

STATE OF MARYLAND

OFFICE OF THE STATE TREASURER

**Louis L. Goldstein Treasury Building
80 Calvert Street, Room 109
Annapolis, Maryland 21401**

QUESTIONS AND ANSWERS

FOR

BROKER SERVICES FOR

PROPERTY/PACKAGE INSURANCE COVERAGES

RFP # PROP/PKG-07292008

**Questions and Answers for Broker Services
for Property/Package Insurance Coverages
RFP # PROP-07292008**

August 15, 2008

Q-1. Who is the current broker/brokers on these placements and what are the current broker fees on each placement?

A-1.

RFP for Broker Services for Property/Package Insurance Coverages		
<u>Coverage</u>	<u>Current Broker</u>	<u>Current Annual Broker Fee</u>
Excess Property	Aon	\$ 80,000
Terrorism/Ex Property	Aon	None (incl. in Excess Property)
CBNR/Ex Property	Aon	None (incl. in Excess Property)
Electronic Data Processing	Aon	\$ 4,500
Boiler/Machinery	Aon	\$20,000
MdTA- Bridges & Tunnels Property	Aon	\$35,000

Q-2. Who are the “stakeholders” for this placement? Will they assist in the evaluation of both the written and oral presentations?

A-2. The identity of members of the Evaluation Committee is not disclosed.

Q-3. Broker fees- After contract award on or about 9/8/2008, can the successful broker bill the State for its entire broker fee and expect to be paid within 30 days?

A-3. No. Broker fees are not pre-paid. Broker fees will be invoiced when the corresponding premium for each policy that is ordered and bound, is invoiced.

Q-4. Page 11 of the RFP states current retention is \$2.5m however the structure outline states Lexington is excess \$5m. Please clarify.

A-4. The Lexington layer is excess of \$2.5 million. SIR.

Q-5. What is the current premium for each property placement (Blanket Excess Property, Terrorism, CBNR, EDP, Boiler & Machinery, & Bridges/Tunnels)

A-5.

RFP for Broker Services for Property/Package Insurance Coverages		
<u>Coverage</u>	<u>Current Premium</u>	<u>Effective</u>
Excess Property	\$3,377,533	4-1-2008/09
Terrorism/Ex Property	\$ 342,464	10-13-2007/08
CBNR/Ex Property	\$ 50,000	10-13-2007/08
Electronic Data Processing	\$ 214,135	10-25-2008/09
Boiler/Machinery	\$ 235,954	9-30-2008/09
MdTA- Bridges & Tunnels Property	\$2,972,213	12-1-2007/08

Q-6. What are the Total Insured values for Bridges/Tunnels?

A-6. Property value is \$3,814,911,000 and Use and Occupancy values are \$441,357,500 for a Total Insured Value of \$4,256,268,500.

Q-7. Please provide an idea of annual or projected new construction activity.

A-7. The State's Capital Improvement Plan anticipates investing approximately \$500 million per year for the next 5 years for State-owned facilities.

Q-8. Who adjusts claims under retention?

A-8. The State Treasurer's Office claims adjusters handle claims under the retention.

Q-9. Is there a Named Storm or Wind deductible?

A-9. There is no named storm deductible. The current excess property wind deductible is 2% of the total insured value at each location subject to a minimum of \$2.5 million for any one occurrence for locations in Florida and other Tier 1 counties.

Q-10. Please clarify what type of loss Isabel was (wind or flood). How did the deductible apply? What kind of values were associated with the loss?

A-10. The State of Maryland sustained wind and flood damage from Isabel. The State Treasurer's Office claims department apportioned the \$2.5 million aggregated based on the agencies percentage of the loss. The damage sustained to State owned property was approximately \$17,000,000.

Q-11. What type of Risk Control services do you require on annual basis? Can you provide a summary of services completed in the past 2 years?

A-11. The State is looking for proposals of services that the broker would provide in the future. A summary of risk control services completed in the past is not available.

Q-12. Can the fee for Category A be all inclusive of all placements in that category or do we need to specifically detail fee for each placement?

A-12. Appendix A-1 Price Proposal must show a broker fee for all 5 coverages in order to be considered for award of this contract.

Q-13. As a publicly traded corporation our annual report and SEC filings are readily available on our website and the internet therefore do we still need to provide 6 copies of our annual report?

A-13. Offerors must provide one hard copy of their firm's annual report along with the applicable website address.

Q-14. Can we obtain a list of Premiums and Brokerage Commissions by Policy.

A-14. Policy premiums are shown above. The only broker compensation allowed under the Broker Service RFP is a broker fee, and the current broker fees are shown above. Broker commissions are not allowed.

Q-15. Will we be able to obtain detailed exposure break down between major agencies (Higher Ed, Administration, Courts etc)

A-15. Yes, we will provide the awarded broker a property schedule (building, contents and electronic data processing equipment) by State agency.

Q-16. Clarify if this program is responsible for any State Museums and associated Fine Arts, Valuable Papers (historical in nature).

A-16. Yes, the State owns museums and their contents, including valuable papers. However, the commercial excess property policy values reported in the RFP are for the building and standard contents only. That is because the State self-insures its owned fine arts. With respect to valuable papers, the current excess property policy covers valuable papers up to a sublimit of 10 million.

Q-17. How/who administers the current program Retentions?

A-17. In the event of an excess property loss, the claims department will keep track of the retention, coordinating with the commercial carrier. The same applies for the bridges and tunnels property retention.

Q-18. Does each agency have an internal deductible paid for by the Dept of Risk Management up to the insurance deductible.

A-18. Yes, the State Finance and Procurement Article §9-107(c) provides that the first \$1000 of value of each loss, damage, or liability occurrence of a unit shall be paid from its appropriations in the State budget. Payments made between the \$1,000 agency deductible and the commercial policy deductible are self-insured, with reimbursements coming from the State Insurance Trust Fund, and later being reflected in the agency's self insurance premiums.

Q-19. Who is the current broker and how long have they been the broker for the property coverages?

A-19. The current broker is shown above, and the last property/package contract award was made in 2003.

Q-20. Is there an MBE participating on the current contract?

A-20. Yes.

Q-21. If yes to #20, who is providing this service, what % of the contract is being met by the MBE and what is their scope of service?

A-21. The MBE goal for the current contract is 30%. Subcontracting services are currently being provided by D. H. Lloyd and Associates and MFL Technologies.

- Q-22. Page 8 Introduction (section 3.01) – last sentence, first paragraph “Related coverages and services may be added at any time during the contract period”. Please explain what coverages or services could be envisioned and whether there would be additional compensation as a result of these services.
- A-22. There are no known additions to coverage at this time. Compensation would occur as a result of any additional coverages/services.
- Q-23. Are the losses shown excess of your retention or are these gross losses?
- A-23. The losses shown are from the commercial policy loss runs for the specific coverages indicated. They do not include self-insured losses under the retention.
- Q-24. Please provide the SIR and aggregates for the past 5 years if they differ from the \$2.5 M occurrence / \$10 M aggregate currently in place and if the wind, earthquake and flood deductibles differ.
- A-24. The excess property SIR has been \$2.5 million with a \$10 million aggregate for the past five years, including flood and earthquake. The current wind deductible exception became effective April 1, 2007.
- Q-25. Please confirm if the annual fee can be adjusted for cost-of-living increases or the CPI index or if the annual fee is firm throughout the length of the contract.
- A-25. Broker fees are not adjusted for cost-of-living or the CPI index. Broker fees may only be adjusted if the scope of work changes.