



**STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
INSURANCE RESERVE FUND**

**INSURANCE RESERVE FUND
TELEPHONE: (803) 737-0020
IRF CONTACT: Anne Macon Flynn**

DESCRIPTION: Competitive Process for Broker Selection for the Insurance Reserve Fund Excess Property Program

SUBMIT OFFER BY (Opening Date/Time): August 31, 2007 – 3:00 PM

QUESTIONS MUST BE RECEIVED BY: August 14, 2007 – 2:00 PM

NUMBER OF COPIES TO BE SUBMITTED: 12

Offers must be submitted in a sealed package and designated as Broker Selection for IRF Excess Property Program

SUBMIT YOUR SEALED OFFER TO THE FOLLOWING ADDRESS:

PHYSICAL ADDRESS:

**1201 MAIN STREET, SUITE 500
CAPITOL CENTER – SOUTH TRUST BUILDING
COLUMBIA, SC 29201**

CONFERENCE TYPE: Pre-bid conference

DATE & TIME: August 15, 2007 – 2:00 PM

LOCATION:

1201 Main Street
Capitol Center – South Trust Building
Columbia, SC 29201
Room 802

**AWARD &
AMENDMENTS**

The award, this solicitation, and any amendments will be posted at the following web address:
<http://www.irf.sc.gov>

You must submit a signed copy of this form with Your Offer.

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| NAME OF OFFEROR: _____ <small>(Full legal name of business submitting the offer)</small> | OFFEROR'S TYPE OF ENTITY: <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Corporate entity (not tax-exempt) <input type="checkbox"/> Government entity (federal, state, or local) <input type="checkbox"/> Other: <small>(See "Signing Your Offer" provision)</small> |
| AUTHORIZED SIGNATURE: _____ <small>(Person signing must be authorized to submit binding offer to enter contract on behalf of Offeror named above)</small> | |
| TITLE: _____ <small>(Business title of person signing above)</small> | |
| PRINTED NAME: _____ <small>(Printed name of person signing above)</small> | DATE SIGNED: _____ |

Instructions regarding Offer's name: Any award issued will be issued to, and the contract will be formed with, the entity identified as the offeror above. An offer may be submitted by only one legal entity. The entity named as the offeror must be a single and distinct legal entity. Do not use the name of a branch office or a division of a larger entity if the branch or division is not a separate legal entity, i.e., a separate corporation, partnership, sole proprietorship, etc.

STATE OF INCORPORATION: _____ (If offeror is a corporation, identify the state of Incorporation)

TAXPAYER IDENTIFICATION NO. : _____

COMPETITIVE PROCESS FOR BROKER SELECTION

INSURANCE RESERVE FUND EXCESS PROPERTY PROGRAM

Introduction

The State of South Carolina Budget and Control Board's Office of Insurance Reserve Fund (IRF) seeks an insurance broker to manage placement of the excess property program for the IRF in order to adequately protect IRF insureds against catastrophic loss. The IRF seeks a broker to provide insurance placement, advisory, and program-related services which will provide the same levels of protection currently in place, or different levels to be determined based on an actuarial study, and which best meet the needs of the state.

This invitation is not an authorization to approach the insurance marketplace on behalf of the IRF. Prospective brokers failing to comply with this condition will be subject to immediate disqualification.

This solicitation may be amended at any time prior to opening. All actual and prospective bidders should monitor the IRF website, www.irf.sc.gov, for the issuance of amendments.

IRF reserves the right to reject any and all bids, to waive any informality, and to negotiate with the selected applicant prior to entering into any award of bid. An awarded bid becomes a contractual obligation of the bidder. Failure of the contractor to accept any of the terms in this solicitation will result in the immediate cancellation of the awarded bid.

The IRF solicits bids. For purposes of this solicitation, "bids" are defined to include written responses to this solicitation which propose to provide brokerage services. Bids will be evaluated on the factors stated below. These factors are listed in relative order of importance with the most important listed first:

- *Qualifications and experience of broker
- Capacity and ability to service IRF needs and successfully fill the program
- Services the broker expects to provide
- Cost
- E&O Insurance and claims filed under E&O Insurance within the past five (5) years
- Any additional services broker may provide

*(*Prospective broker must, upon request of the IRF, furnish evidence of its ability to provide broker services in accord with the terms and conditions of these specifications and in accord with a program of the magnitude of that required for the State of South Carolina. The IRF will accept as evidence other programs which, within the past five years, have obtained reinsurance in the amount of \$400,000,000 (governmental programs preferred) when such programs have been successfully completed or "filled" with no holes or gaps in coverage, no internal limits on wind, flood, or earthquake insurance, and with any other limitation noted. The IRF reserves the right to make the final determination as to the proposer's ability to provide the products or services requested herein.)*

Once the evaluation is complete, bids will be ranked from the most advantageous to the least advantageous.

Effective Date Reinsurance Program must be in place: April 1, 2008

Current reinsurance program and exposures to be covered.

The IRF currently insures in excess of \$25 billion total insured value of property owned by governmental entities in South Carolina. Coverage is all risk and includes real property, contents, inland marine and business interruption. Excess coverage will be 100% following form to the IRF coverage, to include wind, flood, and earthquake. In addition, IRF requires excess coverage for terrorism.

The expiring program is indicative of IRF's willingness to participate in primary loss. IRF is willing to entertain various other viable alternatives and various other program structures that provide secure coverage at fair cost.

South Carolina is exposed to risk of catastrophic loss caused by either hurricane or earthquake or both. Either event could produce widespread losses which exceed the IRF's assets. Actuarial modeling indicates that a hurricane equivalent to Hurricane Hugo could produce losses in the \$400 million range for IRF insureds. Accordingly, IRF purchased a \$400-million property reinsurance program including coverage for the perils of wind, flood, and earthquake. In addition, the program provides \$150 million coverage for terrorism losses.

The current property program (excluding terrorism) consists of four layers of \$100 million each. The terrorism portion is written as a single layer of \$150 million.

The current program requires that IRF assume a \$10 million self-insured retention for the first event during a policy year, with a \$1 million self-insured retention for subsequent events. In addition, under the current program the IRF has assumed 10% of the first \$100 million layer or \$10 million. As a result, under the current program IRF would be responsible for a maximum of \$20 million for the first event and a maximum of \$11 million for subsequent events.

Broker Selection and Program Time Line

| <u>Activity</u> | <u>Completion Dates</u> |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| 1. Release Broker Selection Process Document/ Publish on IRF website. | 08/01/07 |
| 2. Pre-selection informational conference | 08/15/07 |
| 3. Receive written bids | 08/31/07 |
| 4. BCB receive bids at its September meeting. (Proviso 63.58) | September BCB Meeting currently scheduled for 09/25/07 |
| 5. Per 63.58 BCB select broker at its next scheduled meeting | November BCB Meeting Currently scheduled for 11/06/07 |
| 6. All participants notified. Release detailed information and supporting data to successful broker. | As soon as practical after BCB decision |
| 7. Program structure negotiated by selected broker. IRF work with broker as needed. | Time of selection - 04/01/08 |
| 8. Program filled, price agreement with IRF on total program costs, and coverage bound with Binders furnished to IRF. | 04/01/08 |

Questions

Any questions, explanations or interpretations of the solicitation document must be made in writing to Anne Macon Flynn, Assistant Director, 1201 Main Street, Suite 500, Columbia, SC 29201, must be designated as Broker Selection for IRF Excess Property Program, and must be received by the IRF by

2:00pm on August 14, 2007. Any response will be made in writing and will be posted on the IRF website, www.irf.sc.gov.

Pre-bid Conference

The pre-bid informational conference will be held at 1201 Main Street, Room 802 at 2:00 on August 15, 2007. The purpose of the conference is to provide prospective program brokers additional information to assist them in preparing a bid. There will be no minutes taken; however, if the solicitation should be modified, the change will be will be posted on the IRF's website, www.irf.sc.gov.

Bids must be submitted in writing at the address below.

No later than 3:00 p.m. Friday, August 31, 2007 written bids describing broker capabilities and any other information you may wish to provide, must be received by IRF at 1201 Main Street, Suite 500, Columbia, SC 29201. The IRF will not receive any bid after the deadline. Facsimile or email responses will not be accepted.

Any bid must be signed by an individual with actual authority to bind the bidder to act as a broker for the IRF. For example, if the bidder is an individual, then the offer must be signed by that individual; if the bidder is a corporation, the bid must be submitted in the corporate name, followed by the signature and title of the person authorized to sign on behalf of the corporation.

All submissions will be kept confidential until the contract has been awarded. Data and documentation included in the response become the property of the IRF and will become public information upon opening. Bidders should specifically identify those portions of the bid deemed to be confidential, proprietary information or trade secrets and provide justification why that information should not be disclosed upon request. Such confidentiality/proprietary information must be clearly marked and easily separable from the non-confidential sections.

By submission of a bid, the prospective broker agrees that during the period following issuance of the solicitation and prior to the selection of the broker, neither the prospective broker nor anyone under his direction or control shall discuss this with any party except John Trussell, Director of the IRF; Anne Macon Flynn, Assistant Director of the IRF; or other parties who may be designated during the course of this selection. Unauthorized contact could lead to disqualification of the bidder from this solicitation.

Brokers who want to make personal presentations should contact IRF. The IRF will determine if it will accept presentations. Unless notified otherwise, brokers are required to be available to attend the September and November meetings of the Budget and Control Board to answer questions, provide information, and make presentations if requested by the Budget and Control Board.

IRF reserves the right to reject all submittals and not proceed with selection of a broker for any reason. Preparation of bid costs cannot be recovered in the event the IRF does not proceed with the selection of a broker.

The Budget and Control Board is expected to make its decision and select the successful broker during its November meeting currently scheduled for Tuesday, November 6, 2007. The IRF will communicate the decision to all participants as soon as reasonably possible thereafter. The IRF reserves the right to use a Selection Panel to assist the Budget and Control Board in making its final decision.

The Budget and Control Board's decision will be final and not subject to protest, appeal, or suit.

Immediately following the broker selection, IRF will make available full details of its exposures, its financial structure, loss history and any additional pertinent data requested. From the time of selection through March 30, 2008 the selected broker will be expected to craft recommended programs, secure markets for the programs, and present written proposals for cost, coverage terms, and broker services to IRF. Program will be bound effective April 1, 2008.

IRF expects delivery of binders by April 1, 2008 or before. All carriers must be financially secure, as rated AM Best at A- or better (class 7 or higher financial size category) or other equivalent rating.

Broker Services. Brokers should carefully consider services they can provide. IRF highly values Broker Services and expects considerable services, such as:

- Loss control inspections as requested by IRF
- Catastrophic claims handling coordination
- Other services the broker believes will be valuable

The bid should include in detail the nature and extent of such services.

Broker Compensation.

IRF intends for the selected program to be stable for at least seven (7) years. Therefore, IRF expects to renew its contract with its broker, at the option of the IRF, each year until 2014. The broker fee will remain unchanged during the first three (3) years to be negotiated annually thereafter with any proposed changes to be approved by the Budget and Control Board before the change can take effect. Accordingly, please quote an annual fee including detailed and specific information as to how the prospective broker will be compensated. IRF requires the prospective broker to provide all quotes net to IRF. The broker fee is the only compensation that is generated from the placement of reinsurance and/or excess coverage under this agreement.

Compensation should be stated as a flat fee/broker fee (Total program premium = net program premium + flat fee/broker fee).

Broker will not accept any income derived from any reinsurance company or additional placement facility as a direct result of the IRF account, whether in the form of bonus, profit sharing, contingency, commission, etc.

Broker will identify any wholesale broker/intermediaries which will be used by the broker.

Compensation for any wholesale broker/intermediary must be included in the fee; no additional compensation will be paid to any wholesale broker/intermediary. IRF reserves the right to approve all personnel, wholesale broker/intermediary, or any other sub-consultants utilized in this project.

Payment to the broker is expected to be made simultaneously with the payment of the premium.

The IRF reserves the right to reduce the flat fee otherwise due to the broker in the event the program is not completely filled or in the event limits are placed on wind, flood, or earthquake exposure, or for any other "hole" which leaves the State of South Carolina unprotected by insurance. The reduction in the flat fee will be in the same proportion to the amount of the program that is left unfilled or limited; internal

limits on wind, flood, or earthquake exposure constitute a “hole” and will result in the reduction of fee payable to the broker.

In the event that the program is not completely filled or in the event limits are placed on wind, flood, or earthquake exposure, or for any other “hole” in the program, the BCB reserves the right to engage the services of another broker or reinsurer to complete the program; reserves the right use the partially filled program; and reserves the right to discontinue the services of the broker selected pursuant to this solicitation.

Stability of Program. IRF intends for the selected program to be stable for at least seven (7) years. Therefore, IRF expects to renew its contract with its broker, at the option of the IRF, each year until 2014. The broker fee will remain unchanged during the first three (3) years to be negotiated annually thereafter with any proposed changes to receive approval of the Budget and Control Board before the change can take effect.

Information required. The broker’s bid must include the following:

1. Cover letter including the company name, address, and the name, telephone number, and e-mail address of the person representing the company on this solicitation.
2. **Company background**
 - i. A written summary of the company’s history and a description of its experience performing the services required for both large organizations and governmental entities.
 - ii. A list of all corporate offices and indicate which office will service this account.
 - iii. Identify one key executive who will be the contact for the Director of the IRF in the event a problem occurs with the program.

- iv. A written description of your firm, including any parent, affiliated or subsidiary company, and any business partners. Provide an organization chart of your firm and describe the relationship between each component of your firm.
- v. Disclose in detail anything that may create a conflict or appearance of a conflict of interest.
- vi. Disclose whether, within the last five years, your organization or an officer or principal has been involved in any business litigation or other legal proceedings. If so, please provide an explanation and indicate the current status or disposition.
- vii. A description of the level and duration of coverage of professional liability insurance your firm carries. List the insurance carrier(s) supplying coverage.
- viii. A full biography for each firm employee who will be assigned to this account.
- ix. A list of all current clients covered by the individual(s) who will cover this account.
- x. A description of your firm's experience with other government organizations.
- xi. A list of relevant major insurance carriers likely to match IRF's needs in order of your priority. Demonstrate your firm's relationship with these insurers (i.e., premium volumes, other accounts, or other information).

2. **References**

- i. The name and address of at least one client who has hired your firm for similar services as detailed in this Broker Selection Process during the past five years, including the name, title, and telephone number of the contact person.

- ii. The name and address of any client who has terminated your relationship for performing similar services as detailed in this Broker Selection Process during the past five years and the reasons for doing so. Please include the name, title, and telephone number of the contact person.
3. Any additional information to further describe the qualifications and experience of broker.
4. Capacity and ability to service IRF needs and successfully fill the program.
5. Services the broker expects to provide.
6. Cost.
7. E&O Insurance and claims filed under E&O Insurance within the past five (5) years.
8. Any additional services broker may provide.

Rules governing this solicitation

As directed by Proviso 63.58, the IRF developed the following rules to govern the selection of a broker who will obtain reinsurance coverage to protect IRF insureds against catastrophic loss:

1. A broker will be selected pursuant to a competitive process as directed by Proviso 63.58. This selection is exempt from the Procurement Code pursuant to exemption #40, adopted by the Budget and Control Board; and it shall not be governed by the Procurement Code as directed by Proviso 63.58.
2. Neither the Procurement Code procedures nor remedies apply to the competitive process, solicitation documents, or selection of a broker.
3. Notice of the competitive process will be posted on the IRF's website, www.irf.sc.gov; advertised in South Carolina Business Opportunity ["SCIBO"]; and mailed to the businesses listed on the IRF's "bidder's list". Any interested party may participate in the solicitation.

4. The specific procedures which govern this solicitation are set forth in the solicitation documents, and may be amended as necessary.
5. Proviso 63.58 refers to the IRF's receiving "bids". For purposes of this solicitation, "bids" are defined to include responses to the solicitation. The bids or responses will be judged by the BCB on criteria to include, but not be limited to, qualification and experience of the broker, capacity and ability to serve the IRF needs and successfully fill the program, services the broker expects to provide, cost, E&O insurance, and any additional services the broker may provide.
6. The Budget and Control Board shall select a broker at its meeting prior to December, 2007. The Board's decision will be final and not subject to protest, appeal, or suit.
7. Nothing in this competitive process waives the BCB's immunity from suit. No protest, appeal, or suit is available to contest the competitive process, the solicitation documents, or the selection of a broker.

Choice of Law and Forum

Any dispute, claim, or controversy relating to the performance of the broker or any other dispute arising out of the contract with the broker shall be enforced and governed by and under the laws of the State of South Carolina and adjudicated within the courts located in the State of South Carolina.