accordingly, this ITN process is not governed by the contracting procedures applicable to state agencies set forth in the Florida Statutes, and the rules promulgated thereunder. Any entity which responds to this ITN must expressly acknowledge in its response its understanding that the contracting procedure requirements which apply to state agencies do not apply to the FAJUA.

Section Three: SCOPE OF WORK

A respondent must employ at least one Fellow of the Casualty Actuarial Society and have, an Associate Fellow available at all times to work on the FAJUA account during the engagement period.

A respondent must have, at a minimum, five (5) years experience in providing general actuarial services to insurers authorized to write motor vehicle insurance in Florida.

A respondent must have, at a minimum five (5) years experience in providing similar actuarial services to motor vehicle insurance residual markets.

A respondent must be available to attend all meetings of the FAJUA Rates & Forms Committee when actuarial issues are to be discussed and, as needed, appropriate FAJUA Board meetings and other FAJUA committee meetings.

The respondent will be expected to issue a Statement of Actuarial Opinion and supporting actuarial report as respects Loss and Loss Adjustment Expense Reserves for the FAJUA.

The selected actuarial firm will be required, at a minimum, to perform the following services in a prompt, effective, and efficient manner, as required by and in accordance with the procedures and standards of the FAJUA as well as in accordance with all applicable regulatory, statutory requirements and NAIC requirements:

A. Analysis of Liabilities to include:

1. gross and net analysis
2. maximum and minimum range
3. loss ratio by segment
4. year end opinion
5. Paid Loss Development Projection
6. Incurred Loss Development Projection
7. Bornhuetter-Ferguson Based on Paid Losses
8. Bornhuetter-Ferguson Based on Incurred Losses

Section Four: RESPONSE REQUIREMENTS

To be considered for this engagement, a respondent must submit a proposal that demonstrates the ability to comply with Sections III and IV of this ITN no later than 12:00 p.m., Eastern Standard Time, August 26, 2013. Please submit two (2) bound copies and one (ii) one (1) electronic copy of your complete proposal in an Adobe "PDF" format; (iii) and one (1) electronic redacted version (if redaction is needed) of your complete proposal in an Adobe "PDF" format for Public Record Requests received after the award.. Proposals must be submitted in a sealed envelope or package and will be time and date stamped. Submit these responses to the FAJUA at the following delivery address:

Florida Automobile Joint Underwriting Association
C/O General Manager
1425 Piedmont Drive, East, Suite 201A
Tallahassee, Florida 32308
lstoutamire@fajua.org

Each response must include the Mandatory Documentation, a separate Statement of Qualifications, a separate Compensation Request, and provide complete answers to the Mandatory Questions set forth in this Section. Failure to include the Mandatory Documentation, a Statement of Qualifications, a Compensation Request, or to fully answer any Mandatory Question may result in the respondent being excluded from further consideration.

A. Mandatory Documentation:

All the Mandatory Documentation must be submitted by any respondent that desires to be considered for engagement by the FAJUA. Exhibits or other documentary evidence may be incorporated by reference in an answer. All incorporated material should be identified and appended to the response.

Each respondent must provide the following Mandatory Documentation:

1. Provide the name, title, address, telephone number, facsimile number, and email address of the respondent's designated contact with authority to negotiate and contractually bind the respondent for purposes of this ITN.
2. Provide documentary evidence that the respondent maintains errors and omissions or professional liability insurance on all employees, with a limit of liability of one million dollars (\$1,000,000).
3. Provide documentary evidence that the respondent employs at least one (1) Fellow of the Casualty Actuarial Society.
4. Provide documentary evidence that the respondent has at least five (5) years experience in providing general actuarial services to motor vehicle insurance residual markets.
5. Provide acknowledgement of the respondent's understanding that the FAJUA is not a state agency and hence, the contracting procedure requirements which apply to agencies of the State of Florida do not apply to the FAJUA.
6. Provide an executed Affidavit of Non-Collusion as found on page nine (9) of this ITN.

B. Statement of Qualifications:

The Statement of Qualifications (the "Statement") should be a concise but thorough explanation of why the respondent believes it is an actuarial firm which is suitably qualified to serve as the FAJUA's consulting actuary. The Statement should specifically:

1. Identify any and all individuals whom the respondent intends to provide the actuarial services, specifically identifying the Fellow that will be available at all times to work on the FAJUA account. For each person so identified, the Statement should summarize his or her specialized expertise or experience relevant to the Scope of Work set forth in Section III and a detailed resume or curriculum vitae for each identified person should be referenced by appended to the Statement.

2. Identify any relevant specialized services, if any, that the respondent believes its actuarial firm can provide to the FAJUA and identify the principal work location of all such personnel.
3. Include a detailed discussion of the respondent's experience in providing advice and representation regarding actuarial matters to (a) insurers authorized to write motor vehicle insurance in the United States (b) insurers authorized to write motor vehicle insurance in Florida, and (c) motor vehicle insurance residual markets, with particular reference to the experience of the personnel whom the respondent would deploy as advisers to the FAJUA.
4. Detail the processes recommended and information needed to meet the objectives of this ITN.

Respondents are encouraged to include in their Statements any relevant information bearing on their experience and qualifications that may be of benefit to the FAJUA in the selection process, to include the factors that set the respondent's firm apart from the competition.

C. Compensation Report:

Respondents must state the proposed fee for the services requested. Because the engagement may be awarded based on the proposals alone, respondents should submit proposals on the most favorable terms from a price and technical standpoint. Respondents are also required to provide a detailed description of the time and cost estimates for each service required under this ITN. Further, for additional actuarial consulting services that may be required during the engagement period, respondents should provide the fee schedule that would apply.

D. Mandatory Questions:

Answers to all Mandatory Questions must be submitted by any respondent that desires to be considered for engagement by the FAJUA. Each Question should be reproduced and answered in a separate paragraph(s) immediately following the question. Exhibits or other documentary evidence may be incorporated by reference in an answer. All incorporated materials should be identified and appended to the response.

Each respondent must provide answers to the following Mandatory Questions:

Business Information

1. How long has the respondent been in business?
2. How many Fellows of the Casualty Actuarial Society are employed by the respondent?
3. Is the respondent legally organized under the laws of the USA or the District of Columbia?
4. Where is the respondent's corporate office?
5. Where would the FAJUA account be serviced?
6. What is the respondent's number and size of motor vehicle insurer accounts?
7. What is the respondent's number and size of Florida-specific motor vehicle insurer accounts?
8. What is the respondent's number and size of motor vehicle insurance residual market accounts?

9. If selected, will the respondent agree to use reasonable care to ensure that it will not give or offer to give, directly or indirectly, any expenditure or gift to an employee, board member, committee member or officer of the FAJUA?
10. If selected, will the respondent agree to make, at a minimum One (1) Fellow of the Casualty Actuarial Society available at all times to work on the FAJUA account during the engagement period.
11. If selected, will respondent agree to maintain errors and omissions or professional liability insurance with a limit of liability of at least five million dollars (\$5,00,000) during the engagement period with premiums to be paid by the respondent?
12. If selected, will the respondent agree to maintain workers' compensation and employer's liability insurance for any and all employees during the engagement period with premiums to be paid by the respondent?

Conflict of Interest Information

1. Is any manager, officer, partner, director, proprietor, employee, or agent, or any spouse or child of any manager, officer, partner, director, proprietor, employee or agent, an employee, board member, committee member or officer of the FAJUA?
2. Is any manager, officer, partner, director, proprietor, employee, or agent, or any spouse or child of any manger, officer, partner, director, proprietor, employee or agent, a former employee, board member, committee member or officer of the FAJUA?
3. Is any manager, officer, partner, director, proprietor, employee, or agent, or any spouse or child of any manager, officer, partner, director, proprietor, employee or agent involved, currently or in the last two (2) years, in any business activity with an employee, board member, committee member or officer of the FAJUA?
4. Is any manger, officer, partner, director, proprietor, employee, or agent, or any spouse or child of any manager, officer, partner, director, proprietor, employee or agent involved, currently or in the last two years, in any business activity with a former employee, board member, committee member or officer of the FAJUA?
5. Is the respondent aware of any actual or potential conflicts of interest that would prevent any of its personnel from providing services to the FAJUA?

All respondents must further disclose any factors, financial or otherwise, known to them which may give rise to a conflict of interest between the respondent and the FAJUA and its employees, or have the effect of impacting the ability of the respondent to meet its responsibilities, duties, and obligations to the FAJUA.

Legal and Administrative Information

1. Does the respondent or the members thereof if the respondent is a partnership, limited liability company, joint venture or association, and of the officers and directors, if the respondent is a corporation, or affiliates of respondent, directly or indirectly through ownership, control, management business relations, or any other manner have:
 - a. any pending or completed administrative or judicial action involving claims of fraud, misrepresentation, conversation, mismanagement of funds, dishonesty, deceit, incompetency, breach of fiduciary duty, unfair business practices, or antitrust violations; or

- b. any occupational or business license censured, suspended, revoked, canceled, terminated, or other disciplinary action imposed, in Florida or any other state; or
- c. any notification by the Florida Department of Revenue pursuant to Section 213.731, Florida Statute, that delinquent taxes are owed to the State of Florida; or
- d. any pending bankruptcy, conservation, receivership, supervision or insolvency proceeding; or
- e. any lien imposed by federal or state government on property owned by such person.

E. References:

Provide five (5) client references for which the respondent has performed services similar to the services requested in this ITN. Include relevant contact information for the clients.

F. Most Favorable Terms:

Because the contract may be awarded based on the proposals alone, respondents should submit proposals on the most favorable terms from a price and technical standpoint.

G. Duration of Offer:

All proposals must indicate that they are valid for ninety (90) days. This period may be extended by mutual agreement between the respondent and the FAJUA.

H. Duty to Notify:

Respondents shall notify the FAJUA of any material change in any of the information furnished pursuant to this ITN during the evaluation period. Such notification shall be provided as soon as it becomes available, but in no event later than forty-eight (48) hours after the respondent becomes aware of the change. Failure to provide updated information as specified herein may result in the disqualification of the respondent.

I. Evaluation Process

The evaluation of proposals will be based upon:

1. The quality and completeness of the submitted proposal as it relates to the objectives and scope of the ITN;
2. the demonstrated knowledge and expertise of the respondent in the areas related to the ITN;
3. The respondent's ability to provide the services required as demonstrated by successful past experience with emphasis given to experience with motor vehicle insurance residual markets and in Florida;
4. the professional expertise and quality of staff to be assigned to service this contract and available support;
5. The respondent's demonstrated ability to effectively manage and assure the successful and timely fulfillment of all objects. The respondent should demonstrate its ability to manage and control the services to be provided;
6. The cost effectiveness of the respondent's proposal.

The FAJUA will conduct a comprehensive, fair, and impartial review and evaluation of all proposals meeting the requirements of this ITN using the selection criteria below. The comparative assessment of the relative benefits and deficiencies of each proposal in

relationship to the requirements of this ITN shall be made by using subjective judgment. An FAJUA Evaluation Team composed of at least one Ad Hoc Vendor Review Committee member and FAJUA staff will review and score each proposal, which may include an oral interview to develop a comprehensive assessment of the proposal, and identify the respondent it will recommend to the engagement of the FAJUA Ad Hoc Vendor Review Committee. The FAJUA Ad Hoc Vendor Review Committee shall then consider the Evaluation Team's assessment and recommendation, if any, and formulate its own recommendation to the FAJUA Board of Governors regarding the possible engagement of a respondent(s) to this ITN. The FAJUA Board of Governors will then determine whether to authorize the engagement of a respondent(s) to this ITN. In awarding an agreement the FAJUA may choose to award the agreement based on the proposals alone; request an oral presentation and/or interview; interview key management or supervisory personnel of the respondent; conduct an on-site review of the facilities and equipment to be utilized by the respondent; and/or use any information available to it from any source.

J. Award of Agreement:

The maximum number of points that can be awarded by the Committee for each section of the proposal are as follows:

Experience	40
Qualifications	40
Fees	40
Total Possible	120

Section Five GENERAL INFORMATION

A. FAJUA Not Liable for Respondent's Cost:

The FAJUA shall not be liable or responsible for any costs incurred by any respondent in responding to this ITN or in participating in this ITN process.

B. FAJUA Not Liable for Untimely Responses:

The FAJUA accepts no responsibility whatsoever for failure to deliver or late delivery of any responses. It is the responsibility of each respondent to ensure timely delivery of its response. Late proposals will be returned unopened and thus, will not be considered.

C. FAJUA Reservation of Rights:

This ITN does not commit the FAJUA to award an actuarial services engagement. The FAJUA reserves the right to waive minor deficiencies and informalities, if, in the judgment of the FAJUA, its best interest will be served. In addition, the FAJUA reserves the right to accept or reject any or all proposals received as result of this ITN, to obtain information concerning any or all respondents from all sources, to request an interview from any or all respondents, and to select a proposal other than that with the lowest cost. In addition, the FAJUA emphasizes that this is a proposal process and expressly reserves the right to negotiate with some, all or none of the respondents with respect to any term or terms of the proposals or engagements.

D. Disclosure of Response Contents:

All material submitted by respondents shall become the property of the FAJUA and will not be returned. Responses submitted may be reviewed and evaluated by persons designated by the FAJUA, in its sole discretion.

E. Response as Public Record:

Any response received will be considered a public record under Chapter 119, Florida Statutes, and will be made available if requested pursuant to the provisions of the Public Records Act. Trade secrets, as defined in Section 812.082, Florida Statutes, are not solicited and should not be offered as part of a response. Any response claiming that its response contains information that is exempt from the public records law must clearly segregate and mark that information and provide reference to a specific statutory provision that support its claim for such exemption. If the FAJUA receives a public records request related to a response, the respondent shall be solely responsible for taking whatever action it deems appropriate to legally protect its claim of exemption from the public records law.

**Section Six:
EXHIBITS**

Exhibit One:

Affidavit of Non-Collusion

I hereby swear (or affirm) under the penalty of perjury:

- (1) That I am an officer, director, or employee of the respondent having authority to sign on its behalf;
- (2) That the attached proposal has been arrived at by the respondent independently and has been submitted without collusion with, and without any agreement, understanding or planned common course of action with, any other vendor of materials, supplies, equipment, or services described in the Invitation to Negotiate, designed to limit independent bidding or compensation;
- (3) That the contents of the proposal have not been communicated by the respondent or its employees or agents to any person not an employee or agent of the respondent.
- (4) That I have fully informed myself regarding the accuracy of the statements made in this affidavit.

Name

Title

Company Name

STATE OF _____

COUNTY OF _____

The foregoing Affidavit of Non-Collusion was subscribed before me on this ____ day of _____, 20____, by _____, as _____ of _____ who is personally known to me or who has produced a driver's license as identification and who did take an oath,

Notary Public
My Commission Expires:

Exhibit Two: FAJUA Data