



REQUEST FOR PROPOSAL Actuarial Services

I. INTRODUCTION

The Ohio Transit Risk Pool (OTRP) is a property/casualty pool serving ten (10) Ohio Public Transit Systems. OTRP was formed in 1994 for the purpose of managing and funding the first party property losses and third-party liability claims incurred by OTRP's members. Pursuant to ORC 2744 and OTRP's By-laws, OTRP must annually prepare an annual actuarial "Reserve Adequacy Report" showing the ultimate value of its losses, that it is adequately reserving and funding for known losses, including loss development and IBNR (incurred but not reported losses) on an on-going basis, and that OTRP's assets are sufficient to meet its ultimate obligations. In addition to the Reserve Adequacy Report, which must be published by March 1st, each year, OTRP requires assistance in projecting and developing rates for its loss fund for future years as part of its annual budgeting process. This analysis must take into account a variety of retentions, member deductibles and confidence rates that OTRP may wish to apply in doing its financial planning. The rate development activities may be completed in tandem with the reserve adequacy work or separately. However, by **August 1st** each year a report specifying future funding rates must be delivered to OTRP so that OTRP can prepare its annual Preliminary and Final Budgets in a timely fashion.

OTRP is soliciting Request for Proposals (RFP) from independent actuaries to provide an actuarial loss study and a reserve adequacy opinion for either a three or five-year period beginning with the fiscal/loss year ending **November 30, 2017**.

Qualified firms/individuals wishing to submit proposals shall follow these general guidelines:

- A. All proposals shall be submitted by **3:00 p.m. E.S.T. on August 14, 2017**.
- B. Proposal submissions shall be directed to:

Barbara J. Rhoades, CEO
Ohio Transit Risk Pool
1 Park Centre Drive #300
Wadsworth, OH 44281
- C. Barbara Rhoades of OTRP will be coordinating the RFP process. Contact her with any requests for additional information at 330-334-6877 or BarbaraR@otrp.org

II. GENERAL PROCEDURES

A. Proposal

Each independent actuary who wishes to be considered for selection to provide actuarial services shall submit a complete, concise, and comprehensive proposal in the form and manner specified in Paragraph VII below. The information submitted in the proposal will be used by OTRP to select the independent actuary best qualified to provide actuarial services. Each actuary responding to the RFP is expected to familiarize themselves with the requirements of the RFP and OTRP. Each actuary may be required to make themselves available for a telephone interview to clarify their proposal and answer questions raised by OTRP. Failure to respond to such a requirement may result in elimination from further consideration. All proposals, inquiries, or correspondence relating to this RFP, and all reports, charts, displays, schedules, exhibits and other documentation submitted by any independent actuary will become the property of OTRP upon receipt.

B. Evaluation

Proposals shall be submitted to OTRP, which shall then review the proposals on the basis of the evaluation criteria set forth in Paragraph VIII below. If, in the opinion of OTRP, none of the proposals submitted by the independent actuaries are satisfactory, OTRP may reject all proposals.

C. Amendment of RFP

Amendments to the RFP will be issued at the discretion of OTRP either at our own initiative or at the request of a recipient of the RFP. Written notice of the amendment will be sent by e-mail to all recipients of the RFP.

III. DESCRIPTION OF OTRP

A. Organization

The Ohio Transit Risk Pool (OTRP) was incorporated in 1994. OTRP's members typically incur 300 property and/or liability claims per year.

B. Basis of Accounting/Funding of Loss Years

The Accounting policies of OTRP conform to generally accepted accounting principles applicable to governments and/or non-profits. OTRP accounts on an accrual basis. "Loss Years" (December 1 – November 30) match the coverage policies maintained by OTRP. Each loss year is funded independently since different membership and policy terms, conditions, SIR's, and aggregate stop-loss provisions apply to each loss year. Currently, OTRP self insures the first \$100,000 of each qualified commercial property loss, the first \$250,000 of each qualified auto physical damage loss as well as the first \$2,000,000 of each qualified liability loss. A major portion of the actuary's work will be to evaluate each of the loss year's covering OTRP's existence.

C. Systems and Records

The claims records of OTRP are maintained on in-house servers using Riskmaster proprietary software. OTRP can provide a variety of loss runs to the actuary utilizing this software in either an Excel or PDF format. OTRP, at the request of the actuary, can also provide direct access to the database on a "read only" basis.

IV. AUDIT SCOPE

A. Actuarial Analysis Period

Actuarial analysis of all claims incurred between 1-1-95 and 11-30 of the most recently completed OTRP loss year (currently 11-30-16). For all loss years current and past, OTRP only has an average of 5-6 active loss years at any point in time.

B. Nature of Services

1. Preparation of an actuarial loss study showing the ultimate value of fully developed individual loss years as well as aggregate pooled losses for all loss years from 01-01-1995 through the OTRP loss year most recently completed (currently 11-30-2016). You will be provided with a comprehensive loss run for all reported incurred losses through 11-30 each year (currently 11-30-2016), a complete history of the exposure bases which tie to these incurred losses, and financial statements and/or statements of assets documenting the funds held by OTRP to pay for these losses, including IBNR. This effort shall include the presentation of a "Reserve Adequacy Opinion" (satisfactory to meet the requirements of ORC 2744.081) by March 1st each year, showing that OTRP is either adequately or inadequately funded for incurred losses and allocated/unallocated loss adjustment expenses, loss development and IBNR as of the date of your loss study.
2. Provision of a "Future Funding Requirements Report" by August 1st each year, advising OTRP of the rates of loss funding per revenue mile required to fund OTRP's risks on a prospective basis. This report shall be presented with up to five SIR's (designated by OTRP) at up to five Confidence Rates (designated by OTRP). By June 1st each year, OTRP shall provide the actuary with the specific retentions and confidence rates by which the report shall be developed.
3. Provide general assistance to OTRP in preparing a contemplated Comprehensive Annual Financial Report in compliance with the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program. It is understood that preparation of the CAFR document, if determined desirable by OTRP shall be the responsibility of OTRP and that the independent actuary will act only in a supporting role.
4. Provide project work regarding underwriting and program funding as requested specifically by OTRP. All projects to be a flat rate agreed in advance or billed at contracted hourly rates.

V. REQUIRED REPORTS

A. Financial, Internal Control and Compliance Reports

The independent actuary may submit progress billings at any time after the actuarial work has commenced for actual hours worked at the agreed average hourly rate. For each billing, an invoice with original signatures shall be submitted to OTRP. OTRP shall pay all invoices within 30 days of receipt and approval.

B. Inspection of Time and Work Records

OTRP shall have the right to inspect the records and working papers of the independent actuary and of any subcontractor to determine the validity of billings before the invoices are approved. Adequate records shall be maintained by the independent actuary to support all billings.

C. Additional Actuarial Work

In the event that during the course of the actuarial engagement it is determined by any party that a change in the scope of the actuarial work is necessary the initiating party shall promptly notify the other party in writing. The parties, together, shall then determine whether the contract shall be amended to provide for an adjustment in the actuarial work to be performed by the independent actuary and the fee to be paid by OTRP. In no event shall any payment be made for actuarial work beyond the scope of the original contract unless the contract has been amended as provided herein.

D. Actuarial Working Papers

The independent actuary shall maintain actuarial working papers documenting the assumptions and actuarial calculations performed on behalf of OTRP. The working papers shall be subject to periodic review during the course of the actuarial engagement by OTRP. The independent actuary shall retain all actuarial working papers for a period of five (5) years from the date of approval of the final reports. The working papers shall be available to OTRP for review, inspection, and reproduction, or upon request, to a successor actuary. The Ohio Department of Insurance, including their duly authorized representatives shall have access to any books, documents, papers, and records of the independent actuary, including, but not limited to, actuarial working papers, for the purpose of making audit examination excerpts, and transcriptions. For the purposes of this contract “actuarial working papers” shall include any time and budget summary, or similar records, any working paper review materials prepared by the independent actuary, and any other records (whether paper or electronic) actually maintained by the independent actuary.

E. Confidentiality

Matters relating to the actuarial engagement shall not be discussed with anyone (other than officials of OTRP) without the written consent of OTRP. No opinions, reports, summaries, letters or other documents prepared with respect to the actuarial engagement shall be released without approval of OTRP, except as required by state or federal law.

F. Assignment/Liability

No assignment of the contract shall be made without the written approval of OTRP. In the event that an assignment of this contract is approved by OTRP, the independent actuary awarded a contract by OTRP shall be and remain solely responsible to OTRP for the acts or faults of any subcontractor and of any subcontractor’s officers, agents, or employees, each of whom shall, for this purpose, be deemed to be an agent or employee of the independent actuary to the extent of the subcontract. Each subcontractor shall jointly and severally agree that OTRP is not obligated to pay or to be liable for the payment of any sums due the subcontractor.

G. Nondiscrimination

The independent actuary shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, age, disability, sexual preference, or national origin. Such action shall include, but not be limited to, employment, upgrading, promotion, demotion, termination, rates of pay or other forms of compensation, and selection for training.

H. Conflict of Interest

No officer, member or employee of OTRP shall participate in any decision relating to the agreement, which affects his personal interest, or have any personal or pecuniary interest, direct or indirect, in this contract, any subcontract or assignment thereof, or in the proceeds thereof.

I. Integrated Agreement

The contract represents the entire and integrated agreement between the independent actuary and OTRP and supersedes all prior negotiations, representations, or agreements, whether written or oral. The contract may be amended only by written agreement of the independent actuary and OTRP.

J. Cancellation or Breach

This contract may be terminated by mutual agreement of the independent actuary and OTRP. In the event of termination by mutual agreement, the independent actuary shall be compensated for all hours worked at the specified contractual rate.

If, through any cause other than acts of God, floods, fires, storms, strikes, lockouts, riots, insurrections, acts of the public enemy, war or other like restrictions beyond the control of the parties rendering performance under the contract impossible, the independent actuary fails to fulfill in a timely and proper manner obligations under the contract, OTRP shall have the right to terminate the contract on 30-days written notice to the independent actuary specifying the effective date of termination. The independent actuary shall not be relieved of liability to OTRP for damages sustained by virtue of any breach of the contract by the independent actuary. OTRP may withhold or require to be withheld any payment to the independent actuary for the purpose of setoff until such time as the exact amount of damages due OTRP is agreed upon or is otherwise determined.

In the event of termination, for whatever reason, all property and finished or unfinished documents, data, studies and reports prepared by the independent actuary become OTRP's property. Nothing contained herein shall, however, prevent the independent actuary from preparing and maintaining a complete set of working papers relating to the actuarial engagement.

K. Indemnification

The independent actuary shall indemnify and save harmless OTRP, and its officers, employees, and agents from and against all claims or suits asserted or prosecuted by third parties based upon any injury to such third parties or damage to their property, to the extent arising directly out of a willful or negligent act of the independent actuary or its subcontractors. The independent actuary shall, at its own expense, pay all attorney's fees, damages, court costs and other expenses arising out of such litigation; and at its own expense, shall satisfy and cause to be discharged judgments and/or settlements as may be obtained against OTRP or any of its officers, employees or agents pursuant to such litigation. The independent actuary shall be given written notice of the assertion of such claims or suits promptly after such matters are brought to the attention of OTRP and shall be required to cooperate in the defense and settlement of any such claims or suits. Nothing contained herein, however, is intended to confer on any third party any rights or benefits hereunder; nor is the foregoing indemnification obligation intended to alter or extend the independent actuary's liability for failure to comply with the terms of the Contract or for professional negligence or misconduct.

L. Worker's Compensation

The independent actuary shall be required at all times during the term of this Agreement to subscribe and to comply with the Workers' Compensation Laws of the State of Ohio and pay such premiums as may be required hereunder and to save OTRP harmless from any and all liability from or under said act. It shall also furnish, at the time of delivery of the Agreement and at such other times as may be requested, a copy of the official certificate or receipt showing the payments herein before referred to.

M. Social Security

The independent actuary shall be and remain an independent contractor with respect to all services performed hereunder and shall accept full exclusive liability for the payments of any and all contributions

or taxes for social security, unemployment benefits, pensions and annuities now or hereafter imposed under any state or federal laws which are measured by the wages, salaries or other remuneration paid to persons employed by independent actuary on work performed under the terms of this Agreement. The independent actuary further shall obey or satisfy all lawful rules, regulations and requirements issued or promulgated under said respective laws by any duly authorized state or federal officials. The Independent actuary shall indemnify, defend and save harmless OTRP from any contributions, taxes or liability referred to under this Article.

N. Applicable Laws

The contract shall be construed, interpreted, and the rights of the parties determined in accordance with the laws of the State of Ohio.

VI. PROPOSAL

The proposal of the independent actuary shall be organized and presented in the following manner:

A. Letter of Transmittal

A “Letter of Transmittal” directed to OTRP shall be included as part of the proposal. The Letter of Transmittal shall:

1. Offer to provide actuarial services in accordance with the requirements of the RFP.
2. Identify the independent actuary, giving the address of the office responsible for performing the actuarial work, the telephone number, the name of the contact person, and his e-mail address.
3. State that the independent actuary is registered as a member of the American Academy of Actuaries and that the independent actuary is legally authorized to conduct actuary work in the State of Ohio.
4. State that independent actuary does not have a record of substandard actuarial work and does not have any complaints or proposed disciplinary action pending with the American Academy of Actuaries, and
5. Agree to execute a formal Memorandum of Agreement incorporating the RFP and their proposal.

B. Summary of Understanding of Audit Requirements (Section 2)

The independent actuary shall include as part of their proposal a summary of their understanding of the requirements of the actuarial engagement.

C. Actuary Schedule (Section 3)

The independent actuary shall include as part of their proposal a statement agreeing to deliver all reports and work products in accordance with the schedules and timelines set forth in this RFP.

D. Organization of Actuarial Team (Section 4)

The independent actuary shall include as part of their proposal a description or organizational chart explaining the structure and organization of the proposed actuarial team. Resumes of all personnel to participate in the actuarial work shall also be enclosed as part of the proposal.

E. Governmental Pooling/Self-Insured Clients (Section 5)

Include a list of governmental pooling and/or governmental self-insured clients the firm has served during the past five years, and a brief description of the nature of the services performed.

F. Fee Proposal (Section 6)

Specify the fees for providing all proposed services for either a three-year or five-year contract.

VII. EVALUATION OF PROPOSALS

After bid opening, the proposals will be evaluated by OTRP in accordance with the following criteria:

Total scores will be determined by adding the points received for technical qualifications (maximum of 40 points) and cost (maximum of 60 points). The total score will be determined by the following formula:

$$\frac{\text{Technical score for this firm}}{\text{Highest Technical Score Received}} \quad \times 40$$
$$\frac{\text{Lowest Cost of all bids}}{\text{Cost of Bid for this firm}} \quad \times 60$$

The evaluation of technical qualifications will be based on the following criteria:

1. Proposer's understanding of the requirements of the actuarial work requested, as reflected in budgeting hours, summary of understanding of work involved, proposed personnel, actuarial schedule, and organization of actuarial work team (0-20 points).
2. Technical experience of the independent actuary as reflected in prior actuarial work experience (0-10 points).
3. Professional qualifications of personnel assigned to perform the actuarial work, as reflected in personnel resumes included in the proposal (0-10 points).

The evaluation for cost will be as follows:

1. Respondents must provide in the written proposal the actual cost to be charged to provide the entire scope of services as detailed in this RFP for each of the first three years of a contract (and optionally, a fourth and fifth year).
2. The evaluation team will score the total cost of the proposal as a ratio of the lowest total cost of all proposals received to determine the point value (Maximum value of 60 points).
3. The contract to be awarded by OTRP will be for either a three-year or five-year period at the discretion of OTRP.

The total evaluation points for each firm will be added and the independent actuaries ranked, in numerical sequence, from highest to lowest score. OTRP will then select, from the two (2) highest scoring firms, the independent actuary whose proposal it considers most advantageous. OTRP specifically reserves the right to reject any and all bids and to accept other than the lowest price bid if it considers either alternative most advantageous.

VIII. NOTICE OF AWARD

The independent actuary to whom the contract is awarded will be notified of their selection by e-mail at the address specified in the proposal. A formal Memorandum of Agreement will be prepared by OTRP and delivered with the Notice of Award. Failure to complete and execute the Memorandum of Agreement within 30 days of its receipt shall, at the election of OTRP, be considered rejection of the award, at which point OTRP may award the contract to the next most qualified bidder.