



# COMMONWEALTH AUTOMOBILE REINSURERS

225 Franklin Street Boston, Massachusetts 02110

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617-338-4000

RALPH A. IANNACO  
PRESIDENT

March 1, 2010

## BULLETIN NO. 923

### Request for Proposal – Commercial Servicing Carrier Program

The agreements with the six carriers that currently service the commercial ceded business through the Commercial Servicing Carrier Program will expire as of December 31, 2010. The Governing Committee has authorized staff to solicit bids from interested parties in accordance with the specific provisions of the Request for Proposal (RFP) developed for that purpose. Included in the RFP are the expense allowance to be paid under the program, the parameters for a direct bill program, and a requirement for the pre-audit of certain classifications. The RFP is available on the Home Page of CAR’s website.

Prospective participants should note that the term of the agreement is for five years, and due to the depopulation of the commercial ceded market, four Servicing Carriers will be selected. Respondents must have an A.M. Best rating of at least A- or have a comparable financial and operating performance as determined by CAR.

A mandatory pre-response conference will be held at the offices of CAR on Wednesday, March 17, 2010, at 11:00 a.m. Bids will only be accepted from carriers with representation at the conference.

The schedule of events associated with the RFP process is as follows:

Notice of RFP	03/01/10
Mandatory Pre-Response Conference	03/17/10
Final Date for Questions	03/31/10
Final Date for Submitting Proposals	04/09/10
Appointment of Selection Committee	04/16/10
Development of a Recommendation For	
Governing Committee Consideration	05/03-05/28/10
Governing Committee Decision	06/16/10
Servicing Carrier Appointment Notification	06/17/10
Implementation of Program Service	01/01/11

Questions regarding the RFP may be directed to Mr. Richard Dalton at 617-880-2319, or via email at [rdalton@commauto.com](mailto:rdalton@commauto.com).

RALPH A. IANNACO  
President

Attachment



**COMMONWEALTH AUTOMOBILE REINSURERS**

**REQUEST FOR PROPOSAL**

**MASSACHUSETTS RESIDUAL MARKET**

**COMMERCIAL SERVICING CARRIER BUSINESS**

**EFFECTIVE JANUARY 1, 2011**

**225 FRANKLIN STREET, BOSTON, MASSACHUSETTS 02110**

03/01/10

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SECTION ONE: BACKGROUND AND PURPOSE

1.0 SCHEDULE OF EVENTS

CAR intends to progress in this procurement in a series of orderly steps. The schedule that follows has been developed in order to provide adequate information for proposers to prepare definitive proposals and to permit CAR to consider fully various factors that may affect its decision. These dates should be carefully observed.

<b><u>EVENT</u></b>	<b><u>DATE</u></b>
Release of RFP	03-01-10
Mandatory Pre-Response Conference	03-17-10
Final Questions due	03-31-10
Final Date for Submitting Proposals	04-09-10
Appointment of Selection Committee	04-16-10
Interviews, Evaluation of Proposals, and Development of a Recommendation for the Governing Committee by the Selection Committee	05-03/05-28-10
The Selection Committee will present its recommendation to the Governing Committee for approval	06-16-10
Servicing Carrier Appointment Notification	06-17-10
Implementation of Program Service	01-01-11

If these dates change, all prospective proposers will be notified.

## 1.1 BACKGROUND INFORMATION

Effective January 1, 2006 Commonwealth Automobile Reinsurers (CAR) implemented a program designed to enhance the effectiveness of loss control and underwriting practices by assigning each producer to one of a limited number of Servicing Carriers establishing equitable access to the residual market for all classes of commercial ceded business except that which is written through the Taxi/Limousine Program. The program consolidates the servicing of this business to a limited number of Servicing Carriers each appointed for a specified term.

## 1.2 CURRENT ADMINISTRATIVE PROCEDURES AND SERVICING CARRIER AND PRODUCER REQUIREMENTS

The specific requirements for Servicing Carriers and Producers are contained in the Rules of Operation and CAR's Manual of Administrative Procedures available on CAR's website at [www.commauto.com](http://www.commauto.com).

## 1.3 PURPOSE

The purpose of this Request for Proposals (RFP) is to provide qualified insurance carriers with information sufficient to enable them to submit proposals for becoming a carrier to service Massachusetts ceded commercial business, other than taxi, limousine and car service business, effective January 1, 2011.

Proposals shall respond to all terms and conditions of this RFP. Proposers shall complete all information requested.

## SECTION TWO: PROGRAM AND PERFORMANCE REQUIREMENTS

*The information in this Section of the RFP is designed to acquaint the proposer with the Program and performance requirements, which CAR has developed. Proposals will be evaluated by how well they meet these requirements.*

### 2.1 ADMINISTRATIVE AND ACCOUNT MANAGEMENT SERVICES

The Servicing Carrier(s) will be expected to

1. Assign a management level account executive with knowledge of the Program responsible for responding to CAR inquiries and the requirements set forth herein and, upon reasonable notice, be available to meet with CAR staff and Committee representatives.
2. Prepare and submit annual reports reviewing the activities and accomplishments of the Servicing Carrier, the results of its activities and the status of program goals.
3. For commercial automobile residual market business with policy effective dates beginning on or after January 1, 2011, each approved Servicing Carrier shall utilize an installment payment plan that has been filed with and approved by the Commissioner, and shall include 1) the application of an installment finance charge plan based on an annual percentage rate ("APR"), 2) no more than a 30% first or deposit payment on or before the policy effective date, and 3) no fewer than seven monthly payments thereafter must be offered to the insured who chooses to pay in installments. The Servicing Carrier will cooperate with its producers assigned through the program to assure that policyholders are made aware of their option to utilize an installment plan.

### 2.2 UNDERWRITING/TECHNICAL SERVICES

1. Subject to general direction from CAR, the Servicing Carrier(s) shall comply with the provisions of the Rules of Operation and CAR's Manual of Administrative Procedures.
2. Subject to the general direction from CAR, the Servicing Carrier(s) will be required to perform pre-audits in order to prevent premium leakage on:
  - a. All risks written on a gross receipts, mileage or composite rated basis and on any trucking risk with a cost of hire exposure and 5 or more power units or the equivalent of exposures if hired by the risk.
  - b. The pre-audits must be completed within 120 days of the policy effective date.
  - c. Additional or return premium shall be computed in accordance with the results of the audit with appropriate notification given to the producer and the insured.

### 2.3 CLAIMS MANAGEMENT SERVICES

1. Subject to general direction from CAR, the Servicing Carrier(s) shall establish procedures for claims management for the risks insured through this program including, but not limited to the provisions of the Rules of Operation and CAR's Manual of Administrative Procedures.
2. The Servicing Carrier(s)' Massachusetts claims units will manage claims arising out of state.

## 2.4 MANAGEMENT INFORMATION SYSTEM

Subject to general direction from CAR, the Servicing Carrier(s) shall:

1. Provide all data required by the Rules of Operation and the Manual of Administrative Procedures.
2. Produce ad hoc reports as may be requested by CAR.

## 2.5 LOSS CONTROL SERVICES

The Servicing Carrier(s) will be expected to provide safety engineering or loss control services consistent with Best practices and as directed by the Governing Committee. Minimum parameters for the establishment of loss control programs to be made available to qualifying policyholders are as follows:

- a. Upon request any risk regardless of size will be provided written material concerning loss control. Any risk with 5 or more power units or the equivalent of such exposure if hired by the risk and develops an experience rating debit will be offered a loss control survey.
- b. Program features shall include vehicle inspection, driver and equipment evaluation, a review of accident and loss experience, a safety newsletter or other informational mailings.
- c. The results of the loss control survey shall include a corrective action plan, safety management features and, if applicable to the risk, a hazardous material plan.

## 2.6 INTEGRATION OF CLAIMS AND UNDERWRITING OPERATIONS WITH LOSS CONTROL

The Servicing Carrier(s) must provide the means to facilitate successful integration of the claims, underwriting and loss control functions including but not limited to an SIU investigation of suspicious underwriting issues and the establishment of procedures for claims alerts to the underwriting and loss control personnel. It is critically important that the claims and underwriting operations are fully coordinated with loss control services.

## 2.7 INNOVATIVE AND CREATIVE SOLUTIONS

As CAR's statutory obligation is to contain and control costs, CAR is very interested in pursuing innovative and creative ideas that would strengthen the underwriting, claim administration and loss control process in a cost effective manner and applying them to the Program wherever appropriate. Proposals will be evaluated, in part, on their ability to bring fresh ideas and concepts to these classes of commercial business.

## 2.8 ADDITIONAL SERVICES

CAR is interested in any other services which the proposer is qualified to offer that would enhance, or expand in a related manner, the services that CAR provides to its members, agents and insureds in a cost effective manner.

## 2.9 STAFFING

Whenever possible, staff should be assigned full time to the Program. Any and all staff assigned to the Program must have an excellent working knowledge of the needs and requirements of the Program and how these may differ from other business. The account executive must be able to make a time commitment to the management of this account and will be held responsible for the delivery of all services provided by the Servicing Carrier(s).

## 2.10 IMPLEMENTATION

CAR will be very interested in the development of an implementation plan which will provide the smoothest transition possible with a minimum of service disruption or producer and insured confusion.

## 2.11 TERM AND TERMINATION

CAR seeks a multi-year appointment of five years. Depending upon performance, the term of the agreement may be extended beyond the five years. In accordance with the provisions of the Rules of Operation and of the Manual of Administrative Procedures, CAR has the ability to terminate the appointment for lack of acceptable performance by the Servicing Carrier. Lack of acceptable performance relates to the non-performance of material services or the performance of material services in a manner that does not meet CAR performance standards.

## SECTION THREE: GENERAL CONDITIONS

*This Section of the RFP contains the general conditions and restrictions covering the preparation, submission and content of proposals. It is essential that these conditions be strictly observed.*

### 3.1 ELIGIBILITY OF PROPOSERS

Proposers must be Massachusetts licensed motor vehicle insurance companies with an acceptable A.M. Best rating (A- or better) or comparable financial and operating performance as determined by CAR.

### 3.2 REGULAR PROPOSALS

Each proposer shall comply with all requirements as directed by this notice. Proposals which are defective or irregular may be rejected immediately.

### 3.3 UNIFORM PROPOSALS

To facilitate comparative analysis and evaluation of proposals, it is desired that a uniform format be employed in structuring each proposal. The required format is specified later in the RFP as Section 7. Proposals with major deviations or omissions may not be considered for detailed study.

### 3.4 REQUESTS FOR ADDITIONAL INFORMATION

Questions regarding the RFP and the selection process should be directed in writing, by telephone or by e-mail to:

Richard Dalton  
Residual Market Services  
Commonwealth Automobile Reinsurers  
225 Franklin Street  
Boston, MA 02110

Tel: 617-880-2319  
Fax: 617-880-7298  
email: rdalton@commato.com

Proposers may also submit questions orally or in writing at the pre-response conference. All questions and answers of general interest will be circulated in writing after the pre-response conference to all firms who have attended (see Section 3.6). Officials or employees of CAR, its consultants or Committee Members shall not be contacted at any time by proposers. Any unauthorized contact may be grounds for disqualification of the proposer's proposal.

Any questions submitted after the mandatory pre-response conference must be submitted by March 31, 2010. All answers will be returned in writing to all proposers.

### 3.5 REVISIONS

If it should become necessary to revise any part of this RFP or otherwise provide additional information, an addendum will be issued by CAR and furnished to all prospective proposers who have attended the CAR pre-response conference.

### 3.6 PRE-RESPONSE CONFERENCE

A mandatory pre-response conference for prospective proposers will be held in the office of CAR, 225 Franklin Street, Boston MA 02110 at 11:00 A.M. on **March 17, 2010**. Only those firms represented at the mandatory pre-response conference shall be eligible to submit proposals to CAR for this procurement.

### 3.7 PROPOSER'S EXAMINATION OF THE RFP

Proposers shall examine all information and materials contained in and with this RFP. Proposers shall also be responsible for having full knowledge of all relevant laws and regulations of the State of Massachusetts and the United States Government. Failure to do so shall be at the proposer's risk.

### 3.8 EXCEPTIONS TO THE RFP

It is anticipated that proposers may find instances where their proposals are not completely consistent with the specifications of this RFP. All such exceptions shall be clearly identified and written explanations shall include the scope of the exceptions, the ramifications of the exceptions for CAR, its members, representative producers and insureds, and a description of the advantages to be gained by CAR, its members, representative producers and insureds as a result of these exceptions. This written description shall be included in Section 7.2.2 of this RFP.

### 3.9 PROPOSALS CONSIDERED “FIRM”

All proposals received by CAR in response to this RFP shall be considered “firm” and may not be amended during the pendency of the selection process unless CAR amends any data or RFP requirements during that process.

### 3.10 STATEMENT OF TIME

Time, if stated as a number of days, shall include Monday through Friday, excluding legal holidays, unless specifically stated otherwise.

### 3.11 INCURRING COSTS

1. CAR shall not be liable for any costs incurred by proposers in preparing, submitting or presenting proposals, or in satisfying any other requirements.
2. CAR shall not reimburse any costs incurred by proposers in anticipation of being awarded the appointment under this RFP.
3. CAR shall not accept billings for additional costs except as may be otherwise specified in this RFP.

### 3.12 RESPONSIBILITIES OF SERVICING CARRIER

The successful proposer(s) shall be considered the Servicing Carrier(s) and shall be required to comply with all CAR’s Servicing Carrier requirements and to assume total responsibility for all services offered in this proposal, whether or not it is the producer, author or supplier of them.

CAR shall consider the authorized representative of the successful proposer(s) to be the sole point of contact with regard to all obligations incurred and all services supplied or performed pursuant to this RFP.

Prior to final selection, proposers may be required to submit any additional information which CAR may deem necessary to determine the proposer’s qualification to respond to this RFP.

### 3.13 FIRM PRICE

Prices provided pursuant to this RFP shall be firm and not subject to increase during the term of any appointment arising between CAR and the successful proposer(s) as a result of this RFP, except as may be approved by CAR’s Governing Committee.

### 3.14 OPEN PROCUREMENT

1. CAR reserves the right to accept any item or group of items proposed in any response, unless the proposer qualifies its offer by specific limitation.
2. CAR reserves the right to negotiate with proposers regarding variations to the original proposal(s), to include cost(s), which may be in the best interest of CAR.
3. CAR reserves the right to accept or reject any or all proposals in whole or in part.

### 3.15 TERMINOLOGY

Terms used in this RFP are not intended to imply or denote a particular proposer and are not to be construed as restrictive in any way.

### 3.16 IMPLEMENTATION DATES

Proposers shall be expected to fully implement their services on January 1, 2011 and contract with those producers appointed to them no less than 60 calendar days prior to January 1, 2011.

### 3.17 EXECUTION OF APPOINTMENT

1. Upon the acceptance of a proposal(s), CAR shall name the selected Servicing Carrier(s) in accordance with the provisions of the Rules of Operation, the Manual of Administrative Procedures and as approved by its Governing Committee.
2. Before an appointment may be completed by CAR, the successful proposer(s) will be required to execute and file with CAR the following certificate:

I certify under penalty of perjury that I, as proposer's representative, attest to the best of my knowledge and belief that the company complies with the requirements of 201 CMR 17.00 relating to confidentiality and protection of personal information.

### 3.18 NO ASSIGNMENT

Assignment by the successful proposer(s) to any third party of any contract based on this RFP or any monies shall be absolutely prohibited and will not be recognized by CAR unless approved by CAR in writing.

### 3.19 PROPOSER'S RESPONSIBILITY

Notwithstanding the details presented in this RFP, it is the responsibility of the proposer to verify the completeness and suitability of the services proposed to meet the intent of these specifications. Any additional services which may be required within each individual component of service proposed, even if not specifically mentioned herein, shall be provided by the proposer without claim for additional payment. The successful proposer shall be obligated to provide a program which meets all guarantees in its proposal for the price contained herein. This includes, but is not limited to, all requirements of the Commonwealth of Massachusetts and United States Government, whether or not specifically identified in this RFP.

### 3.20 PROPOSER COMMITMENT

The proposer shall provide and maintain all services proposed pursuant to this RFP for the term of the appointment by CAR unless otherwise directed by the Governing Committee.

### 3.21 RIGHTS TO SUBMITTED MATERIAL

All proposals, responses, inquiries, or correspondence relating to or in reference to this RFP, and all reports, charts, displays, schedules, exhibits and other documentation submitted by proposers shall become the property of CAR when received. CAR shall have no obligation to return any such submitted material.

Supporting technical manuals will be returned at the request of the proposer. CAR retains the right to use any or all ideas presented in any proposal in response to the RFP, whether selected or not. Selection or rejection of any proposal does not affect this right.

### 3.22 PROPOSALS NOT SELECTED

Non-selection of any proposal will mean that another proposal was deemed to be more advantageous to CAR or that no proposal was accepted. The decision of CAR's Governing Committee is final. Proposers whose proposals are not accepted will be so notified.

### 3.23 NON-DISCRIMINATION IN EMPLOYMENT AND AFFIRMATIVE ACTION

The proposer shall not discriminate against any qualified employee or applicant for employment because of race, color, national origin, ancestry, age, sex, religion or physical or mental handicap. The proposer agrees to comply with all applicable Federal and State statutes, rules and regulations prohibiting discrimination in employment.

### 3.24 FORCE MAJEURE

Neither the proposer nor CAR shall be liable, nor may either cancel the Appointment pursuant to this RFP, when delays arise out of causes beyond the control and without fault or negligence of the proposer or CAR. Such causes may include but are not restricted to acts of God or the public enemy, fires, floods, lightning strikes, epidemics, quarantine restrictions, strikes, freight embargoes, wars, civil disturbances, work stoppage, power failures, laws, regulations, ordinances, acts or orders of any governmental agency or official thereof, and unusually severe weather. In every case, the delay must be beyond the control and without the fault or negligence of either party.

If the proposer is delayed in his performance as a result of the above causes, CAR may either (1) extend the time for completion of such responsibilities for a period of time equivalent to the time lost for the completion of such responsibilities by reason of any or all of the aforesaid causes, or (2) secure substitute performance at its own cost and expense during the duration of the excusable delay and reduce performance and payment under this Appointment, or (3) terminate all or a portion of this Appointment when the delay totally precludes the proposer's performance or materially affects it and the delay continues for a period of thirty (30) consecutive days. CAR agrees that within ten (10) business days after commencement of the delay, it shall give the proposer written notice of its election as to options (1), (2) or (3).

SECTION FOUR: PROPOSAL FOR SERVICES

4.1 ADMINISTRATIVE AND ACCOUNT MANAGEMENT SERVICES

Referring to Section 2.1 of the RFP, indicate how your firm would approach the delivery of the administrative management and services.

4.2 UNDERWRITING/TECHNICAL SERVICES

Referring to Section 2.2 of this RFP, indicate how your firm would approach the delivery of the underwriting and technical services.

4.3 CLAIMS MANAGEMENT SERVICES

Referring to the requirements set forth in Section 2.3 of this RFP; please describe in detail the process by which your firm will manage claims from the point of accident to the closing of the case. Include any charts or diagrams which you believe would be helpful to CAR in understanding your presentation on this subject. Please describe the following:

- a. Your first reporting and initial investigation process. Include standard criteria for engaging ancillary services (managed care, fraud control, etc.) and your expectation of insured participation in the process.
- b. Your litigation management and legal cost containment process.
- c. Your fraud management program and any related extra costs.
- d. Your process for recovery, subrogation, etc.

Specifically indicate your firm's interest and capability of meeting each of the requirements. Please note and explain any exceptions to the requirements.

4.4 MANAGEMENT INFORMATION SYSTEM

Referring to Section 2.4 of this RFP, describe how your firm would meet the information storage and reporting requirements of CAR. Include samples of your reporting formats.

1. Does your firm have the capability to meet all the reporting requirements stated in Section 2.4 of this RFP?

Yes \_\_\_\_\_ No \_\_\_\_\_ If no, please explain the variations.

2. Can your firm provide custom reports for CAR?

Yes \_\_\_\_\_ No \_\_\_\_\_ Comment as needed.

3. For reports needed on a monthly basis, how soon after the end of the month would these reports be available to CAR?

4. Can your firm provide on-line direct access to your computer system for "inquiry only" and report generation capabilities?

Yes \_\_\_\_\_ No \_\_\_\_\_ Comment as needed.

#### 4.5 LOSS CONTROL SERVICES

Referring to Section 2.5 of the RFP, indicate how your firm would approach the delivery of the loss control services.

#### 4.6 INTEGRATION WITH LOSS CONTROL

Referring to Section 2.6 of the RFP, how would your firm integrate the claims management operation with that of loss control?

#### 4.7 INNOVATIVE AND CREATIVE SOLUTIONS

Referring to Section 2.7 of the RFP, please list and describe any services which your firm could offer that would further control claims and service costs.

#### 4.8 ADDITIONAL SERVICES

Referring to Section 2.8 of the RFP, describe any additional services that your firm could make available to CAR that would be relevant and useful to the operation of a property and liability pool.

#### 4.9 IMPLEMENTATION PLAN

Referring to Section 2.10 of the RFP, describe any additional services that your firm could make available to CAR that would be relevant and useful to the operation of a property and liability pool.

SECTION FIVE: PROGRAM PRICE

5.1 EXPENSE ALLOWANCE

CAR will pay selected Servicing Carriers an expense allowance to service ceded business as follows:

Policy Year	Co. Expense + ULAE (\$ per p.d.l. exposure)*	Commission (from approved rates – to be updated in event of rate change)	Premium Tax (from approved rates – to be updated in event of rate change)
2011	\$363	10.6% (based on rates effective 11/1/2009)	2.6% (based on rates effective 11/1/2009)
2012	\$370		
2013	\$378		
2014	\$385		
2015	\$393		

\* Classes for which exposure is not measured on a car year basis, CAR will convert to percent of premium based on PPT/TTT rates – based on rates effective 11/1/2009 the policy year 2011 allowance will be 17.9%

(Servicing Carriers may petition CAR for reimbursement of extraordinary expenses resulting from statutory or regulatory assessments that include ceded premium in the determination of the company’s market-share-based assessment.)

5.2 QUALIFICATION OF ALLOWANCE

If the proposer anticipates that the allowances identified above are insufficient to perform the required services, it should describe in detail the impact to the proposed services.

5.3 GENERAL COST-RELATED INFORMATION

The tables below provide statistics which identify the current size of the residual market and general claim costs. More detailed data will be posted to CAR’s website on March 5, 2010. Respondents may also request additional statistics at the pre-response conference.

5.3.1 EXHIBIT – VOLUME OF BUSINESS

2009 policy year residual market (CAR ID codes 1, 4, 5) data at 12 months for all commercial classes except taxi, limousine, and car service classes is as follows:

	Written Premium	Exposures	Exposure Based Cession Rate
TTT	\$36,717,965	17,054	6.5%
Zone TTT	\$8,560,865	2,540	88.6%
PPT Fleet	\$2,218,360	1,153	4.4%
PPT NF	\$9,024,881	7,032	13.4%
Bus, Van Pool	\$13,811,947	3,200	31.3%
All Other	\$31,388,173	N/A	
TOTAL	\$101,722,191		
No. Agencies (CAR ID Codes 1, 4, 5):		1,483	

EXHIBIT – CEDED COMMERCIAL CLAIM EXPERIENCE

**Ceded Data Through December, 2009**  
(CAR ID Codes 4,5/Excluding Taxi, Limo, Car Service)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Written Premium	\$96,022,625	\$113,726,259	\$146,041,512
*Cession Rate	15.8%	17.5%	20.4%
Earned Premium	\$51,801,083	\$113,726,259	\$146,041,512
Reported Loss Ratio	49%	60%	54%
<u>Incurred Claims</u>			
Liability	3,498	7,739	9,788
Physical Damage	3,620	8,916	10,971
Total	7,118	16,655	20,759
<u>Incurred Losses</u>			
Liability	\$17,633,102	\$50,726,700	\$58,954,680
Physical Damage	\$7,645,882	\$17,704,872	\$20,251,085
Total	\$25,278,984	\$68,431,572	\$79,205,765
<u>Cost Per Claim</u>			
Liability	\$5,041	\$6,555	\$6,023
Physical Damage	\$2,112	\$1,986	\$1,846
Total	\$3,551	\$4,109	\$3,815
*cession rate based on written premium			

SECTION SIX: GENERAL INSTRUCTIONS

6.1 CONTACT INFORMATION AND DEADLINE OF SUBMISSION OF PROPOSALS

It is intended that this be a “turnaround” document, i.e., that each proposer furnish all information in the format presented by this RFP on the forms provided herewith. Submissions of manuals, promotional literature and other documents should be minimized except as the proposer may consider absolutely necessary to meet the requirements of this RFP.

Each proposal shall include a letter of transmittal, not to exceed two (2) pages in length, which bears the signature of an authorized representative of the proposer (see Section 3.12) and designates by name not more than two (2) individuals authorized to represent the proposer with binding authority.

The letter of transmittal may also briefly set forth any particular information the proposer wishes to bring to CAR’s attention. This should include, for example, any alternatives for which the proposer is making proposals.

The proposer shall provide one (1) electronic copy of its proposal and deliver ten (10) copies of its proposal no later than 12:00 noon on **April 9, 2010** to:

Mr. Richard Dalton  
Residual Market Services  
Commonwealth Automobile Reinsurers  
225 Franklin Street, Boston, MA 02110  
Tel: 617-880-2319  
Fax: 617-880-7298  
email: rdalton@commauto.com

SECTION SEVEN: PROPOSAL INFORMATION

7.0 GENERAL INFORMATION

7.0.1 PROPOSER INFORMATION

Headquarters Office	Name _____ Address _____ City, State, Zip Code _____ Telephone _____
Local Underwriting Office	Name _____ Address _____ City, State, Zip Code _____ Telephone _____
Local Claims Office	Name _____ Address _____ City, State, Zip Code _____ Telephone _____
Local Loss Control Office	Name _____ Address _____ City, State, Zip Code _____ Telephone _____

(If more than one office in Massachusetts, list on separate sheet.)

1. In what year was your firm incorporated? \_\_\_\_\_
2. What are your firm's other lines of business?
3. What is your firm's A.M. Best Rating? \_\_\_\_\_
4. For your firm:
  - a. What is total gross revenue? \_\_\_\_\_
  - b. What is total written premium? \_\_\_\_\_
5. Who is the individual responsible for this account?  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_
6. Employer Identification Number \_\_\_\_\_

By submitting this proposal, the proposer attests under the penalties of perjury that he is in compliance with all the laws of the Commonwealth of Massachusetts, the Internal Revenue Services relating to taxes and 201 CMR 17.00 relating to confidentiality and protection of personal information.

7.0.2 SERVICE PROFILE

1. Please list the location of the office(s) that would service this account.

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2. What is your current staffing for underwriting, claims and loss control services in the Boston/New England area?

<b>Position Classification</b>	<b>Number of FTE Personnel</b>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

3. For this program:

a. Briefly describe your firm's billing payment plan? \_\_\_\_\_

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b. What ratio of premium or insureds to underwriters does your firm propose to maintain? \_\_\_\_\_

c. What ratio of underwriters to supervisors will your firm maintain?

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d. What ratio of open claims to claim adjusters does your firm propose to maintain? If applicable, separate your response by coverage – BI, PDL, and PIP/Med Pay.

---

e. What ratio of adjusters to supervisors will your firm maintain?

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f. What ratio of premium or insureds to loss control representatives does your firm propose to maintain?

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g. What ratio of loss control representatives to supervisors will your firm maintain?

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### 7.0.3 DIVISION OF RESPONSIBILITIES

If the proposer intends to utilize one or more subcontractors, please provide a summary description of responsibilities among (a) the proposer and (b) each subcontractor. Also, please describe how you have worked with the subcontractor in the past. If no subcontractors are to be utilized, so state.

#### SUBCONTRACTOR INFORMATION

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_

Specific responsibility in this proposal:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_

Specific responsibility in this proposal:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_

Specific responsibility in this proposal:

#### 7.0.4

#### MANAGEMENT SUMMARY

Provide a summary of your proposal, prepared in such a manner as to be understood to individuals at a general management level with experience in commercial automobile insurance. The synopsis should contain:

- a. General summary of your proposal;
- b. Summary of claim management philosophy and proposed approach;
- c. Brief description of the services proposed;
- d. Brief description of the integration of functions;
- e. What you believe are the distinctive elements of your proposal and your firm's capabilities;
- f. Training and support commitments;
- g. Experience of your firm:
  - 1) with similar programs
  - 2) with Massachusetts commercial business
  - 3) with other commercial business
- h. recommendations.

#### 7.1 IMPLEMENTATION

Please provide your implementation plan, referring to Section 2.10 of the RFP.

#### 7.2 MISCELLANEOUS PROVISIONS

##### 7.2.1 CAPABILITY TO RESPOND TO SIGNIFICANT CHANGES

Please explain.

##### 7.2.2 EXCEPTIONS TO THE RFP

Please summarize material exceptions, which your firm has to this RFP.

##### 7.2.3 ADDITIONAL SERVICES AND ASSOCIATED COSTS

Referring to section 4.7 of the RFP, please list any additional services or approaches and the anticipated costs.

##### 7.2.4 ADDENDUM

Specify in not more than two pages any additional information which your firm feels CAR should have in evaluating your proposal.

## SECTION EIGHT: SELECTION PROCESS

Since the selection of Servicing Carriers to serve CAR's needs is an important and complex task, CAR will follow the process outlined in the following subsections:

### 8.1 REQUESTS FOR PROPOSALS (RFP)

This RFP is intended to provide the interested proposers with uniform information concerning the nature of the services desired and conditions for submitting proposals. The pre-response conference will be held to clarify any points which may be in question.

In responding to this RFP, proposers shall adhere to the format provided herein so that comparable objective data will be provided for CAR's review and analysis.

### 8.2 EVALUATION RESPONSIBILITY

CAR, with the advice of whatever consultants it may choose to engage, will have full responsibility for reviewing and evaluating all proposals submitted in response to this RFP and assigning such committees as are appropriate for making a final recommendation to CAR's Governing Committee.

### 8.3 GENERAL OBJECTIVES FOR EVALUATION

The general objectives to be evaluated include but are not limited to the proposer's ability to properly underwrite the exposures written through the Program according to classification and garaging (territory) and to eliminate fraud and mitigate the frequency and severity of losses through effective claims management and loss control.

The carrier(s) will be selected based upon their proven ability to handle *all* classes of Commercial business, except business written through the Taxi/Limousine Program. Measurement of a carrier's qualifications will include a basis for an expectation of superior performance and improvement in overall underwriting results within the Program.

### 8.4 FACTORS OF EVALUATION

Proposals will be evaluated against the specifications presented in the RFP. A proposer may or may not be eliminated from consideration for failure to comply completely with one or more of the requirements, depending on the critical nature of the requirement. CAR will apply a weighted factor approach in its evaluation of proposals with each category evaluated from 0% to the maximum shown. CAR will apply the following weighted factors in evaluating the proposals received:

#### **Evaluation Factors**

- |    |  |    |
|----|--|----|
| I. | Claims Evaluation  |    |
| A. | Experience/Demonstrated Performance  |    |
| 1. | Demonstrated performance writing Massachusetts <i>commercial</i> automobile business                       | 8% |
| 2. | Demonstrated performance with commercial automobile business, including servicing residual market programs | 4% |
| 3. | General experience of proposer   | 3% |
| B. | Personnel and Leadership   |    |
| 1. | Administrative and account management leadership   | 4% |
| 2. | Capability and experience of staff assigned  | 6% |
| 3. | Integration of claims operation with loss control  | 2% |
| C. | Location of staff  | 4% |

	D.	Capability for adjusting to changed exposure	3%
		Subtotal	<u>34%</u>
II.		Underwriting Evaluation	
	A.	Experience/Demonstrated Performance	
	1.	Demonstrated performance writing Massachusetts <i>commercial</i> automobile business	8%
	2.	Demonstrated performance with commercial business, including servicing residual market automobile programs	4%
	3.	General experience of proposer	3%
	B.	Personnel and Leadership	
	1.	Administrative and account management leadership	4%
	2.	Capability and experience of staff assigned	6%
	3.	Integration of underwriting operation with loss control	2%
	C.	Location of staff	3%
	D.	Capability for adjusting to changed exposure	3%
		Subtotal	<u>33%</u>
III.		Loss Control Evaluation	
	A.	Experience/Demonstrated Performance	
	1.	Demonstrated performance writing Massachusetts <i>commercial</i> business	4%
	2.	Demonstrated performance with commercial automobile business, including servicing residual market programs	2%
	3.	General experience of proposer	2%
	B.	Personnel and Leadership	
	1.	Administrative and account management leadership	2%
	2.	Capability and experience of staff assigned	4%
	3.	Integration of loss control with claims and underwriting operations	2%
	C.	Location of staff	3%
	D.	Capability for adjusting to changed exposure	2%
		Subtotal	<u>21%</u>
IV.		Other	
	A.	Management Information Systems which include the ability to produce ad hoc reports	2%
	B.	Minimize/Mitigate Market Disruption	3%
	C.	Experience with Massachusetts reporting requirements which includes statistical reporting, financial reporting and Registry of Motor Vehicle requirements	2%
	D.	Quality of implementation plan	1%
	E.	Additional services/creativity	1%
	F.	AM Best Rating	3%
		Subtotal	<u>12%</u>
		TOTAL	100%

A summary of the factors of evaluation is attached as Supplement 4.4. The relative importance of these factors involves management judgments and will include both objective and subjective analysis. The award of an appointment pursuant to this RFP will be made to that responsible proposer(s) whose proposal is determined to have the greatest overall benefit to CAR, its members, agents and insureds.

#### 8.5 PROPOSER CONFERENCES

Following the initial screening of proposals, some of the proposers may be eliminated for consideration. Those that have not been eliminated may then be requested at no cost to CAR to meet with CAR staff and its committees and advisors for the purpose of presenting distinguishing elements of its proposal and responding to questions. Each such conference may be expected to take up to two hours.

#### 8.6 PROPOSER SELECTION

The field of proposers shall be reduced to a group of finalists. The finalists, or a subset thereof, may be invited to participate in a more detailed review of qualifications and capabilities with CAR. CAR's personnel will also be available during that time to meet with each proposer's personnel to discuss any special requirements presented by this RFP. These conferences may be supplemented by visits to the proposer's office. Interviews with individual staff on-site may be required.

Concurrently, each finalist may be requested to submit supplemental information based on its meeting with CAR and the ongoing evaluation of its proposal. This supplemental information will also be considered in CAR's selection process.

Following the procedures previously described, CAR will make a decision regarding selection of the proposer(s) with whom it wishes to appoint for the purpose of servicing ceded commercial business.

## 8.7 SUPPLEMENTAL

### Summary of Evaluation Factors

Category	Claims	Underwriting	Loss Control	Total
Experience	15%	15%	8%	38%
Personnel and Leadership	12%	12%	8%	32%
Location of Staff	4%	3%	3%	10%
Adjust to Change	3%	3%	2%	8%
Subtotal	34%	33%	21%	88%
AM Best Rating				3%
Other				9%
Total				100%