

**CALIFORNIA HOUSING WORKERS COMPENSATION  
AUTHORITY**

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**REQUEST FOR PROPOSAL**

**Actuarial Services**

**ADDENDUM #1 - ANSWERS TO QUESTIONS  
RECEIVED FROM PROPOSERS**

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**Closing date of Proposal will be at 5:00 P.M. on March 1, 2019**

All proposal information will be available for review after contract award.

1. QUESTION: Section VI B refers to a Standard Instructions and Conditions Acknowledgement form. Where is this form?

**ANSWER:** The correct reference in Section VI.B. should read “Sign and return Proposal Identification Sheet.”

2. QUESTION: What does CHWCA like or have concerns with regarding their current actuarial provider?

**ANSWER:** CHWCA has had the same services provider for over a decade. The Executive Board determined that it was prudent to solicit proposals and to consider other service providers.

3. QUESTION: The RFP included a number of contract terms. Are these mandatory? How do contract exception requests get factored into the selection process?

**ANSWER:** While it is expected that CHWCA will select a finalist to negotiate a contract with, the contract terms set forth in the proposal are generally viewed as mandatory unless otherwise specified in the RFP. That stated, CHWCA will consider proposals with exceptions noted. Exceptions are not per se disqualifying, but will be weighed with the totality of the proposal in mind.

4. QUESTION: Will CHWCA accept a professional services contract that includes a Limitation of Liability of 1 times fees?

**ANSWER:** No. Note that while Page 17 of the RFP provides for an “Exceptions” section, generally the CHWCA disapproves of contract terms that artificially limit liability to that extent.

5. QUESTION: Will CHWCA require a Hold Harmless/Indemnification Clause as part of the contract terms?

**ANSWER:** Yes, as permitted by law.

6. QUESTION: What has the current and historical budget/cost for actuarial services been?

**ANSWER:** The budgeted amount for 2019 is \$10,000. The annual cost for the prior four years was a) 2018: \$8,800, b) 2017: \$8,750, c) 2016: \$8,620, and d) 2015: \$8,490.

7. QUESTION: In the first paragraph under Scope of Work, an Experience Study is mentioned. Can you provide further clarification as to what this is?

**ANSWER:** A study analyzing workers compensation claims/loss data in order to better understand the key drivers underlying historical results. If needed, the study would be further defined and discussed by the parties prior to authorization.

8. QUESTION: Item 7 of the Scope of Work refers to an Asset Liability Study. Can you provide further clarification as to what this is?

**ANSWER:** Item 7 was inadvertently included and is omitted from the requirements.

9. QUESTION: Is one of the goals of CHWCA to provide budget stability to its members?

**ANSWER:** Yes.

10. QUESTION: Can you describe the current experience rating mechanism?

**ANSWER:** Please see the answer to Question #17.

11. QUESTION: How is the overall funding adequacy of the CHWCA measured - how do you know if the current net position is appropriate, excessive, or inadequate?

**ANSWER:** Please see the answer to Question # 17.

12. QUESTION: Is CHWCA subject to any workers' compensation presumption laws? How has the cost of these been measured?

**ANSWER:** CHWCA's members do not have any public safety or law enforcement positions or classifications for which law enforcement-related presumptions would apply, and public safety positions are not permitted to be covered by CHWCA in accordance with its Memorandum of coverage. That stated, CHWCA is subject to all California workers compensation laws applicable to public agencies and housing authorities specifically.

13. QUESTION: The Scope of Work asks for recommendations of possible improvements in the financing structure. Can you describe the current financing structure - like how is the annual contribution/base rate determined and what is considered in that process?

**ANSWER:** Please see the answer to Question #17 and additional materials provided on the website concerning the workers' compensation experience modification process.

14. QUESTION: Who is the most recently hired actuarial firm?

**ANSWER:** Bay Actuarial Consultants

15. QUESTION: Is CHWCA satisfied with the most recent actuarial work product?

**ANSWER:** Generally yes.

16. QUESTION: Why is CHWCA going out to bid for actuarial services?

**ANSWER:** See answer to Question #2.

17. QUESTION: Can we obtain a copy of the prior actuarial reports?

**ANSWER:** The 2018 and 2017 reports are available upon request emailed to Julia Lew at [jmlew@mkjw.com](mailto:jmlew@mkjw.com).

18. QUESTION: What were the fees for the prior actuarial report?

**ANSWER:** The fees for the 2018 work were \$8,880.00

19. QUESTION: Is it mandatory bidding requirement / requirement of bylaws to bid at this time?

**ANSWER:** No. See answer to Question #2.

20. QUESTION: Are there areas of improvement you'd like to achieve with your actuary going forward (whether with the incumbent or a new firm) over what you are currently achieving with your actuarial reports and service?

**ANSWER:** Not specifically. See answer to Question #2.

21. QUESTION: Are you able to share information regarding prior actuarial service fees and/or some guidance regarding how many hours were spent in the past year of actuarial services?

**ANSWER:** See answer to Question #18.

22. QUESTION: How were the previous consultants being paid? Fee for Service? Hourly rate?

**ANSWER:** Fee for service.

23. QUESTION: Are you able to share what your budget is for the scope of services (for all 5 years)? Are you interested in receiving a not-to-exceed maximum annual fee proposal for current services?

**ANSWER:** See answer to Question #6. CHWCA would be interested in receiving a not-to-exceed maximum annual fee proposal. Proposers may (but are not required to) provide a flat fee for the required items and an alternative proposal for the permissive items.

24. QUESTION: Is the scope of services provided historically similar to that being requested in the current RFP?

**ANSWER:** Yes, although CHWCA did add some potential additional work only if it determines that the additional work is needed. Proposers may provide fixed fee proposals for the mandatory work, and an alternative proposal(s) for the additional potential work.

25. QUESTION: May we have a copy of the previous report? This is essential to gaining sufficient information to provide a firm fixed price bid for this service in the future.

**ANSWER:** See answer to Question #17.

26. QUESTION: How many on-site meetings per year should the consultants anticipate beyond the minimum attendance at 1 Executive Committee meeting per contract year?

**ANSWER:** Generally no more than 1 additional meeting (1-2 meetings per contract year).

27. QUESTION: How many “educational discussions” with the Executive Committee and/or CHWCA employees per year should the consultants anticipate?

**ANSWER:** Any “educational discussions” with the Executive Committee would be informal and held generally in conjunction with the presenting of actuarial reports.

28. QUESTION: You note that you require a certain experience level of the actuary and/or and FSA designation, which is a Fellowship in the Society of Actuaries. Typically actuaries who perform studies on Workers Compensation are accredited by the Casualty Actuarial Society so are either Associates or Fellows in the Casualty Actuarial Society (“ACAS” or “FCAS”). While we have team members with the required experience level, can you confirm that an accreditation by the CAS is acceptable?

**ANSWER:** This confirms that ACAS or FCAS is acceptable.

29. QUESTION: Does the “Actuarial Report for the fiscal year ended June 30, 2020” refer to the report including the estimated liability for unpaid losses as of December 31, 2019? Are any estimates to future accounting dates required in the report based on data as of December 31, 2019?

**ANSWER:** In the first paragraph of the Scope of the Actuarial Report referred to is hereby corrected to reflect the fiscal year ending *September* 30, 2019 and includes projected liability for unpaid losses as of December 31, 2019, and a projection of losses that will occur in 2020. Also note that in 2012, CHWCA created “mid-layer pool 1” to cover retained losses above \$250,000, and in 2017, it created “mid-layer pool 2” to cover losses falling between \$500,000 and \$750,000. Please see Section B.2. on page 26 of the

RFP, and the most recent actuarial reports (2017 and 2018) available on the CHWCA website.

30. QUESTION: For the Cash Flow Projections, is this a projection of annual payments for a single calendar year in each actuarial report, or multiple future calendar years?

**ANSWER:** This is a projection for a single calendar year.

31. QUESTION: Does the required scope include an estimate of allocated loss adjustment expense (ALAE) separately from loss & ALAE combined and/or an estimate of unallocated loss adjustment expenses (ULAE)?

**ANSWER:** The scope includes an estimate of the program's liability for outstanding claims, including ALAE and ULAE.

32. QUESTION: Is it permissible to subcontract any part of the Scope of Work? Is the firm that is currently providing the services subcontracting any part of their work? We ask this specifically because there are number of scope items listed in pages 25-27 of the RFP that appear to require some expertise beyond straight actuarial expertise. While we keep abreast of legislative developments that impact our work and consider ourselves advisors on financial matters related to our actuarial work and its impacts, some of this scope appears more the purview of financial advisors, legislative experts and the like. Namely, we are referring to these scope items, and the parts in **bold** type. *(Note, unless the legislation referred to is benefit legislation such as SB863 that would be more in the purview of actuarial expertise, in which case this seems reasonable.)*

- a. Provide actuarial consultation and advisory services. These services may be delivered in meetings or by telephone calls and written correspondence. CHWCA expects these services may include public testimony to committees and board on **any technical, policy, legal or administrative problems arising during the course of operation of the Authority.** (B.1.)
- b. **Recommend possible improvements in CHWCA's financing and benefit structure. Throughout the duration of the contract, the consulting actuary will inform CHWCA of any new developments in the industry and their effect on the financing and benefit structure of a worker's compensation authority.** The consulting actuary should keep the Executive Committee and the Administrator of CHWCA apprised of current trends and advancements within the actuarial profession. (B.3.)
- c. **Assist CHWCA in implementing new legislation or proposed changes to existing laws which govern the authority. Furthermore, the consulting actuary should assist CHWCA in developing strategies for resolving any policy or administrative problems associated with implementing new legislation.** (B.4)
- d. **Keep CHWCA informed of any new developments or changes in federal legislation and/or tax regulations regarding financing, benefits, vesting, fiduciary responsibility or disclosure. CHWCA also expects the consulting**

**actuary to assist CHWCA in interpreting and implementing federal law appropriately. (B.5.)**

**ANSWER:** Subcontractors may be proposed to accomplish any portion of the services specified in the RFP, but must be pre-authorized and approved in writing by CHWCA. That stated, the cited portion of the scope of services is meant to be interpreted in manner solely consistent with the actuarial services provider's actuarial expertise. CHWCA may request that the provider coordinate and work in conjunction with CHWCA's other financial advisers with respect to any advisory services, but would not expect the services provider to provide advisory services beyond the scope of its expertise.