



GOVERNMENT OF PUERTO RICO
PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY

THIRD ADDENDUM TO REQUEST FOR QUALIFICATIONS

seeking

Firms that can develop an insurance plan to meet FEMA's
Obtain & Maintain Insurance Requirements

for

The Commonwealth of Puerto Rico

Revised RFQ Submission Deadline: Friday, September 10th, 2021

www.aafaf.pr.gov

RFQ Issuance Date: Friday, August 20th, 2021

Third Addendum Issuance Date: Friday, September 3rd, 2021

Roberto Sánchez Vilella (Minillas) Government Center, De Diego Ave. Stop 22, San Juan, PR 00907 | PO Box 42001, San Juan, PR 00940-2001

 787.722.2525

 contact@aafaf.pr.gov

 aafaf.pr.gov

THIRD ADDENDUM

TO REQUEST FOR QUALIFICATIONS

On August 20th, 2021, the **Government Parties**, issued an RFQ for the Government of the Commonwealth of Puerto Rico ("**Commonwealth**"), seeking to qualify dully competent firms ("**Respondents**"), with proven capabilities, that can assist the **Commonwealth** to meet the **Insurance Requirement** and the **Comprehensive Program**, along relevant incidental support (all **BOLD** words & terms shall have the same meaning as those provided under the RFQ). Copy of the RFQ was published on the following web page: <https://www.aafaf.pr.gov/wp-content/uploads/AAFAF-RFQ-Insurance-Plan-FEMA-OM.pdf>.

Thereafter, on September 1st, 2021, the **Government Parties** issued a **First Addendum to the RFQ**. Copy or the **First Addendum to the RFQ** was published on the following web page: <https://www.aafaf.pr.gov/wp-content/uploads/1st-Add-RFQ-Insurance-Plan-FEMA-OM.pdf>

Afterwards, on September 2nd, 2021, the **Government Parties** issued a **Second Addendum of the RFQ**. Copy of the **Second Addendum to the RFQ** was published on the following web page: <https://www.aafaf.pr.gov/wp-content/uploads/2nd-Add-RFQ-Insurance-Plan-FEMA-OM.pdf>

Pursuant to the terms & conditions set forth in the RFQ, the **Government Parties** yearns to clarify several questions regarding the RFQ that have been received via email as of: Friday, September 3rd, 2021, at 5:00 pm, Eastern Standard Time (i.e. the date of this **Third Addendum to the RFQ**), including questions previously addressed in the **First Addendum to the RFQ**, for completeness and clarity purposes. Consequently, pursuant to said terms & conditions, the **Government Parties** hereby provide the following clarifications:

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1. Will the Government Parties require the successful Respondent to serve as an Agent or Broker of Record for the placement of any insurance coverages that are currently provided in the existing insurance coverage or any future Parametric contracts?

Answer: As stated in Section 1.6 of the RFQ, and pursuant to the Commonwealth's Certified Plan: "[the annual investment of ~\$35MM to cover the Commonwealth's portion of the annual cost needed to adhere to the Insurance Requirement]...are supplemental to the existing budgeted premiums for renewing current traditional insurance policies", *Id.* Consequently, already placed and/or existing insurance coverages will continue as per the procedures described in Section 1.3 of the RFQ. However, subject to Section 4.0 of the RFQ, and after factoring Section 3.5 of the RFQ, dully qualified Respondent(s) could be tasked to assist in the placement of the Comprehensive Program, as defined under the RFQ.

2. Will the successful Respondent be required to determine the actual cash values and/or replacement costs for the Government Parties' real or personal property subject to the existing insurance coverages or any future Parametric contracts, i.e., will the successful Respondent be expected or required to conduct appraisals of such real or personal property?

Answer: As per Section 1.6 of the RFQ, and the Commonwealth's Certified Plan, the following condition applies as part of the Comprehensive Program: "[d]evelopment of a sophisticated insurance plan with a comprehensive program that considers the available markets, costs, meeting the Insurance Requirement, and levels of coverage. This would include: (i) conducting a risk assessment; analyzing expected Insurance Requirement costs on a building-by-building basis; (ii) identifying the types of insurance needed to protect against risk; (iii) identifying insurance gaps, (iv) selecting the authority needed to develop, implement and enforce the plan; and (v) crafting the financial arrangement structure for funding the plan and paying for losses", *Id.* Hence, subject to Section 4.0 of the RFQ, and after factoring Section 3.5 of the RFQ, dully qualified Respondent(s) could be tasked to assist the Commonwealth in conducting appraisals for certain real properties.

3. Do the Government Parties currently have any Parametric contracts or Catastrophe Bonds that will be subject to review by the successful Respondent as part of the Comprehensive Program?

Answer: The Government Parties (i.e. AAFAF, OCS and Treasury) does not currently have any Parametric nor Catastrophe Bonds covers as entities; in a

similar token, the **Commonwealth** does not currently have any Parametric nor Catastrophe Bonds covers. However, to the best knowledge of the **Government Parties**, the only **Commonwealth's** public corporation with parametric coverage is the Puerto Rico Electric Power Authority ("PRASA"), and entity that falls outside the purviews of the **RFQ**, since it's a Covered Entity under **PROMESA** with separate certified fiscal plan(s) from the **Commonwealth's Fiscal Plan**.

4. Based on the scope of the expected work required by the successful Respondent to properly support and advise the Government Parties, it is probable that several professional disciplines will be required, e.g., risk management, insurance brokerage, and reinsurance. Is it acceptable for a Respondent to have a single response that involves the expertise of more than one entity so long as there is a designated lead respondent?

Answer: Answer: The **Government Parties** prefer that firms submit individual responses and not submit joint responses to the **RFQ**. However, if a **Respondent** understands that its firm, or group of firms, would better respond fully to the **RFQ** by joining with other firms, then joint responses are allowed, as long as all firms responding thereunder comply with the requirements set forth in the **RFQ**, and an explanation of why the joint response would be better serve the **Commonwealth's** interests as pert the requirements of the **RFQ**.

5. What are the insurance policies included in the Insurance Requirement versus the traditional insurance policies?

Answer: The insurance policies included in the Insurance Requirement would be those policies – or equivalents, as defined in Section 1.6 of the **RFQ** – needed by the **Commonwealth** to comply with FEMA's Obtain and Maintain Insurance Requirement, as levied by Section 311 of the Stafford Act, 42, USCA Sec. 5154¹, and/or Section E of FEMA's Recovery Policy No. FP 206-086-1². The traditional insurance policies are property liability insurance policies already placed or renewed by the Commonwealth.

6. Can we get confirmation that the \$35M is only for the insurance policies included in the Insurance Requirement?

Answer: As per Section 5.2.7, Chapter V, of the **Commonwealth's Certified Plan**: "...[the]...annual investment of ~\$35 million [is] to cover the **Commonwealth's** portion of the annual cost of parametric insurance [or viable equivalent]", as further detailed thereunder and in Section 1.6 of the **RFQ**, *Id.* Consequently, said monies are intended to cover: (i) insurance costs/premiums associated with

¹ https://www.fema.gov/sites/default/files/2020-03/stafford-act_2019.pdf

² https://www.fema.gov/sites/default/files/2020-05/FP206-086-1_PublicAssistancePolicyInsurance_062915.pdf

compliance with the **Insurance Requirement**, and (ii) the necessary consulting/advisory fees associated with the **Comprehensive Program**.

7. For reference on the Commonwealth's overall total cost of risk, what is the budget for the traditional insurance policies?

Answer: The **Commonwealth's** overall estimated budget for its property and casualty insurance policies is ~\$152 million.

8. What Commonwealth entities are included in the Insurance Requirement?

Answer: The possible universe of **Commonwealth** entities to be included in the **Insurance Requirement** are those included in the **Commonwealth's** Certified Fiscal Plan for Fiscal Year 2021-2022 (copy of which can be obtain following this link: <https://drive.google.com/file/d/1reetKnfKsa1uR-A0u9I3FM6PfGamHCrx/view>), as certified by the Financial Oversight and Management Board ("**FOMB**"), within the purviews of the Puerto Rico Oversight, Management, and Economic Stability Act ("**PROMESA**")³. However, in the event possible budgetary constraints arise for the **Commonwealth** to comply with the **Insurance Requirement** with the ~\$35 million authorized funds, a sampling of said entities (i.e. component units) might be used. This sampling might be determined following largest entities in terms of the Commonwealth's certified budget for Fiscal Year 2021-2022 (copy of which can be obtained following this link: (i) <https://drive.google.com/file/d/1iG4n8PWZe2h4ztezoQ3BPvxNrVoEyd2u/view>, (ii) and/or total insured assets.

9. How does the additional \$35M supplement the budgets for insurance that e.g. PREPA and PRASA have in their Fiscal Plans?

Answer: Although Covered Entities under **PROMESA**, the Puerto Rico Power Electric Power Authority ("**PREPA**"), and the Puerto Rico Aqueduct and Sewer Authority ("**PRASA**"), each have their own separate certified fiscal plans⁴ and separate certified budgets⁵ from the **Commonwealth's**, as certified by the **FOMB** under the purviews of **PROMESA**. Consequently, at this juncture **PREPA** nor **PRASA** are not considered under the RFQ, since they are not contemplated within the **Commonwealth's** Certified Plan.

³ Public Law 114-187 (2016).

⁴ Copy of which can be obtained following this links, for PREPA and PRASA, respectively: <https://drive.google.com/file/d/1dXFJldZpOlsAObMZDBd7T2P3j2xMPaal/view> ; https://drive.google.com/file/d/1QGw4-ylo9pRLEXK0-xWqgWu_eUAWAU54/view

⁵ Copy of which can be obtained following this links, for PREPA and PRASA, respectively: <https://drive.google.com/file/d/1Wz8VwMClojzqBkm5OO14g4k3n3RiEeXw/view> ; <https://drive.google.com/file/d/1yic2-7URIA44N-Da-QJrTMPYdirJPhwE/view>

10. Can you provide a summary and overview of the existing insurance program including the policies, locations, limits purchased, and the structure of the property and flood insurance policies?

Answer: this detailed information will be provided once dully qualified Respondents are selected, pursuant to the terms & conditions set forth in the RFQ. Please note that this is a potential item included within the scope of works of the Comprehensive Program.

11. Total Reinsurance limit volume placed by Respondent in the reinsurance/insurance market(s) as a broker or intermediary. Does broker include insurance producer? Does total reinsurance limit volume includes insurance placed in Lloyd's as insurance producer?

Answer: Yes, the term "broker" includes the term "insurance producer", as defined under the Puerto Rico Insurance Code, Act No. 77-1957, as amended, and relevant regulations. Yes, total reinsurance limit volume includes placements in the Lloyd's Syndicates as insurance producer.

12. Please explain the meaning of "total insurance volume across all types of cedents?"

Answer: Since the Evaluation Criteria set forth in Section 3.2 of the RFQ factors total reinsurance limit volume placed by Respondent into the reinsurance/insurance market(s) as a broker or intermediary for each of the previous five (5) fiscal years preceding the RFQ, to the extent applicable, the Evaluation Committee might also consider placements made in: (i) insurers, (ii) reinsurers, (iii) ceding insurers (i.e. an insurer that underwrites and issued an original, primary policy to an insured and contractually transfers, or cedes, a portion of the risk to a reinsurer), and (iv) ceding reinsurers (i.e. a reinsurer that transfer, or cedes, a portion of the underlying insurance to a retrocessionnaire).

13. Are tasks required to complete the Comprehensive Program allowed to be subcontracted?

Answer: The Government Parties prefer that firms submit individual responses and not submit joint responses to the RFQ. However, if a Respondent understands that its firm, or group of firms, would better respond fully to the RFQ by joining with other firms, then joint responses are allowed, as long as all firms responding thereunder comply with the requirements set forth in the RFQ, and an explanation of why the joint response would be better serve the Commonwealth's interests as per the requirements of the RFQ.

14. Can Respondent be more than one firm working together?

Answer: The **Government Parties** prefer that firms submit individual responses and not submit joint responses to the **RFQ**. However, if a **Respondent** understands that its firm, or group of firms, would better respond fully to the **RFQ** by joining with other firms, then joint responses are allowed, as long as all firms responding thereunder comply with the requirements set forth in the **RFQ**, and an explanation of why the joint response would be better serve the **Commonwealth's** interests as pert the requirements of the **RFQ**.

15. Is there some conflict in providing insurance services for the **Commonwealth** and submitting qualifications under the **RFQ** [translation]?

Answer: Not necessarily. Nonetheless, due consideration will be provided under the (i) "Conflict of Interest Review" item, set forth in Section 3.2 of the **RFQ**; (ii) and the "Respondents Prior Work Related Activities and "Investment for the Commonwealth and/or its Component Units", & "Related Activities and Investments", items set forth in Section 3.1.1. of the **RFQ**.

16. Can you please clarify if the **RFQ** can be responded to by any entity willing to submit a proposal before the established deadline of September 3, 2021, at 5 pm?

Answer: Yes, the **RFQ** can be responded by any entity willing to submit a proposal before the **Due Date**, as defined in Section 3.0 of the **RFQ**, and modified pursuant to the **Second Addendum to the RFQ**, which was published on the following web page: <https://www.aafaf.pr.gov/wp-content/uploads/2nd-Add-RFQ-Insurance-Plan-FEMA-OM.pdf>

17. Or is the **RFQ** limited to those entities that received direct notice thereof by the issuing agencies?

Answer: Pursuant to Section 3.4 and Section 3.7 of the **RFQ**, no entity has received direct notice of the **RFQ** by the **Government Parties**. The only entities that have received written communications from the **Government Parties** are: (i) entities that have submitted written queries, (ii) entities that have issued written communications, and/or (iii) entities that have submitted qualifications/responses; pursuant to Section 3.7 of the **RFQ**. All written communications have been sent following the following email address, in blind copy format (i.e. "Bcc"): rfp@aaafaf.pr.gov. Consequently, submissions under the **RFQ** are not limited to any single entity whatsoever.

AAFAF – RFQ:

Firms that can develop an insurance plan to meet FEMA's Obtain & Maintain Insurance Requirement for the Commonwealth.

Third Addendum

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This Third Addendum of the RFQ does not modify nor change in any way none of the terms & conditions set forth in the RFQ.
