

Request for Quote

Captive Program Review

Midwestern Higher Education Compact (MHEC)

Introduction

Project Objective

The Midwestern Higher Education Compact (**MHEC**) is one of four statutorily-created interstate compacts created for the purpose of advancing higher education through cooperation and resource sharing. MHEC was established in 1991 and serves Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. More information about MHEC can be found at <http://www.mhec.org>.

MHEC established its Master Property Program (**MPP**) in 1994 to broaden property insurance coverage, reduce premium rates, and encourage improved asset protection strategies for colleges and universities in the member states of the Compact. The program aims to secure broad insurance coverage and services to meet the needs of the participating member institutions, to reduce premium costs, to stabilize premium rates, and to provide group dividend returns when loss experience proves favourable.

In June 2004, MHEC signed an affiliation agreement with the Western Interstate Compact for Higher Education (WICHE) whereby the program is made available to the higher education institutions in the 15 states in the West. Then in June 2009, MHEC signed an affiliation agreement with the New England Board of Higher Education (NEBHE) whereby the program is now available to the higher education institutions in the 6 New England States. Now, any 2-year, 4-year, public or private institution of Higher Education in 33 states is eligible for the program, subject to underwriting approval.

The program's mission is "to be the premier insurance program for MHEC, WICHE and NEBHE institutions and to maintain a leadership position in underwriting, loss control, coverage and cost". More information on the MHEC Master Property Program can be found at <http://www.mhec.org/MasterPropertyProgram>.

The MPP, in keeping with its desire to satisfy its due diligence responsibilities to its members, is requesting a quote for consulting services to conduct a due diligence review and recommendation analysis of the MPP's current captive program. This request for quote defines the scope of which will be to perform a due diligence analysis of the MPP's use of a rent-a-captive cell to determine if it is still the most appropriate structure for the program.

Project Overview

This Request For Quote (RFQ) is issued by the MHEC Master Property Program Leadership Committee, which is the sole point of contact for MHEC during the selection process. The person responsible for managing the RFQ process is Mr. Robert Trembath (612-624-1812 or robt@mhec.org).

This engagement will focus on the operation of the existing program. The scope (as discussed in the next section) will include an analysis of the program's use of the rent-a-captive cell, and a discussion as to whether participation in the captive cell is the most appropriate vehicle for MPP, considering the program's significant growth and its expansion potential. Additionally, the report should provide a discussion of the current services provided by Captive Resources, LLC (CRI), and an evaluation of the appropriateness of the current program management and compensation agreement.

The winning bidder will be expected to provide both a written report and an oral report of its findings to the MHEC Master Property Program Leadership Committee. The oral report, as well as copies of the written report may also be provided to the Master Property Program Administrator (Marsh USA Inc.). The written report and any and all data, analysis and findings furnished by the winning bidder pursuant to the services contemplated under this RFQ will be the property of MHEC.

Project Scope

Due Diligence Program Review

Perform a due diligence analysis of the MPP's use of a rent-a-captive cell, and determine if it is still the most appropriate structure for the program. As part of the scope of this review, please provide commentary and discussion on the following items:

- 1) Review the existing MPP's use of a rent-a-captive cell to determine if it is still the most appropriate structure for the program. The MPP is experiencing significant growth in the number of participants and in the resulting program premium volume.
- 2) Review the current program consulting services provided by Captive Resources, LLC (CRI). Such consulting services include advising the MPP with respect to services provided by reinsurers, reinsurance intermediaries, investment advisors, actuaries, banks, accountants, and attorneys. Evaluate the appropriateness of the above services for MPP as it relates to the program's current needs and continuing growth objectives.

- 3) Review the MPP's current compensation agreements with CRI, Epic, and Epic's Investment Manager as it relates to the MHEC cell, and evaluate the appropriateness of the method and amount of compensation for the current rent-a-captive program. Provide benchmark data and comparisons of the current compensation figures with industry-wide data.
- 4) After a thorough review of the service contract, provide an evaluation of the quality and appropriateness of management services provided by the rent-a-captive cell manager.
- 5) Review the current pooled premium figures of the MPP now, and provide commentary regarding the appropriateness of the current capitalization structure of the cell, the current dividend policy, and any rental fees currently being charged to MHEC.
- 6) Provide a preliminary discussion of possible alternative program options for the MPP. This should be a high-level discussion of whether the MPP should a) continue utilizing the current rent-a-captive cell, b) use a domestic cell to provide access to the Terrorism Risk Insurance Act (TRIA), or c) create a new group captive structure.

Master Property Program Information

To the extent possible, the MHEC MPP Leadership Committee will make available to the winning bidder all relevant information about the Master Property Program and its rent-a captive cell necessary to complete the due diligence program review. As part of its response to this RFQ, respondents should identify the types of information they will need in order to conduct an effective due diligence program review as outlined in the "Project Scope" above. The Master Property Leadership Committee will make its best efforts to provide the winning bidder with such information; but neither the Master Property Program Leadership Committee nor MHEC make any guarantees that any or all of the program information that has been requested, and which does not belong to MHEC, will be provided.

Schedule of Events

The following schedule lists meetings and deadlines related to this RFQ. Deadline dates are as indicated unless otherwise changed by the Master Property Program Leadership Committee. In the event that the Master Property Program Leadership Committee finds it necessary to change any of the dates or activities listed in this calendar, it will do so by MHEC issuing a written statement or an amendment to the RFQ to prospective providers.

Event	Target Completion Date
Effective Issue Date of RFQ	April 28, 2010
Written Questions about RFQ Due to MHEC Office	May 10, 2010
Answers to Questions Sent to Prospective Providers	May 17, 2010
Deadline for Submission of RFQ	June 1, 2010
Selection of Winning Bidder	June 14, 2010
Contract Signed	June 28, 2010
Written Report due to MPP Leadership Committee	October 1, 2010
Oral Report to MPP Leadership Committee	TBD-no later than October 31, 2010

Questions about the RFQ may be submitted by e-mail to Mr. Robert Trembath at robt@mhec.org. All questions submitted by e-mail must be received by no later than 1:00 p.m. CDT on May 10, 2010. All answers to the submitted questions will be provided to all known potential respondents and posted on MHEC's web site on May 17, 2010. Only information supplied by MHEC in writing through Mr. Robert Trembath or this RFQ or amended RFQ should be used as a basis for the preparation of respondent's proposals.

The deadline date for submission of responses to the RFQ is 5:00 p.m. CDT, Tuesday, June 1, 2010. Any proposals submitted after this time will not be accepted.

Submission of Proposals

Respondents shall furnish information required by the solicitation in the form requested. MHEC reserves the right to reject proposals with incomplete information or which are presented on a different form. It is the respondent's responsibility to ask questions, request clarifications, or otherwise advise MHEC of any language, specifications or requirements of the RFQ which appears to be ambiguous, contradictory, and/or arbitrary. All questions with regard to the submission of proposals should be made in writing by e-mail to Robert Trembath at robt@mhec.org. Only information supplied by MHEC in writing through Robert Trembath or this RFQ or amended RFQ should be used as a basis for preparation of respondent's proposal. All proposals shall include a completed signature page (Appendix A), signed in the appropriate location, by a duly authorized representative of the respondent's organization. Signature on the proposal certifies that the respondent has read and fully understands all proposal specifications, plans, and terms and conditions.

By submitting a proposal, the respondent agrees to provide the specified services in the RFQ, at the prices quoted, pursuant to all requirements and specifications contained therein. Furthermore, the respondent certifies that: (1) the proposal is genuine and is not made in the interest of or on behalf of any undisclosed person, firm, or corporation, and is not submitted in conformity with any agreement or rules of any group, association, or corporation; (2) the proposal has been arrived at independently, without consultation, communication or agreement with any competitor for the purpose of restricting competition, (3) the respondent has not directly or indirectly induced or solicited any other respondent to submit a false or sham proposal; (4) the respondent has not solicited or induced any person, firm, or corporation to refrain from responding; (5) unless otherwise required by law, the offer cited in this proposal has not been and will not be knowingly disclosed by the vendor prior to opening directly or indirectly to any other vendor; and (6) the respondent has not sought by collusion or otherwise to obtain any advantage over any other respondent or over MHEC.

Modifications or erasures made before proposal submission must be initialled in ink by the person signing the proposal. Proposals, once submitted, may be modified in writing prior to the exact date and time set for the proposal submission deadline. Any such modifications shall be prepared on company letterhead, signed by a duly authorized representative, and state the new document supersedes or modifies the prior proposal. The modification must be submitted in a sealed envelope marked "Proposal Modification" and clearly identifying the RFQ title, proposal submission deadline, time and date. Proposals may not be modified after the proposal submission deadline closing time and date. Telephone and facsimile modifications are not permitted.

Proposals may be withdrawn in writing, on company letterhead, signed by a duly authorized representative and received at the designated location prior to the submission deadline. Proposals may be withdrawn in person before the proposal closing upon presentation of proper identification. Proposals may not be withdrawn for a period of sixty (60) days after the scheduled closing time for the receipt of proposals.

In addition to addressing requested services, all proposals must address the information requested in the sections that follow.

Consultant's Financial Condition

Submit your company's most recent audited financial statements (i.e. balance sheet, and profit and loss statement) and credit rating from nationally respected rating agency.

References

Provide at least three references from current clients. Please include any higher education references.

Staffing Plan and Resumes

Provide information on the staff that you propose to assign to consulting engagement. Attach detailed resumes of the account executive(s) and any backup staff you plan to use in servicing our account. Include in each resume the number of years experience in each of the following exposure areas; Real and Personal Property, Auto/GL, Medical Professional Liability, Worker's Compensation, and Pollution Liability. Also include in the resume all items listed below.

- a. Name
- b. Title
- c. Number of years in this capacity
- d. Educational background
- e. General professional experience
- f. Professional experience in servicing higher education institutions
- g. List State Broker Licenses, Property Casualty and/or Health & Life which are held individually.

If applicable, describe the nature and level of staff resources and service capabilities readily available to you through your parent organization.

Pricing

Provide pricing for the services requested in this RFQ. MHEC will consider proposals with compensation based on a flat fee.

Selection Process

The Master Property Program Leadership Committee will evaluate each response to the RFQ based on:

1. Respondent's ability to provide the requested services
2. Proposed pricing

The Master Property Program Leadership Committee may, at its option, initiate discussions with respondents who submit responsive or potentially responsive proposals for the purpose of clarifying aspects of the proposals, but proposals may be accepted and evaluated without discussion. The respondents shall not initiate discussion. The Master Property Program Leadership Committee reserves the right to waive or modify any informalities, irregularities or inconsistencies in the responses received. MHEC and the Master Property Program Leadership Committee also reserve the right to ask respondents to submit revisions to their proposals for the purpose of obtaining the respondents best and final offer. Any such revision will be discussed only between MHEC and the selected respondent and shall not be deemed an opportunity to amend the respondent's proposal.

An award may be granted to the lowest responsible bidder, upon which an agreement will be established between MHEC and the awarded bidder. MHEC and the Master Property Program Leadership Committee reserve the right to accept or reject any or all proposals and waive any technicality or informality. Any protest must be made to the MHEC president within ten working days following notice of award. The decision of the MHEC president shall be final.

Conflict of Interest

By submitting a proposal, the vendor certifies that no relationship exists between the vendor and the Midwestern Higher Education Compact, the members of its Master Property Program or other MPP Third Party Administrators (currently Marsh USA Inc. is the Program Administrator and Captive Resources LLC is the captive advisor) that interferes with fair competition or is a conflict of interest, and no relationship exists between the vendor and other persons or firms that constitutes a conflict of interest that is adverse to the Midwestern Higher Education Compact.

Public Information

After the contract is awarded and the contract document is executed, all proposals and documents pertaining to the proposals will be open to the public. If the prospective provider submits information in response to this RFQ that it believes to be trade secret materials as defined by the laws of the MHEC member states, the prospective provider must:

- a. clearly mark all trade secret materials in its response at the time the response is submitted;
- b. include a statement with its response justifying, with specificity, the trade secret designation for each item; and
- c. defend any action seeking release of the materials it believes to be a trade secret, and indemnify and hold harmless MHEC, its Commissioners, agents and employees from any judgments awarded against MHEC in favor of the party requesting the materials, and any and all costs connected with the defense. This indemnification survives MHEC's award of a contract. In submitting a response to this RFQ, the prospective provider agrees that this indemnification survives as long as the trade secret materials are in possession of MHEC.

In the event a request is made for information which the prospective provider has identified as trade secret, MHEC agrees to notify prospective provider of said request and provide its determination as to whether disclosure is legally required, in addition to anticipated disclosure dates, if any, and to allow the prospective provider an opportunity, in its discretion and at its sole expense, to seek a protective order or otherwise protect the confidentiality of the information.

Costs Incurred

MHEC is not liable for any costs incurred by prospective providers in replying to this RFQ.

Illegal Conduct

All responses must include a statement as to whether or not the responding firm has been convicted of bribery or attempting to bribe a public official, barred from contracting with a unit of local or state government as a result of bid rigging, or been convicted of a felony.

Organization and Format

Proposal should be typed in MS Word, MS Excel or PDF format. One sealed bid proposal along with two (2) bound copies and one electronic copy should be forwarded to the MHEC office at the address below prior to the deadline date. Pricing must be presented in one sealed envelope separately of the response to the RFQ. The proposal should be organized and presented in a manner that addresses all of the RFQ's provisions and requirements.

Proposals should be sent to the following address on or before the proposal deadline date of June 1, 2010 at 5:00 p.m. CDT:

MHEC RFQ for Captive Program Review
c/o Rob Trembath
1300 South Second Street, Suite 130
Minneapolis, MN 55454-1079
E-mail: robt@mhec.org

Contacting MHEC

For further information about MHEC and its programs and services you are referred to the Compact web site at: <http://www.mhec.org>.

For further information about the Compact's Master Property Program you are referred to: <http://www.mhec.org/MasterPropertyProgram>. You may also contact:

Mr. Rob Trembath
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