EDUCATIONAL SERVICE CENTERS RISK FUNDING TRUST
REQUEST FOR PROPOSAL

Program Administrator

Notice:
All questions relative to this Request for Proposal should be directed to:
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The intent of this document is to solicit proposals from qualified firms interested in
serving as the Program Administrator for the Educational Service Centers Risk Funding
Trust. This document is intended to be construed in general terms. The information
included herein is descriptive but is not intended nor shall it be construed as being all
encompassing. Receipt of this document by a potential service provider shall not be
construed as an offer of a contract or anything beyond a simple invitation to provide a
written proposal for providing the services outlined herein.

BACKGROUND

Indiana Code § 21-10-2-1 permits the Indiana Educational Service Centers to establish a risk funding trust for the
benefit of Indiana public school corporations. A copy of the statute is attached.

The East Central Educational Service Center, Northern Indiana Education Center, Region 8 Education Service
Center, Southern Indiana Education Center and West Central Education Center have decided to work collectively to
establish a pool for their members. In addition, the Northwest Indiana Education Center and the Wabash Valley
Education Center have expressed interest in joining the group pending Board approval. Approximately 230 of the
total 300 Indiana public school corporations participate in these educational service centers.

The working name of the pool is the Educational Service Centers Risk Funding Trust ("ESCRFT"). At this time, it
has not yet been decided which coverages will be offered through the ESCRFT. However, the ESCRFT would be
interested in discussing program designs that incorporate one or more of the following coverages: automobile,
boiler and machinery (B&M), casualty, crime, earthquake, employee benefit liability (EBL), errors and omissions
(E&O), excess liability, general liability, property and worker’s compensation. The final determination will be
made based upon input from Indiana public school corporations and the results of a feasibility study conducted by
the Program Administrator.
OBJECTIVE AND PRINCIPLES

The objective of the ESCRFT is to provide comprehensive, cost-effective risk management programs to Indiana public school corporations. The ESCRFT will abide by the following principles:

- **Financial Stability:** The ESCRFT will collect sufficient premiums from participating Indiana public school corporations to adequately fund its potential liabilities.

- **Oversight:** The ESCRFT will operate in full cooperation with the Indiana Department of Insurance. The ESCRFT will assist the Department in the development of appropriate regulations to ensure the long-term stability of all pooling arrangements in Indiana.

- **Risk Management:** The ESCRFT will educate and assist participating school corporations in identifying risk exposures and implementing appropriate risk management policies.

- **Transparency:** The ESCRFT will expect and demand full financial transparency from all vendors providing services, including, but not limited to, all fees, commissions, contingencies and profit sharing arrangements.

PROGRAM ADMINISTRATION SERVICES

The ESCRFT anticipates that the Program Administrator will be able to provide the following services:

**General Pool Administration**

1. Provide leadership to the ESCRFT in implementing state-of-the-art pooling practices including orientation of Trustees to important trends and activities of pools.
2. Advise the ESCRFT about changes in regulation and developing trends that might affect its operations and financial condition.
3. Exercise initiative in recommending improved organizational procedures in the governance of the ESCRFT.
4. Maintain operations that satisfy all regulatory and operational requirements.
5. Securing D&O insurance for the ESCRFT and its Board.
6. Monitor the services of all external consultants servicing the ESCRFT to assure the delivery of quality services according to the agreed scope of services for each of these consultant firms. Recommend changes in, or improvements to, services provided by consultant firms, as needed. Manage RFP process for external consultants when needed.
7. Provide meaningful reports and recommendations that analyze significant areas of the ESCRFT’s operations in order to facilitate the Board’s decision making process.
8. Assist Indiana Department of Insurance with the promulgation of regulations governing operations of risk management pools.

**Insurance Program Development and Management**

1. Assume a principle role in the formation of the ESCRFT.
2. Educate ESCRFT members of the risks and rewards of pooling for various types of insurance coverages.
3. Review current policies maintained by participating school corporations to ensure that ESCRFT provides consistent coverage.
4. Manage the process of securing the most advantageous excess or reinsurance insurance placement available to the ESCRFT. Gather underwriting information, negotiate insurance premiums and review policies to assure that the proper coverage scope is provided.
5. Provide recommendations about resources for ancillary insurance products required by ESCRFT members.
6. Make recommendations for changes in the insurance program as appropriate.
7. Provide customer service to ESCRFT members or their agents regarding various matters including coverages, exclusions, claims and premiums.

Safety and Risk Control and Risk Management Services

1. Provide current risk management information.
2. Coordinate activities of risk management committee.
3. Review contracts for insurance requirements and train ESCRFT members to manage.
4. Identify and analyze loss exposures which require priority attention by ESCRFT members through analysis of losses and recommend programs to treat these areas. Work together with appropriate ESCRFT committee to develop and implement appropriate loss control plan over the longer term.
5. Develop and coordinate presentation of workshops and training sessions to assist districts in implementing sound risk management practices. (Anticipate at least one major educational effort annually.)
6. Develop and maintain procedures manual which provides model risk management policies and procedures for members to implement within their school districts.
7. Monitor open claims files to control costs and assure appropriate and timely services from the claims administrators to member districts. Participate in settlement decisions as needed.
8. Assure that members are receiving timely response to request for certificates and other evidence of insurance.

Accounting and Finance and Reporting

1. Prepare information for and work with CPA to deliver annual audited financial statement.
2. Prepare information for annual actuarial analysis and rate studies.
3. Invoice members as directed by ESCRFT.
4. Maintain management information system to track exposure data, financial information and other activities undertaken by the administrator.
5. Provide quarterly report of hours incurred by pool administration staff (if possible).

Note that the following services will be provided by the Educational Service Centers sponsoring the ESCRFT.

1. Establish an annual meeting schedule, make arrangements for meetings, confirm registration and coordinate with facilities.
2. Develop meeting agenda for regular Executive Committee and Board meetings, prepare and distribute agenda packet, post meeting notices, record and distribute minutes.
3. Lobby the Indiana General Assembly and the Indiana Department of Insurance to obtain additional benefits for the ESCRFT and other pooling arrangements.
4. Assist in the marketing of the ESCRFT to attract new members, including, but not limited to, holding interest meetings.
5. Represent the interest of the ESCRFT members.
6. Provide support to vendors servicing the ESCRFT.

MINIMUM QUALIFICATIONS

Prospective Program Administrators must satisfy the following minimum requirements:

1. Properly licensed to conduct business in Indiana.
2. Previous experience in providing pool administration services, preferably for public school corporations.
3. Capable of providing the majority of services discussed in Program Administration Services section.
4. No conflict of interest that would interfere in any manner with the performance of services required by this proposal.

CONTENT OF PROPOSAL

The proposal shall be organized to respond to the issues raised in the following seven sections:
Firm Profile

1. Describe the firm’s qualifications as a pool administrator and the services you have available.
2. Describe the legal and ownership structure of your firm, including parent companies, partnerships, joint ventures and subsidiaries, if any.
3. Describe the history of your firm, provide annual report or audited financial statement if available.
4. Specify the location of the principal office that will service the ESCRFT account.
5. Does your firm have an office in Indiana? If yes, please disclose the number of employees based in your Indiana office and the length of time that the office has been in existence.
6. Within the last 10 years, has your firm been involved with any pool that has failed? If yes, please provide a full discussion.
7. Within the last 10 years, has your firm been involved with any pool that has ceased operations for any reason? If yes, please provide a full discussion.
8. Within the last 10 years, has your firm been the subject of any national, state or local governmental investigation? If yes, please provide a full discussion.
9. Within the last 10 years, has your firm been sued by any client? If yes, please provide a full discussion.

Proposed Service Team

1. Identify the proposed service team for our account. Include the names, titles and office locations for each individual.
2. Describe the qualifications of the members of the proposed service team. Include their current responsibilities, education, professional background, experience in creating and servicing accounts similar to that of ESCRFT.

Proposed Approach to Creation of Pool and Providing Services

1. Describe how your firm intends to create a risk funding pool for Indiana public school corporations from scratch.
2. Describe your firm’s general approach to providing pool administration services which may include a discussion of your firm’s philosophy of, and capabilities in, providing pool administration services.
3. Describe your specific approach to providing the services discussed in the Program Administration Services section. Identify any alternative approaches to pool administration beyond the scope of services listed in that section.
4. Discuss how you would assist the ESCRFT in the marketing of its program and the development of membership opportunities.
5. Describe how your firm proposes to manage the placement of the ESCRFT excess insurance program. DO NOT MAKE ANY CONTACT TO INSURANCE MARKETS AT THIS TIME. If your firm is prepared to provide brokerage services in addition to the scope of pool administration services outlined in this RFP, indicate which insurance markets you would consider primary candidates for the ESCRFT excess insurance placement and which accounts you currently service which are using these insurers.

If your firm will manage the services of a separate firm who provides the brokerage services, comment about which firm or firms you believe will be best suited to work with you on the ESCRFT account and, to the best of your knowledge, which insurance markets this firm or these firms would most likely use in responding to the ESCRFT excess placements.

Disclose whether your firm (or any related entity or affiliate) would expect to receive any commissions in connection with the placement of the ESCRFT excess insurance.
Specific Implementation Questions

1. Several potential ESCRFT members have indicated a strong interest in continuing their relationship with their local agent. Would your firm be able to accommodate these ESCRFT members? Would these ESCRFT members be expected to pay an additional fee to continue working with their local agent?

2. Please carefully review Indiana Code § 21-10-2-1. Identify any potential challenges in the legislation and how you intend to address those challenges.

3. The ESCRFT is not requesting proposals for claims administration services at this time. However, the ESCRFT is aware that many vendors interested in providing Program Administration Services may be able to fulfill this role. Please disclose whether your firm (or a related entity) could also function as the claims administrator for the ESCRFT. If you are selected to serve as Program Administrator, do you anticipate that the ESCRFT will also utilize your firm to provide claims administration services?

Proposed Fee for Services

1. There appears to be significant interest among Indiana public school corporations to establish a pool for various types of insurance coverage. However, during the formation of the ESCRFT, available funding will be limited. Would your firm be willing to waive any fees during the formation stages of the ESCRFT in exchange for a three-year contract? The three-year contract would begin the date the ESCRFT commences operations and would be terminable by either party only for Cause or dissolution of the ESCRFT. If your firm is not willing to waive fees during the formation stages, please propose a fee for services during this period.

2. Explain your methodology for deriving a fee for the scope of services outlined in the Program Administration Services section (excluding those services that will be provided by the Educational Service Centers). Alternatively, if you prefer, you may quote a flat annual fee. The fee arrangement would be effective as of the date the ESCRFT commences operations. To the extent you recommend additional services beyond the specified scope, provide a separate fee estimate for those services. Your proposed methodology should not include the brokerage fees required to place insurance mid-term or at natural expiration. Your proposed methodology should not include the costs of administering self-insured claims. Your proposed methodology for service shall be inclusive of all out-of-pocket and overhead expenses incurred in the servicing of the ESCRFT account including, but not limited to, professional E&O insurance, staff travel expenses, and office facilities and supplies. Meeting expense and other budgeted external expenses such as brokerage fees, Board travel, meals, claims administration, general counsel, financial auditing, investment services etc. shall not be included in your proposed methodology.

3. Would you be willing to sign a service agreement that prohibited you (including any related entities) from receiving any income relating to services provided to the ESCRFT other than fees paid directly by ESCRFT? If yes, how would that affect your methodology for deriving a fee? If no, why not?

4. Please note that your proposed methodology/flat annual fee should be your “Best and Final Offer.” The RFP process will be highly competitive, and the ESCRFT does not intend to further negotiate fees with any vendor.

Client Services

1. Provide a minimum of three client references for whom you have provided pool administration services in the last five years. Show contact name, address and phone number.

2. Indicate which service team member(s) provided services to these clients, the scope of work, and over what period of time these clients have been serviced by your firm.

Conflicts of Interest/E&O Coverage

1. Disclose any and all potential conflicts that may impair your ability to effectively provide Program Administration Services to the ESCRFT. Any contract entered into between the ESCRFT and any individual, firm, corporation, or agency which fails to disclose an actual or potential conflict situation will be subject to immediate termination.

TIME SCHEDULE AND SELECTION PROCESS

1. RFP released to interested vendors  
   July 4, 2006
2. Applicants’ deadline for submissions  
   July 26, 2006
3. Review of applicant proposals  
   July 26 – August 8, 2006
4. Initial ESCRFT meeting to review proposals  
   August 8, 2006
5. Notification to finalists of oral interviews  
   On or before August 15, 2006
6. Oral interviews  
   September 7, 2006
7. Selection of Program Administrator  
   On or before September 15, 2006
8. Negotiation of contract  
   September 2006

Either one electronic version or twenty-five hard copies of your proposal must be submitted no later than 12:00 noon July 26, 2006 to the attention of:

W. James Hamilton, Trust Attorney  
Bose McKinney & Evans LLP  
2700 First Indiana Plaza  
135 North Pennsylvania Street  
Indianapolis, Indiana 46204  
Phone: (317) 684-5419; Fax (317) 223-0419  
Email: jhamilton@boselaw.com

Upon submission of your proposal, you should request confirmation of receipt.

PRE-PACKAGED MARKETING MATERIALS SHALL NOT BE ACCEPTED IN LIEU OF A PROPOSAL ADDRESSING THE PARAMETERS OF THIS REQUEST

The right is reserved to reject any or all proposals, to ask for clarification of any responses, to waive technicalities and to award a contract to the firm offering the most favorable terms in the opinion of the ESCRFT. This contract is for Program Administration Services and the contract will not necessarily be awarded to the firm with the lowest fee. All proposals will be evaluated on their total content and not on any one factor.
HOUSE ENROLLED ACT No. 1392

AN ACT to amend the Indiana Code concerning insurance.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 21-10-2-1, AS ADDED BY HEA 1006-2006, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. A school corporation individually, in collaboration with other school corporations, and through the educational services centers may undertake action to reduce noninstructional expenditures and allocate the resulting savings to student instruction and learning. Actions taken under this section include the following:

(1) Pooling of resources with other school corporations for liability insurance, property and casualty insurance, worker's compensation insurance, employee health insurance, vision insurance, dental insurance, or other insurance, whether by pooling risks for coverage or for the purchase of coverage, or by the creation of or participation in insurance programs; trusts, subject to the following:

(A) School corporations that elect to pool property and casualty risks assets for insurance coverage are must create a trust under Indiana law for the assets. The trust is subject to regulation by the department of insurance as follows:

(i) The program trust must register be registered with the department of insurance.

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(ii) The program trust shall obtain both specific and aggregate levels of stop loss insurance issued by an insurer authorized to do business in Indiana each with an aggregate retention level of an amount approved by the department of insurance: not more than one hundred twenty-five percent (125%) of the amount of expected claims for the following year.

(iii) Contributions by the school corporations must be set at an level approved by the department of insurance: one hundred percent (100%) of the aggregate retention plus all other costs of the trust.

(iv) Each program The trust shall submit an actuarial study of the type and nature maintain a fidelity bond in an amount approved by the department of insurance. The program shall pay the costs of the actuarial study: Each program shall fund one hundred percent (100%) of the actuarial study's projection for annual losses; plus the fixed costs of the program: fidelity bond must cover each person responsible for the trust for acts of fraud or dishonesty in servicing the trust.

(v) The program trust is subject to IC 27-4-1-4.5 regarding claims settlement practices.

(vi) The program trust shall file an annual financial statement in the form required by the department of insurance IC 27-1-3-13 not later than one hundred twenty (120) days after the end of the program's fiscal March 1 of each year.

(vii) The program trust is not covered by the Indiana insurance guaranty fund created under IC 27-6-8. The liability of each school corporation is joint and several.

(viii) The program trust is subject to examination by the department of insurance. All costs associated with an examination shall be borne by the program trust.

(ix) The department of insurance may deny, suspend, or revoke the registration of a program trust if the commissioner finds that the program trust is in a hazardous financial condition, the program trust refuses to be examined or produce records for examination, or the program trust has failed to pay a final judgment rendered against the trust by a court within thirty (30) days.

(B) The department of insurance may adopt rules under IC 4-22-2 to implement this subdivision.

(2) Each school corporation, and more than one (1) school corporation acting jointly, may elect to aggregate purchases of natural gas commodity supply from any available natural gas

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commodity seller for all schools included in the aggregated purchases. A rate schedule that is:

(A) filed by a natural gas utility; and

(B) approved by the Indiana utility regulatory commission;

must include provisions that allow a school corporation or school corporations acting jointly to elect to make aggregated purchases of natural gas commodity supply. Upon request from a school corporation, a natural gas utility shall summarize the rates and charges for providing services to each school in the school corporation on one (1) summary bill for remitting payment to the utility.

(3) Consolidating purchases with other school corporations or units of government of the following:

(A) School buses and other vehicles and vehicle fleets.

(B) Fuel, maintenance, or other services for vehicles or vehicle fleets.

(C) Food services.

(D) Facilities management services.

(E) Transportation management services.

(F) Textbooks, technology, and other school materials and supplies.

(G) Any other purchases a school corporation may require.

Purchases may be made by contiguous school corporations, as part of regional consolidated purchasing arrangements, or from consolidated sources under multistate cooperative bidding arrangements.

SECTION 2. IC 27-1-12.7-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. Notwithstanding any other provision of law:

(1) the commissioner has the sole authority to regulate the issuance and sale of funding agreements;

(2) a funding agreement is not considered a covered policy under IC 27-8-8-1(a) or IC 27-8-8-2.3(d); and

(3) a claim for payments under a funding agreement must be treated as a loss claim described in Class 2 of IC 27-9-3-40.

SECTION 3. IC 27-1-15.6-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 22. (a) An insurance producer may not receive compensation for the sale, solicitation, negotiation, or renewal of any insurance policy issued to any person or entity for whom the insurance producer, for a fee, acts as a consultant for that policy unless:

(1) the insurance producer provides to the insured a written