

Final Notice of Reinsurance of FEMA's Intended Procurement 1-1-17

ACTION: NOTICE ANNOUNCING INTENDED PROCURMENT OF REINSURANCE FOR THE NATIONAL FLOOD INSURANCE PROGRAM AS REQUIRED UNDER THE AGREEMENT ON GOVERNMENT PROCUREMENT (MAR. 30, 2012).

SUMMARY NOTICE:

The Federal Emergency Management Agency ("FEMA") will be procuring reinsurance for the National Flood Insurance Program ("NFIP") to be effective on or about January 1, 2017. To participate in the reinsurance procurement, vendors must submit a request to participate by December 15, 2016, and final tenders by December 23, 2016.

FOR FURTHER INFORMATION CONTACT: FEMA's Reinsurance Broker, Guy Carpenter and Company, at FEMA.GC@guycarp.com or a FEMA representative at FEMA-NFIP-REINSURANCE@fema.dhs.gov.

NOTICE:

Pursuant to the World Trade Organization ("WTO"), Agreement on Government Procurement ("GPA"), as amended on March 30, 2012, FEMA, the procuring entity, is hereby providing notice of its intended procurement of reinsurance for the NFIP. For more information, refer to Art. VII of the GPA, Exhibit A. FEMA is not securing reinsurance through the Federal Acquisition Regulations ("FAR") and reinsurers will not be considered Federal contractors.

FEMA provides Notice on the following:

- a. The name and address of the procuring entity and other information necessary to contact the procuring entity and obtain all relevant documents relating to the procurement, and their cost and terms of payment, if any;
- FEMA intends to procure reinsurance for flood risk in the United States insured by



FEMA

Page 1 of 7

the NFIP. Guy Carpenter and Company is FEMA's broker and will act as the third-party intermediary for the intended procurement of reinsurance referenced in this notice. Contact Guy Carpenter at FEMA.GC@guycarp.com for any information and relevant documentation relating to the procurement. In addition, you may contact a representative of FEMA regarding this procurement at FEMA-NFIP-REINSURANCE@fema.dhs.gov.

b. A description of the procurement, including the nature and the quantity of the goods or services to be procured or, where the quantity is not known, the estimated quantity;

FEMA intends to procure reinsurance on or about January 1, 2017, to be effective for one year. The procurement of reinsurance will be an agreement of indemnity between FEMA and private reinsurance firms. FEMA will pay a reinsurance premium to transfer a portion of the NFIP's flood-risk to the counterparties (reinsurers). The reinsurers will be responsible for the payment of potential NFIP losses as defined by the reinsurance agreement. The amount of reinsurance and the design of the reinsurance program will remain undisclosed until determined otherwise by FEMA.

c. For recurring contracts, an estimate, if possible, of the timing of subsequent notices of intended procurement;

This provision is not applicable to this reinsurance procurement.

d. A description of any options;

This provision is not applicable to this reinsurance procurement.

e. The time-frame for delivery of goods or services or the duration of the contract;

The duration of the reinsurance treaty will be one year to begin on or about January 1, 2017.

f. The procurement method that will be used and whether it will involve negotiation or electronic auction;



FEMA

Page 2 of 7

FEMA intends to procure reinsurance by following standard reinsurance industry practices, including soliciting quotes from a select group of reinsurers known as a quoting panel. From the quotes provided and subject to further negotiations, FEMA will determine Firm Order Terms and disseminate the terms via email to all reinsurers who meet the minimum criteria listed below in Section (j) interested in participating in the FEMA reinsurance program. This reinsurance procurement will not be available through Federal Business Opportunities, because FEMA will secure reinsurance outside the FAR.

g. Where applicable, the address and any final date for the submission of requests for participation in the procurement;

The final date for the submission of request for participation will be December 15, 2016. Refer to Section (a) for contact information.

h. The address and the final date for the submission of tenders;

The final date for the submission of tenders is December 23, 2016. Refer to Section (a) for contact information.

i. The language or languages in which tenders or requests for participation may be submitted, if they may be submitted in a language other than an official language of the Party of the procuring entity;

The notice and intended procurement will be in English (United States).

j. A list and brief description of any conditions for participation of suppliers, including any requirements for specific documents or certifications to be provided by suppliers in connection therewith, unless such requirements are included in tender documentation that is made available to all interested suppliers at the same time as the notice of intended procurement;

Below is a list and brief description of conditions for participation of reinsurers:

I. Evaluating Criteria:

A. Ability to write property catastrophic excess of loss reinsurance in the United States;



FEMA

Page 3 of 7

- B. Fulfillment of minimum financial requirements measured by an:
- (a) A.M. Best rating of A- or better,
 - (b) For Underwriting Members of Lloyd's, Lloyd's market rating of A- or better,
 - (c) S&P rating of BBB+ or better, and
 - (d) Policyholder Surplus of at least \$350 million;
- C. Satisfactory outcome of appropriate financial analyses (e.g., measurements of liquidity, leverage, capital adequacy); and
- D. Payment of taxes pursuant to country or jurisdiction in which the reinsurance company operates.

II. Conditions and restrictions:

A. Office of Foreign Assets Control

Except as authorized by the Office of Foreign Assets Control (OFAC) in the Department of the Treasury, potential reinsurance companies shall not acquire, for use in the performance of the intended NFIP reinsurance treaty, any supplies or services if any proclamation, Executive Order, or statute administered by OFAC, or if OFAC's implementing regulations at 31 CFR Chapter V, would prohibit such a transaction by a person subject to the jurisdiction of the United States.

Except as authorized by OFAC, most transactions involving Cuba, Iran, and Sudan are prohibited, as are most imports from Burma or North Korea, into the United States or its outlying areas. Lists of entities and individuals subject to economic sanctions are included in OFAC's List of Specially Designated Nationals and Blocked Persons at <https://home.treasury.gov/policy-issues/financial-sanctions/specially-designated-nationals-and-blocked-persons-list-sdn-human-readable-lists>. More information about these restrictions, as well as updates, is available in the OFAC's regulations at 31 CFR Chapter V and/or on OFAC's website at <https://home.treasury.gov/policy-issues/office-of-foreign-assets-control-sanctions-programs-and-information>.

B. Prohibition on Conducting Restricted Business Operations in Sudan

Pursuant to the Sudan Accountability and Divestment Act of 2007, potential reinsurance companies must not conduct any restricted business operations in Sudan. For more information, refer to Pub. L. No. 11-174.

C. Prohibition on Engaging in Certain Activities or Transactions related to Iran



FEMA

Pursuant to International Emergency Economic Powers Act (IEEPA), 50 U.S.C. §§ 1702-et seq., potential reinsurance companies must not engage in the following:

- Export any sensitive technology, as defined in the IEEPA, to the government of Iran or any entities or individuals owned or controlled by, or acting on behalf or at the direction of, the government of Iran;
- any activities for which sanctions may be imposed under section 5 of the Iran Sanctions Act. These sanctioned activities are in the areas of development of the petroleum resources of Iran, production of refined petroleum products in Iran, sale and provision of refined petroleum products to Iran, and contributing to Iran's ability to acquire or develop certain weapons or technologies; and
- any transaction that exceeds \$3,500 with Iran's Revolutionary Guard Corps or any of its officials, agents, or affiliates, the property and interests in property of which are blocked pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) Refer to OFAC's Specially Designated Nationals and Blocked Persons List at <https://www.treasury.gov/ofac/downloads/sdnlist.pdf>.

D. Prohibition on Inverted Domestic Corporations

FEMA will not secure reinsurance from reinsurance companies that are inverted domestic corporation or a subsidiary of an inverted domestic corporation as defined in 6 U.S.C. § 395(b)-(c).

E. Delinquent Tax liability or a Felony Conviction under Federal Law

FEMA will not secure reinsurance from reinsurance companies that have unpaid U.S. Federal tax liability, for which all judicial and administrative remedies have been exhausted or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability.

FEMA will not secure reinsurance from a reinsurance company where the entity has been convicted of a felony criminal violation under any Federal law in the preceding twenty four (24) months.



III. Trade Agreement Act of 1979 and WTO GPA Conditions

A. Pursuant to the Trade Agreements Act of 1979 (TAA), 19 U.S.C. § 2501) and the WTO GPA, FEMA will only secure reinsurance from reinsurance companies that meet the following criteria:

- The potential reinsurance company must be established in a country approved as TAA-eligible. A list of TAA designated countries may be found at <http://gsa.federalschedules.com/resources/taa-designated-countries/>. This list may be amended from time to time or be superseded by international agreements or events. The country in which a potential reinsurance company is “established” means the country in which it is incorporated and maintains its principal place of business or headquarters.
- The potential reinsurance company must perform the following tasks for the performance under such reinsurance agreement entirely within a TAA-eligible country:
 - underwriting, including any decisions and activities necessary to making the underwriting decision concerning the reinsurance (including for example, if applicable, modeling, pricing, quoting, and review of the terms and conditions of the Agreement);
 - accept and execute the Agreement;
 - accept payment of premiums from FEMA under the Agreement;
 - administer the reinsurance agreement; and
 - adjudicate and pay claims under the Agreement.
- Potential reinsurance companies will be evaluated on an ongoing basis during the term of such reinsurance agreement for their compliance with the conditions for participation under the standards set forth in the GPA and other TAA-Related Requirements.
- A potential reinsurance company may be disqualified and excluded from participation if any of the following occur at any time prior to or while an entity has responsibilities under such reinsurance agreement:
 - bankruptcy;
 - false declarations;
 - significant or persistent deficiencies in performance of any substantive requirement or obligation under a prior reinsurance-related contract or contracts;
 - final judgments in respect of serious crimes or other serious offenses;



FEMA

Page 6 of 7

- professional misconduct or acts or omissions that adversely reflect on the commercial integrity of the entity;
- failure to pay taxes; or
- violation of or failure to comply with any TAA-related requirements or any other laws or regulations applicable either to such a reinsurance agreement or to the potential reinsurance company.

k. Where, pursuant to Article IX, a procuring entity intends to select a limited number of qualified suppliers to be invited to tender, the criteria that will be used to select them and, where applicable, any limitation on the number of suppliers that will be permitted to tender.

If more than the required number of reinsurers meeting the minimum requirements described in Section (j), subscribe to the

FEMA's Firm Order Terms, then FEMA may give preference to reinsurers with:

A. Strong financial metrics as measured by A.M. Best ratings, S&P ratings, Lloyd's market ratings (as applicable), Policyholder Surplus and financial ratio tests;

B. Strong investment and/or history in flood reinsurance;

C. Expertise in reinsurance flood underwriting; and

D. Consistency in price and capacity between quoting and final terms offered.

I. An indication that the procurement is covered by this Agreement.

Reinsurance is a service covered by the WTO GPA.



FEMA

Page 7 of 7