

Alabama Department of Insurance

ANSWERS TO QUESTIONS REGARDING THE REQUEST FOR PROPOSALS for Hurricane Model Loss Estimates

1. Does the scope of work include hurricanes only, or shall other windstorms, such as tornadoes, violent thunderstorms, etc. be also included?

All windstorms should be included.

2. Results are to be reported by personal, commercial residential, and commercial non- residential. Does the DOI desire to have mobile homes included in personal or shall results be reported separately for mobile homes? Are the full range of building occupancies to be considered or only residential and commercial occupancies? Should we assume that this deliverable is intended to include only personal (residential housing)?

Include mobile homes in Personal. The full range of occupancies would be helpful, but we want personal residences, commercial residential, commercial non-residential, and other categories shown separately and combined.

- a) What are your definitions of personal, commercial residential and commercial non-residential? Should we assume personal is residential housing, commercial residential is multi-family apartments and commercial non-residential are general commercial occupancies?

Correct. Commercial residential would include condo buildings (common areas), but not the interior of the individual units.

- b) Can you please identify the granularity level at which you require this information, for example, by zip code, county and statewide?

Paragraph 2.2.3 of the RFP requests results by zip code, county and statewide.

- c) The RFP suggests results are to be presented separately for residential, commercial residential and commercial non-residential. Can you please confirm this?

Yes, separately and combined.

3. Ownership, Licenses- Section 3.46 states that title, ownership, and licenses will be conveyed to the State of Alabama. We will be using proprietary software developed for the insurance industry and providing results per this RFP via report. Please clarify the DOI intent to limit such

conveyance to the material presented in the report, and not to the underlying software used to prepare the results.

This section only refers to material presented in the report.

4. What is the reason for this project and the use of the results of the study? Are the results of the hurricane model loss estimates intended to inform reinsurance purchases or assist in the decision to put an alternative credit structure in place?

Primarily, the results are to assist in evaluating what reinsurance options would be available on a large scale basis if necessary. The secondary benefit would be to determine the value of the State developing loss mitigation assistance programs. The State is reviewing options to improve affordability and availability of coastal property insurance and believes it needs a better understanding of the total wind exposure in the state in order to evaluate the benefits of different options. The desired outcomes are described in Paragraph 2.2 of the RFP. We are not trying to validate any existing rates, but to have a better understanding of the total exposures in the state and the benefits derived from installing loss mitigation improvements.

- a) Will such data be used to evaluate insurance rate filings?

At this point in time, we do not anticipate using the results to evaluate rate filings.

- b) What does the state of Alabama view as its key insurance challenges? Affordability, Pricing, Implementation of Building Codes, Retrofitting, Mitigation, etc.?

Primarily affordability of coastal property insurance, but also availability, and the ability to encourage retrofitting and the building of fortified structures.

- c) Can you explain in detail what the Alabama DOI intends to do with the information relative to mitigation improvements? What actions could the Alabama DOI take once the results are received relative to mitigation improvements?

Alabama DOI could possibly work with the State legislature to consider programs to encourage loss mitigation improvements by consumers.

- d) What is the range of actions that could be taken as a result of the deliverables of the RFP?

This will be determined based on the results. It is premature to determine the course of action at this time.

- e) Once the initial deliverable is completed and presented, what is the ongoing obligation of the Respondent? How often does the state envision receiving the hurricane model loss estimates and reports?

There is no ongoing obligation anticipated at this time. The Alabama Department of Insurance envisions receiving hurricane model loss estimates and reports once.

5. Hours- Section 3.28 suggests that DOI may require on-site delivery. We are presuming that if contractor staff must be present at selected times, we can deliver results with support from computers located in our offices and not having such computing arrangements in the DOI offices?

Correct. In addition, the Alabama Department of Insurance does not anticipate significant work done onsite.

6. In reference to item 2.2.6 of the RFP, will US Census level data on property values, occupancy, building types and quality of construction be considered appropriate and sufficient? Does the DOI expect the successful applicant to use insurance policy databases rather than Census level data?

We request the Respondent to utilize the best data available for this project. If there is an appreciable difference in your quote based on the level of data utilized, you may wish to provide a quote for each level of data.

- a) We understand that the ADOI will not provide property information. Is the ADOI aware of whether this information is publicly available or from purchase? Has the ADOI used similar data before?

We are not aware of what data is available.

7. In reference to item 2.2.8 of the RFP, is it expected that the sample model reports will contain any actual modeling data for the subject project, and will the proposal receive beneficial consideration if it does?

The sample reports should show typical types of results requested in this RFP, but the sample does not have to contain Alabama data.

8. Will the proposal receive beneficial consideration if the project team includes certified small business enterprises?

We are unclear as to what this question means.

9. The work appears to be significant. The time available to prepare the proposal is relatively limited. But, the work schedule requires completion on March, 2010. Is there a particular event that is requiring the ADOI to accelerate its typical RFP schedule? What is the latest completion date that the State is expecting for the final report?

We are flexible on dates, but would prefer results within 60-90 days of contract approval. The initial phase of this project should be completed in March or April, 2009. There may be follow-up work requested later, hence the contract termination date of March, 2010. Having an expiration date of March, 2010 permits the contract to carry over to our next fiscal budget year if advantageous to do so.

10. Has this work or similar work be done in the last ten years? If yes, by who?

This work has not been done previously.

11. Will the responses to the RFP be made public?

We respectfully decline to provide a copy of proposals submitted by other bidders.

12. Will the Alabama DOI (Department of Insurance) use any outside third-parties when reviewing the RFP responses?

No.

13. Will there be an evaluation of the mitigation credits in a separate contract?

No, such evaluation would be included in this contract.

14. Will the hurricane model loss estimates be made public?

We do not anticipate making the model loss estimates public at this point in time.

15. Can you please identify the specific information you would like in the reports beyond the information identified in Sections 1.1. – 1.5?

Paragraph 2.2 of the RFP identifies all of the information desired.

16. Section 2.2.1.

a) Should loss amplification be considered in the analysis?

Paragraph 2.2.1 of the RFP indicates we would like the results to both include and exclude storm surge.

b) The RFP requests near-term and long-term views. Respondent has two views of risk - Long term (Historical record) and Medium term (next 5 years). Is this acceptable?

Yes.

c) Are you only concerned with losses to the Structure or should we also include Contents and Business Interruption?

Please include Contents and Business Interruption.

17. Section 2.2.2.

a) When modeling deductibles can we make the assumption that these are site deductibles?

Yes.

b) Are the deductibles outlined applicable to Business Interruption and Additional Living Expenses or just the Structure and Contents?

Deductibles apply to all coverage payments in aggregate, though the deductible amount is obviously calculated on the structure limit only.

18. Can you please explain what additional services the Respondent is expected to provide?

The Respondent is welcome to include what additional services they are capable of providing, along with the accompanying fee. If the additional services are optional, please indicate so, and indicate the fee both with and without such services. The results of this project could lead to development of state legislation, in which case Respondent's participation in the development of such legislation may be beneficial.

19. Section 2.8 – This section states that all Intellectual Property ownership in the final deliverables resides with the Alabama DOI. If Respondent is asked to provide additional testimony and materials to support the deliverables that is Respondent's intellectual property, this information should not be considered the Intellectual Property of the Alabama DOI. Please confirm.

Confirmed.

20. What is the process for filing disputes with the Board of Adjustment of Alabama and are there regulations which allow these types of contracts to be submitting to arbitration for dispute resolution?

Section 41-9-62 of the Code of Alabama sets out the jurisdiction of the Board of Adjustment. Among the types of claims over which the Board has jurisdiction are claims "arising out of any contract, express or implied, to which the State of Alabama or any of its agencies, commissions, boards, institutions or departments are parties." The process for filing disputes is outlined clearly on the Board of Adjustment website: <http://bdadj.alabama.gov/Default.aspx>.

21. Why do the confidentiality obligations only protect disclosures by Alabama and not the respondent/contractor?

The contracts currently in use are substantially similar to those included with the RFP.

22. Are there exceptions to public records laws in Alabama that protect confidential information of respondents, including any testimony that may contain trade secret information? If so, do they apply to the Alabama DOI?

We respectfully decline to provide confidential/trade secret information of respondents.

23. The contract provides no indemnification for respondent. Is this due to regulations limiting the liability of state agencies like the Alabama DOI? If so, can you provide these regulations and statutes?

Under Article 1, § 14, Alabama Constitution of 1901, the State of Alabama "shall never be made a defendant in any court of law or equity." Those dealing with the state are charged with knowledge of this immunity.