

BANKING AND INSURANCE BOARD

REQUEST FOR PROPOSALS
BIB-2007-001
FOR INSURANCE EXAMINATION SERVICES

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Department of Revenue and Taxation
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I GENERAL INFORMATION

A INTRODUCTION

The Banking and Insurance Board (Board) desires to receive proposals from qualified individuals or firms for the conduct of examination services for insurance companies that are licensed in Guam. The services required under this request for proposal include, financial, actuarial, reinsurance and EDP Services, as described in detail in Section II, Subsection A entitled “Description of Services.”

The Board consists of the Commissioner for Banking and Insurance, as the chair and nine (9) members who are all appointed by the Governor and confirmed by the Guam Legislature. (11 GCA §103103).

The Office of the Banking and Insurance Commissioner (Commissioner) charged with supervision of banking and insurance activities in Guam. (11 GCA §103101; 22 GCA §15316).

B. GENERAL AUTHORITY FOR PROCUREMENT; NON-VIOLATION OF PROHIBITION AGAINST PERSONAL SERVICES CONTRACTS

The Board has the statutory authority to enter into contracts for the services with a Certified Financial Examiner (CFE) in good standing with the Society of Financial Examiners (SOFE) and with an Actuary in good standing with the American Academy of Actuaries (AAA) in the examination of insurance companies. (11 GCA §103104(a)(4)).

All agencies of the government of Guam are required to follow the Guam Procurement Law when spending public funds to purchase “supplies” or “services” as these terms are described in the Guam Procurement Law. The Guam Procurement Law is codified at Title 5, Chapter 5, GCA, and the Guam Procurement Regulations are codified at Title 2, Division 4 of the Guam Administrative Rules and Regulations (“GAR”). The foregoing statutes and regulations are available from the web site at www.justice.gov.gu.

This Request for Proposals is issued subject to the competitive selection procedures for professionals and all other applicable provisions of the Guam Procurement Law and the Guam Procurement Regulations.

C. DETERMINATION TO USE COMPETITIVE SELECTION PROCEDURE

The following written determination is required by law prior to the announcement for the need of the services described in this Request for Proposals:

By issuing this Request for Proposals, the Board has determined (a) that the services to be acquired are a type of service specified in 2 GAR Div. 4 §3114(a) for competitive selection of services; (b) that a reasonable inquiry has been conducted on the availability CFEs in good standing with the SOFE and Actuaries who are members in good standing with the AAA and the territory does not have the civil service personnel nor in-house resources to perform the services required under the proposed contract or contracts; (c) that the service provider or providers shall be an independent contractor or consultant to the Commissioner and not an employee; and (d) that the Commissioner has developed, and fully intends to implement, a written plan for utilizing such services as will be included in the contractual statement of work.

D. ALL PARTIES TO ACT IN GOOD FAITH

The Guam Procurement Law and the Guam Procurement Regulations require that all parties involved in the preparation of proposals; the preparation of the Request for Proposals; the evaluation and negotiation of proposals; and the performance or administration of contracts to act in good faith.

E. PURCHASING AGENCY AND DEFINITION OF TERMS

The Board, an agency of the Government of Guam, issues this Request for Proposals BIB-2007-001. As authorized by Guam law, (11 GCA §103104(a)(4)) the Board shall act as the “Purchasing Agency” for the purpose of procuring the professional services described in Section II, Scope of Work.

Board: This refers to the Banking and Insurance Board. The Board may be described as “Purchasing Agency” or “Government.”

Company: This refers to the licensed insurer under examination as well as an insurer coming before the Department for any type of transaction which requires a ruling or decision from the Commissioner and the Board.

Consultant: An offeror that is hired, or awarded a contract or engaged by the Board to perform specified services may be described herein as a consultant, or contractor or service provider.

Department: This refers to the Department of Revenue and Taxation

Offeror: The company, firm or individual responding to this Request for Proposal or a party who submits a proposal.

F. LIABILITY FOR COSTS TO PREPARE PROPOSAL

The Purchasing Agency is not liable for any costs incurred by any offeror in connection with the preparation of its proposal. By submitting a proposal, the offeror expressly waives any right it may have against the government for any expenses incurred in

connection with the preparation of its proposal.

G. DESIGNATION OF PROCUREMENT ADMINISTRATORS

The Board has designated the Commissioner to administer the procurement process for this Request for Proposals. Another Government employee, John Carlos, Regulatory Programs Administrator, Department of Revenue and Taxations, will be selected to assist the Commissioner. They shall at all times administer and conduct these proceedings together in the presence of each other.

H. APPLICABILITY OF GUAM PROCUREMENT LAW

If any part of this Request for Proposals is contrary to the Guam Procurement Law or contains ambiguous terms, then such portion of the Request for Proposals shall be interpreted or resolved in favor of or according to the provisions of the Guam Procurement Law.

II. SCOPE OF WORK AND RELATED INFORMATION

A. DESCRIPTION OF SERVICES

There are four separate functions to be performed by Consultants as hereinafter described. A Bidder must propose to perform all of these services.

1. Financial Examinations:

The Consultant shall assist the Department in conducting on-site or “field” examination(s) of a licensed insurance company(ies), in accordance with the Insurance Law of Guam and Regulations. The examination shall be conducted pursuant to the NAIC Examiners’ Handbook. The Consultant will utilize, as resources, the Guam Insurance Law, and regulations promulgated there under, Department’s order, the NAIC Accounting Practices and Procedures Manuals, the NAIC Annual Statement Instructions, the NAIC Examiners’ Handbook and the Purposes and Procedures Manual of the Securities Valuation Office of the NAIC.

The Consultant shall provide a Certified Financial Examiner (CFE) as the Examiner-in-Charge (EIC), which shall be the primary supervisor physically on-site at each examination. The Commissioner or his designee shall assign regulatory examiner(s) to assist the EIC. The Department shall supply a copy of the Guam Insurance Law and regulations, and the Consultant shall supply all other resource material.

The Consultant should advise the Department of any significant findings or indications as soon as the information becomes available.

At the conclusion of the examination, the Consultant will be required to prepare a report on examination in a form acceptable to the Department.

2. Reinsurance Services

The Consultant shall assist the Department with the following reinsurance services:

- (a) Review of reinsurance agreements submitted to the Department for an in-house review.
- (b) Conducting the reinsurance cycle on field examinations, on-site at the company under examination including compliance with the Guam Insurance Law, Regulations, Department's orders, as well as compliance with the NAIC Accounting Practices and Procedures Manuals and determination that reinsurance transactions are reported in accordance with NAIC Annual Statement Instructions.
- (c) Analysis of the adequacy of a Company's reinsurance program.
- (d) Analysis of the collectibility of balances due to a Company from reinsurers.

The Consultant must possess professional competence and expertise in all areas of reinsurance, including the ability to review and evaluate complex reinsurance treaties, contracts, transactions and programs. The ability to prepare and maintain work papers is also considered part of the professional qualifications. The services may include interpretation of contractual language, cash flow analyses to determine risk transfer, and verification of accounting treatment. The work will be performed under the direction of the Examiner-in-Charge (EIC) of a field examination. The Consultant shall have extensive knowledge of statutory accounting principles as they relate to reinsurance transactions and the impact on an insurer's financial statements of such transactions shall be demonstrated. The Consultant shall have a high degree of familiarity with the guidelines set forth in the Reinsurance Cycle of the NAIC Examiners' Handbook and knowledge of the Guam Insurance Laws, regulations and Department, Department's orders as they pertain to reinsurance. The Department shall supply a copy of the Guam Insurance Law and regulations, and the Consultant shall supply all other resource material.

3. EDP Services

The Consultant shall be required to examine the Company's computer based operations in accordance with the NAIC Financial Examiner's Handbook. The duties of the

Consultant will include, but not be limited to:

- (a) Review the Company's record keeping system to determine what it does and how it works.
- (b) Review the Company's response to the Information Processing Facility Questionnaire (IFPQ) and Understand the controls and effectiveness of the controls.
- (c) Determine the specific needs of the examiners and arrange for the production of the required computer printouts.
- (d) Remain available to the examiners throughout the examination for consultation on computer-related problems.
- (e) Provide Department examiners with on-the-job training of computer methods and techniques.

The findings of the computer audit specialist are to be summarized in a report that will be forwarded to the examiner in charge of the examination, who will incorporate any comments and recommendations made by the Consultant in the report of examination.

4. Actuarial services

The Consultant shall be able to conduct analyses on loss and loss adjustment reserves, anticipated future investment income, surplus and other related items. These analyzes must be performed in accordance with; generally accepted actuarial standards and principles as promulgated by the Casualty Actuarial Society and the American Academy of Actuaries; NAIC Annual Statement Instructions; NAIC Examiner's Handbook; and the NAIC Accounting Practices and Procedures Manuals. The Consultant should perform reasonability checks on the underlying data and utilize the most appropriate data source. The Consultant must provide a written actuarial report to the Department. This report and any related documentation, including exhibits and computer diskettes, supporting these analyzes must be submitted to the Department. The Consultant would be expected to clearly indicate which material is considered proprietary and thus possibly exempt from public disclosure in accordance with Freedom of Information Law, Sunshine Act 5 GCA § 10101 et seq.

The Consultant should be available to provide input regarding actuarial analyzes and related work performed by the EIC. The Consultant should be available for consultation on other related actuarial issues. The Consultant should designate either a Fellow or an Associate of the Casualty Actuarial Society, with a minimum of five (5) years experience in the analysis of loss and loss adjustment expenses reserves and related items, to supervise a project. The Consultant should be able to provide limited scope actuarial analyses of specific issues, such as a review of asbestos and environmental reserves or

determining whether a reinsurance contract transfers risks.

B. TYPE OF CONTRACT

Basis of Payment. The Guam Procurement Law prohibits advance payment. Therefore, the government may not pay a retainer. Instead, the type of contract contemplated is a “time and materials” contract whereby the parties shall agree upon a basis for payment of services performed and expenses incurred by the contractor.

The basis of payment shall be an examination fee based on cost per hour per examiner, plus travel, per diem and other related expenses for all institutions examined by the Office of the Banking and Insurance Commissioner. (11 GCA §103113). In accordance with the cited statute, the offeror or offerors shall submit an offer based on cost per hour per examiner, travel cost, per diem and other related expenses.

C. DURATION OF CONTRACT

Work may commence when the Purchasing Agency delivers a written Notice to Proceed. Usually, the notice is issued after the requisite parties sign a written agreement. The initial term of the resulting contract will end on the last day of the fiscal year in which the contract is awarded. The government will have the option to extend the contract for successive one-year periods. However, the contract shall not exceed a maximum of five (5) years from the date the parties sign a written agreement.

D. IDENTITY OF PERSON PREPARING SCOPE OF SERVICES

The Guam Procurement Law requires that the person drafting the specifications, or description of services, be identified. John Carlos, the Regulatory Programs Administrator, prepared the “Description of Services” in Subsection A of this Section II.

III. PROPOSAL CONTENTS, REQUIREMENTS AND INSTRUCTIONS

A. GENERAL INSTRUCTIONS

1. **Written Proposals.** All proposals must be in writing and typed. The Purchasing Agency will not accept handwritten proposals.
2. **Signatures in Ink.** Signatures shall be in black or blue ink.
3. **Erasures and Strikeouts.** Erasures, strikeouts, or other types of changes that are

evident on their face made to a proposal must be explained or noted over the signature of the offeror.

4. Contents of Proposal. The offeror's response to the items mentioned in Subsections B, C and D of this Section III together shall be considered the offeror's proposal. Proposals should be prepared simply and economically, providing a straightforward, concise description of the offeror's ability to fulfill the requirements of the proposal. In order to ensure a uniform review process and to obtain the maximum degree of comparability, the Purchasing Agency prefers that the contents of the proposal be organized and submitted in the following manner, format, and order unless otherwise stated

5. Inclusion of Proposal Contents in Contract. The Purchasing Agency reserves the right to include any part or parts of the offeror's proposal in the final contract if the offeror is awarded a contract.

B. COVER LETTER

The cover letter must include the following statements or information. The following information to be placed in the cover letter need not be in the order identified below:

1. Identification of Offeror. The name of the offeror, street address of the offeror's principal place of business, mailing address if different from the street address telephone, facsimile numbers, and email address of principal officers or managing partners of the offeror.

2. Designation of Contact Person. The offeror shall designate a contact person and include his or her address and contact numbers, including e-mail address, if different from the offeror's. The designated person must be able to answer any questions the Purchasing Agency has regarding the offeror's proposal and must be able to negotiate the fee and other contract terms.

3. Tax Identification Number. The offeror's federal employer identification number (EIN) or tax identification number (TIN), if any.

4. Statement of Understanding and Willingness. A statement expressing the offeror's understanding of the work to be accomplished as specified in the Description of Services (Section II, Subsection A), and a statement of the offeror's positive commitment or willingness to perform the services.

5. Requests for Non-Disclosure. After award of a contract, the proposal of the offeror awarded the contract becomes a public record of the procurement process. Therefore, if an offeror is submitting trade secrets or proprietary information that it wishes to keep confidential, then the offeror must identify those portions that it considers proprietary and

request in writing for non-disclosure. The request for non-disclosure must be included in the cover letter, and those portions in the proposal that are proprietary must be clearly marked or designated, or identified in the cover letter. The Purchasing Agency will entertain the request and issue a ruling in accordance with Section V, Subsection G.

6. No Conflict of Interest. The offeror must also include a statement affirming that there are presently no conflicts of interest with regard to the services required by the Commissioner.

7. Certification of Independent Price Determination. The offeror must certify that the price or rate it proposes, for an examiner-in-charge or for an actuary, or both, shall state the hourly charge, per diem, travel expenses and other related expenses (which is to be placed in a sealed envelope) was independently arrived at without collusion with any other offeror or person.

8. Acknowledgment of Receipt of Amendments. If the Purchasing Agency issues any amendments to the Request for Proposals, the offeror must acknowledge receipt of each individual amendment in its cover letter.

9. Authorized Signature. The signature of an individual authorized to bind the offeror contractually. An authorized representative of the firm, as defined below, must sign the cover letter:

9.1. Partnership. When the offeror is a partnership, a general partner shall sign the proposal in the name of the partnership or other person duly authorized to bind the partnership. The capacity of the person signing shall be stated.

9.2 Sole Proprietorship. When the offeror is an individual or sole proprietorship, the individual owner, stating the name and form under which the offeror is doing business shall sign the proposal.

9.3 Joint Venture. When the offeror is a joint venture, each joint venturer shall sign the cover letter.

9.4 All Others. For any other business form, a person duly authorized to bind the business shall sign the cover letter. The capacity and authority of the person signing shall also be stated.

C. PLAN FOR PERFORMANCE AND OTHER INFORMATION REQUIRED

The offeror must submit a detailed plan for providing the professional services described in the Description of Services. The plan should include the following information:

1. Identification. The name of the individual (s) who will be assigned to perform the services of a CFE, examiner-in-charge or to provide services of an Actuary.

2. Background and Credentials of Individuals. State the reason for the selection of the individual(s) who will be assigned to perform the services as characterized by the following information:

2.1 Education and Special Training. For each individual who will be assigned to perform the services, please provide information on the individual's education and any special education or training in the area of specialty.

2.2 General and Specific Experience. For each individual who will be assigned to perform the services, please include information about the individual's general experience in the financial examination performed on insurance companies and any specific experience in the area of insurance company accounting, underwriting, preparation of annual statements, auditing, financial analysis, reinsurance or analysis and testing of reserves. If the individual to be assigned does not possess experience similar to the services required, please provide any pertinent information or experience that may qualify the individual or offeror for consideration of the award.

2.3 Other Abilities and Qualifications. Please provide other information concerning the individual's abilities, qualifications, or credentials, if any not already mentioned.

2.4 Certificates of Good Standing. For each individual who will be assigned to perform the services, please submit an original letter or certificate of good standing from SOFE for an examiner-in-charge issued within twelve months preceding the date when this Request for Proposals was issued. If the individual is unable to obtain any certificate before the submission deadline for this Request for Proposals, please provide proof that one has been requested.

2.5 Writing Samples. For each individual who will be assigned to handle the services, please submit one writing sample that shall be a report of examination as an examiner-in-charge or as a NAIC Zone representative. If none are available, please explain why. Please do not submit more than one. Confidential information, if any, should be redacted. The writing sample should demonstrate the writer's analytical ability and his or her facility to accurately and precisely articulate the findings and recommendations in the insurance company financial examination for compliance with the Guam Insurance laws and regulations, NAIC Statutory Accounting Principles, NAIC Examiners' Handbook, the Annual Statement Instructions and the Purposes and Procedures Manual of the Securities Valuation Office of the NAIC.

3. Dedicated Time. The assigned individual must be able to dedicate or devote time to perform the required examination, complete the examination, and deliver the draft final report on examination for a minimum of two (2) Guam domiciled insurance companies or two (2) alien insurance companies or a combination of one Guam domiciled insurance company plus one alien insurance company.

4. Place of Performance. The assigned examiner-in-charge must be able to come to Guam to do the onsite examination, complete the examination and submit the examination reports to the Commissioner before departure from Guam. In the event that the examiner-in –charge shall deem it necessary to hire the services of an Actuary in order to render a fair and complete examination report, a review of the reserves to be performed by an actuary shall be done off-site or from off island. The data to be reviewed by the actuary shall be furnished by the company to be examined. The data shall be verified upon instructions of the Actuary.

5. Work plan: The Consultant would communicate with the Company (ies) and Department representatives when the project commences and before the actual arrival of the EIC in Guam. Once the Consultant has received the responses to their initial data requests, they must provide the Department with a work plan detailing their approach to the analysis, the expected length of the project, and the projected hours worked and number of regulatory examiners from the Department needed to assist the EIC at each stage of the examination. As the analysis progresses, the Department may modify or expand the scope of the assignment, notifying the Consultant in writing. Subsequently, the Consultant should submit a revised work plan in writing, reflecting the revised work assignments, time estimates for the work and completion date. The revised work plan shall be submitted to the Department for its approval.

The Consultant shall provide supervision and on the job training to the regulatory examiners of the Department as may be necessary during the examination.

6. Other Resources. The offeror’s other resources such as equipment and facilities to be used in the performance of the services.

7. References. Please provide the names, addresses, and contact numbers of clients, past or present, for whom the offeror performed (i) any services within the past five years; and (ii) services similar in size, scope, and discipline as the services requested herein within the past five years. Letters or statements of recommendation are welcome.

D. REQUIRED DISCLOSURE FORMS

The Guam Procurement Law requires each offeror to make a number of disclosures. Some of the disclosures are required for an offeror to qualify to submit a bid or a proposal. An explanation of each disclosure follows. For the ease of making these required disclosures, the Purchasing Agency is providing sample disclosure forms. They must be completed and included with the proposal. The forms are attached to Section VII, Appendix of Forms. Failure to complete and submit the forms will automatically disqualify a proposal as being non-responsive, and such proposal will not be evaluated. All disclosure forms submitted by the offeror awarded the contract will be open to public inspection and copying.

1. Affidavit Disclosing Ownership and Commissions (Form A). As a condition of bidding and doing business with the government, an offeror must disclose in the form of an affidavit the names of all persons owning more than ten percent of the outstanding interest of the offeror's business during the twelve-month period immediately preceding the date a proposal is submitted, including the percentage owned by each such person or entity. The affidavit for this solicitation may be made on any date on or after February 19, 2006 and up to March 14, 2007.

The same affidavit must also disclose the identity of anyone who has received or is entitled to receive a commission, gratuity, percentage, brokerage or other compensation or contingent arrangement for procuring a contract with the Purchasing Agency or for assisting the offeror in obtaining business related to this Request for Proposals, and the value or amounts. Please note that commissions, gratuities, percentages, contingency fees, or other compensation for the purposes stated herein are prohibited by Guam law, except that this prohibition does not apply to fees payable by the offeror upon contracts or sales secured or made through bona fide established commercial or selling agencies maintained by the offeror for the purpose of securing business.

2. Affidavit of Non-Collusion (Form B). The offeror must represent that its offer is genuine and not a sham and that the offeror is not in collusion with others, and that the offeror has not colluded, conspired, connived or agreed, directly or indirectly with any other person or offeror to put in a sham proposal, or to fix the cost of the contract, or to secure any advantage against the government or any person interested in the contract.

3. Affidavit re No Gratuities and Kickbacks (Form C). The offeror represents that it has not violated, is not violating, and promises that it will not violate, the prohibition against gratuities and kickbacks set forth in the Guam Procurement Law. The prohibition is as follows: It is a breach of ethical standards for any person to offer, give, or agree to give any government employee or former government employee, or for any government employee or former government employee to solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation of any part of a program requirement or a purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy, or other particular matter, pertaining to any program requirement or a contract or subcontract, or to any solicitation or proposal therefor. Further, it shall be a breach of ethical standards for any payment, gratuity, or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor or any person associated therewith, as an inducement of the award of a subcontract or order.

4. Affidavit re Ethical Standards (Form D). The offeror represents that it has not knowingly influenced, and promises that it will not knowingly influence, a government employee to breach any of the ethical standards set out in Guam's procurement code or regulations pertaining to ethics in public contracting.

E. SEALED RATE SCHEDULE

Each offeror must provide a schedule of proposed hourly rates for the services, and enclose the rate schedule in a separate sealed envelope marked "Rate Schedule". Only one sealed envelope with the offeror's rates should be submitted.

F. PACKAGING OF PROPOSALS

1. Number of Copies. Please provide the original proposal plus three (3) copies, except for the Rate Schedule of which only one sealed envelope should be submitted.
2. Sealed Envelope or Container. The original proposal and three copies, along with the one sealed Rate Schedule, must be placed in an envelope or envelopes, or other container, and sealed.
3. Information on Sealed Envelope or Container. On the face of the sealed envelope or container, the following information shall be clearly marked:

**NOT TO BE OPENED EXCEPT BY BANKING AND INSURANCE
COMMISSIONER, ANDREAS J. JORDANOU.**

Proposal for _____

Area of specialty: [indicate services for CFE examiner-in charge or Actuary or both for which proposal is submitted]

Submitted by [the offering individual's or firm's name and address]

Sealed on [indicate date envelope or container is sealed]

G. DELIVERY

Proposal packages should be mailed or delivered to the following name and address. The Department is not responsible for any delivery costs or postage due. Proposals will not be accepted via facsimile or e-mail, as these two mediums does not allow proposals to be sealed or submitted in an original form with multiple copies. Proposal packages sent via US Postal Service Express Mail, FedEx, UPS, DHL or personal delivery shall be addressed to:

Andreas J. Jordanou
Banking and Insurance Commissioner
Department of Revenue and Taxation
1240 Route 16, Barrigada, Guam 96913

Proposal packages sent by mail shall be addressed to:

Andreas J. Jordanou
Banking and Insurance Commissioner
Department of Revenue and Taxation
P.O. Box 23607, GMF, Barrigada, Guam 96921

H. DUE DATES FOR SUBMISSION

The following deadlines apply to this Request for Proposals. The Purchasing Agency will not entertain any late submission of questions. A proposal received late is non-responsive and will be rejected.

1. Questions Prior to Submission of Proposals. All written questions regarding the Request for Proposals are due no later than Wednesday, February 28, 2007, 2:00 p.m. Guam time. For further information, please see Section V, Subsection B “Questions and Answers.”

2. Proposals. All written proposals must be received at the Department of Revenue and Taxation no later than Tuesday, 3:00 p.m., March 14, 2007, Guam time.

IV. EVALUATION CRITERIA

A. FACTORS TO BE USED IN EVALUATION

Detailed plan (all references noted below are to Section III of this Request for Proposals)

Each proposal will be evaluated according to the following factors and their relative importance designated by a number of points totaling 100. Information should be provided for the individuals who will be assigned to perform the services for a CFE, examiner-in-charge or Actuary.

1. Education and Special Training. Possession of requisite professional qualifications including education and special training (Section III, C.2.1) [20 points]
2. General and Specific Experience, and Other Abilities and Qualifications. Possession of general and specific experience as demonstrated by the provision of similar services in the past; also included are any other abilities, qualifications, credentials (Section III, C.2.2 and Section III, C.2.3) [20 points]
3. Certificates of Good Standing. (Section III, C.2 .4). [5 points]

4. Writing Sample. Quality of writing sample demonstrating analytical ability and application of NAIC Statutory Accounting Principles issues (Section III, C.2 .5) [15 points]
5. Dedicated Time. Demonstration of availability to provide services for onsite examination in Guam relative to other commitments and time for completion (Section III, C.3) [20 points]
6. References. Satisfactory record of past performance and integrity (Section III, C.7) [10 points]
7. Cover Letter. Degree of interest in performing such services as contained in cover letter, and no conflict of interest (Section III, B)[10 points}.

V. GENERAL PROCEDURES

A. NOTICE OF REQUEST FOR PROPOSALS

The procurement regulations provide that notice of a request for proposal is adequate if published in a newspaper of general circulation. The Purchasing Agency may also send letters soliciting interest from individuals or firms known to have experience in the specialties needed. If you wish to make a referral, you are welcome to do so.

B. QUESTIONS AND ANSWERS

No pre-proposal conference to answer any questions that offerors may have will be held prior to the deadline for submission of proposals. Instead, questions concerning this Request for Proposals may be asked in writing and written responses will be given in the following manner.

Potential offerors who have obtained a Request for Proposals packet may submit written questions to the Purchasing Agency, via facsimile at fax number (671) 633-2643. The Purchasing Agency must receive the questions no later than Wednesday February 28, 2007 at 2:00 p.m. Guam time. The Purchasing Agency will respond only to questions received before this deadline. Oral statements made by the Purchasing Agency or its agents are not binding. On or before Monday, March 5, 2007, the Purchasing Agency expects to provide its responses to the written questions. Responses to questions will be sent via facsimile.

If any question requires an interpretation of the Request for Proposals, or is relevant to all offerors, then the Purchasing Agency shall prepare a response in the form of an amendment to the Request for Proposals packet, and shall forward the amendment to all prospective offerors who have picked up a packet. Receipt of any amendment must be

acknowledged in the cover letter.

Questions should be sent to one of the following addresses:

(a) Via U.S. Postal Service:

John Carlos
Regulatory Programs Administrator
Department of Revenue and Taxation
P.O. Box 23607, GMF, Barrigada, Guam 96921
1240 Route 16, Barrigada, Guam 96913

(b) Via facsimile: (671) 633-2643

Attention of : John Carlos
Regulatory Programs Administrator
Department of Revenue and Taxation

C. RECEIPT AND REGISTRATION OF PROPOSALS

Proposals and modifications to proposals will be time-stamped upon receipt and held in a secure place until the established due date. Proposals will not be opened publicly, nor disclosed to unauthorized persons, but will be opened in the presence of the Commissioner and Regulatory Programs Administrator who will act as administrators for this Request for Proposals. The Insurance, Securities, Banking and Real Estate Branch of the Department of Revenue and Taxation will keep a Register of Proposals identifying the Request for Proposals, the names of the offerors, and the number of modifications received, if any, by each offeror. The Register is not open for public inspection until after award of a contract. Proposals of offerors not awarded the contract do not become public records.

D. OPENING OF PROPOSALS

After the deadline for submission of proposals and as soon as practicable, the Purchasing Agency's two procurement administrators shall unseal each proposal in the order received and conduct a preliminary review of each proposal to see whether the proposal contains the four disclosure affidavits required by law as a condition of making an offer. The lack of any one of the affidavits is cause for a finding of non-responsiveness and automatic rejection of the proposal without evaluation of the detailed plan. Proposals will then be re-sealed and held in safekeeping by one of the administrators until time for evaluation. Any offeror submitting a non-responsive proposal will receive a written Notice of Non-Responsiveness.

E. EVALUATION PROCESS

An Evaluation Committee consisting of three (3) members of the Board chosen by the

Commissioner shall evaluate the proposals. The Evaluation Committee will not have access to the proposals prior to the evaluation meeting and will not know the identities of the offerors. The evaluations will be conducted on a designated date and at a designated time. The proposals will be evaluated by specialty, in the order received. The Commissioner and the Regulatory Programs Administrator shall monitor the full evaluation meeting to ensure fairness and non-collusion. Before the evaluations begin, the Commissioner and the Regulatory Programs Administrator will explain the criteria and process to the Evaluation Committee. Attempts by offerors to contact any individual on the Evaluation Committee prior to award may result in disqualification of the offeror.

F. DISCUSSIONS DURING EVALUATION

During the evaluation meeting, or any continuation thereof, the Evaluation Committee may conduct discussions with any offeror, either in person or telephonically. Discussions are discretionary to the Evaluation Committee. The purposes of such discussions shall be (a) to determine in greater detail the offeror's qualifications; or (b) to explore with the offeror the scope and nature of the required services, the offeror's proposed method of performance, and the relative utility of alternative methods of approach. Discussions shall not disclose any information derived from proposals submitted by other offerors. The issues clarified during discussions should be put into writing by the offeror and submitted to the Purchasing Agency within three business days of conclusion of discussions, and may be in electronic form or submitted via facsimile. The Purchasing Agency will provide further instructions as may be necessary.

G. RULING ON REQUESTS FOR NON-DISCLOSURE OF INFORMATION

During discussions or evaluations, the Evaluation Committee will examine any request for non-disclosure to determine its validity. If the Evaluation Committee does not grant the request, then the Purchasing Agency must inform the offeror in writing those portions which will be open for disclosure should the offeror be awarded the contract, and why. If the offeror does not agree or is dissatisfied with the ruling for any reason, then the offeror may withdraw the proposal or submit protest according to the procedures set out in the Guam Procurement Law. If the proposal is not withdrawn and no protest is received, then if an award is made to such offeror, the Purchasing Agency may disclose those portions of the proposal for which a non-disclosure request was not granted.

H. MODIFICATION OR WITHDRAWAL OF PROPOSALS

Any proposal may be modified or withdrawn upon written request by the offeror prior to the conclusion of discussions with the offeror.

I. SELECTION OF BEST QUALIFIED OFFERORS

Upon conclusion of the evaluations, the Commissioner and the Regulatory Programs Administrator will tabulate the points assigned by the Evaluation Committee, and rank

the offerors from the highest number of points received to the lowest number for each CFE/examiner-in-charge or Actuary. The maximum points an offeror may receive from a single evaluator is 100 points, and 300 points from all three evaluators on the Evaluation Committee. The minimum points considered acceptable is 200 from all three evaluators, but the Commissioner has the discretion to lower the threshold if none of the offerors receive more than 200 points total, or if the number of offerors responding to this Request for Proposals is less than three for each CFE/examiner-in-charge or Actuary. The highest ranked offeror is considered the best qualified.

Soon after ranking is completed, the Purchasing Agency shall send each offeror written notice of its ranking without identifying the other offerors or their ranking, along with further instructions.

In case of a two-way tie, the Commissioner has the discretion to decide which of the two tied offerors is better qualified. In the case of a three-way tie, or more, the Commissioner has the discretion to decide the ranking of those tied.

J. NEGOTIATIONS WITH BEST QUALIFIED OFFEROR

Negotiations for rates and other terms of a contract will begin with the highest ranked offeror for each CFE, examiner-in-charge or Actuary with the opening of the sealed envelope containing the offeror's rate schedule. The Commissioner or his designee or designees may conduct the negotiations. If an agreement can be reached as to a fair and reasonable rate, and as to any other contract terms which require negotiation, then the Purchasing Agency shall send the best qualified offeror a Notice of Intent to Award in electronic form or by facsimile, and a contract will be prepared for signatures by the parties.

If negotiations with the highest ranked offeror fail, the Purchasing Agency shall notify such offeror of the termination of negotiations in writing within one week of such failure, either in electronic form or by facsimile. Upon delivery of Notice of Termination of Negotiations, the Purchasing Agency may begin negotiations with the second highest ranked offeror. If negotiations again fail, the same procedure shall be used until negotiations are successful and a contract results. As used herein the term "award" refers to an actual contract signed by all the required parties as required by law.

More than one contract may be awarded for each CFE/examiner-in-charge or Actuary. Except for targeted financial examinations, the onsite examination of insurance companies may start in July of each year. In the event the highest ranked offeror is not available for scheduled examinations and provides a letter of nonavailability or fails to respond within fifteen (15) calendar days, the Commissioner shall have the right to ask the next higher offeror to conduct the scheduled examinations. If the next higher ranked offeror is also not available, the Commissioner, shall repeat the same procedure until an offeror responds in writing of his or her ability to start the examination on the scheduled date. If no offeror is available on the scheduled examination date in July of each year,

the Commissioner may negotiate with the highest ranked offeror for a new scheduled date of examination, but no later than the first working day in October of the same year.

K. REJECTION OF INDIVIDUAL PROPOSALS

The government shall have the prerogative to reject proposals in whole or in part when doing so is in the best interest of the Purchasing Agency as provided for in the procurement laws. Reasons for rejection of individual proposals include, but are not limited to, reasons such as: (a) the offeror is non-responsible as determined under 2 GAR Div. 4 §3116; (b) the proposal ultimately fails to meet the announced requirements of the Purchasing Agency in some material respect notwithstanding opportunity for altering or clarifying the proposal; or (c) the proposed price is clearly unreasonable.

VI. MISCELLANEOUS GENERAL TERMS AND CONDITIONS FOR INCLUSION IN CONTRACT

This Section VI appears in all of the requests for proposals issued by the Commissioner and is not tailored for any one request for proposals. The contract to be entered into between the Purchasing Agency and the awarded offeror herein will include the following terms and conditions in some form if required by law. If law does not require any of the following terms and conditions, then such term or condition may be negotiated. If any of the following terms and conditions is not applicable to the services required herein, then the term or condition may be excluded from the contract

A. BILLINGS AND PAYMENT

The Consultant shall send progress billings directly to the Department. Payment shall be made using a method mutually agreed upon by the Purchasing Agency and the successful offeror, subject to Guam law. The Prompt Payment Act shall apply. The Commissioner shall review and approve the periodic billing of the Consultant. Thereafter, the billings shall be submitted to the company under examination for direct payment to the Consultant.

B. GUAM INCOME TAXES

If any work is to be performed on Guam, then the offeror may be subject to Guam Income Taxes as well as all other applicable taxes on Guam transactions. Specific information on Guam taxes may be obtained from the Director of the Department of Revenue and Taxation, Government of Guam, PO Box 23607, GMF, Barrigada, Guam 96921.

C. EQUAL EMPLOYMENT OPPORTUNITY

The offeror may not discriminate against its employees or applicants for employment because of race, creed, color or national origin. The offeror shall take affirmative action to ensure that applicants are employed, and that employees are treated, equally without regard to their race, creed, color or national origin.

D. ASSIGNMENT

The contract or any sums due to the contractor may not be assigned without the prior approval of the Commissioner.

E. COMPLIANCE WITH AMERICAN WITH DISABILITIES ACT (ADA)

If applicable, the offeror must meet all requirements of the American with Disabilities Act.

F. INDEPENDENT CONTRACTOR STATUS

The offeror understands that if an award is made, the offeror's relationship with the government is as an independent Contractor, or independent Consultant and not as an employee of the government. No employee benefits such as insurance coverage, participation in the government retirement system, or accumulation of vacation or sick leave shall accrue to the offeror or its individual employees, if any. No type of tax will be withheld from payments made to the awarded offeror.

G. SCOPE OF AGREEMENT

The resulting contract shall supersede any and all other prior agreements, either oral or in writing, between the parties with respect to the retainer of the chosen offeror, and contains all the covenants and agreements between such parties with respect to the retainer in any manner whatsoever. Each party to the resulting contract shall acknowledge that no agreements otherwise have been made by any party, or anyone acting on behalf of any party, which are not embodied within the contract, and that no other agreement, statement, or promise not contained in the contract will be valid or binding.

H MEETINGS

The Consultant must be able to conduct meetings with Department Staff and/or external interested parties to explain examinations progress and findings. The Consultant will be required to conduct meetings and participate in closing conferences with the examined entity.

I EXPERT WITNESS

The Consultant must be able to appear and testify as an expert witness on behalf of the Department related to work performed pursuant to the contract, should it become necessary.

J AVAILABILITY OF STAFF

The partners and staff of Consultant should respond to Department inquiries in a timely manner. In addition to a primary contact person, the Consultant should provide the Department with several alternate contact persons to facilitate prompt replies to Department's requests.

K RESPONSIBILITY FOR ACCURACY OF WORK

The awarded offeror shall be responsible for the professional and technical accuracy of all workpapers and report of examination that are completed under the contract. The awarded offeror shall, without additional cost to the government of Guam, correct or revise all material errors of deficiencies in its work. The awarded offeror shall agree to devote his or its best efforts to the duties and responsibilities under the contract in accordance with the, and Guam laws, rules, and regulations, NAIC Accounting Practices and Procedures Manuals, NAIC Annual Statement Instructions, NAIC Examiners' Handbook, the Purposes and Procedures Manual of the Securities Valuation Office of the NAIC, and with respect to the actuary, the generally accepted actuarial standards and principles as promulgated by the Casualty Actuarial Society and the American Academy of Actuaries. The Commissioner's review, approval, acceptance of, and payment of fees for, services required under the contract shall not be construed to operate as a waiver of any rights under the contract or of any cause of action arising out of the awarded offeror's failure to perform the services required, and the awarded offeror shall be and remain liable to the government of Guam for all costs of any kind which may be incurred as a result of the awarded offeror's negligent performance of any of the services required to be performed under the contract.

L SUBCONTRACTING OF AGREEMENT

The selected Consultant must assume full responsibility for the services offered in the proposal for the duration of the contract. The Consultant shall be also liable even when the Consultant subcontracts a portion of the service. Subcontracting shall be permitted only with the prior written approval of the Department.

M PROFESSIONAL CONDUCT

The Consultant shall observe professional standards of conduct free from any impropriety and appearance of impropriety. The Consultant shall respect the confidentiality of information developed or received during the course of examination.

N. GENERAL COMPLIANCE WITH LAWS

The awarded offeror shall be required to comply with all federal and local laws applicable to the work.

O. OWNERSHIP OF DOCUMENTS

All examination reports, work papers, schedules, memoranda and other incidental work or materials prepared by the awarded offeror shall be and remain the property of the Government of Guam including all publication rights and copyright interests, and may be used by the Commissioner without any additional costs to the government.

P. CHANGES

The Commissioner may at any time, by written order, make any change in the services to be performed hereunder, provided within the general scope of work agreed to between the parties and as set out in this Request for Proposals. If such change causes an increase or decrease in the costs of doing the work, an equitable adjustment shall be made and the contract shall be modified in writing accordingly. However, any modification of the contract will be effective only if it is in writing and signed by the parties.

Q SEVERABLE PROVISIONS

If any provision of the contract shall be deemed by a court of competent jurisdiction to be invalid, then such provision shall be deemed stricken from the contract and the contract shall be enforced according to its valid and subsisting terms and provisions.

R. GOVERNING LAW; VENUE

The laws of Guam shall govern the validity of the contract and all of its terms and conditions, as well as the rights and duties of the parties. In the event of any dispute between the parties to the contract, disputes shall be resolved in accordance with the Guam Procurement Law. The venue for any dispute resolution which proceeds to the level of a court, shall be in the courts of Guam.

S. EFFECTIVE DATE OF CONTRACT

The contract shall take effect upon the signature of all the required parties.

T. NO GOVERNMENT LIABILITY

The Commissioner and the government of Guam assume no liability for any claims, accidents, or injuries that may occur to the awarded offeror, Consultant or Contractor, its agents, dependents, subcontractors, employees, or employees of its subcontractors. The government of Guam shall not be liable to the awarded offeror for any work performed by the awarded offeror prior to the approval of the contract by the government and

issuance of a Notice to Proceed. The awarded offeror shall expressly waive any and all claims for services performed in expectation of the contract prior to the issuance of a Notice to Proceed.

U. LICENSING

Offerors are reminded that the Guam Procurement Law's local preference provision gives preference to licensed and operating Guam businesses. Specific information on licenses may be obtained from the Director of Revenue and Taxation. However, a Guam business license is not required of a business if its services will be performed for the government outside of Guam.

V. CONTRACT NOT SUBJECT TO AVAILABILITY OF FUNDS

This contract is not subject to or dependent on the availability of funds of the government. In the examination of every admitted insurer, the insurance company that is examined pursuant to 22 GCA §15316 (c); §15403; §15505 shall pay the cost of such examination. The Department shall submit the approved billing of the Consultant to the insurance company for direct payment to the Consultant.

W. INSURANCE

The awarded offeror shall procure and maintain at its own expense all necessary comprehensive insurance for its business including, but not limited to, worker's compensation and general liability insurance.

X. GOVERNMENT'S RIGHT TO AUDIT

Contractors with the government shall maintain books and records relative to the cost and scope of work of the contract for three years from the date of final payment. The government is authorized to inspect such books and records at reasonable times and places.

Y. CLAIMS AGAINST THE GOVERNMENT

All claims against the government arising out of the contract must be filed in accordance with the Guam Claims Act (5 GCA §6101, et seq.) For a copy of the Act, please visit the web site of Guam's Compiler of Laws, at HYPERLINK <http://www.justice.gov.gu>

Z. TERMINATION

Upon written notice, either party to the contract may terminate it in whole or in part at any time either for default. Contractor will be paid the reasonable value of services to the date of termination.

VII. APPENDIX OF FORMS

Attached are the four affidavits mentioned in Section III.D, labeled herein as Forms A, B, C, and D. Please see Section III.D for complete information. These forms do not have to be retyped. If you wish, you may detach them from this Request for Proposals packet and use as is.

Office of the Banking and Insurance Commissioner
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