

THE STATE OF TEXAS

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COUNTY OF TRAVIS

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CONTRACT # 359-17-1046

AGREEMENT made this **31st day of August, 2017** between Professors Jay Hartzell, Ph.D., Greg Hallman, Ph.D., and Research Associate Kevin Jewell of the University of Texas at Austin, McCombs School of Business, Department of Finance referred to as "Consultants," and the Texas Office of Public Insurance Counsel, hereinafter referred to as "Customer".

I.

Purpose/Term

The purpose of this agreement is to state the terms and conditions under which Consultants will provide financial and economic consulting services to Customer. The term of this contract is for one year.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties agree as follows:

II.

Services Provided

Consultants agree to provide financial and economic consulting services related to expert guidance on current issues involving property & casualty insurance cost of capital, capitalization levels and underwriting profit. Such services shall include (1) developing a methodology for conducting a cost of capital analysis for the property casualty insurance industry, (2) performing cost of capital analysis for the property casualty insurance industry and (3) providing ongoing guidance on insurance policy issues and the review of identified Texas property and casualty rate filings at the direction of Customer. Should Customer require additional service beyond the scope of this agreement, it can be addressed in a separate document.

III.

Compensation

Customer shall pay Consultants for the above described services (1) and (2) an amount not to exceed \$20,000. Customer shall pay Consultants for the above described services (3) on a time and expense basis. Time shall be billed as provided in the below Schedule of Billing Rates:

Schedule of Billing Rates

CONSULTING LEVEL	HOURLY
Professor Jay Hartzell	\$400
Professor Greg Hallman	\$400
Research Associate Kevin Jewell	\$250

Directly related expenses, including express mail, shall be initially borne by Consultants, later to be reimbursed by Customer on a monthly basis. Consultants do not bill for administrative surcharges or phone charges.

If Customer finds it necessary to require corrections to completed work due to errors made by the Consultants, the Consultants shall correct the work at no cost to Customer. If Customer requires changes in previously satisfactorily completed work, the Consultants shall make such changes as directed by Customer and will be compensated for such at the same hourly rates established.

Consultants shall bill Customer monthly as necessary for all services rendered and expenses directly incurred pursuant to this contract. Billing shall include an itemized statement of charges showing hours worked, who performed the work, the date the work was performed, brief description of work performed, which Customer staff member requested the work, and a description of all incurred expenses.

Consultants shall not bill Customer for services and expenses in excess of a total of ~~\$30,000~~^{\$50,000 5m} (~~thirty~~^{Fifty} thousand dollars and no cents) during the term of the contract without prior written authorization from Customer.

IV. Notification

Consultants shall promptly notify Customer in writing of events which have significant impact on contract work, including 1) problems, delays, or adverse conditions which will prevent the meeting of time or work schedules, and 2) favorable developments which will enable meeting or work schedules sooner than expected.

V. Confidentiality/Nondisclosure/Nonuse

Consultants understand that information transmitted by Customer to Consultants may be deemed Confidential, Proprietary, or Trade Secret. Consultants agree that it will not use, disseminate, or in any way disclose information transmitted by Customer except to the extent necessary to perform its duties to Customer as described herein.


VI.


Contract Clause

"Contractor understands that acceptance of funds under this contract acts as acceptance of the authority of the State Auditor's Office, or any successor agency, to conduct an audit or investigation in connection with those funds. Contractor further agrees to cooperate fully with the State Auditor's Office or its successor in the conduct of the audit or investigation, including providing all records requested. Contractor will ensure that this clause concerning the authority to audit funds received indirectly by subcontractors through Contractor and the requirement to cooperate is included in any subcontract it awards."

Source: Senate Bill 19, Section 44

IN WITNESS WHEREOF, the parties have executed this contract.

By: 
Jay Hartzell, Ph.D.

By: 
Joe Matetich, Dep. Pub. Counsel
Office of Public Insurance Counsel

By: 
Greg Hallman, Ph.D.

Date: 8/31/17

Date: 8/31/17

THE STATE OF TEXAS §

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COUNTY OF TRAVIS §

CONTRACT # 359-17-0138

AGREEMENT made this 22nd day of August, 2017 between Merlinos & Associates, Inc., 3274 Medlock Bridge Road, Peachtree Corners, Georgia 30092, hereinafter referred to as "Consultant," and the Texas Office of Public Insurance Counsel, hereinafter referred to as "Customer".

**I.
Purpose/Term**

The purpose of this agreement is to state the terms and conditions under which Consultant will provide actuarial consulting services to Customer. The term of this contract is for one year.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties agree as follows:

**II.
Services Provided**

Consultant agrees to provide actuarial consulting services related to rate filing reviews and actuarial guidance on current issues involving property & casualty insurance. Such services shall include ongoing guidance on residential insurance policy issues and the review of identified Texas property and casualty rate filings at the direction of Customer. The review of the rate filings will provide actuarial insight as to the proposed rates and rate factors included in the rate filings and supporting reports will be provided to support Consultant's findings. Should Customer require additional service beyond the scope of this agreement, it can be addressed in a separate document.

**III.
Compensation**

Customer shall pay Consultant for the above described services on a time and expense basis. Time shall be billed as provided in the below Schedule of Billing Rates:

Schedule of Billing Rates

CONSULTING LEVEL	HOURLY
Actuary – Level I	\$300
Actuary – Level II	\$285
Actuary – Level III	\$260
Actuary – Level IV/Actuarial Analyst Level 1	\$235
Actuarial Analyst – Level II	\$205
Actuarial Analyst – Level III	\$170
Administrative Support	\$80

Directly related expenses, including express mail, shall be initially borne by Consultant, later to be reimbursed by Customer on a monthly basis. Consultant does not bill for administrative surcharges or phone charges.

If Customer finds it necessary to require corrections to completed work due to errors made by the Consultant, the Consultant shall correct the work at no cost to Customer. If Customer requires changes in previously satisfactorily completed work, the Consultant shall make such changes as directed by Customer and will be compensated for such at the same hourly rates established.

Consultant shall bill Customer monthly as necessary for all services rendered and expenses directly incurred pursuant to this contract. Billing shall include an itemized statement of charges showing hours worked, who performed the work, the date the work was performed, brief description of work performed, and a description of all incurred expenses.

Consultant shall not bill Customer for services and expenses in excess of a total of **\$60,000 (sixty thousand dollars and no cents)** during the term of the contract without prior written authorization from Customer.

IV. Notification

Consultant shall promptly notify Customer in writing of events which have significant impact on contract work, including 1) problems, delays, or adverse conditions which will prevent the meeting of time or work schedules, and 2) favorable developments which will enable meeting or work schedules sooner than expected.

V. Confidentiality/Nondisclosure/Nonuse


Consultant understands that information transmitted by Customer to Consultant may be deemed Confidential, Proprietary, or Trade Secret. Consultant agrees that it will not use, disseminate, or in any way disclose information transmitted by Customer except to the extent necessary to perform its duties to Customer as described herein.

**VI.
Contract Clause**

"Contractor understands that acceptance of funds under this contract acts as acceptance of the authority of the State Auditor's Office, or any successor agency, to conduct an audit or investigation in connection with those funds. Contractor further agrees to cooperate fully with the State Auditor's Office or its successor in the conduct of the audit or investigation, including providing all records requested. Contractor will ensure that this clause concerning the authority to audit funds received indirectly by subcontractors through Contractor and the requirement to cooperate is included in any subcontract it awards."

Source: Texas Government Code, Section 321.013


IN WITNESS WHEREOF, the parties have executed this contract.

By: 
Karen Landrum, FCAS, MAAA
Consulting Actuary
Merlinos & Associates, Inc

By: 
Joe Matetich, Dep. Pub. Counsel
Office of Public Insurance Counsel

Date: 24 August 17

Date: August 28, 2017

By: 
Peter Scourtis, FCAS, MAAA
Principal and Consulting Actuary
Merlinos & Associates, Inc

Date: August 24, 2017