

September 19, 2015

**REQUEST FOR PROPOSAL**  
**INSURANCE ADMINISTRATOR FOR THE CALIFORNIA ASSOCIATION OF MUTUAL WATER COMPANIES'**  
**JOINT POWERS INSURANCE AUTHORITY**

The California Association of Mutual Water Companies (Cal. Mutuals) has sponsored legislation that would authorize the establishment of the California Association of Mutual Water Companies' Joint Powers Insurance Authority (hereinafter called the Authority). That legislation, Assembly Bill 656 (C. Garcia), was passed by the California Assembly and Senate and was signed into law by Governor Jerry Brown on September 3, 2015, to take effect January 1, 2016. AB 656 authorizes mutual water companies to join with one or more public agencies to establish a joint powers agency for insurance purposes, and it is contemplated that the Authority would be that joint powers agency. Thus, until the Authority may be legally formed (i.e., after January 1, 2016), Cal. Mutuals is proceeding with some of the administrative tasks necessary to get the Authority operational as soon as possible after it is legally empowered to come into existence. The goal of Cal. Mutuals in proffering this Request for Proposal is to obtain the information necessary to select an Insurance Administrator for the Authority who will be the most effective and proactive partner in assisting the Authority to:

- Reduce overall risk management costs to the Authority's members.
- Enable the Authority to protect and enhance its members' assets and operations through offering to members through the Authority adequate and cost effective insurance products.
- Provide a high level of Administrative and Brokerage insurance services to the Authority and its members, and turnkey services for the administration of policies provided through the Authority.
- Provide efficient and effective claims, underwriting, distribution, and risk control services to the Authority's members.
- Secure highly rated, affordable, sustainable, and fully-reinsured Property & Liability and Workers' Compensation products.
- Develop proprietary safety and loss engineering services for public water systems via partnership with a risk management & insurance department of a nationally-respected university, or through other means by which such services can be economically provided to the Authority's members.
- Grow the Authority's insured membership to over 500 members within 30 months.
- Establish a network of local, professional insurance brokers who are committed to coverage to be provided through the Authority and are willing to serve as appointed risk managers for public water system insureds.
- Develop a risk management water designation for local, professional insurance brokers representing the providers of coverage provided to the Authority's members.

Cal. Mutuals has selected its general counsel, Lagerlof, Senecal, Gosney & Kruse, LLP (hereinafter called Lagerlof), as legal advisor for this RFP process. It is anticipated that the appointment of the Insurance Administrator for the Authority will commence on January 1, 2016, but some preliminary services may be required before that date.

### **Request for Proposals**

Cal. Mutuals invites responses to this Request for Proposals (RFP), particularly including the information to be provided in response to the Addendum hereto, until October 23, 2015. A conference call to discuss this Request will be held on October 2, 2015 at 10:00 a.m., with the call-in information to be provided to any potentially interested responding party. From the proposals received by 5:00 p.m. on October 23, 2015, Cal. Mutuals may select finalist firms for interviews, which would occur during the week of November 2, 2015. Cal. Mutuals' Board of Directors would then select the final firm and commence negotiation of a mutually acceptable agreement between Cal. Mutuals and that firm, which contract would be fully assignable to the Authority.

## Purpose

The purpose of this RFP is to receive qualified proposals for the following services, as further described in the Addendum hereto:

- Management and General Administration of Insurance-Related Authority Operations
- Financial Services pertaining to the Authority and Its Offering of Insurance Products to Members
- Claims and Litigation Management Resulting from Members' Policies
- Members' Risk Management and Loss Control
- Brokerage Services and Reinsurance Placement
- Property & Liability and Workers' Compensation Underwriting
- Local, Professional Insurance Broker Distribution Buildout (including water designations)
- Member Services – with assistance from other contracted entities

This RFP is intended to assess the professional, technical, and managerial qualifications of applicant(s) interested in providing the above insurance-related services to the Authority's members.

## Potential Contract Term

The initial term of the proposed contract shall be five (5) years commencing January 1, 2016, or sooner.

## Submission and Deadline

Cal. Mutuals will accept proposals for consideration from qualified firms to provide the services described herein. Proposals must be submitted no later than 5:00 p.m. on October 23, 2015. Responses received after that time and date will not be considered. Responses should be delivered by overnight delivery, United States mail or personal delivery. Responses, except for the PDF version to be e-mailed, as specified in the next sentence, should not be faxed or sent by e-mail. Responding firms should submit an original and four (4) copies of their responsive proposals in conformance to the attached Addendum, and should also e-mail a PDF version of their complete proposal, to:

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## California Association of Mutual Water Companies - Overview

The mission of the California Association of Mutual Water Companies is to bring together California's mutual water companies, facilitate the exchange of quality information, offer valuable resources, and represent its members through grassroots activities and statewide lobbying. Cal. Mutuals is a non-profit trade association organized under as a California non-profit mutual benefit corporation, tax-exempt status under Internal Revenue Code Section 501(c)(6) (Federal Tax ID: 46-3976195). The specific purpose of Cal. Mutuals is to act as a statewide association for mutual water companies and to pursue issues of common interest among mutual water companies throughout California. Cal. Mutuals was founded in 2013 by 14 mutual water companies. These *Charter Members* recognized the need to bring together leaders of the industry and to give a voice to small water systems that serve residential, small business, farms, municipalities and disadvantaged communities throughout the state. Cal. Mutuals retains an administrative staff and governmental relations team who operate under the direction of the association's Board of Directors. The Board currently meets on a monthly basis and is supported by Legislative, Executive and Membership Committees. Cal. Mutuals provides its members with compliance seminars, training opportunities, technical knowledge and resources, people-to-people networking, roundtable conferences, government relations

support, and statewide lobbying. Cal. Mutuals offers three types of membership (1) Regular Member for mutual water companies (2) Affiliate Member for non-mutual water company water suppliers, and (3) Associate Member for individuals or companies who desire to support Cal. Mutuals.

### **Mutual Water Companies – History**

Mutual water companies are the historical bedrock of California's water system. The delivery of water to present-day Los Angeles began in the 1800's when a mutual water company constructed irrigation channels and installed pumps as well as basic plumbing to distribute water to shareholder-owned properties. As California urbanized in the mid-1900's, in many instances, mutual water companies gave way to city-owned water departments and investor-owned utilities. However, in some areas mutual water companies still provide water service to urban customers, and in other areas, mutual water companies provide water service in rural areas that have no alternative supplies. Some mutual water companies are owned by municipalities that share responsibility for maintaining the water system. The majority, however, have stayed independent, with many designing extensive infrastructure to access, or import, water to entire neighborhoods from sources operated by regional public water suppliers. Serving over 1.3 million residents, mutual water companies are not-for-profit organizations that provide clean, reliable, and cost-effective water solutions to homes, farms and small businesses. They similarly provide high-quality jobs to Californians from all parts of the state.

Mutual water companies are organized under California Corporations Code Sections 14300 et seq., are regulated under the federal Safe Drinking Water Act and the California Porter-Cologne Water Quality Control Act, report information concerning their operations to Local Agency Formation Commissions (LAFCO's) (which exist in each California county as independent public agencies), and operate under a myriad of local, state and federal laws and regulations. Mutual water companies are regulated by California's Water Code and Health and Safety Code, and must abide by open meeting and records disclosure laws. In operating a public water system, mutual water companies are subject to regulation by the State Water Resources Control Board's Division of Drinking Water or by local primacy agencies (usually county departments of health), and must comply with requirements imposed by the State Water Resources Control Board as well as the local Regional Water Quality Control Board. The Corporations Code imposes transparency requirements on mutual water companies, such as holding annual shareholder meetings, distributing annual financial statements to shareholders and conducting an annual financial review. The Corporations Code also authorizes the inspection of accounting books and records by shareholders.

If you have any questions concerning this letter or the attached RFP, please submit them in writing to Lagerlof at 301 North Lake Ave, Suite 1000 / Pasadena, CA 91101 or by e-mail to [jciampa@lagerlof.com](mailto:jciampa@lagerlof.com) or by phone at (626) 793 - 9400. Do not contact the Board or our association, as all inquiries must be submitted through Mr. Ciampa. The RFP documents may become an addendum to the contract that is signed with the awarded Bidder. The Bidder will assume responsibility for all costs associated with preparation of a response to this RFP and with complying with the language of this RFP in regard to the wishes of the Cal. Mutuals Board of Directors. Cal. Mutuals reserves the right to reject any or all proposals that are submitted in response to the RFP.

We look forward to receiving your response by 5:00 p.m. on October 23, 2015. Responses received after that date and time will not be considered.

Regards,

CALIFORNIA ASSOCIATION OF MUTUAL WATER COMPANIES

Adan Ortega  
Executive Director

Enclosure  
Addendum – RFP Questions

## **ADDENDUM – REQUEST FOR PROPOSAL**

### **I. Scope of Service**

Proposals are expected to cover the following categories of service (items listed are not considered to be an exhaustive listing of required tasks). Each of the categories described below have detailed technical requirements that the Insurance Administrator will be required to undertake.

#### **Management and General Administration**

1. Provide day-to-day management of the coverage provided through the Authority in line with strategic priorities, while implementing Board policies and ensuring continuous improvement of the coverages offered.
2. Oversee and manage the Authority's operations, including governing documents, agreements, established policies and procedures, strategic goals, industry standards, and legal constraints.
3. Establish procedures and policies (i.e. underwriting, reinsurance, claims handling, accounting practices, and regulatory compliance), as necessary, while ensuring compliance with all such procedures and policies.
4. Establish and maintain effective communication and administrative services with Authority members, service providers, reinsurers, and other interested parties (e.g. affiliated trade vendors).
5. Provide management-level analysis and recommendations to the Authority Governing Board and Advisory Committee regarding:
  - a. Selection of reinsurance;
  - b. Results of financial, underwriting, and claims audits;
  - c. Financial benchmarks and member rates;
  - d. Specific loss trends as well as general industry and legislative developments; and
  - e. Other analysis or assistance as appropriate for effective, healthy operations.
6. Oversee any vendor contracts from RFP through completion, while ensuring compliance with all relevant policies (e.g., contract due diligence, invoice review and payment).
7. Prepare for all Authority Governing Board and relevant Committee meetings as directed by the Governing Board (including agendas, agenda materials, public notices, physical and logistical arrangements for meeting locations and facilities, as well as participation of service providers and advisors as required). Prepare minutes of such meetings and maintain proper records of all actions taken. Ensure meetings of the Governing Board and Committees are conducted in accord with the Brown Act, if applicable.
8. Provide the Authority Governing Board with regular reports and updates, including status and performance of operations, administration and finances.
9. Advise the Governing Board on significant matters of interest to the Authority and its members.
10. Provide appropriate customer service to Authority members (e.g., provide certificates of coverage, endorsements, and declaration pages; coordinate proof of insurance requests).
11. Market the Authority's products and services to attract new members via a network of local, professional brokers acting as designated risk managers.
12. Provide appropriate staff to ensure seamless support for all of the above.

#### **Financial Management**

1. Provide management to the Authority for all financial matters as well as all day-to-day and long-term financial management.
2. Prepare the annual budget for the Authority and oversee its implementation.
3. Provide regular updates to the Board and Advisory Committee regarding the Authority's financial performance, including timely delivery of financial statements, investment reports, annual budgets, audited financials, and management letters.
4. Implement all billing, collections, banking, and disbursements in accordance with Board-established procedures, with appropriate records of each.
5. Develop premium amounts and dividends (if applicable) for Authority members by:
  - a. Collecting and compiling member exposure and loss information;

- b. Performing underwriting work to calculate annual contributions; and
- c. Verifying premium rates.
- 6. Prepare and submit all reports related to the Authority's financial or administrative operations as required by any local, state or federal government agency or regulator.
- 7. Provide oversight of independent actuaries, external auditors, or other providers of finance or accounting related services to the Authority.
- 8. Provide the needed staff, equipment, supplies and technological support to manage and maintain the financial operations of the Authority (e.g., a robust accounting and budgeting system).

### **Claims and Litigation Management**

- 1. Provide a claim system to actively manage and monitor all claims and/or litigation involving losses under Members' policies that are reported or that may have a significant impact on the Authority and its members.
- 2. Manage all claims within the scope of the Authority's programs according to governing documents, agreements, established policies and procedures, strategic goals, industry standards, and legal constraints.
- 3. Provide management analysis and recommendations regarding resolution of claims, and assignment of appropriate defense counsel – all to avoid unnecessary disputes, legal expenses and/or unnecessary financial risk to the reinsurer(s).
- 4. Prepare and submit all reports related to claims and litigation management required by Government Code (if applicable) and required by the Authority's reinsurer(s).
- 5. Review Coverage Counsel opinion letters to affected Authority members.

### **Risk Management and Loss Control**

- 1. Provide a comprehensive menu of consulting and technical information services in line with strategic direction and Governing Board-approved work plans.
- 2. Cal. Mutuals is open to a range of options in this area, including but not limited to:
  - a. Providing risk identification, analysis, and underwriting assistance;
  - b. Providing individual risk management consulting services to members;
  - c. Assisting members in implementing relevant procedures and training as requested; and
  - d. Maintaining an appropriate "library" of loss control/risk management resources for members.

During the term of the contract, the Authority's Governing Board may request services beyond the scope of this agreement. The scope of services described here represents the Authority's concept of the work anticipated and deliverables requested. The Authority may propose additional tasks as deemed necessary. The final scope of work, or subsequent amendments thereto, will be discussed in detail with the selected provider to develop an agreed-upon scope of services that incorporates the proposed approach and the Authority's objectives, and provides reasonable compensation for such services to the selected provider.

### **Brokerage Services**

Please describe your firms' ability and experience to provide brokerage services to the Authority.

- 1. Does your organization go direct or through a broker for placement of fully-reinsured Property & Liability and Workers' Compensation products?
- 2. Identify underwriting data you would require for development of an insurance submission for the Authority.
- 3. Explain what fees your firm would require from the Authority.
- 4. Explain your ability and experience in evaluating the competitiveness of current insurance premium pricing and rate levels.
- 5. Explain your marketing strategy in placement of fully-reinsured Property & Liability and Workers' Compensation products on behalf of the Authority.
- 6. Explain your sales strategy to grow the Authority's membership from zero to 500 members in thirty (30) months.
- 7. Explain your process of renewing future in force coverages and formulating enhancements or improvements to applicable coverage forms.

8. Explain your minimal acceptable standards for security of reinsurance carriers.
9. Discuss your strategy for the Authority to secure competitive and proprietary fully-reinsured Property & Liability and Workers' Compensation products. The strategy should include supporting rationale.

## II. Proposal Requirements

### Proposal (for firms and potential partners only)

1. Provide a detailed proposal for how you would meet the obligations of this RFP, including:
  - a. Your approach for each relevant area and detailed work plan;
  - b. Your approach to client and member communication;
  - c. Systems you will make available to the Authority; and
  - d. Expected benefits to the Authority of the above and how those benefits will be measured.

*Proposals may recommend changes to the Scope of Services described or other suggestions that will reduce costs while maintaining or enhancing the final deliverables.*
2. Identify payment terms and amounts. All proposals must include your fee structure.
3. Describe what distinguishes your firm from other potential providers, why selection of your firm is the best decision we could make, and how you will guarantee seamless and comprehensive service.

## Experience and References

1. Detail your experience in currently or previously providing these services for mutual water companies, and your ability to implement fully-reinsured Property & Liability and Workers' Compensation products as soon as possible.
2. Describe past successes in growing new insurance programs for mutual water companies and your history with California public water systems.
3. Explain the genesis of your firm's mutual water company experience in California, including your executive team that is experienced in providing services and products to mutual water companies and other small (e.g., less than 500 service connections) water systems.
4. Identify local, professional brokers who have committed support to the Authority and to your firm in the distribution of fully-reinsured Property & Liability and Workers' Compensation products. You must include letters of support or other proof of advocacy.
5. List qualifications of the primary personnel assigned to the Authority, including resumes. List any professional affiliations, licensures, and certifications that are pertinent to the work.
6. Provide experience details on adjusting Property & Liability and Workers' Compensation claims.
7. Provide reference names and contact information for relevant personnel who will be assigned to the Authority. References should include reinsurer(s), brokers, water regulatory agencies, and similar water associations.

## III. Content of Proposal

### Qualifications (Knowledge, Expertise, Capabilities)

Qualified proposers will have:

- Demonstrable, comprehensive and progressive experience in the relevant area.
- A thorough understanding of all relevant industry standards and applicable legal standards.
- Professional credentials and/or certifications recognized in the industry.
- Staff with experience and education similar to what would be expected of a direct hire.
- Sufficient internal capacity to guarantee seamless service regardless of internal turnover or client acquisition.

Proposals must include the following information, preferably in the following order:

1. Provide a brief history of firm's organization: how it is organized, and how its available resources will be utilized in providing services to or on behalf of the Authority.
2. Provide information highlighting firm's particular expertise and experience to provide Insurance Administrator / Brokerage Services as outlined in **Section I. Scope of Service**. Include confirmation of local, professional broker commitments as well as water operator credentials.
3. Identify the specific staff that will be responsible for the contemplated services.

#### **IV. Selection of Proposal**

##### **Proposal Recommendation**

1. The Cal. Mutuals Governing Board shall have final decision-making regarding the award of any and all contract(s) resulting from this RFP. The Cal. Mutuals Chair may designate a Selection Committee to make a recommendation to the Cal. Mutuals Governing Board.
2. Evaluation of proposals by the Selection Committee, or by any other group, individual or entity, is advisory only. Such evaluations are for the sole benefit of the Cal. Mutuals Governing Board and may not be relied upon by any Proposer.

##### **Selection Process**

1. Evaluation factors shall include, but are not limited to, the following:
  - a. Proposer's expertise, experience, and service capabilities;
  - b. Proposer's key staff proposed to be assigned to perform work for the Authority;
  - c. Proposer's past performance;
  - d. Proposer's access to specialized insurance markets;
  - e. Proposer's telephone or in-person interview, if requested;
  - f. Proposer's insurance designation curriculum for local, professional brokers selected to represent the Authority and its members;
  - g. Proposer's network of local, professional brokers committed to Authority and its members;
  - h. Acceptance of the contractual terms that are proposed to govern the relationship with the Proposer; and
  - i. Cost
2. Cal. Mutuals reserves the right to determine, in its sole and absolute discretion, whether any aspect of a Proposal satisfactorily meets the criteria established in this RFP.