



Housing Authority of the City of Pittsburgh

Contracting Officer
100 Ross Street
2nd Floor Suite 200
Pittsburgh, PA 15219
(412) 456-5248
Fax: (412) 456-5007
www.hacp.org

August 6, 2018 Workers' Compensation Actuarial Services ADDENDUM NO.5

This addendum issued August 6, 2018 becomes in its entirety a part of the 3 Quote Bid as is fully set forth herein:

- Item 1:** Who is the current consulting actuary?
A. AMI Risk Consultants Inc.
- Item 2:** How long has the current consulting actuary performed these services?
A. Three Years
- Item 3:** Is the current consulting actuary eligible to participate in this RFQ?
A. Yes
- Item 4:** Why are the services listed in the RFQ out to bid? Are they due to the expiration of the current contract or for other reasons?
A. Expiration of current contract
- Item 5:** To assist us in gaining a better understanding of the scope of work, can you provide the amount of the total level of effort (hours of work) and fees paid to the current consulting actuary in each of the last three years?
A. This would be a right to know request which would need to go through the legal department you can retrieve the forms on www.hacp.org
- Item 6:** Can a copy of the most recent report be provided?
A. Yes. Please see attached.
- Item 7:** Is this analysis just for years 1992-2014?
A. No – 1992 - 2009
- Item 8:** Approximately how many claims have there been *per year* and how many open claims are there?
A. 2 open

Item 9: Can you provide a breakdown of the types of employees covered, i.e. clerical, maintenance, police officers or security personnel, etc.?

- A. Admin Support 44
- B. Craft workers 80
- C. Labor/Helpers 44
- D. Officials/Mgrs 32
- E. Professionals 104
- F. Sales 1
- G. Service Workers 27
- H. Social Workers 2
- I. Technicians 2

Item 10: How many classes of payroll are covered?

- A. 9

Item 11: Does HACP require the determined total outstanding liability (reserve) to be segmented in any way, or just provided in total?

- A. No

Item 12: Does HACP require the selected offeror to convert any of the Authority's assets to GAAP standards, or only the determined liability reserve? If asset conversion is part of the project, what types of assets does HACP hold that will need to be converted?

- A. No

Item 13: Will prior evaluation (loss development) data be provided for analysis, that is, total claim amounts at prior (usually annual) evaluation dates? (Triangle data.)

- A. Yes

Item 14: Are there any lifetime indemnity claims, if so, how many?

- A. No

Item 15: When is the data typically provided to the consultant for review? How soon after receipt of data is the draft report expected to be due?

- A. Within 30 days

Item 16: What is the expected timing and purpose of any on site meetings required by the Authority? Please provide us with the address where those meetings will take place. Are there any other aspects of the project (other than meetings) that will require the offeror to be on site?

- A. At least (2) two per year. 200 Ross Street, Pittsburgh, PA 15219

Item 17: I plan to submit a quote for the attached. It says fax. Is a scanned email submission okay?

- A. Please see Item 7 in Addendum No. 1.

Item 18: Is anything other than the fee quote needed? Will the selection be based solely on fees?

- A. No. It is clearly indicated in the quote request "Contract award will be based on total bid amount."

Item 19: Who is the current actuary?

A. Refer to Item 1.

Item 20: Please elaborate on the GAAP conversion. Every project that we on is GAAP compliant. I'm not exactly sure what is needed.

A. All we ask for is a best estimate of the present value of future claim liability remaining from our period of self-insurance.

Item 21: Will there be a time extension?

A. No. Please see Item 24 for the due date.

Item 22: Does HACP really need two meetings per year?

A. Yes.

Item 23: Can I propose with and without meetings?

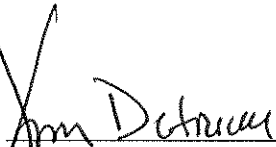
A. No.

Item 23: Since there is a one-week extension, maybe you can re-consider email?

A. Please see Item 7 in Addendum No. 1.

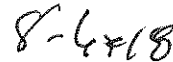
Item 24: The proposal due date, time and location remain unchanged at August 10, 2018, at 11:00 AM at the HACP Procurement Dept., 100 Ross St. 2nd Floor, Suite 200, Pittsburgh, PA 15219.

END OF ADDENDUM NO. 5



Mr. Kim Detrick

Procurement Director/Chief Contracting Officer



Date



Risk Consultants, Inc.

1333 SW 146th Ct.,
Miami, Florida 33184

Tel: (305) 273-1589
Fax: (305) 330-5427

2878 Loveland Dr. #2208
Las Vegas, NV 89109

Tel: (702) 478-5924

February 27, 2018

Ms. Carolyn J. Rice
Human Resources Generalist
Housing Authority of the City of Pittsburgh
200 Ross Street, 1st Floor
Pittsburgh, PA 15219

Sent via E-mail:
carolyn.rice@hacp.org

Dear Ms. Rice,

We are pleased to submit to you the final copy of our independent actuarial calculation of the loss reserve liabilities for the Workers' Compensation program as of December 31, 2017.

Conclusions

The results of the total net loss and ALAE reserve calculations for outstanding liabilities as of December 31, 2017 are shown below.

Total Net Reserves (<i>amts in thousands</i>)		
	Undiscounted	Discounted
Net	\$175	\$165

Exhibit I attached to the report shows the complete calculation of the total net undiscounted and discounted reserves.

Actuarial Approach

In performing the analysis, we relied without audit or verification on the loss values provided as of December 31, 2017 and exposure information, specifically payroll, by accident year.

In estimating the undiscounted loss and ALAE reserves as of December 31, 2017, we first used the estimated ultimate losses and ALAE in our June 30, 2017 actuarial report. These estimated ultimate losses from the June 30, 2017 report were calculated by applying the Paid and Incurred Loss Development Approach and Paid and Incurred Bornhuetter-Ferguson actuarial approaches separately by accident year. The incurred and paid loss development factors used in estimating the ultimate losses are based from the historical patterns of the Workers' Compensation Program. The factors were then converted to "age to ultimate" by taking the product of all the factors.

We then calculated the undiscounted loss and ALAE reserves as of December 31, 2017 by subtracting the paid losses and estimated paid ALAE through December 31, 2017 from the estimated ultimate losses. We also adjusted the loss reserves by subtracting the recoveries on the claims which exceeded its respective self-insurance retention limit.

The net loss and ALAE reserves are then discounted to determine their present value. Loss and ALAE reserves for each accident year are multiplied by their respective discount factors to estimate discounted loss and ALAE reserves. The discount factors are based on HACP's historical claim payment patterns in the Workers' Compensation Program, supplemented by AM Best industry factors. The discount factors assume an annual investment yield of 2.5%. This rate is based on taking a current risk free rate of return for maturities with a comparable payout period, and reducing the rate by a reasonable risk margin.

Estimates of net ultimate losses and ALAE are subject to potential errors of estimation because the ultimate liability for claims is subject to the outcome of events yet to occur, e.g., jury decisions and attitudes of claimants with respect to settlements. In projecting loss and ALAE emergence, we assumed that historical patterns are predictive of future patterns. We have not anticipated any extraordinary changes in the legal, social or economic environment that might affect the ultimate cost of claims.

We cannot reasonably estimate the uncertainties that ultimate liabilities are subject to. Therefore, while we believe our assumptions and methods are reasonable, we cannot guarantee that actual results will not differ, perhaps substantially, from our estimates.

Change in Undiscounted Loss Reserves

After six months, the undiscounted loss reserve for the Workers' Compensation program decreased by \$5 thousand or -2.8%.

Change in Undiscounted Reserves (amts in thousands)		
Estimated AMI Reserves At June 30, 2017	Estimated AMI Reserves At December 31, 2017	Change
\$180	\$175	\$5

We very much appreciate the cooperation and courtesies extended to us during the course of this engagement. Should further questions about the report arise, please do not hesitate to contact us at (305) 273-1589.

Press 2
Thank you for the opportunity to work with you on this project again.

Sincerely,

Gail Flannery
Gail Flannery, FCAS, MAAA
Consulting Actuary

AMI Risk Consultants, Inc.
Actuarial & Risk Management Consulting Services

1336 SW 146th Ct, Miami, Florida 33184, USA Tel No: (305)273-1589 Fax No:(305)330-5427 www.amirisk.com

February 27, 2018

Ms. Carolyn Rice
Human Resources Generalist
Housing Authority of the City of Pittsburgh
200 Ross Street, 1st Floor
Pittsburgh, PA 15219

Sent via E-mail:
carolyn.rice@hacp.org

Dear Ms. Rice,

We are pleased to submit to you our final report on the Workers' Compensation Self-Insurance Review for the Housing Authority of the City of Pittsburgh ("HACP") as of June 30, 2017.

We very much appreciate the cooperation and courtesies extended to us during the course of this engagement. Please do not hesitate to contact us at (305) 273-1589 should you have any questions regarding the report.

Thank you for the opportunity to work with you on this project again.

Sincerely,



Bob Ingco, FCAS, MAAA, CPCU, ARM
President *I*

Housing Authority of the
City of Pittsburgh
Self-Insurance Program
Actuarial Review
As of June 30, 2017

Firm: AML Risk Consultants, Inc.
1336 SW 146th Ct.
Miami, Florida 33184
(305) 273-1589

Contact: Bob Ingco, FCAS, MAAA, CPCU, ARM

Date: February 27, 2018

Glossary of Terms
(continued)

Paid Loss Amount paid on open and closed claims.

*Pure
Premium* The value of losses per unit of exposure.

*Ultimate
Loss* The incurred loss plus the IBNR reserve. The ultimate loss is the estimate of the total cost to settle all claims in the accident year.

Glossary of Terms

<i>Accident Year</i>	Attributing to a given year the total cost of losses which occur in that year.
<i>Bornhuetter- Ferguson Approach (BFA)</i>	Approach which combines reported and paid losses with the expected unreported and unpaid losses to estimate ultimate losses.
<i>Case Reserve</i>	Estimate of unpaid loss on reported claims.
<i>Discount Reserve</i>	The present value, calculated at selected interest rates and payout patterns, of the payment of outstanding losses.
<i>Expected Loss</i>	Exposures multiplied by the pure premium.
<i>Exposure</i>	Extent of risk and/or possibility of loss (for general liability the exposure is expenditure in thousands, and for auto liability it is the number of vehicles).
<i>Incurred Loss</i>	Paid loss plus the case reserve.
<i>IBNR Reserve</i>	Reserve for claims incurred but not reported and for future changes to the case reserves.
<i>Loss Adjustment Expenses (LAE)</i>	Loss adjustment expenses may be broken down into: Allocated and Unallocated loss adjustment expenses (ALAE and ULAE). ALAE expenses are expenses (other than in-house administrative) for claims handling which can be identified as pertaining to a specific claim (such as outside legal expense). ULAE expenses are general administrative expenses such as salaries of employees.
<i>Loss Development Approach (LDA)</i>	Methods under which historical claim data are recorded and used to estimate the future development of existing claims. Loss development is the change in value of a body of claims from one valuation date to another valuation date.

HOUSING AUTHORITY OF THE CITY OF PITTSBURGH
SELF-INSURANCE PROGRAM
ADJUSTMENT OF LOSSES FOR EXCESS INSURANCE
AS OF DECEMBER 31, 2017
WORKERS' COMPENSATION
(AMOUNTS IN '000)

Claim Number	Policy #/Date	Over Date	Claim Date	SIR	Accident Description	Claim Status	Indemnity Paid	Medical Paid	Expense Paid	Indemnity Secured	Medical Incurred	Expense Incurred	Recovery To Date	Gross Pft/Dft	Gross Reserve Total	Gross Inc Total	Retention Left	Liab to Case Rate	Implied Liability	Adj for Retention Limitation
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
291PMA1955	71721997	11/12/1997	2/8/2006	300	Slip/Fall - By-Pushing/Pull	C	107	74	47	107	74	47	(29)	227	0	227	72	0.000	0	0
291PMA1959	71721997	2/17/1998	11/16/2009	300	Slip/Fall - By-Pushing/Pull	C	153	61	21	153	61	21	(41)	216	0	216	63	0.000	0	0
291PMA1960	71721997	4/20/1998	4/20/2015	300	Fall or Slip-On Stairs	C	442	164	107	442	164	107	(41)	713	0	713	103	0.000	0	0
291PMA1995	71720002	2/18/2003	7/29/2016	400	Slip/Fall - By-Pushing/Pull	C	45	247	5	45	247	5	0	297	0	297	103	0.000	0	0
2910000044	71720003	1/28/2004	12/5/2016	400	Fall or Slip-On Ice or Snow	C	316	32	17	316	32	17	(4)	366	0	366	91	0.000	0	0
2910000114	71720003	6/1/2004		400	Slip/Fall - By-Lifting	R	220	56	34	220	56	34	0	210	0	210	91	0.000	0	0
2910000115	71720004	9/28/2004		400	Slip/Fall - By-Lifting	O	139	87	22	139	106	23	(10)	248	22	270	182	2.838	69	0
2910000211	71720005	7/19/2005	9/25/2013	400	Fall or Slip-From Dist Level	C	216	106	47	216	106	47	0	370	0	370	30	15.906	0	0
2910000245	71720005	1/17/2006	4/26/2015	500	Fall or Slip-From Liquid	C	398	166	45	398	166	45	(10)	610	0	610	59	15.906	0	0
2910000288	71720005	5/1/2006	9/14/2016	500	Fall or Slip-On Stairs	C	279	114	58	279	114	58	0	441	0	441	106	15.906	0	0
2910000313	71720006	8/1/2006	12/10/2015	500	Slip/Fall - By-Lifting	C	288	59	47	288	59	47	0	394	0	394	106	0.000	0	0
2910000320	71720006	9/15/2006	8/12/2015	500	Fall or Slip-On Stairs	C	95	132	27	95	132	27	0	253	0	253	247	0.000	0	0
2910000455	71720007	7/15/2008		500	Slip/Fall - By-Lifting	O	84	168	24	84	180	26	(15)	276	14	289	229	5.127	69	0

Notes:

(1) - (16) - Per HOUSING AUTHORITY OF THE CITY OF PITTSBURGH Loss Run.

(17) - (6) - (14).

(18) - (6) - (14).

(19) - (15) - (18).

(20) - (15) - (18).

*Accident Years are 12-month periods starting 7/17 of the stated year except for AY 2009. Accident Year 2009 is a 5.5-month period from 7/17/2009 thru 12/31/2009.

HOUSING AUTHORITY OF THE CITY OF PITTSBURGH
SELF-INSURANCE PROGRAM
AS OF DECEMBER 31, 2017
CALCULATION OF DISCOUNTED RESERVES
WORKERS' COMPENSATION
(\$AMOUNTS IN '000s)

ACCIDENT YEAR*	TOTAL NET RESERVES @12/31/2017	DISCOUNT FACTORS	TOTAL DISCOUNTED RESERVES	FUTURE INVESTMENT INCOME
	(1)	(2)	(3)	(4)
1992	\$0	1.000	\$0	\$0
1993	0	1.000	0	0
1994	0	1.000	0	0
1995	0	1.000	0	0
1996	0	1.000	0	0
1997	0	1.000	0	0
1998	0	1.000	0	0
1999	0	1.000	0	0
2000	0	0.824	0	0
2001	0	0.958	0	0
2002	0	0.961	0	0
2003	16	0.954	16	0
2004	27	0.945	26	1
2005	37	0.937	35	2
2006	26	0.931	24	2
2007	32	0.926	29	3
2008	20	0.921	19	1
2009	17	0.926	16	1
TOTAL	\$175		\$165	\$10

Notes:

(1) - From Exhibit I, Page 1, Column (5).

(1) = Per AMI June 30, 2017 Actuarial Report, Appendix A.

(3) = (1) x (2).

(4) = (1) - (3).

*Accident Years are 12-month periods starting 7/17 of the stated year except for AY 2009.

Accident Year 2009 is a 5.5-month period from 7/17/2009 thru 12/31/2009.

HOUSING AUTHORITY OF THE CITY OF PITTSBURGH
SELF-INSURANCE PROGRAM
CALCULATION OF UNDISCOUNTED LOSS RESERVES
AS OF DECEMBER 31, 2017
WORKERS' COMPENSATION
(\$AMOUNTS IN '000s)

ALL APPROACHES COMBINED

ACCIDENT YEAR*	SELECTED ULTIMATE LOSSES	PAID LOSSES @12/31/2017	LOSS RESERVES @12/31/2017	RECOVERY	NET LOSS RESERVES @12/31/2017
(1)	(2)	(3)	(4)	(5)	
1992	\$799	\$799	\$0	\$0	\$0
1993	834	834	0	0	0
1994	1,045	1,045	0	0	0
1995	810	810	0	0	0
1996	380	380	0	0	0
1997	1,782	1,782	0	0	0
1998	984	984	0	0	0
1999	516	516	0	0	0
2000	231	231	0	0	0
2001	228	228	0	0	0
2002	685	685	0	0	0
2003	1,255	1,239	16	0	16
2004	880	853	27	0	27
2005	2,272	2,235	37	0	37
2006	870	844	26	0	26
2007	722	690	32	0	32
2008	185	165	20	0	20
2009	176	159	17	0	17
TOTAL	\$14,654	\$14,478	\$175	\$0	\$175

Notes:

(1) = Per AMI June 30, 2017 Actuarial Report, Exhibit I, Page 1, Column (5).

(2) - Per HOUSING AUTHORITY OF THE CITY OF PITTSBURGH

(3) = (1) - (2).

(4) - Per Appendix A, Column (20).

(5) = (3) + (4).

*Accident Years are 12-month periods starting 7/17 of the stated year except for AY 2009.

Accident Year 2009 is a 5.5-month period from 7/17/2009 thru 12/31/2009.

HOUSING AUTHORITY OF THE CITY OF PITTSBURGH
SELF-INSURANCE PROGRAM
CALCULATION OF TOTAL RESERVES
AS OF DECEMBER 31, 2017
WORKERS' COMPENSATION
(\$AMOUNTS IN '000s)

UNDISCOUNTED RESERVES

	EXHIBIT NUMBER	UNDISCOUNTED RESERVES
NET	I	\$175

DISCOUNTED RESERVES

	EXHIBIT NUMBER	DISCOUNTED RESERVES
NET	I	\$165