

HAWAII HURRICANE RELIEF FUND

HURRICANE PROGRAM

Request for Proposal

November 8, 2024

DRAFT

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I. Background

The Hawaii Hurricane Relief Fund (HHRF) was created by chapter 431P of the Hawaii Revised Statutes (HRS) and is administratively attached to the Department of Commerce and Consumer Affairs of the State of Hawaii. The HHRF is responsible for monitoring the availability of property insurance, including insurance for hurricanes, in this State. When the HHRF's Board determines that the private insurance market is not making such insurance reasonably available to consumers of this State, the HHRF may offer policies of hurricane property insurance for sale. Previously the HHRF insured properties in Hawaii against hurricane damage. The HHRF is now operationally dormant but is making preparation to restart if necessary. HRS chapter 431P establishes the HHRF and sets forth its powers and duties.

Currently, condominium associations are faced with the challenge of limited insurance options. With only a few authorized insurers offering master policies in Hawaii and coverage limits of just 20-30% or less of a building's hurricane exposure, the Governor was prompted to issue an emergency proclamation relating to Condominium Insurance Stabilization, enabling the HHRF to offer hurricane coverage to Condominium associations.

II. Purpose

The HHRF is interested in retaining a qualified consultant/intermediary ("Consultant") to provide guidance on restarting the HHRF from its current dormant state. The HHRF is issuing this Request for Proposal (RFP) for the purpose of soliciting competitive proposals from qualified entities capable of providing services as outlined in Section III, Scope of Services.

The Consultant may be asked to assist in designing a product or a combination of products that ensures the HHRF's ability to underwrite, distribute and reimburse losses in a timely and sufficient manner. The product(s) will need to meet the liquidity and capacity needs of the HHRF. The HHRF Board fully expects that the Consultant may need to work with the HHRF's Executive Director, HHRF Board, actuary, financial advisor, or any other staff or consultant to help design strategies and products that meet the needs and objectives of the HHRF. A high value will be placed on the Consultant's ability to participate as part of this team. The services to be provided by the Consultant are outlined in Section III, Scope of Services.

III. Scope of Services

The selected Consultant will serve in the role of a Consultant for the HHRF Board, and the services provided will include, but not be limited to the following:

1. When requested, assess the hurricane insurance market, and provide options available for the HHRF to consider actions to take to stabilize the insurance market.
2. Assess the reinsurance markets and provide reinsurance options available for risk transfer of HHRF losses. These options should take into consideration the impact that the HHRF's participation will have on market capacity and market pricing.
3. When requested, provide preliminary or final proposal(s) regarding potential coverage and market pricing. Products should meet the liquidity and capacity needs of the HHRF given the HHRF's cash balance and potential assessments pursuant to HRS chapter 431P to finance its capacity and maximize the claims paying capacity for the HHRF in accordance with HRS section 431P-5. Products should be provided on the most cost-effective basis. The costs to ensure the HHRF's capacity must be reflected in the HHRF's rates and should not conflict with the HHRF's statutory requirement to develop actuarially indicated premiums. Products will be expected to meet the requirements of all laws, rules, and regulations applicable to the HHRF. Only responses which indicate an understanding of the HHRF and its role in the condominium property insurance marketplace and which best meet the needs of the HHRF will be considered.
4. Provide brokerage administration services to assist HHRF once the transaction is formally approved, including but not limited to the following:
 - a. Marketing the program, including preparation of presentations.
 - b. Preparation of all transaction related contracts and documents.
 - c. Analysis of the financial strength of potential reinsurers; and
 - d. Assisting with any disputes with reinsurers.
5. The selected Consultant will be expected to have access to global reinsurance, financial and capital markets. The Consultant will also be required, upon request by the HHRF Board as part of its services, to provide advice, assistance, and participation in any presentations, hearings, and proceedings before the Administration, Legislature, legislative staff or committees and other governmental agencies.

6. Provide recommendations on servicing carrier(s) or entity(ies) which could assist the HHRF Board in restarting the operation of the HHRF. The services to be provided by the servicing carrier or entity, should include but are not limited to:
 - a. Development of a hurricane insurance policy form and assist in obtaining the rate and policy approvals.
 - b. Underwriting and issuance of policies.
 - c. Processing payments and maintaining accounts and records including, but not limited to, processing premium payments, allocating payments to appropriate accounts, processing refunds/credits, sending timely notices for non-payment of premiums, non-renewal notices and policy reinstatements and maintaining accurate accounts and records of all transactions.
 - d. All facets of claims handling, including but not limited to, adjustment of claims for damages, record keeping and payment of claims.
 - e. Preparation of bordereaux and loss history reports.
 - f. Maintaining the records of the HHRF on an electronic system. The records will include all policies, insured information, premium payments, refunds, claims, claims payment, and all financial records required. The servicing carrier(s) will be responsible for filing any quarterly and annual financial reports and assist the HHRF in its financial examination.

IV. RFP Structure / Process

The chosen Consultant will ideally find servicing carrier(s) or entity(ies) that can provide a “turnkey” solution. To complete the entire RFP process in a timely manner and allow sufficient time for the successful implementation of the preferred proposal, the HHRF Board will adhere to a concise process for the evaluation of each Consultant’s capabilities.

Phase I will be the submission of a Letter of Intent providing your qualifications to participate. Firms not meeting the minimum qualifications will not be eligible present. The minimum qualifications appear in Section VI.

If your firm wishes to participate, please submit 8 copies of your Letter of Intent to Michael Nonaka at the address indicated below *by 4:30 p.m., Tuesday, November 12, 2024*. Your letter should outline how your firm meets or exceeds the minimum standards.

The HHRF Board will review all submissions. Consultants selected for Phase II will be notified by email by Friday, November 15, 2024.

Based on the Letters of Intent, the HHRF Board will select Consultant firms to make a presentation on how they would meet the objectives of the HHRF, and the Scope of Services described in Section III of this RFP.

Phase II will be between November 15 - 25, 2024. Prospective Consultant firms will have an opportunity to ask questions to the HHRF Board. The HHRF Board may provide additional information about the Hawaii condominium marketplace or other relevant market data. If additional information is provided, prospective Consultant firms are to use this data to develop their proposals.

Phase III will consist of presentations by prospective Consultant firms to the HHRF Board on December 3, 2024, at the Department of Commerce and Consumer Affairs Queen Liliuokalani Conference Room, King Kalakaua Building, 1st Floor, 335 Merchant Street, Honolulu, Hawaii 96813, or via a prearranged video conference call. A schedule of presenters will be released at a later date.

Prospective Consultant firms are encouraged to be creative and offer new alternatives. Prospective Consultant firms should have a good understanding of the Hawaii condominium market to address this extremely hard insurance market where availability of coverage is limited, and the cost of insurance is rising significantly. In addition, prospective Consultant firms should consider the provisions outlined in the Governor's Proclamation Relating to Condominium Insurance Stabilization issued August 7, 2024, and October 4, 2024.

At no time are you to contact any reinsurer on HHRF's and its Board's behalf. All pricing indications and program design should be internally developed. The format of the presentation will allow each firm ample time to present the program specific recommendation/strategy as well as overall capabilities.

At no time are you to contact any HHRF Board/Committee member, state regulator, state official, lobbyists, or any other person or organization. All communications are to be directed solely to:

Michael Nonaka –Vice Chair, HHRF Board Directors
c/o Hawaii Hurricane Relief Fund
335 Merchant Street, Room 213
Honolulu, HI 96811

Email: Insurance@dcca.hawaii.gov
Phone: (808) 599-9809
Fax: (808) 356-3523

Any contacts made other than through Michael Nonaka – HHRF Board of Director, will result in immediate disqualification.

Following the final presentations, the HHRF Board will choose the Consultant firm it feels is best suited to advocate on its behalf and proceed immediately to meet the requirements of services identified in Section III, Scope of Services, in this RFP.

V. RFP Timetable

- 11/08/2024 RFP sent out by HHRF Board
- 11/12/2024 Submission of Letter of Intent by interested parties
- 11/15/2024 HHRF Board selects Firms for Phase II
- 11/15 – 25/2024 Questions & Answers of RFP from Firms
- 12/03/2024 Firm Presentations
- 12/17/2024 Selection of Consultant
- 1/7/2025 Introduction of Consultant at Board Meeting
- TBD Implementation of New Program

VI. Qualifications/Letter of Intent

Interested Consultant firms are asked to submit a Letter of Intent indicating that they meet the minimum standards for the bid process and include the following specific information:

- Identification of a key contact – What is this individual’s background? Does this individual hold any professional designations? What is the individual’s work experience with property residual markets and/or coastal exposures?
- Team Members – Who else will be on the team? What do they offer to the HHRF in terms of ability and experience?
- Consultant Experience – What other property residual markets does the Consultant currently have as clients? What is the Consultant’s experience with coastal exposures? What is the Consultant’s experience with condominium master policies? Please provide examples of reinsurance placements with large property catastrophe exposures.
- Modeling Capabilities – The HHRF requires extensive modeling services throughout the year. Can you provide AIR, RMS, and EQE modeling upon request? Can you provide rate making support including services of a FCAS?
- Licensing – Is the Consultant firm properly licensed and in compliance with all applicable laws in the State of Hawaii? Will Consultant firm sign a contract agreeing to comply with all applicable laws and utilize the Hawaii Compliance Express (HCE). The Hawaii Compliance Express is an electronic system that

allows the Consultant firm doing business in the State of Hawaii to quickly and easily demonstrate compliance with applicable laws.

- E&O Insurance – Does the Consultant firm maintain professional liability insurance and fidelity bonds? Please list and describe any E&O claims in the last five years. Also describe any regulatory issues in the last five years.
- Services – What services would be available to HHRF as a client? How do you charge for your services?

You should also include the following:

Company Background

- Breakdown of revenues/premiums by segment (retail insurance, reinsurance, financial modeling, consulting, etc.)
- Ability to access markets in U.S., Bermuda, London/Europe, and others. If available, please provide dollar volumes of business placed in these markets over the past two years.
- Corporate organizational chart describing key personnel, including biographical information on the HHRF's proposed account team leader and team members.
- Current clients who are residual markets in nature. What experience/skill set can be lent to the HHRF?
- Expertise in placing large and/or residual market reinsurance programs. Please provide a listing of major catastrophe programs (over \$500 million in limit) placed during the past few years.

Key Contact Information

- Experience of key contact including large property cat placements and work with residual markets.
- Professional certifications and education
- Information of supporting staff

Placement and Servicing

Please provide information regarding the Consultant firm's service standards and capabilities as they relate to the following areas:

- Market Security Analysis – Please provide an outline of your approach to reviewing the financial security of any potential reinsurance partner.
- Administration/Service standards including accounting, claims, contract documentation processing, and overall administration of the HHRF's reinsurance program. Please provide name, title, years of experience for the HHRF's contact persons for each of these functions.

- Relationships with markets and reinsurers (include reinsurance and retrocessional experience).

Analytical Capabilities

- Tools to assist in evaluating reinsurance alternatives, retention analysis, co-participation analysis.
- Catastrophe modeling capabilities, frequency of modeling, software, and support for real time/storm watch capabilities and how this would be tied to HHRF's exposure.
- Pre and post catastrophic loss estimation support.
- Actuarial assistance including technical pricing, rate, and deductible study capabilities.

Value Added Services

- What other services could the Consultant firm make available to the HHRF at no additional cost?
- What assistance, solutions and/or strategies can the Consultant firm provide as it relates to market capacity needs?

VII. Presentations

The HHRF Board is not asking for revisions to the current program. The existing structure has served the HHRF well.

The purpose of the bid process is to seek out other ideas and approaches. Interested Consultant firms should suggest unique or different approaches to the master condominium exposures of the HHRF. Any proposed approach must reflect the statutory obligations of the HHRF.

Please provide reinsurance structure alternatives that would include the program's objective, description of the program and estimated cost. All costs should be conducted using internal, experience pricing only. Consultant firms who are submitting proposals are not authorized to solicit market quotes.

VIII. Evaluation/Decision Criteria

The HHRF will utilize the following criteria to evaluate each proposal's effectiveness in addressing the objective of the RFP:

- Overall risk management capabilities, including access to multiple catastrophe models, actuarial consulting, and financial modeling.
- Residual market and catastrophe program experience. Ability to execute complex transactions with a limited budget.

- Design, placement, and servicing of HHRF’s risk management strategy, including reinsurance design and placement and assessment mitigation.
- Dedication of resources including the account team members who will be working on the HHRF account.
- Assistance in monitoring and managing the change in the portfolio and this reinsurance.

IX. Additional Items

While this RFP highlights the core areas of concentration for the HHRF, throughout the RFP process, Consultant firms are encouraged to provide additional information that further highlights the capabilities of your organization and which you believe will contribute to the attainment of HHRF Board’s strategic goals and objectives.

Information will be sent upon your acceptance of this request under separate cover. Specifically, the HHRF Board will be providing the following information:

- Summary overview of the HHRF (including recent changes, if any, in underwriting, deductibles, rates, etc.)
- Summary description of the current fund balance
- Historical and Projected premiums and non-cat losses
- Historical catastrophic loss information
- HHRF Plan of Operation
- Most recent financial statements

All requests for additional information gathering interviews, data requests or other materials should be coordinated through Michael Nonaka – Vice Chair, HHRF Board of Directors.

X. Disclaimer

The purpose of this RFP is to outline an orderly process to seek new ideas and new proposals for the Association’s reinsurance program. The HHRF Board reserves the right to amend this RFP at any time to best serve the HHRF’s reinsurance needs.

XI. Non-Disclosure

Prospective Consultant firms who receive information under section IX will be required to execute a non-disclosure agreement.

Consultant firms selected to make a final presentation will be required to sign an agreement to safeguard all non-public policyholder information. Further, Consultant firms may not use the data to make public statements or announcements about the HHRF.