

**Texas Automobile Insurance Plan Association (TAIPA)  
Request for Proposal  
for Actuarial Services**

TAIPA is soliciting proposals from qualified actuarial firms, to develop insurance rate filings for automobile liability insurance for both private passenger (PP) and commercial/other than private passenger (OTPP) vehicles in the residual market in the State of Texas. The TAIPA Governing Committee has requested that TAIPA obtain an actuary who will develop rate filings using TAIPA's existing ratemaking methodology, and who will make recommendations for refinement if they see areas that can be improved upon.

All prospective actuarial firms will be afforded full opportunity to submit statements of qualifications in response to this request and will not be discriminated against on the grounds of race, religion, color, national origin, age, sex, or disability in consideration for an award of any contract entered into pursuant to this notice.

This Request for Proposal (RFP) is an invitation by TAIPA for actuarial firms to submit a proposal, which may be subject to subsequent discussion. Submittal of a proposal does not create any right in or expectation to a contract with TAIPA. TAIPA reserves the right to reject any or all proposals and TAIPA further declares that it will incur no financial obligations for any costs by any company in preparation of their proposal.

**Qualified firms may submit their sealed proposal responses to:**

TAIPA  
Attention: Actuarial RFP Committee  
1120 S. Capital of Texas Highway  
CityView Building 3, Suite #105  
Austin, TX 78746

**Responses are due on or before: February 1, 2017**

**Statement of Qualifications and Approach**

To be considered, a vendor must be an actuary or actuarial firm with expertise in the development of insurance rates for the residual market, preferably in the automobile liability area. The work product must be submitted by a fellow of the Casualty Actuarial Society, who is also a member of the American Academy of Actuaries. The actuarial firm should be able to demonstrate that it has participated in developing and implementing insurance rates in the voluntary or residual market and that it has been successful in implementing these rates in highly regulated jurisdictions.

## **Criteria for Selection**

TAIPA's Actuarial RFP Committee will evaluate each submitted proposal. All proposals will be evaluated using the following criteria:

1. Compliance with the RFP
2. Understanding of the project
3. Services to be provided
4. Ability to complete the work within the time specified
5. Qualifications of the firm
6. Cost

## **TAIPA Profile**

TAIPA was created by statute and is governed by Chapter 2151, Texas Insurance Code, and its Plan of Operation, which has been approved by the Commissioner of Insurance.

The purpose of the Association is to make automobile bodily injury and property damage liability insurance required by the Texas Motor Vehicle Safety Responsibility Act available to eligible applicants, subject to the rules of the Association.

The Association has established procedures for the equitable distribution of applications for insurance to be assigned to insurance companies. All insurance companies authorized to write motor vehicle liability policies in the State of Texas must be members of the Association and participate in its operation.

## **Scope of Work**

TAIPA's rate filings use a methodology in which TAIPA rates are indexed against the Texas industrywide loss costs. The Texas Department of Insurance (TDI) has accepted index factors for each coverage. Each index factor is applied to a three-year rolling average of industry loss costs by territory, class, and coverage to determine the TAIPA base rates. (Please note that this approach assumes that the trend and development factors remain stable.) Annually, TAIPA staff will obtain the data from TDI, enter it into electronic spreadsheets, and then forward the data to the actuarial firm to review and complete the rate indication. The spreadsheets contain the following data:

- PP voluntary claim frequency, claim cost, and pure premium trends by coverage and quarter
- PP loss costs by territory: Relativities by territory and coverage; Adj. Inc. Losses + ALAE, Earned Cars, Loss Costs for both voluntary and assigned risk

- PP loss costs by class: Relativities by class and coverage; Adj. Inc. Losses + ALAE, Earned Cars, Loss Costs for both voluntary and assigned risk
- OTPP loss costs by territory: Relativities by territory, coverage, and risk type for both voluntary and assigned risk

The spreadsheets are available for examination upon request.

The actuary will use the spreadsheets to calculate the indicated rate changes and present the recommendations to TAIPA and TAIPA attorneys. The actuary will work with TAIPA staff and attorneys to prepare a rate filing. Throughout the process, the actuary will be available for questions related to the filing.

A rate hearing is not required unless the indicated rate change is greater than 5%. If a rate hearing is necessary, the actuary would be required to attend and testify at the rate hearing.

Once the Commissioner approves the rates, the actuary assists TAIPA staff and attorneys with the implementation of the rates.

You can find TAIPA's most recent rate filings here:

<http://www.tdi.texas.gov/rules/2015/exrules.html>

<http://www.tdi.texas.gov/rules/2016/exrules.html>

### **Specifications for Rate Setting Process**

The work product and recommendations must comply with applicable State and Federal laws, and all actuarial standards of practice.

It is anticipated that the first rate filing of the successful firm will take place in late August/early September 2017. Work on the rate indication would begin approximately two months prior.

### **Specifications for Proposal**

All proposals must contain the qualifications of the firm, a cost breakdown for the requested services, and a statement ensuring validity of the proposal for at least ninety (90) days after the response deadline.

### **Cost and Fee Arrangements**

The actuarial firm must provide a proposal with maximum cost for the project based on the project as described herein.

Include separate costs for the following: any one-time setup fees, the cost for attending and testifying at a rate hearing (if required), and the cost for attending and explaining the rate filing to the Governing Committee (if required).

### **Disposition and Disclosure of Proposals**

All proposals submitted in response to this RFP will become the property of TAIPA and may become a matter of public record. The vendor must identify, in writing, all copyrighted material, trade secrets, or other proprietary information that it claims is exempt from disclosure. Any firm claiming such an exemption must also state in its proposal that the firm agrees to hold harmless, indemnify and defend TAIPA and its agents, officials, and employees in any action or claim brought against TAIPA for its refusal to disclose such materials, trade secrets or other proprietary information to any party making a request therefore. Any firm failing to include such a statement shall be deemed to have waived its right to an exemption from disclosure.

### **Addenda to the RFP**

If it becomes necessary to revise any part of this RFP, addenda will be supplied to all firms receiving this Request for Proposal.

### **Presentations**

Any vendor who submits a proposal may be required to make an onsite presentation of its capability to perform as described in its proposal to TAIPA. Such a presentation will be at the vendor's expense and will provide an opportunity for the firm to clarify its proposal to ensure a thorough mutual understanding.

### **Modification or Withdrawal of Proposals**

Responses to this Request for Proposal (RFP) may be modified or withdrawn by written notice prior to date specified for receipt of proposals.

### **Mistake in Proposals**

If the apparent best qualified actuarial firm discovers a mistake in its proposal of a serious and significant nature which is unfavorable to it prior to the issuance of a contract, it may request consideration be given to modifying or withdrawing the proposal. The mistake must be evident and provable. TAIPA reserves the right to reject any and all requests for correction or withdrawal of proposals received after the date shown in the specifications.

**A MISTAKE IN PROPOSAL CANNOT BE CONSIDERED ONCE CONTRACT IS ISSUED.**

## **Reservation of Rights**

TAIPA reserves the right to:

- a. Accept or reject any and all proposals received in response to this RFP, and to re-advertise for new submittals.
- b. Waive or modify any irregularities in proposals received after prior notification to the vendor.
- c. Request the submission of proposal modifications at any time before the award is made, if such is in the best interest in TAIPA.
- d. Consider proposals or modifications received at any time before the award is made, if such is in the best interest of TAIPA.
- e. Request clarification and/or additional information from the vendor during the evaluation process.
- f. Utilize any and all ideas submitted in the proposals received unless those ideas are covered by legal patent or proprietary rights and the patent of those rights is indicated by the vendor. Proposals will become the property of TAIPA.
- g. In the event of contract termination, enter into contract negotiations with other qualified firms that submitted acceptable proposals, rather than redoing the proposal process for the project.
- h. Negotiate with the selected actuarial firm to include further services not identified in this RFP.

## **Appendix A**

By submitting a proposal, the actuarial firm offers to enter into a contract (“the Contract”), the form and content of which shall be agreed upon by both parties. The following items will be included in the Contract with the successful firm. Additional terms may be added. The Contract may provide for annual renewals.

### **Termination**

TAIPA shall have the right to terminate the Contract at any time, whenever TAIPA determines that the performance of the actuarial firm is unsatisfactory, whenever the funds are not appropriated by TAIPA Governing Committee to pay for such services, or for cause or the convenience of TAIPA. In that event, TAIPA will pay for services rendered through termination.

### **Respondents Independence**

The actuarial firm is an independent contractor with respect to all services performed under the Contract. The actuarial firm will accept full and exclusive liability for the payment of any and all premiums, contributions, or taxes for workers compensation, Social Security, unemployment benefits, or other employee benefits now and hereinafter imposed under any state or federal law which are measured as wages, salaries or other remuneration paid to persons employed by the actuarial firm on work performed under the terms of this Contract. The actuarial firm shall defend, indemnify and save harmless TAIPA from any claims or liability for such contributions or taxes. Nothing contained in the Contract, nor any act of TAIPA, or the actuarial firm, shall be deemed or construed to create any third-party beneficiary or principal and agent association or relationship involving TAIPA. The actuarial firm is not TAIPA's agent and the Actuarial firm has no authority to take any action or execute any documents on behalf of TAIPA.

### **Contract Contents**

The Contract between TAIPA and the respondent shall include (1) the Request for Proposal (RFP) and any amendments thereto, and (2) the proposal submitted by the respondent in response to the RFP and (3) any additional information supplied by the respondent in response to requests for additional information by TAIPA. In the event of a conflict in language between the documents referenced above, the provisions and requirements set forth and/or referenced in the RFP shall govern. TAIPA, however, reserves the right to clarify any contractual relationship in writing with the concurrence of the actuarial firm, and such written clarification shall govern in case of conflict with the applicable requirements stated in the RFP or the actuarial firm's proposal.

## **Written Notice Parameters**

Any written notices to the actuarial firm and TAIPA shall be deemed sufficient when deposited in the United State mail, postage prepaid and addressed to the party at its address as listed on the signature page of the Contract, or at such address as may be provided in writing; or sent by facsimile to the FAX telephone number of a party.

## **Disputes**

Should any disputes arise with respect to the Contract, the actuarial firm and TAIPA agree to act immediately to resolve any such disputes. Time is of the essence in the resolution of disputes.

## **Price Changes**

All prices shall be firm and not subject to increase during the period of the Contract.

## **Laws of Governance**

The Contract shall be construed and governed in accordance with the law of the State of Texas.

## **Compliance with Laws**

The actuarial firm shall comply with all federal, state, and local laws, ordinances and regulations applicable to the work. The actuarial firm, at its own expense, shall secure all occupational and professional licenses and permits from public or private sources necessary for the fulfillment of its obligations under this Contract.

## **Intellectual Property Rights**

The actuarial firm agrees, on its behalf and on behalf of its employees and agents, that it will promptly communicate and disclose to TAIPA all computer programs, documentation, software and other copyrightable works ("copyrightable works") and all discoveries, improvements and inventions ("inventions") conceived, reduced to practice or made by the actuarial firm resulting from, or related to, any work the actuarial firm or its agents may do on behalf of TAIPA or at its request. All inventions and copyrightable works that the actuarial firm is obligated to disclose shall be, and remain, entirely the property of TAIPA. All inventions and copyrightable works will be works made for hire and shall be the exclusive property of TAIPA. The actuarial firm assign to TAIPA any rights it may have in such copyrightable works. The actuarial firm will cooperate with TAIPA in obtaining any copyrights or patents.

## Insurance

A. The actuarial firm will procure and maintain in effect throughout the duration of the Contract insurance coverage not less than the types and amounts specified in this section with deductibles acceptable to TAIPA.

1. Commercial General Liability Insurance: with limits of \$1,000,000 or higher per occurrence and \$1,000,000 or higher aggregate, written on an "occurrence" basis. The policy shall be written or endorsed to include the following provisions:

- a. Severability of Interest Coverage applying to Additional Insureds
- b. Contractual Liability
- c. Per Project Aggregate Liability Limit, or where not available, the aggregate limit shall be \$2,000,000 or higher.
- d. No Contractual Liability Limitation Endorsement
- e. Additional Insured Endorsement

2. Workers' Compensation Insurance: as required by state statute, including Employers Liability with limits of at least:

Workers' Compensation	Statutory
Employers Liability	\$1,000,000 accident
With limits of \$500,000 disease-policy limit	
\$100,000 disease - each employee	

3. Commercial Automobile Liability insurance: with a limit of \$1,000,000 or higher per occurrence, covering owned, hired, or non-owned automobiles. Coverage provided shall be on an "any auto" basis and written on an "occurrence" basis. This insurance will be written on a Commercial Business Auto form, or acceptable equivalent, and will protect against claims arising out of the operation of motor vehicles, as to acts done in connection with the Contract, by the actuarial firm.

4. Professional Liability Insurance with limits per claim and annual aggregate of \$1,000,000 or higher.

B. The policies listed above may not be cancelled until after thirty (30) days written notice of cancellation to TAIPA, ten (10) days in the event of a non-payment of premium. The Commercial General and Automobile Liability Insurance specified above shall provide TAIPA and its agencies, officials, officers, and employees, while acting within the scope of their authority, will be named as additional insureds for the services performed under this Contract. The actuarial firm shall provide to TAIPA at execution of the Contract a certificate of insurance showing all required endorsements and additional insureds.



C. All insurance coverage must be written by companies having an A.M. Best's rating of "B+V" or better, are licensed or approved by the State of Texas to do business in Texas.

D. Regardless of any approval by TAIPA, it is the responsibility of the actuarial firm to maintain the required insurance coverage in force at all times; its failure to do so will not relieve it of any contractual obligation or responsibility. In the event of the actuarial firm's failure to maintain the required insurance in effect, TAIPA may order the actuarial firm to immediately stop work and, upon ten (10) days' notice and an opportunity to cure, may pursue its remedies for breach of this Contract.