

City of ABC

**Proposal to Provide
Actuarial Services for the
City's Self-Insurance Program
RFP # XX-XYZ**

Firm: AMI Risk Consultants, Inc.
11410 N. Kendall Drive, Suite 208
Miami, FL 33176

Contact: Bob Ingco, FCAS, MAAA, CPCU, ARM

Telephone: (305) 273-1589

Date: April xx, xxxx

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AMI's General Information

Company Name, Address & Telephone:

Main Office:

AMI Risk Consultants, Inc.
11410 N. Kendall Dr., Suite 208

Miami, FL 33176-1031

Tel. (305) 273- 1589

Fax. (305) 274-4706

EMail Address: info@amirisk.com

Website Address: <http://www.amirisk.com>

Contact Persons:

Bob Ingco, FCAS, MAAA, CPCU, ARM

President - (305) 273-1589

Email Address: bobingco@amirisk.com

Gail Flannery, FCAS, MAAA

Consulting Actuary - (305)273-1589

Email Address: gailf@amirisk.com

Type of Entity:

S Corporation incorporated in the State of Florida in May, 1992.

AMI's Background and Capabilities

AMI Risk Consultants, Inc. is an actuarial and risk management consulting firm based in Miami, Florida. It was established as an S-Corporation in the State of Florida in May of 1992.

The company has worked for various government entities as well as non-government entities. We are well diversified geographically by type of client and type of work. We have performed consulting services throughout the country for municipalities, self-insurance programs, various state insurance funds, state insurance departments, insurance companies, health insurance providers particularly Blue Cross Blue Shield & its HMO subsidiaries.

AMI has grown significantly. We have attained financial growth and stability as shown in the numerous entities (both from the government and private sectors) that have relied on our capabilities and have continuously engaged our services.

The staff of AMI are extremely motivated and committed to providing the best quality consulting services possible. We think this is a sure formula to success.

AMI's Client Base for Actuarial Consulting Services

AMI specializes in loss reserving and review, forecasting, pricing, rate filing and review, statutory accounting, risk management, and claims review for the following:

- Municipalities (City of Chesapeake, Bay County, Washoe County and City of Sparks, City of Coral Gables, etc.)
- Self Insurance Programs (Burger King, Performance Food Group, Applied Industrial, etc.)
- State Insurance Departments (Maine, California, Oregon, Michigan, Wisconsin, etc.)
- Insurance Companies (Capital City, Agrinational , Safe Insurance, AZ-Mont, etc.)
- Offshore Captive Insurance Companies (United Insurance Co., Blair Int'l, etc.)
- Blue Cross Blue Shield and HMOs (Blue Cross Blue Shield of Michigan and its HMO subsidiaries for the Michigan Insurance Bureau).

We specialize in various insurance products including:

- Workers' Compensation
- General Liability
- Vehicle/Automobile Liability
- Law Enforcement Liability
- Professional Errors and Omissions
- Private Passenger Auto
- Employer's Liability
- Commercial Multi Peril
- Property (real/personal; auto physical damage)
- Health
- Reinsurance
- Medical Malpractice
- Private Mortgage Insurance
- Umbrella and Excess Coverage
- Commercial and Public Liability
- HMO and Blue Cross Blue Shield Coverage.

AMI's Background & Capabilities

(Continued)

AMI's Capabilities on Regulatory Compliance

We provide actuarial assistance to self-insurance funds, property/casualty insurance companies, and captive insurance companies in such areas as:

- GASB 10 requirements
- Loss reserves analysis and certification
- Commercial and personal lines product pricing and development
- Reinsurance
- Financial projections calculation
- Risk Based Capital calculation

AMI's Statistical Analysis Capabilities

AMI has the ability to perform various statistical analysis including the following:

- Tests of hypothesis and statistical significance
- Confidence Intervals
- Simulations
- Regression Analysis
- Variance Analysis

AMI's Risk Management Consulting Service Capabilities

AMI has the ability to perform various risk management consulting services including the following:

- Self-insurance financial performance review
- Cost of risk allocation design and calculations
- Claims administration effectiveness review
- Feasibility studies for alternative financing arrangements
- Captive insurance company feasibility studies
- Insurance effectiveness reviews
- Claims management information system development

AMI's Claims Audit Capabilities

AMI has the ability to perform claims audits for property & casualty coverages. The purpose of these audits is to determine the efficiency and effectiveness of the self insurance program or insurance company's claim administration practices. *Our experience in this area will help in developing the appropriate actuarial judgment necessary in performing the calculations.*

Our Commitment To You

We would like to take this opportunity to reaffirm our commitment to you as a valuable client.

That commitment means we will continue to:

- Learn and understand your goals and objectives so we can work effectively and efficiently
- Inform you of project status at all times
- Respond to your requirements promptly and effectively
- Offer you service at a reasonable cost.

In other words, the **City of ABC** (“**The ABC**”) is important to us. We will continue to provide accurate, highly responsive service on time and within budget.

AMI can commit its resources to concentrate on this engagement throughout its duration. Our ability to perform the engagement is better than most firms for the following reasons:

- As an independent firm, we relate directly with our clients.
- Our clients have engaged us because they know we fully commit our resources to deliver prompt and responsive service.

AMI's Responsiveness

AMI has a group of consultants that can efficiently respond to the requirements of the City. In addition, AMI also has an available network of subcontractors as an additional resource. *We are proud of our record of performing duties in a very timely manner. Our goal is always to exceed expectations!*

We are committed to producing work of the highest possible quality. We cannot rely on our established name or reputation. Instead we are building our reputation by the quality of our work and of our service. Experienced and credentialed senior actuaries will do or closely supervise and review all of the work we have proposed to do, while making efficient use of leading edge technology.

Where problems arise that are important to the City or could affect the quality of our work, we will carry out additional analysis and provide services that go well beyond what we have committed to do. *We will do this no matter what the cost will be to us.*

The City can depend on us to always do our best to understand and provide whatever it needs, and to be completely honest in our discussions and in the reports we prepare.

As a professional service provider, it is imperative for us to maintain the highest standard of quality in all the services that we render. We have always made every effort to produce highly reliable and accurate reports in a timely manner.

Continuity

We Offer Continuity

A MI performed the actuarial reviews of the City's Self-Insurance Program since 2006. Renewing the contract with AMI will assure continuity, with the following expected benefits:

- **No learning curve to negotiate.** With a new firm, the City will have to spend time giving the new firm perspective and background. An effective working relationship will have to be reestablished.
- **No surprises.** Our approach and assumptions will be consistent with those of the past actuarial reviews we have performed. The City will avoid potential large swings in estimates.
- **Less uncertainty.** With AMI, the City knows who they are dealing with-how we interact, how responsive we are, and how we deal with issues. There is uncertainty with a new firm.

Our Project Team

***Project Director & Peer Reviewer -
Bob Ingco, FCAS, MAAA, CPCU, ARM***

Bob will be responsible for coordinating all the appropriate resources of AMI for an effective and efficient execution of the required tasks. He is the President and the Lead Actuary of AMI. He will lead the engagement team and will directly supervise all services to be performed. He has estimated and certified loss reserves for municipalities, self-insurance programs, various state funds, captive insurance companies, and associations. He has performed allocation of the cost of risk and other risk management consultancy services for various entities. He will also perform the peer review for this engagement. He will check the appropriateness of the methods, assumptions and selections we will use in our calculations.

***Consulting Actuary -
Gail Flannery, FCAS, MAAA***

Gail will act as the technical manager for this engagement. She will help in developing an effective strategy and approach for this engagement. She will work closely with the City's contacts. She has worked extensively in the ratemaking and reserving of property and casualty lines of insurance.

***Consulting Actuary -
Cris Dorado, ACAS, Ph.D.***

Cris will perform some of the actuarial calculations that may be needed to be done. He has been involved in a wide variety of property/casualty insurance projects including reserve testing, loss modeling, risk quantification, and insurance company valuation.

Bob Ingco, FCAS, MAAA, CPCU, ARM

Professional and Business Experience

Mr. Bob Ingco has over thirty-six years of actuarial and risk management experience. His expertise is in estimating and analyzing loss reserves for government and non-government entities. *He has demonstrated working knowledge and understanding of self-insured programs and compliance of GASB10 requirements.* He has first hand experience in the evaluation and assessment of the reserving practices of governmental entities. He has audited the reserves of various municipalities. He has also performed insurance effectiveness and claims administrative reviews. *He has extensive experience in developing self-insurance premium rates for such lines of business as workers' compensation, automobile liability, general liability, auto physical damage, property losses, etc.*

Education and Professional Certifications

B.S. Mathematics and Physics
United States Naval Academy
Annapolis, MD

Fellow, Casualty Actuarial Society (FCAS)

Member, American Academy of Actuaries
(MAAA)

Chartered Property Casualty Underwriter
(CPCU)

Associate in Risk Management (ARM)

Member, South Florida Chapter of the CPCU

Professional and Business History

AMI Risk Consultants, Inc., Miami, FL

1992 to Present: President and Consulting Actuary. Currently provides actuarial and risk management consulting services to self-insurance funds, insurance regulators, and captive insurance companies.

Price Waterhouse, Miami, FL

1984-1992: Actuary and Director.

For eight years, provided actuarial support and assistance regarding audits of and consulting services for insurance companies, Workers Compensation State Funds, HMOs, and other self-insurance funds.

Booke & Co. (McNeary Risk Management) Charlotte, NC

1981-1984: Vice President and Actuary.

Performed rate filings, loss reserve reviews, and certifications. Developed medical malpractice insurance rates for several State Medical Association sponsored medical malpractice companies.

Fireman's Fund Insurance Co., San Francisco, CA

1978-1981: Associate Actuary.

Developed Commercial and Personal Auto rates for the Company.

American International Group Insurance, New York, NY

1974-1978: Assistant Actuary.

North American Re, New York, NY

1972-1974: Actuarial Assistant.

Gail Flannery, FCAS, MAAA

Professional and Business Experience

Ms. Gail Flannery has worked extensively in property/casualty insurance ratemaking and reserving for over thirty years. Before joining AMI, she was Vice President and Actuary for American Bankers Insurance Group. She was responsible for the ratemaking and rate filing support for American Bankers' products in various states. She also supervised statistical reporting for over ten years. As the Technical Manager for most of the projects of AMI, *she has demonstrated working knowledge and understanding of self-insured programs and compliance of GASB10 requirements.*

Education and Professional Certifications

M.S. Statistics
Florida State University
Tallahassee, FL

B.A. Mathematics
Hollins College
Roanoke, VA

Fellow, Casualty Actuarial Society (FCAS)

Member, American Academy of Actuaries (MAAA)

Professional and Business History

AMI Risk Consultants, Inc., Miami, FL

1997 to Present: Actuarial Consultant.
Acts as Technical Manager for most of the current actuarial consulting work of AMI.

American Bankers Insurance Group, Miami, FL

1992-1996: Vice President and Actuary.
Responsible for 20 actuaries, actuarial students, and statistical reporting staff. Provided ratemaking and reserving support to American Bankers Insurance Company and six P&C subsidiaries (three Foreign). Rendered reserve opinions for nine companies. Prepared annual business plan.

1980-1991: Actuarial Analyst/Senior Actuarial Assistant/Assistant Actuary.

Progressive responsibilities over the years including the following: rate reviews and rate filing support of specialty products, including Automobile Liability, Auto Warranty, Force-Placed Auto/Antique, and Collectible Auto. Proposed rates and rating plans. Filed rates. Wrote system specifications to capture necessary data and to alter statistical calls to include product. Set quarterly reserves for all product lines. Wrote and maintained loss reserving software used from 1981-1995.

1978-1979: Project Team Member.

Part of a four member "user team" that tested "Policy Management System" (PMS) software. Designed statistical coding for 25 insurance products. Assisted with conversion of in-force policies and open claims to new system.

Cris Dorado, ACAS, Ph. D.

Professional and Business Experience

Mr. Cris Dorado is a recent addition to the team and has over ten years of actuarial consulting experience. Before joining AMI in 2006, *he was an actuarial consultant in the actuarial consulting firm Arthur Andersen LLP, in Atlanta, Georgia where his tasks included reserve testing, loss modeling, risk quantification, and insurance company valuation.*

Education and Professional Certifications

Ph.D. Statistics, 1995
Florida State University
Tallahassee, FL

M.S. Applied Probability and Statistics, 1990
Northern Illinois University
DeKalb, IL

B.S. Applied Mathematics, 1984
University of the Philippines
Los Baños, Laguna, Philippines

Associate, Casualty Actuarial Society (ACAS)

Professional and Business History

AMI Risk Consultants, Inc.

2006 to Present: Actuarial Consultant.
Involved in a wide variety of property/casualty insurance projects including reserve testing, loss modeling, risk quantification, and insurance company valuation.

University of the Philippines, Los Baños, Laguna, Philippines

2003 - 2005: Math Division Head.
Actuarial Science Professor.

Arthur Andersen LLP, Atlanta, GA

1999 - 2002: Actuarial Consultant.
Responsible for performing actuarial consulting work including reserve testing, loss modeling, risk quantification and insurance company valuation. Also served as a resource person in works needing statistical reference.

ALLIED Group, Des Moines, IA

1998 - 1999: Actuarial Analyst.
Responsible for reviewing and filing rate changes for ALLIED's homeowners and personal auto programs in the states of Iowa, Illinois, and Missouri.

AMI's Qualifications

AMI's extensive experience in property and casualty lines of insurance can be summarized as follows:

- AMI has estimated funding requirements for various municipalities and other government entities to comply with GASB 10 requirements. *Clients include Lake County (FL), Orange County (FL), Palm Beach County (FL), Bay County (MI), Collier County (FL), Baltimore County (MD), Anne Arundel County (MD), City of Chesapeake (VA), Hampton Roads Transit (VA), School Boards of Broward, Dade, City of Hollywood (FL), City of Key West (FL), City of Bridgeport (CT), City of Coral Gables (FL), City of Sparks (NV), Jacksonville Transportation Authority (FL), Newark Housing Authority (NJ), Navajo Housing Authority (AZ), etc.*
- AMI has performed loss reserve review of self-insured programs for non-government entities. *Clients include Burger King Corporation, Performance Food Group, Applied Industrial Technologies, Inc., Broyhill Furniture, Blue Cross Blue Shield of Florida, Ikon Office Solutions, etc.*
- AMI performed the actuarial review of several State Insurance Funds including: *the Wisconsin Self-Insurance Program, the Maine Self-Insurance Fund, the Texas Subsequent Injury Fund, the Arizona Special Workers' Compensation Fund, the California State Compensation Insurance Fund, the Pennsylvania State Workers' Insurance Fund, and the Oregon State Accident Insurance Fund.*

- AMI has assisted several state insurance departments in their examination of property and casualty insurance companies in evaluating the reasonableness of loss reserves and rates used.
- AMI has certified loss reserves of captive insurance companies, pools and self-insurance programs.
- AMI is the appointed consultant for several auto insurance companies.
- AMI assisted the California Department of Insurance (CDI) evaluate the effect of Open Rating by evaluating the profitability of its two largest workers' compensation specialty companies.
- AMI reviewed the rate filings for the Oklahoma Insurance Department and the Texas Department of Insurance.

Because of our experience working for government self-insurance programs, and on loss reserves expertise in property and casualty lines of insurance, we are uniquely qualified to assist the City.

AMI's Qualifications

(Continued)

AMI's extensive experience in workers' compensation can be summarized as follows:

- ◆ AMI completed the actuarial review of the Oregon State Accident Insurance Fund (SAIF) on behalf of the Oregon Insurance Division in 1998 and 2002.
- ◆ AMI has assisted several state insurance departments in its examination of workers' compensation insurance companies domiciled in their respective states.
- ◆ From 1999 - 2004, AMI had performed the actuarial analysis of the State of Wisconsin Self-Insurance Program.
- ◆ AMI has assisted the California Department of Insurance in the financial examination of the State Compensation Insurance Fund (SCIF) since 1996 up to present.
- ◆ AMI has performed the annual actuarial analysis of the Arizona Special Workers' Compensation Fund since 1999.
- ◆ AMI performed the actuarial study of the State of Maine Workers' Compensation Self-Insurance Program as of June 30, 2001, 2003, 2005, and 2007.
- ◆ In 2001, AMI performed the actuarial review of the Texas Subsequent Injury Fund (SIF) for the purpose of analyzing its long term solvency and in evaluating future funding requirements.
- ◆ AMI performed the actuarial review of the Pennsylvania State Workmen's Insurance Fund (SWIF) as of December 31, 1995.
- ◆ AMI had worked as a subcontractor of William Mercer, Inc. in performing workers' compensation loss reserves evaluation for the Pennsylvania Catastrophic Loss Benefit Continuation Fund and the Workers' Compensation Security Fund from 1997 to 2003.
- ◆ AMI reviewed the Workers' Compensation rate filings for the Oklahoma Insurance Department.
- ◆ AMI has certified workers' compensation reserves of captive insurance companies, pools, and self-insurance programs.
- ◆ AMI assisted the California Insurance Department in evaluating the effect of the Open Rating by evaluating the profitability of its two largest workers' compensation specialty companies.
- ◆ AMI has estimated workers' compensation funding requirements for various municipalities and other government entities to comply with GASB 10 requirements.

We "live" and "breathe" workers' compensation loss reserve reviews. In the past five (5) years, we have performed loss reserve reviews for the following: 6 State Funds, 10 companies on behalf of 3 State Insurance Departments, 2 insurance companies whose reserves we certified, 25 government entities, and 30 corporate self-insurance funds. Total amount-\$7.5 billion.

This total immersion to workers' compensation makes us uniquely qualified to assist the City.

AMI's Qualifications

(Continued)

AMI specializes in loss reserving analysis, alternative risk financing analysis, statistical analysis and rate reviews. AMI has performed loss reserves calculations, rate reviews, and risk management consultancy services for entities that include:

- ◆ City of Baltimore
- ◆ City of Bridgeport
- ◆ City of Boca Raton
- ◆ City of Boise
- ◆ City of Chesapeake
- ◆ City of Coral Gables
- ◆ City of Coral Springs
- ◆ City of Deerfield Branch
- ◆ City of Dover
- ◆ City of Gainesville
- ◆ City of Hollywood
- ◆ City of Key West
- ◆ City of Kissimmee
- ◆ City of Lakeland
- ◆ City of Lubbock
- ◆ City of Margate
- ◆ City of Miami Beach
- ◆ City of Miami Shores
- ◆ City of Miramar
- ◆ City of Naples
- ◆ City of North Miami
- ◆ City of North Miami Beach
- ◆ City of Pinellas Park
- ◆ City of Plantation
- ◆ City of Pompano Beach
- ◆ City of Riviera Beach
- ◆ City of South Miami
- ◆ City of Sparks
- ◆ City of St. Petersburg
- ◆ City of Tamarac
- ◆ City of Thousand Oaks
- ◆ City of Vero Beach
- ◆ Lake County
- ◆ Alachua County
- ◆ Anne Arundel County
- ◆ Baltimore County
- ◆ Bay County
- ◆ Clay County
- ◆ Collier County
- ◆ Leon County
- ◆ Miami-Dade County
- ◆ Montgomery County
- ◆ Orange County
- ◆ Osceola County
- ◆ Palm Beach County
- ◆ Palm Beach County Fire and Rescue Unit
- ◆ Rockingham County
- ◆ St. Louis County
- ◆ Washoe County
- ◆ Town of Palm Beach
- ◆ Collier County Public Schools
- ◆ School Board of Broward County
- ◆ School Board of Dade County
- ◆ Arizona Industrial Commission
- ◆ Hampton Roads Transit
- ◆ Jacksonville Transportation Authority
- ◆ Alterman Trucking Corporation
- ◆ Blue Cross Blue Shield of Florida
- ◆ Broyhill Furniture Industries
- ◆ Burger King Corporation
- ◆ Eaton Corporation
- ◆ Flatley Company
- ◆ Florida Power & Light Corp.
- ◆ Guilford Mills
- ◆ Ikon Office Solutions
- ◆ Navajo Housing Authority
- ◆ Newark Housing Authority
- ◆ Public Services of New Hampshire
- ◆ South FL Water Management District
- ◆ Agrinational Insurance Co.
- ◆ AZ-Mont Insurance Company
- ◆ Blair Int'l Insurance Co. (Cayman Islands)
- ◆ Capital City Insurance Co.
- ◆ CIGNA Property and Casualty
- ◆ HC Insurance Company
- ◆ United Insurance Co. (Cayman Islands)
- ◆ Commonwealth of Pennsylvania - Department of Labor and Industry
- ◆ State of California Insurance Dept.
- ◆ State of Maine Insurance Bureau
- ◆ State of Maine Risk Management Division
- ◆ State of Michigan Insurance Bureau
- ◆ State of Ohio Insurance Department
- ◆ State of Oklahoma Insurance Dept.
- ◆ State of Oregon Insurance Division
- ◆ State of Texas Dept. of Insurance
- ◆ State of Wisconsin Bureau of Risk Mgt.
- ◆ State of Wisconsin Insurance Dept.
- ◆ State of Vermont Insurance Bureau.

References

E *xperience with Self-Insurance Funds for Government Entities.*

The AMI Team has first hand experience in evaluating and assessing loss reserves for governmental entities. AMI has more than sixteen years experience working for self-insurance programs of government entities, particularly in evaluating compliance with GASB 10.

L *Lake County (IL)*

18 N. County Street, 6th Floor
Waukegan, IL 60085
Ms. Elaine Johnson
Assistant Human Resource Director
Tel. (847) 377-2243

- Estimated and certified self-insurance reserves for the last three (3) years. Coverage includes workers' compensation, property and liability.

A *Anne Arundel County (MD)*

P.O. Box 6675
Annapolis, MD 21401
Ms. Donna Goins
Risk Management
Tel. (410) 222-7630

- Estimated and certified self-insurance reserves and future funding requirements for the last six (6) years. Coverage includes workers' compensation, auto liability, and general liability.

C *ity of Baltimore (MD)*

401 E. Fayette Street, Suite 700
Baltimore, MD 21202
Ms. Susan Shawver
Risk Manager

- Estimated and certified self-insurance reserves and future funding requirements for the past two (2) years. Coverages include general liability, automobile liability, workers' compensation, and property liability.

B *altimore County (MD)*

Finance Department
400 Washington Avenue
Townson, MD 21204
Mr. Keith Dorsey
Tel. (410) 887-8494

- Estimated and certified self-insurance reserves and future funding requirements for the last seven (7) years. Coverage includes workers' compensation, auto liability, and general liability.

B *ay County (MI)*

Finance Department
515 Center Avenue, 7th Floor
Bay City, MI 48708
Ms. Susan J. Gansser
Payroll/Benefits Supervisor
Tel. (989) 895-4032

- Estimated and certified self-insurance reserves and future funding requirements for the last thirteen (13) years. Coverages include workers' compensation, sickness and accident, and unemployment compensation benefits.

References

(Continued)

Collier County (FL)

3301 East Tamiami Trail
Naples, FL 33962
Mr. Jeff Walker, CPCU, ARM
Director, Risk Management Department
Tel. (239) 252-8906

- Estimated and certified self-insurance reserves and future funding level requirements for the last ten (10) years. Coverages include workers' compensation, general liability, automobile liability, and property damage.

City of Hollywood (FL)

P.O. Box 229045
Hollywood, FL 33020
Ms. Gail Reinfield
Director, Human Resources
Tel. (954) 921-3218

- Performed an independent analysis of the reserves established by the City, and evaluated the funding needs of the self-insurance program for the past fourteen (14) years, from 1995-2008. Coverages include workers' compensation, general liability, and automobile liability.

School Board of Broward County (FL)

7770 W. Oakland Park Blvd.,
Sunrise, FL 33351-6750
Mr. Jeffrey Moquin
Director, Risk Management
Tel. (754) 321-3201

- Calculated the self-insurance reserves and future funding requirements for the past thirteen (13) years. Coverages include workers' compensation, general liability, automobile liability, property, and crime.

Orange County (FL)

109 E. Church Street, Suite 200
Orlando, Florida 32801
Ms. Susan Martin, ARM-P, CWCP
Senior Risk Management Analyst
Tel. (407) 836-9639

- Calculated the self-insurance reserves and future funding requirements for the past seven (7) years, from 2002-2008. Coverages include workers' compensation, general liability and automobile liability.

City of Pompano Beach (FL)

100 West Atlantic Blvd., Suite 219
Pompano Beach, FL 33061
Mr. Eddie Beecher
Risk Manager
Tel. (954) 786-4628

- Evaluated the funding needs of the City's self-insurance program for the past thirteen (13) years, from 1996-2008. Coverages include workers' compensation, general liability, and automobile liability.

Citations

E *xperience with various State Funds.*

C *alifornia Department of Insurance - State Compensation Insurance Fund*

- Performed the actuarial analysis of the financial condition of the State Compensation Insurance Fund as of December 31, 1996 and 1999-2006 in conjunction with the full scope financial examination by the California Department of Insurance.

S *tate of Maine Workers' Compensation Self-Insurance Fund*

- Performed the actuarial analysis of the financial condition of the Fund as of June 30, 2001/2003/2005. Recommended funding and rates based on the soundness of the financial condition of the self-insurance program.

S *tate of Maine Liability Self-Insurance Fund*

- Performed the actuarial analysis of the financial condition of the Fund as of June 30, 2001 and 2003. Recommended funding and rates based on the soundness of the financial condition of the self-insurance program.

T *exas Subsequent Injury Fund*

- In 2001, completed just recently an actuarial review of the Fund for the purpose of analyzing its long term solvency & in evaluating future funding requirements.

S *tate Accident Insurance Fund (Oregon)*

- Completed the actuarial analysis on behalf of the Oregon Insurance Department.

P *ennsylvania, Workers' Compensation*

Security Fund and Catastrophe Loss Benefit Continuation Fund

- Worked as a subcontractor of William Mercer Inc. in performing the loss reserves evaluation for Pennsylvania Catastrophic Loss Benefit Continuation Fund and the Worker's Compensation Security Fund in 1997 through 2002.

A *rizona Industrial Commission Special*

Workers' Compensation Fund

- Performed actuarial analysis of the financial condition of the State Special Workers' Compensation Fund for the last nine years.

S *tate of Wisconsin Self-Insurance Program*

- Performed actuarial analysis of the financial condition of the State's Self-Insurance Program from 1999 to 2004.

P *ennsylvania Department of Labor and Industry - State Workmen's Insurance Fund*

- Performed the actuarial analysis of the financial condition of the State Workmen's Insurance Fund as of December 31, 1995.

Citations

(Continued)

E *xperience with Governmental Self-Insurance Programs*

N *avajo Housing Authority (AZ)*

- Estimated and certified the Housing Authority's self-insurance reserves and future funding requirements since 1998. Coverages include workers' compensation, general liability, automobile liability, and auto physical damage.

A *nne Arundel County (MD)*

- Estimated and certified self-insurance reserves and future funding requirements for the last six (6) years. Coverage include workers' compensation, auto liability, and general liability.

B *altimore County (MD)*

- Estimated and certified self-insurance reserves and future funding requirements for the last seven (7) years. Coverage include workers' compensation, auto liability, and general liability.

C *ity of Hollywood (FL)*

- Performed an independent analysis of the reserves established by the City, and evaluated the funding needs of the self-insurance program for the past eight (8) years. Coverages include workers' compensation, general liability, and automobile liability.

C *ity of Pompano Beach (FL)*

- Evaluated the funding needs of the City's self-insurance program for the past twelve (12) years. Coverages include workers' compensation, general liability, automobile liability.

C *ity of North Miami Beach (FL)*

- Evaluated the funding needs of the City's self-insurance program for the past twelve (12) years. Coverages include: workers' compensation, general liability, automobile liability.

C *ity of Key West (FL)*

- Estimated and certified self-insurance reserves and future funding level requirements for the past ten (10) years. Coverages include workers' compensation, general liability, auto liability, property, and public officials liability.

C *ollier County (FL)*

- Estimated and certified self-insurance reserves and future funding level requirements for the last eleven (11) years. Coverages include workers' compensation, general liability, automobile liability, and property damage.

M *iami-Dade County (FL)*

- Estimated and certified self-insurance reserves and future funding requirements from 1999-2002. Coverages include workers' compensation, general liability, and auto liability for at least 8 major departments of the County.

Citations

(Continued)

School Board of Dade County (FL)

- Calculated the self-insurance reserves and future funding requirements. Coverages include workers' compensation, general liability, automobile liability.

Collier County Public Schools (FL)

- Estimated and certified self-insurance reserves and future funding level requirements for workers' compensation for the past eleven (11) years.

Rockingham County (NH)

- Reviewed the County's Self-Insured Workers' Compensation Fund and Self-Insured Health Fund.

Palm Beach County (FL)

- Estimated and certified self-insurance reserves from 1997 to 2003. Coverages include workers' compensation, general liability, automobile liability, public officials liability and police liability.

Leon County (FL)

- Estimated and certified self-insurance reserves and future funding level requirements for the last six (6) years. Coverages include workers' compensation, general liability, and automobile liability.

City of Miami Beach (FL)

- Estimated and certified self-insurance reserves from 1994 to 2003. Coverages include workers' compensation, general liability, automobile liability, public officials liability and police liability.

City of Coral Springs

- Calculated the self-insurance reserves and future funding requirements in 2003 and 2005. Coverages include workers' compensation, general liability, and automobile liability.

City of St. Petersburg

- Calculated the self-insurance reserves and future funding requirements for the past nine (9) years. Coverages include workers' compensation, general liability, and automobile liability.

City of Gainesville (FL)

- Estimated and certified self-insurance reserves and future funding level requirements.

City of Vero Beach (FL)

- Estimated and certified self-insurance reserves and future funding level requirements. Coverages include workers' compensation, general liability, automobile liability and auto physical damage.
- Performed Risk Cost Allocation Study.

Town of Palm Beach (FL)

- Actuarial Review of the Town's Self-Insurance Fund for the past nine (9) years.

Your Concerns And Objectives

The City is requesting proposals from qualified firms for actuarial services related to its self-insurance programs for its on-the-job injuries, automobile liability, and general liability claims for fiscal years beginning October 1, 1998 to the most recent years.

The actuarial evaluations are to be conducted and reported to assure consistency and compliance with Governmental Accounting Standards Board Statement No. 10 (GASB10).

Background

The City government has a full-time risk management staff that oversees its self-insurance and commercial insurance program, claims administration, safety, and contract review. The City employs approximately 1610 full and part-time personnel with an annual payroll in excess of \$132 million, of which 115 Airport employees with annual payroll of approximately \$6.3 million participate only in the self insured Worker's Compensation program, but not in the liability program.

The City retains a variety of risks through its various departments in their service delivery, including the Police, Fire, Recreation, Engineering, Library, Wastewater Treatment, Affordable Housing, Planning and Zoning, Build Inspections, and municipal operations. The City government is subject to Idaho Code Title 6 Section 9 relative to governmental tort liability limits. Current limits are \$500,000 combined single limit.

Specific Services to be Provided

A MI will prepare the following services from the data provided by the City for its workers' compensation, auto liability, and general liability claims for fiscal years beginning October 1, 1998 to the most recent year.

- We will evaluate the loss experience of each of the coverages, Workers' Compensation, and General Liability (including auto liability and law enforcement liability claims), for fiscal years beginning on October 1 and ending on September 30.
- We will apply the appropriate actuarial methods for the provided information and supplement the analysis with industry loss data (preferably other governmental entities), if needed.
- We will estimate the needed loss and loss adjustment expense reserves separately for each of the aforementioned coverages. This process will include a review of the adequacy of the program's reserves for current and prior year's losses; estimated liabilities and funding recommendations, as well as degrees of variance; undiscounted and discounted values (reflecting future investment earnings, including interest assumptions, and inflation factors), as well as incurred and incurred but not reported claims for the ultimate loss estimate for reserving purposes; analysis of case reserve development; recommended funding for the ensuing fiscal year for \$250,000, \$400,000, \$450,000, \$500,000, \$1,000,000 and unlimited self-insured retention levels where each level is shown at expected (50%), 70%, 80%, and 90% confidence levels.
- We will provide on-going support throughout the project via discussions, consultations, visits, etc. with the City Risk Management staff, and the selected firm's designated staff relating to the City's self-insurance program as defined in this request for proposal.
- We will provide a detailed annual actuarial report supporting the analysis and conclusions. The report will explain in laymen's terms the actuarial methods used in the analysis and the process used to calculate the needed reserves. This will include exhibits, separately and in total, for each of the coverages, documenting the analysis and arriving at the City's annual estimated ultimate loss figure for all coverages and periods. This will also provide an evaluation of the existing risk financing program/techniques and make any recommendations that are appropriate for improvement.

Specific Services to be Provided

(Continued)

- We will provide a cursory review of mid-year results to the City to assist in budgetary preparations and projections.
- We will assist the City in ensuring that liabilities for unpaid claims related to the self-insurance program as well as any other aspects of program are consistent with and in compliance with GASB 10 requirements as necessary.
- We will provide the City with a preliminary draft of the actuarial report within thirty working days after receiving the City's loss experience data. We will issue the final report within five working days after the City notifies its approval of the report.
- We will provide other services as requested by the City, on a negotiable basis.

Optional Services to be Provided

A MI can provide a number of optional products and services at the City's request:

- Evaluation of a proposed expansion of the Fund's exposure base which may either be coverage for agencies not presently covered or new insurance lines.
- Claim file audits and a review of case reserve practices.
- Development of an insurance cost allocation plan by participating department, agency, commission, and/or authority.
- Review of the City's property insurance program, including projecting losses at alternative deductibles.
- Evaluate the City's commercial insurance portfolio.
- Assist in developing bid specifications, control of market allocation, and in the analytical review of proposals.

These services are not required to perform the specific services mentioned in the preceding pages. These are being offered to the City on an as-needed basis during the contract period. Pricing for services will be agreed upon based on the services and times required per request.

Tasks

Will perform the following tasks separately by coverage for the actuarial analysis as of September 30, 2010 using loss information valued as of September 30, 2009. We will follow the same tasks for the succeeding annual actuarial studies.

- I. We will first gain perspective and gather data so we can make better judgments regarding the appropriate methods and assumptions. Specifically, we will:
 - a. Update our knowledge and understanding of the following, whichever are appropriate:
 - background and organization
 - self-insurance structure
 - claims and case reserving approach/philosophy of the City
 - excess insurance structure
 - systems and reinsurance accounting
 - external environmental factors that affect unpaid liabilities.
 - trends in type and number of claims
 - prior actuarial reports.

Because we believe the claims environment, processing approach and philosophy for the City could be unique, we will make every effort to apply a “tailor-made” approach. We can only achieve this by taking the time to understand and gain perspective.

AMI is a different company. We offer value! We don't just review reserves for reasonableness, we offer suggestions on how to improve the claims administration and risk management process based on observations made during the course of the engagement.

- b. Gather the necessary information from the City. We will review data received for overall reasonableness. We will also gather available information from external sources.

Tasks

(Continued)

II. We will estimate the City's funding levels to comply with GASB10 requirements as of September 30, 2010. Specifically, we will:

a. Estimate unpaid liabilities, prior to considering future investment income and margins for adverse deviations (*undiscounted*). We will estimate *total ultimate incurred losses* by fiscal accident year using the following methods:

- Incurred Loss Development Approach
- Paid Loss Development Approach
- Bornhuetter-Ferguson Incurred Loss Approach
- Bornhuetter-Ferguson Paid Loss Approach
- Loss Rate Approach

Each actuarial method has unique strengths and weaknesses. By using several methods, we draw on each method's strengths and minimize the effect of its weaknesses. The Incurred Loss Development Approach is ideal if there is no change in case reserving procedures. Meanwhile the Paid Loss Development Approach is ideal if there is no change in claims paying approach and/or philosophy. The Bornhuetter-Ferguson Incurred Loss Approach and the Bornhuetter-Ferguson Paid Loss Approach assume the unreported and unpaid losses, respectively, will emerge in accordance with Expected Losses. The Loss Rate Approach is ideal for accident years that are relatively new.

A key element in implementing these methods is what loss development factors to use. In calculating loss development factors, we will rely on the City's historical loss development experience. We will make every effort to reflect the uniqueness of the City's claims, its claims approach and philosophy in our calculations. We will also give appropriate consideration to changes in exposures, retentions, statutory benefits, immunity limits and loss trend.

- b. Estimate the loss reserves by subtracting cumulative paid losses from ultimate losses.
- c. Estimate the expected future investment income that will be earned by the assets backing the unpaid liability reserves before they are used up to settle claims. We will accomplish this by estimating the present value of future cash flows.
- d. Estimate the margins necessary to deal with the uncertainty in estimating unpaid liabilities (margins for adverse deviation). To accomplish this, we will run Monte Carlo simulations to estimate the margins at the expected payment level (50%), 70%, 80% and 90% confidence levels.
- e. Estimate the funding requirements at the expected (50%), 70%, 80%, and 90% confidence levels.

Tasks

(Continued)

III. We will estimate future funding requirements for the ensuing fiscal year 2010/2011. Specifically, we will:

- a. Trend historical ultimate losses to estimate projected ultimate losses for the ensuing fiscal year.
- b. Estimate future investment income and margins for adverse deviation.
- c. Estimate funding requirements for prospective years at the expected, 70%, 80% and 90% confidence levels.

IV. We will prepare a draft report within thirty working days after receiving the City's loss experience data. Our draft report will describe the results of our calculations and the methods and assumptions we used. ***The report will provide estimates and the rationale for funding to meet GASB10 requirements.*** Content and style of our report will be specific for insurance technicians and clear enough for laymen. We recognize that our audiences are not actuaries.

The report will contain at least the following:

- summary of conclusions and recommendations,
- several sections showing the analysis details,
- basic rationale for the specific recommendations being made
- charts and graphs supporting conclusions and recommendations
- exhibits containing claim data and patterns; and
- a glossary.

The report will follow the form of prior year's report so that continuity is maintained.

Tasks

(Continued)

V. Peer Review Process

We strongly believe in the benefits of a peer review process. A peer review usually results in a better work product. A second opinion may identify new perspective, clarify issues, disclose or change questionable assumptions. Consequently, we have included a peer reviewer in all our engagements.

For this engagement, Mr. Bob Ingco, FCAS, will perform the peer review. He will check the appropriateness of the methods, assumptions and selections we will use in our calculations. He will spend time with us in the beginning and at the end of the engagement. At the beginning of the engagement, we will discuss with him the approach and assumptions we plan to use, in order to solicit his comments and suggestions on our overall direction. At the end of the engagement, he will review our draft report.

VI. We will submit and discuss the draft report with the City to solicit comments and suggestions.

VII. We will submit the final report to the City within five working days after the City gives its approval. The report will reflect the results of our discussions with the City regarding the draft report.

Our report will describe the methods and assumptions used to reach our conclusions. Content and style will be specific for insurance technicians and clear enough for laymen. We recognize that our audiences are not actuaries.

AMI's Unique Approach

Our actuarial approach, which is described in the Task, is unique because of the following:

1. We have significant experience in performing loss reserves analysis for municipalities, consequently, we understand the uniqueness of the City's claim environment. In performing the evaluation for the City, we will also consider the uniqueness of the City's claim exposures, claims administration approach and philosophy, when appropriate.

We will accomplish this, if possible, by using development factors and projection factors that are based entirely on the City's historical loss development experience, if available. Furthermore, we will enhance this statistical process *by taking the time to understand the City and gain perspective through the approach we have described in our Tasks.*

In developing the City's historical experience, we will consider the historical changes in claims approach and philosophy over time.

2. Because projected payout expectations involve a forecast of the future, it is subject to *volatility and uncertainty*. To reduce volatility, we will incorporate the following:

- Refrain from using the Loss Development Approach when projecting claims that have less than one year of development. The Loss Development Approach Estimates are too volatile for accident year claims less than a year old.
- Use at least four different approaches as basis for the selected estimates. Include the Bornhuetter-Ferguson Approaches, since they tend to stabilize results.
- Perform a fluctuation analysis. Determine whether significant changes in estimates are reasonable or whether they are distorted. For example, the most recent estimate of ultimate losses might have increased because of distortions caused by a sudden acceleration in claims payment pattern or an immediate settlement of a large claim. If this is the case, the approach and/or factors might have to be decreased, thereby reducing the estimates and the fluctuation.

Use of Confidence Levels

Actuarial calculations of loss reserves normally produce an “expected” reserve estimate. This is also sometimes referred to as a “best guess” or “point” estimate. Because claims do not always cost what you expect, it is not at all uncommon to add a safety margin to the expected loss reserve estimate. When a margin is added it, is said to increase the **confidence level** of the reserve, since it is now more likely that the reserve will be adequate to cover all future payments.

Although the expected reserve alone with no margin added is sufficient to meet the GASB 10 requirement for public entity self-insurance program accounting, many entities choose to book reserves with confidence levels of 70% - 90%. A reserve with a 75% confidence level, for example, has a 75% likelihood of being adequate.

The size of the margin needed to produce a specific confidence level varies by coverage and retention. Generally, the more unpredictable the losses, the higher the margin needed. Consequently, liability coverages and high retentions tend to require bigger margins than workers’ compensation and small retentions. The margin itself can be calculated using simulation software and observed characteristics of public entity claims.

AMI usually calculates indicated reserves, discounted and undiscounted, at both the expected and higher confidence levels (e.g. 70%, 80%, 90%). It is then up to the City or other public entity to select the reserve level with which they are comfortable.

Data Requirements & Project Timing

Data Requirements

To start the engagement, we will require assistance from the Risk Management Office of the City in gathering the following information:

- Updated information on the City, with special emphasis on their background and organization, its self-insurance structure, claims and case reserving approach, excess insurance structure, systems and accounting, and the external environmental factors that affect unpaid liabilities.
- Cumulative incurred losses, paid losses and number of claims as of September 30, 2009. We require this information *by accident year and by coverage*.
- Loss exposure information, *by fiscal accident year and by type of coverage*, for fiscal year ending September 30, 2009. Specifically, we will use the following:
 - ❖ Full Time Employees (FTEs) for Liability
 - ❖ Payroll for the Workers' Compensation
- Projected exposures in the same basis we have previously described.
- Data on all claims with payouts in excess of \$50,000, by *accident year*.
- Other information that the City thinks are relevant to the actuarial services to be performed.

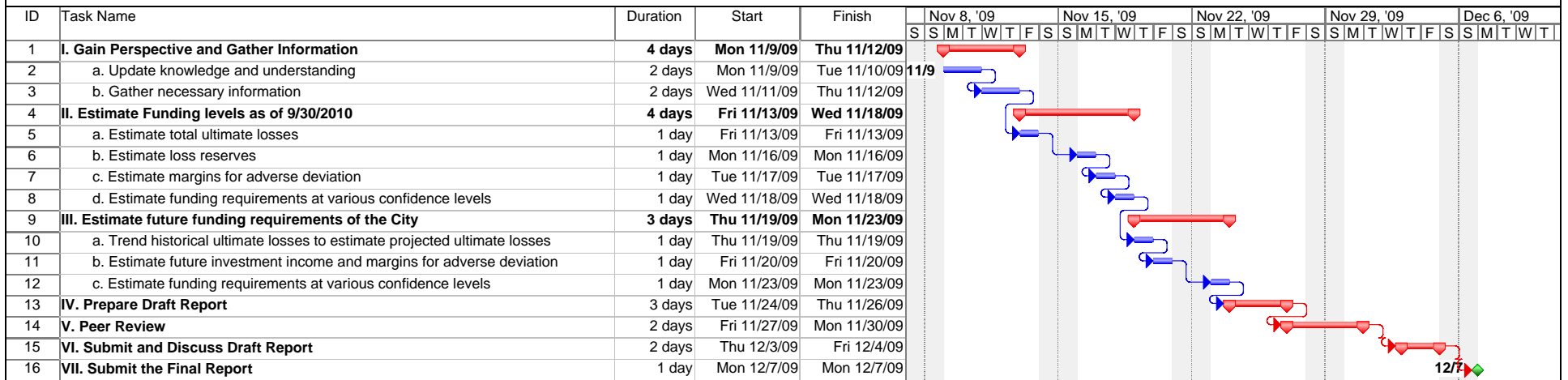
Project Timing

AMI is ready to provide actuarial consulting services as soon as the service agreement with the City is signed.

Assuming no delays in delivering our data requirements, we can adhere to the following schedule:

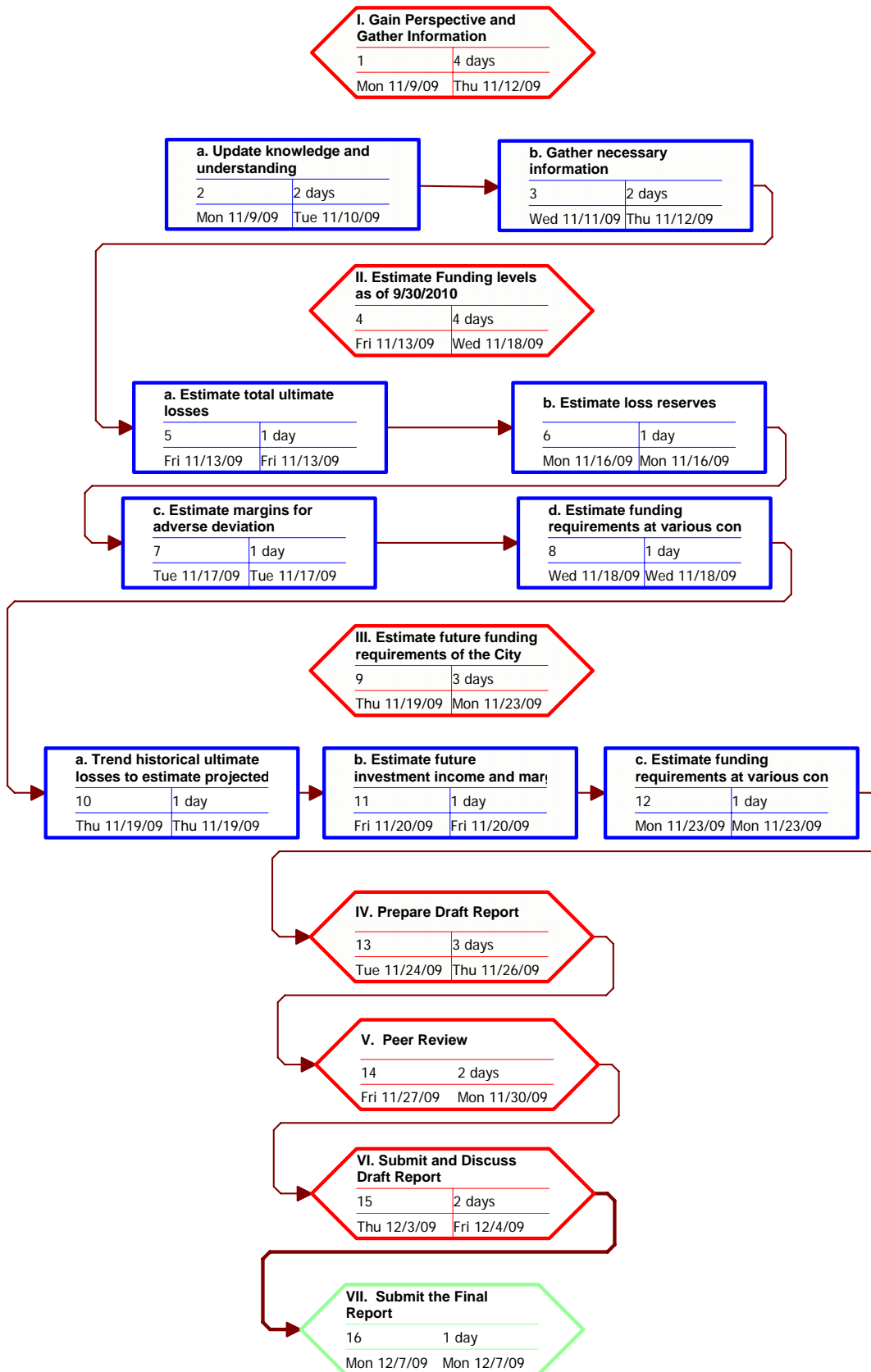
- Preliminary draft of the actuarial report within thirty working days after receiving the City's loss experience data.
- Final report within five working days after the City notifies its approval of the report.

Gantt Chart for the Tasks for the Actuarial Services for the City of ABC



Task Milestone Summary

*Pert Chart for the Tasks for the Actuarial Services for the
City of ABC*



Foundation for Future Actuarial Audits

To provide a foundation for any actuarial audits in the future, AMI will include the following information in our detailed actuarial report:

- A summary of the underlying coverage limits and retention of each self-insured program
- A description of the actuarial methods employed in our actuarial study
- A summary of the assumptions underlying all work we performed
- Loss development triangles by line of coverage for incurred losses and paid losses
- Exhibits supporting the calculations of loss development factors, ultimate loss costs, and the required reserves.

These information will help Actuaries conducting actuarial audits in the future by just updating some of the data instead of starting from scratch.

Minority Business Enterprise

Minority Business Enterprise

AMI is a certified Minority/Women Business Enterprise (M/WBE) in various states and municipalities in the United States.

By engaging AMI, the City might achieve its M/WBE goals, if it has one.



AMI is unusual. By federal and state standards, the owners and all employees of the firm are either women or minorities.



Cost of Services

Professional Fees

To perform the actuarial services described in this proposal, AMI will bill the City a ***total annual fixed fee*** (“***not to exceed*” cost) of \$6,000 including out of pocket expenses.**

The following is our schedule of ***hourly rates*** for the optional services offered:

	<i>Hourly Rate</i>
<i>Project Director/Peer Reviewer</i> Bob Ingco, FCAS	\$ 200
<i>Technical Manager</i> Gail Flannery, FCAS	\$ 200
<i>Consulting Actuary</i> Cris Dorado, ACAS, Ph.D.	\$ 150
<i>Actuarial Assistants</i>	\$ 90
<i>Clerical Staff</i>	\$ 30

We have discounted our fees significantly to show our sincere desire to continue our business relationship with the City.

Our objective is to render prompt and responsive service at a reasonable fee. We make every effort to keep fees at a minimum through careful planning, control of time, and coordination of efforts.