



Health Reinsurance Consultant and/or Intermediary
Request For Proposal

Government Entities Mutual, Inc. (GEM) is seeking written proposals to for a health reinsurance consultant or intermediary. The scope of services requested includes:

- (1) assisting in gathering and analyzing information and preparing a health reinsurance feasibility study that involves public entity health insurance pools and large self-insured public entities
- (2) designing a reinsurance program for GEM,
- (3) assisting with the preparation of an actuarial services request for proposal and selection of an actuary,
- (4) determining whether an affiliated risk retention group reinsured by GEM is needed created to facilitate providing a health reinsurance coverage,
- (5) identifying potential reinsurance markets and prepare a reinsurance submission on behalf of GEM,
- (6) obtaining reinsurance proposals for the consideration of GEM,
- (7) assisting with the preparation of a health reinsurance business plan and proforma for submission to the District Of Columbia Department of Insurance and Securities for the purpose of adding health reinsurance as a line of coverage to GEM's certificate of authority, and
- (8) assisting in identifying and marketing potential participants in a GEM health reinsurance program.

GEM Background Information

GEM is an association captive domiciled in the District of Columbia. It is licensed to write property and casualty insurance and reinsurance. It is a non-profit organization incorporated in D.C. The has received a private letter ruling from the Internal Revenue Service ruling that exempts its income from federal taxation under section 115(1) of the Internal Revenue Code.

GEM has 14 (fourteen) founding members that have contributed \$9.5 million in surplus to capitalize the Company. The Company concluded its first year of operations on December 31, 2004 with net income of \$635,000 and total member equity of \$10.1 million. More information about GEM can be found at <http://www.gemre.com>.

John Salisbury, GEM President, will direct and have a hands on role in the development and implementation of the GEM health reinsurance initiative. John Salisbury is planning to appoint an advisory group of interested pool representatives to help guide the project. The selection of a reinsurance consultant or intermediary will be made prior to appointing

an advisory group. John Salisbury has considerable pool and captive program development and management experience with all lines of coverage.

Health Reinsurance Needs of Public Entity Pools and Self-Insured Public Entities

There are approximately 60 (sixty) public entity self-insured pools in the United States according to the Association of Governmental Insurance Pools (AGRIP). These will be the focus of GEM's health reinsurance feasibility study. Three of GEM's members currently have health insurance programs and one is starting a program July 1, 2004.

Large self-insured public entities may be incorporated in the study if there is high probability of participation and financial capacity to make the capital contribution that will be needed. GEM anticipates continuing its minimum \$500,000 capital contribution requirement.

Approximately two years ago NLC Mutual, a public entity reinsurance captive, performed a health reinsurance feasibility study and concluded it was not feasible to start a program. NLC Mutual serves only state league or state league affiliated public entity pools. Although GEM's potential membership will include these pools its market is all public entity pools and large self-insured public entities that are not members of pools whom it may reinsure.

GEM, like NLC Mutual, will not start a health reinsurance program unless it is able to obtain the necessary public entity pool commitments and/or the study concludes the program is not feasibility.

GEM will be sending an e-mail to public entity pools within the next week to invite them to attend a meeting on Sunday, March 21, 2003 at 4 p.m. at the Fess Parker's Doubletree Resort in Santa Barbara, CA prior to the AGRIP conference. The e-mail will also be asking whether or not the pools are interested should they not be able to attend.

Feasibility Study Completion and Implementation Dates

Experience would suggest that development and implementation of a new line of coverage will take six to eight months. Implementation of a GEM health reinsurance program will to a great extent depend upon health reinsurance renewal dates of prospective members. These will be gathered with the initial e-mail. The feasibility study completion date and the implementation date will be agreed upon once an initial survey of prospective participants is completed.

Proposal Content and Deadline

Your written for proposal should:

- (1) identify the project manager
- (2) who will be perform each of the services,
- (3) the background and experience of those performing the services,

- (4) estimated time needed to complete the activities,
- (5) the firms experience health reinsurance program development and as an intermediary,
- (6) a listing of reinsurance markets that you feel would be interested in providing health reinsurance to GEM as captive licensed to provide health reinsurance,
- (7) your firms experience in starting or working with captives that provide employee benefits,
- (8) your observations of what actions are needed to make a health reinsurance program a reality for public entity pools and large self-insured public entities, and
- (9) the proposed cost of the services and for on-going work as GEM's health reinsurance consultant or intermediary.

Responses to this request for proposal are due by Wednesday, March 10, 2004 at 12 noon. Please e-mail your response to john.salisbury@gemre.com.

If you have specific questions about this request for proposal please call John Salisbury at 866-342-5436 ex 100.

A decision on the selection of successful firm will be made by April 1, 2004.

A reinsurance captive controlled by and serving public entity pools.

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