City of Jacksonville, Florida

ONE CITY. ONE JACKSONVILLE.

Lenny Curry, Mayor
Division of Insurance and Risk Management
117 West Duval Street
Suite 335
Jacksonville, FL 32202
(904) 630-7521
www.coj.net

MEMORANDUM

August 1, 2018

TO: Gregory Pease, Chairman
Professional Services Evaluation Committee

FROM: Twane Duckworth, Chief
Finance and Administration Department/Risk Management Division

Bibinia Centeno, Manager, Finance & Administrative
Finance and Administration Department/Risk Management Division

Subject: Fee and Contract Negotiation Report Letter for P-18-18 Casualty Actuarial Services

---

The Risk Management Division has negotiated with AMI Risk Consultants, Inc., the number one ranked firm that submitted a proposal for Casualty Actuarial Services RFP and was selected to provide the services resulting in the attached Exhibit "A" Scope of Services and Exhibit B, Contract Fee Schedule.

Accordingly, Risk Management is recommending that the City of Jacksonville enter into a contract with AMI Risk Consultants, Inc., to provide the Casualty Actuarial Services as described in Exhibit "A" Scope of Services and Exhibit "B" Contract Fee Schedule. The initial contract period will be for twelve months from October 1, 2018 to September 30, 2019 with four (4) one-year renewals at terms and conditions mutually agreeable. The maximum indebtedness to the City will be for a not-to exceed amount of $27,200.00, to a new total maximum indebtedness of $27,200.00. All other terms and conditions of the Contract are per the City's standard contract language and as provided in the Request for Proposals.

Attachments:
Exhibit "A" Scope of Services
Exhibit "B" Contract Fee Schedule

Exhibit A
Scope of Services

SECTION 1

(Specific Information Regarding this RFP)

1.2 Scope of Services

This Request for Proposal (RFP) seeks proposals from interested parties to perform actuarial reports for the Self-Insurance Program of the City of Jacksonville as defined below:

A. An annual actuarial report as of September 30 for all contract years and an interim actuarial report as of March 31 for all contract years.

   i. Please note the City's current contract for risk management self-insurance actuarial study services expires on September 30, 2018. That annual actuarial report as of September 30, 2018 is due on or about November 10, 2018 (the "Due Date").

Please see Section 4 for a full description of the services and deliverables required under this RFP.

EXHIBIT 'A'

Section 4

Description of Services and Deliverables

Contents

4.1 Background

4.2 Casualty Actuarial Report

4.2 External Auditors and/or City Consultants

4.3 Miscellaneous

4.1 Background.

The City of Jacksonville is a consolidated municipal government which combines the City of Jacksonville and the County of Duval into one functioning unit to deliver services to its citizens. As such, the City is authorized by the laws of the State of Florida and Ordinances of the City of Jacksonville to self-insure certain risks for the government as a whole. The Risk Management's Self-Insurance Program includes the following areas of liability:

1. Workers' Compensation
2. Automobile Liability
3. General Liability (including miscellaneous liabilities such as public officials liability)

The City Ordinance, Chapter 128-Risk Management Program, establishing the City of Jacksonville's Self-Insurance Program authorizes independent agencies of the City of Jacksonville to participate in the Risk Management Self-Insurance Program. Currently, the City and the following independent agencies are participants of the Risk Management Self-Insurance Program:

1. City of Jacksonville (and it's 5, or more, delineated components for Workers' Compensation)
    a. Heart Hypertension Fire
    b. Heart Hypertension Sheriff
    c. Other Claims Fire
    d. Other Claims Sheriff
    e. Other Claims City
2. Jacksonville Port Authority (Jaxport)
3. JEA (Electric Business Unit)
4. JEA (Water/Sewer Business Unit)

EXHIBIT 'A'

5. Jacksonville Housing Authority
6. Jacksonville Aviation Authority

The City of Jacksonville has been self-insured for Workers' Compensation, Automobile liability, and General Liability exposures since October 1, 1977. Risk Management's Self-Insurance Program is fully funded on a discounted basis for case reserves and incurred but not reported IBNR losses, and includes a provision for unallocated loss adjustment expense (ULAE) for the internal legal costs and other administrative costs to administer claims. Total funding was $109.8 million as of September 30, 2017.

A. As of September 30, 2017 there were 1,277 open workers' compensation claims (see table below), 559 general liability claims and 187 automobile claims.

Open Claims
Valued as of 9/30/17

Coverage Code	Coverage Description	Claim Count
	Workers' Compensation	1,277
20	General Liability	559
30	Automobile Liability	187

B. Governmental Accounting Standards Board Statement Number 10 ("GASB 10"), entitled "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," is now effective for the City including a provision for ULAE. There shall be supplemental schedules showing ten years and twenty years of claim development information for Workers' Compensation, and General and Automobile Liability for Comprehensive Annual Financial Report ("CAFR") purposes. For internal purposes, the schedule will go back as far as the data will allow.

C. The Self-Insurance Program is managed by the Risk Management Division, Department of Finance, City of Jacksonville, FL. The actuarial services requested herein shall be utilized by the Risk Management Division as a basis to evaluate and determine the City's ultimate loss reserve, ULAE, and the annual financial contribution of projected ultimate limited losses required from each participant of the Risk Management Self-Insurance Program which shall be provided on an undiscounted and discounted basis for a two year period including six years of projected losses paid.

D. The City of Jacksonville seeks to gain clarity and transparency in understanding of all assumptions relied upon during the preparation and in advance of the issuance of the final

Actuarial Report. The City reserves the right to have such assumptions and other pertinent information summarized and included in the final Actuarial Report.

4.2 **CASUALTY ACTUARIAL REPORT**

An actuarial study/valuation of the Risk Management's Self-Insurance Program shall be conducted, including workers' compensation, automobile liability and general liability, in accordance with GASB 10. A copy of the annual Actuarial Report valued as of September 30, 2017, and presently being utilized by the Self Insurance Program is available upon request.

Specifically, the actuarial reports (annual and interim, as applicable) shall include:

1. The Self Insurance program has six equity participants for Auto Liability, General Liability and Workers' Compensation. The actuarial estimates and data must be presented by participant and in total of all participants as shown in the current report.
    a. The City of Jacksonville
    b. Jacksonville Port Authority (Jaxport)
    c. JEA (Electric Business Unit)
    d. JEA (Water/Sewer Business Unit)
    e. Jacksonville Housing Authority
    f. Jacksonville Aviation Authority

For Workers' Compensation estimates, the City of Jacksonville is further delineated into five components:

i. Heart Hypertension Fire (Workers' Compensation Only)
ii. Heart Hypertension Sheriff (Workers' Compensation Only)
iii. Other Claims Fire (Workers' Compensation Only)
iv. Other Claims Sheriff (Workers' Compensation Only)
v. Other Claims City (Workers' Compensation Only)

Additional future components will be added.

For liability estimates, the City of Jacksonville is delineated into three components:

i. Sheriff

ii. Fire

iii. Other City

2. An estimate of the outstanding liabilities for workers' compensation, automobile liability and general liability as of September 30, on both a discounted and non-discounted basis.
3. The audit report can utilize industry standard data such as NCCI (National Council on Compensation Insurance) not as exclusive means of information, but in conjunction with specific historical data from The City.
4. There shall be supplemental schedules showing ten (10) and twenty (20) years of claim development information for Workers' Compensation, and General and Automobile Liability for CAFR purposes. For internal purposes, the schedule will go back as far as the data will allow.
5. This report for CAFR purposes shall provide ten (10) and twenty (20) years of historical claims development information projecting Ultimate Limited Losses, Limited Paid Losses, and Limited Reported Incurred Losses for Workers' Compensation, General & Auto Liability.
6. Funding recommendations associated with the projections of Ultimate Limited Losses for the next two (2) fiscal years. Projected Ultimate Limited Losses will be on a non-discounted and discounted (present value) basis and at various confidence levels (refer to 9/30/17 actuarial report for examples).
7. An estimate of projected Paid Losses during the next six (6) fiscal years (refer to 9/30/17 actuarial report for examples).
8. Work with the City to develop new actuarial schedules to provide cash flow/paid loss projections on a claim year basis to assist in developing investment strategies for reserves.
9. Listing of large losses for General Liability, Automobile Liability and each segment of the Workers' Compensation program. Annually, the City and Actuary will agree upon reasonable thresholds for the large loss reports.
10. Projected undiscounted ultimate losses for the next two (2) fiscal years at alternative retentions to be provided by the City.
11. Submission of an initial annual actuarial report in draft format no later than 5:00 pm EST of the Friday of the first full week in November of the contract year—the first being due November 9, 2018 at 5:00 pm EST.
12. The actuarial firm must provide an updated interim actuarial report with data valued as of March 31. This interim actuarial report will be completed by no later than 5:00 pm EST of the last business day of April.
13. The City reserves the right to have two (2) on-site visits as requested for a fixed fee per visit including all travel and professional expenses included in the fixed fee for the on-site visit.
14. Be reasonably available for discussion (either in person or via conference call) with the Risk Management representatives to discuss the actuarial services provided.

EXHIBIT 'A'

15. All information, assumptions, data and analysis that are used and relied upon will be disclosed to the City during preparation and prior to the final actuary report to allow the City an opportunity to validate all assumptions. The City reserves the right to have summarized in the final actuary report all information, assumptions, data and analyses that are relied upon.
16. Must have technical capability to accept downloads from the City's claim database system, currently Marsh Clearsight - Clearsight Platform claims system. Any special requirements for re-formatting of data must be disclosed in advance of the contract award. Proposer must provide a listing of all documents/data required for completion of report.
17. If the City changes from the current claims management system, the Actuary will be responsible for coordinating with the new claims management system so that the Actuary continues to have the capability to accept downloads. The Actuary will be responsible for any costs associated with this transition.

4.3 EXTERNAL AUDITORS and/or CITY CONSULTANTS

1. The respondent will coordinate and provide appropriate data and analysis, and written and oral responses for the actuarial report as requested to other professional(s) such as the City's external auditors, and actuaries of the external auditors, as directed by the City. This information will be provided without any additional billable time or expense to the City excluding travel.
2. The original billed amount for the actuarial report will include any requests to provide additional information that will bring clarity to the existing reports.

4.4. MISCELLANEOUS

Based upon the information made available to the City as a result of the scope of services ultimately rendered pursuant to the RFP, the City may request certain additional actuarial consulting services within the scope and nature of this RFP.

Accordingly, proposals submitted in response to the RFP should provide an hourly rate applicable to future additional requested services not specifically requested in the RFP. These services would be similar in scope and nature to the actuarial study.

(End of Section 4 - Remainder of page intentionally left blank)

EXHIBIT B - CONTRACT FEE SCHEDULE

AMI Risk Consultants, Inc.

1336 S.W. 146th Ct.
Miami, Florida 33184

Tel: (305) 273-1589
Fax: (305) 330-5427

2878 Loveland Dr. #2208
Las Vegas, NV 89109

Tel: (702) 478-5924

July 17, 2018

Ms. Bibinia Centeno, CGFO
Financial and Administrative Manager
City of Jacksonville
117 W. Duval Street, Suite 335
Jacksonville, FL 32202

VIA E-MAIL:
BCenteno@coj.net

RE: Negotiated Fee for RFP No. P-18-18 Casualty Actuarial Services

Dear Ms. Centeno:

This is to confirm in writing of our agreement on the following negotiated fees in connection with the proposal we submitted in response to RFP No. P-18-18 for Casualty Actuarial Services:

	Term	Fixed Price
Actuarial Services	First (1) year: Report as of 9/30 Annual Report as of 3/31 Interim	 $16,000 $10,000
Actuarial Services	Additional four (4) year periods: Report as of 9/30 Annual Report as of 3/31 Interim	 $16,000 per year $10,000 per year
Two (2) on-site visits (including travel expenses)	Per Year	$1,200 per year or $600 per visit
Alternative Hourly Rate per Staff Level	Various miscellaneous services; frequency to be determined	Project Manager @$180/hr. Technical Manager @$180/hr. Actuarial Assistants @$110/hr. Clerical Staff @$40/hr.

Thank you for the trust and confidence that you have given us. We look forward to continue working with you in serving the actuarial needs of the City of Jacksonville.

Sincerely,

Aguedo M. Ingco, FCAS, MAAA, CPCU, ARM
President

EXHIBIT 'B'