

MARYLAND AUTOMOBILE INSURANCE FUND
1215 East Fort Avenue Suite 300
Baltimore, Maryland 21230

Request for Proposal

Investment Manager
January 17, 2023

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Introduction:

The Maryland Automobile Insurance Fund (Maryland Auto) is an independent state agency created by the legislature of Maryland in 1972, and commenced operations on January 1, 1973.

Maryland Auto consists of two divisions. The Insured Division provides insurance coverage to Maryland residents who are unable to obtain it from private insurance carriers. The Uninsured Division has two roles, first it provides financial protection to Maryland residents who are innocent victims of traffic accidents involving motor vehicle negligence and cannot obtain recovery from any other source. Second, it is responsible for activities relating to reducing the rate of uninsured motorists in the State.

Maryland Auto invites offerors to submit proposals in conformance with the following specifications:

Part I. - General Information

- A. Purpose:** Maryland Auto is soliciting proposals from qualified firms to provide **asset management services for a portion of its investment portfolio**. Maryland Auto's current portfolio consists of fixed income and equity investment vehicles. Maryland Auto will evaluate submitted proposals according to criteria put forth in Part III of this document.
- B. Minority Business:** Maryland Auto encourages minority business enterprises to respond to this solicitation.
- C. Contract Administration and Issuing Office:**

Marquette Associates, Inc. is conducting the investment manager search on behalf of its client, Maryland Auto.

Issuing Office

Maryland Automobile Insurance Fund
1215 East Fort Avenue Suite 300
Baltimore, Maryland 21230

Contract Administration

Paul Deter, Senior Director, Maryland Auto

- D. Closing Date:** Maryland Auto must receive responses to this request for proposal no later than **Friday, February 10, 2023 at 5:00pm EST**.

- E. **Questions:** Please submit all questions related to this Request for Proposal to Responses@marylandauto.net. Maryland Auto will post answers, on a weekly basis to all questions offerors ask related to this Request for Proposal on eMaryland Marketplace and the Maryland Auto website <https://www.mymarylandauto.com/site/>. The deadline for all questions shall be Thursday of each week during the request for proposal at 5:00pm EST. The final due date for questions shall be Friday, January 27, 2023 at 5:00pm EST.

Part II – Investment Portfolio Scope

Maryland Auto is seeking an investment manager to manage a portfolio:

- A. With a market value ranging from \$5 million to \$15 million in size
- B. Equity investment vehicles
- C. In a separate account, commingled fund or mutual fund

In managing the portfolio and discharging other required duties, investment manager responsibilities would include:

- A. Performance Management - achieve a risk adjusted return with investments that are oriented to provide and growth and diversification within the asset class constraints
- B. Meeting Attendance – attend necessary meetings, including one Board of Trustees, Financial Management Committee meeting annually, at a minimum, and any special meetings Maryland Auto and/or Marquette Associates, in its capacity as investment advisor, require.

Part III- Submission

All submissions must provide clear, direct and comprehensive responses to requested information below.

Submissions must adhere to the following format and be submitted in accordance with the proposal date specified in Part 1-D. Maryland Auto will **not** grant requests for extensions. Maryland Auto will **not** consider any late requests for modification or withdrawal.

You may submit your response by email. **Please do not submit electronic responses through eMaryland Marketplace or on the Maryland Auto website. Instead, responses may be emailed to Responses@marylandauto.net.** Responses by email must contain the phrase “Investment Management Services” in the subject line.

In your submission, incorporate a response to each of the following, as applicable:

1. Company Background

- Company Name
- Company Address
- Years in business
- Contact name, Phone number, e-mail
- Parent Company Name and Address
- Financial report

2. Samples of Work: This section must include descriptive information indicating how each firm and/or business entity has participated in providing services like those requested in this RFP.

3. References: Please provide three references, listing company name and address, contact name, phone, e-mail for each company, and a brief description of the services you provided.

4. Market differentiators: Please identify for Maryland Auto why your company is the vendor we should select for this engagement and identify how your company differentiates itself from your competitors.

5. Pricing: Include all pricing information in your response. Cost must be clearly stated. Total price must contain all direct and indirect costs, including out-of-pocket expenses.

6. Questionnaire: Please execute the attached questionnaire and include it with your submission.

Evaluation Criteria

Submissions will be evaluated on, but not limited to the following general criteria:

- Price/Cost of Service
- Performance Results
- Investment philosophy compared to Maryland Auto's objectives
- References
- Stability of Company

Part V. - Terms of the Contract

A. The Offeror whose proposal is accepted hereunder shall enter into agreements embodying the terms hereof and such other terms as are required by law and the winning RFP (the "Contract").

- B. Notwithstanding any other provisions of this RFP or in the attached exhibits to the contrary, each Contract will include the following general provisions.
1. Conflict. To the extent any of the following provisions conflict with the provisions of Investment Consulting Agreement, the parties expressly acknowledge that these Additional Contract Provisions are controlling.
 2. Integration; Contract Modification – This Contract constitutes the entire agreement between the parties and supersedes all communications between them prior to the execution of this Contract, whether written or oral, with reference to the subject matter of this Contract. This Contract shall not be modified except by a written instrument executed by both parties.
 3. Non-hiring of Maryland Automobile Insurance Fund (Client) Employees - No employee of Client whose duties as such employee includes matters relating to or affecting the subject matter of the Contract, shall, become or be an employee of the party or parties hereby contracting with Client.
 4. Maryland Law Governs - This Contract shall be interpreted and enforced according to the Laws of the State of Maryland.
 5. Nondiscrimination - Contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, or any other characteristic forbidden as a basis for discrimination by applicable laws.
 6. Contingent Fee Prohibition – Contractor warrants that it has not employed or retained any person, partnership, corporation, or other entity, other than a bona fide employee or agent working for Contractor, to solicit or secure this Contract, and that it has not paid or agreed to pay any person, partnership, corporation, or other entity, other than a bona fide employee or agent, any fee or other consideration contingent on the making of this Contract. For breach or violation of this warranty, Client may terminate this Contract without liability or deduct from the Contract price or consideration or otherwise recover the full amount of such fees, commission, percentage, brokerage fee, gift or contingent fee.
 7. Termination -
 - a. Termination for Default - If Contractor fails to fulfill its obligations under this Contract properly and on time, or otherwise violates any provision of this Contract, Client may terminate this Contract by written notice to Contractor. The notice shall specify the act or omission relied on as cause for termination. All finished or unfinished work products provided by Contractor shall, at Client's option, become the property of Client. Client shall pay Contractor fair and equitable compensation for satisfactory performance prior to receipt of notice of termination, less the amount of damages caused by Contractor's

breach. If the damages are more than the compensation payable to Contractor then Contractor will remain liable after termination, and Client can affirmatively collect damages.

- b. Termination of Contract for Convenience - This Contract may be terminated by Client, in whole or in part, whenever Client determines that termination is in the best interest of Client. In the event of such termination for convenience, Client shall pay all reasonable costs associated with this Contract that Contractor has incurred up to the date of termination and all reasonable costs associated with termination of the Contract. However, Contractor shall not be reimbursed for any anticipatory profits that have not been earned as of the date of termination.
 - c. Termination by Notice - In addition to any other termination provision of the Contract, both the Contractor and Maryland Auto may terminate the Contract upon 30 days written notice by certified mail to the principal office of the other.
8. Record Keeping - The Contractor shall maintain and retain all records and other documents relating to this Contract for a period of three (3) years from the date of final payment under the Contract, and will make the documents available for inspection and audit to such persons and officials as may be authorized by Maryland Auto from time to time.
 9. Legal; Severability - In the event that any part or portion of this Contract shall be deemed void, voidable, unenforceable, or contrary to applicable statutory, or regulatory law, or shall have been omitted contrary to the requirements of such law, by appropriate judicial or regulatory authority, then all other provisions hereof shall be unaffected thereby and shall remain in full force and effect. In such an event, if one party requests the other party, both parties shall endeavor to agree to: a) such substitute language to the Contract as shall best evidence their original intent hereunder if there is no material harm thereby caused to the other party; and b) such new language as shall best comply with all applicable requirements of law.
 10. Assignment - This agreement shall not be assigned by either contracting party without the prior written consent of the other party.
 11. Indemnification - Maryland Auto shall not assume any obligation to indemnify, hold harmless, or pay attorney's fees that may arise from or in any way be associated with the performance or operation of this Agreement.
 12. Maryland's Public Information Act - This Agreement is subject to the Maryland Public Information Act, General Provisions Article, Sections 4-101 to 601 of the Annotated Code of Maryland.

VENDOR

By: _____

Name: _____

Title: _____

Date: _____

MARYLAND AUTOMOBILE INSURANCE FUND

By: _____

Name: Al Redmer, Jr.

Title: Executive Director

Date: _____

Approved as to form and legal sufficiency

By: _____

Counsel
Maryland Automobile Insurance Fund



Domestic Equity Request for Information

Product Class:

Product Name:

Benchmark Index:

Data as of:

Due Date for RFI: February 10, 2023 at 5:00pm EST

Recipient Email: Responses@marylandauto.net

Questionnaire received back via: Email

I. Firm

- 1) Please provide the year your firm was established and give a brief history of your firm.
- 2) Please provide the organization's name, and the name, title, address, phone number, fax number, and email address of the individual who will be our primary contact.
- 3) Please provide the address and website of the firm's headquarters and all branch offices.
- 4) Please comment on the financial solvency of your firm.
- 5) Do you have any firm debt?
- 6) What is the amount of firm debt?
- 7) What are the plans, with timeframe described, to pay off the firm debt?
- 8) What is the minimum asset level required for your firm to remain profitable? Please be specific.
- 9) Please provide a brief description of your firm's plans for growth, such as asset growth, personnel growth, succession planning, over the next 3-5 years.
- 10) Please give succession plans for key employees if retirements are planned within 5 years.

11) Please describe your firm initiatives for diversity and inclusion in terms of your overall firm, senior leadership, and investment teams.

12) Please provide the following diversity & inclusion statistics:

	% Minority	% Female
Overall Firm		
Senior Leadership		
Investment Team for this Strategy		

II. Ownership

13) Please discuss your general ownership structure, including what percentage of your firm is owned by current active employees.

14) Have there been any changes in the ownership structure of your firm in the past five years? If yes, please explain in detail.

15) Please explain any known or potential changes in firm ownership or personnel.

III. Client Breakdown

16) Please provide the firm’s and product’s breakdown by clients as of the current date (as measured by % of assets under management) using the following format. Please provide a brief explanation as to the contents of “other.”

	Corporate	Foundation/ Endowment	HNW/ Family	Insurance/ Financial	Mutual Fund	Public
Firm						
Product						

	Religious	Taft-Hartley	Sub-Advisory	Wrap*	Other
Firm					
Product					

17) Please provide the firm's and product's breakdown by clients as of the current date (as measured by # of clients under management) using the following format. Please provide a brief explanation as to the contents of "other."

	Corporate	Foundation/Endowment	HNW/Family	Insurance/Financial	Mutual Fund	Public
Firm						
Product						

	Religious	Taft-Hartley	Sub-Advisory	Wrap*	Other
Firm					
Product					

18) Please provide the approximate client turnover in the *firm* using the format below. Please include all client types, institutional, commingled, mutual fund, etc.

	2016	2017	2018	2019	2020	2021	2022
# of Clients Gained							
Assets (\$MM) Gained							
# of Clients Lost							
Assets (\$MM) Lost							

19) Please provide the approximate client turnover in the *product* using the format below. Please include all client types, institutional, commingled, mutual fund, etc.

	2016	2017	2018	2019	2020	2021	2022
# of Clients Gained							
Assets (\$MM) Gained							
# of Clients Lost							
Assets (\$MM) Lost							

20) Please provide the following information on the product's client breakdown:

	Assets (in Millions)
Average Client Size:	
Largest:	
Smallest:	

IV. Investment Professionals

Firm Specific:

- 21) Please provide brief biographies of the investment professionals (analysts/portfolio managers/traders) in the firm.
- 22) Please Provide an organization chart of the firms structure and investment professionals.
- 23) List ownership and % held by the investment professionals of your firm.
- 24) List directorships or board positions held by investment professionals at other firms.
- 25) Please discuss the compensation plan of the investment professionals. Please distinguish the differences between the portfolio manager’s compensation and analyst compensation.
- 26) Please specifically describe whether the bonus plans are based on asset growth, investment performance, or some combination. If any or part of the compensation is based on investment performance, please specifically cite the performance measurement (performance vs. peers, vs. benchmark) and the time period involved (1 year, 3 years, or a weighted measurement).
- 27) Are the investment professionals under employment contracts with the firm?
- 28) What are the terms of the employment contracts, including non-compete clauses?
- 29) Discuss all turnover of investment professionals (analysts/portfolio managers/traders/marketers) in the firm during the last three years.
- 30) Is your firm represented by any third-party firm or individual whose purpose is marketing and/or gathering assets for the firm? If so, list all relationships and compensation structure.
- 31) Are you a registered minority (at least 51% minority owned) investment manager? If so,

please attach state or local registration.

Product Specific:

- 32) Please provide brief biographies of the investment professionals (analysts/portfolio managers/traders/operational due-diligence personnel) on this product.
- 33) What is the estimated percentage of time each professional devotes solely to this product?
- 34) Please describe the typical working hours of the portfolio manager(s) and investment analyst(s).
- 35) Are your portfolio manager(s) and investment analyst(s) expected to be present prior to each day’s market open?
- 36) Do your investment professionals invest their own assets in this product?
- 37) Does the day-to-day portfolio manager have more than one-third of his or her liquid net worth invested in this product?

V. Products Offered

38) What are the total assets for the various investment products offered by your firm using the following table:

Product	Assets Under Management (in millions)					Availability: SA, CF, or MF
	2018	2019	2020	2021	2022	

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39) What is the minimum account size for a separately-managed portfolio for all your products? Please specify by product.

VI. Compliance

40) Please attach a copy of your firm's Code of Ethics.

41) Is your firm affiliated with a broker dealer?

42) If yes to #41, do you trade with your affiliated broker dealer? If applicable, what percentage of trades for this product execute through the affiliated broker dealer?

43) If yes to #41, please describe, in detail, the processes the firm has in place to prevent the transmission of material nonpublic information between the asset management arm and the broker dealer?

44) If yes to #41, please describe the separation of duties and systems between the broker dealer and asset management in regards to traders, back office, and settlement functions.

45) If yes to #41, does your broker dealer have a separate profit and loss statement than the rest of the firm's business entities? If no, please explain.

46) Are you compliant with GIPS® Standards?

47) If no to #46, please explain why.

48) Have you contracted with an outside firm to conduct a GIPS® verification? If yes, please indicate the last verification year and name of outside firm. If yes, please provide the most recent verification letter.

49) Are you a registered investment advisor? Please attach a copy of your ADV Part II.

50) What is your firm's Errors & Omissions (E&O) Insurance policy limit in millions? Please attach proof of E&O Insurance coverage.

51) Please provide a brief description of any past or pending regulatory action, litigation, or other legal proceedings involving the firm or any registered employees and/or principals as defendants in the last 5 years.

- 52) Are you currently or have you been in the last 5 years out of compliance with the DOL? If yes, please explain thoroughly.
- 53) Are you currently or have you been in the last 5 years out of compliance with the SEC? If yes, please explain thoroughly.
- 54) Are you currently or have you been in the last 5 years out of compliance with any regulatory agency? If yes, please explain thoroughly.
- 55) Has your firm been audited by the SEC, DOL, or any regulatory agency in the past 5 years?
- 56) When was your last audit, please be specific by month and year, by the SEC, DOL or any regulatory agency?
- 57) Please explain any and all findings on your most recent SEC audit, including minor deficiencies. Please attach a copy of the SEC Review findings and firm responses.
- 58) Do you have a dedicated compliance officer?
- 59) Does your compliance officer serve other roles within the firm? If so, please describe.
- 60) Who is the firm's independent auditor?
- 61) How long has the firm's independent auditor been serving in this capacity?
- 62) Who is the firm's legal counsel or do you use an in-house legal team?
- 63) Please provide brief biographies for your legal counsel, indicating how long they have been serving in this capacity.
- 64) Do you act as a fiduciary?
- 65) Please describe your firm's disaster recovery and business continuity plans.
- 66) Please address the most recent dates and the numbers of times you have practiced and tested your disaster recovery procedures in the past 5 years, and the results of those exercises.
- 67) Please provide a copy of your firm's disaster recovery and business continuity procedures.
- 68) Please address your back-up capabilities and/or offsite location, particularly related to your trading desk, in the event your primary office location was inaccessible.

69) What is your firm's personal trading policy?

70) What are your procedures for personal trading policy violations?

71) How many violations of your personal trading policy have occurred in the past 12 months?
Please describe the nature of each violation.

72) What software, systems and/or processes ensure client-specific guidelines and regulations are adhered to?

73) Will your firm acknowledge its status as a fiduciary under ERISA in a contract or side letter?

VII. Trading and Soft Dollars

74) Please describe your firm's policy on soft dollar trading.

75) If your firm utilizes soft dollar, please list the top five brokers utilized in the **last calendar year**:

Broker
1)
2)
3)
4)
5)

76) If your firm utilizes soft dollars, please rank by dollar value, in descending order, your top-five soft dollar relationships within the last year:

Item/Vendor	Dollar Value (\$)
1)	
2)	
3)	
4)	
5)	

77) If a client requests no soft dollars be used in the construction of their separate account, can you comply?

78) If you didn't use soft dollars, what impact would that have on portfolio performance and trading costs?

- 79) Please describe the trading platforms utilized by your firm's trading desk.
- 80) Do you utilize minority-owned brokerage firms for trades?
- 81) Please provide a list of the minority-owned brokerage firms you utilize.
- 82) Are you conducting step-outs or direct trades with minority-brokerage firms? Please indicate the breakout of step-outs to direct trades.
- 83) What percentage of your firm's actual trades are with minority-owned brokerage firms?
- 84) Please provide a list of the electronic trading platforms that you utilize and, for each, please specify whether you use MWBE firms as part of that electronic process and how that is done. For each electronic trade platform used, please list the MWBE broker/dealer you transacted with through that platform over the past year, and, for each MWBE broker/dealer on that electronic platform, please specify the dollar amount and percentage of total trade volume going through that broker/dealer over the past year.
- 85) Please discuss your portfolio manager's interaction with your trading desk.
- 86) How are orders communicated, does the portfolio manager specify price, etc.

VIII. Product Investment Process

- 87) What distinguishes your firm from other investment managers with respect to this product?
- 88) How does your firm replicate the index – full replication or sampling?
- 89) If the answer is "sampling," please provide a detailed explanation of the process.
- 90) What is the expected active risk, i.e. tracking error, of the index product?
- 91) Based upon the size of this mandate, do you expect the active risk to differ from what has been experienced in the product historically?
- 92) How are trading and transaction costs minimized?
- 93) How does the product manage index reconstitution (if applicable)?
- 94) Has performance of the product been impacted positively or negatively by index reconstitution (if applicable)?
- 95) Has there been a time when the product has either underperformed or outperformed the relevant index by more than 0.05% for a month? Please detail all periods.
- 96) How is liquidity managed for the product? If cash is held, how is equity exposure maintained?

IX. Fees, ESG, Security, and Other

- 97) What is your standard fee schedule for this product?
- 98) What is the current Most Favored Nations Policy?
- 99) How do you ensure compliance with this policy?
- 100) Are you open to side letters to address legal concerns?
- 101) What are the liquidity terms for this product?
- 102) Does your firm have any SRI restrictions available for this product?
- 103) Please describe your firm's SRI restrictions policy for this product.
- 104) Do you have a specific ESG product for this strategy? If so, please elaborate both at a firm and product level how ESG issues are addressed, what data is collected and used to assess these issues, and what differentiates this process versus other competitors.
- 105) Describe the firm's security environment. Specifically cover the physical, digital security, and policy measure safeguards that you have put in place to control access to portfolio reporting systems and client account information.
- 106) Describe your firm's approach to securing email and web communications.
- 107) How does your firm defend against cyber attacks?
- 108) How does your firm secure mobile devices such as phones, tablets, and laptops?
- 109) Have you had your security assessed by a third party? If so, when was this last completed and by which provider?
- 110) Has your firm ever had a data security breach? If so, please describe the incident as well as the corrective actions.
- 111) Please provide three references, including contact phone number and email address. Please include, at least, one current and one former client in your references.
- 112) Please describe the firm's (or fund administrators') documentation requests related to AML/KYC when onboarding a new client to any commingled funds of this strategy. For each commingled fund (LP, CIT, LLC, etc.), each feeder (onshore,

offshore), and each client type (E&F, pension, state/city, family office, individual, etc.), please list all documents required. Please be specific and note if you require any of the following: authorized signer’s SSN; driver’s license; passport; a government picture ID; list of Board of Trustees/Directors; notarized signature pages; third-party AML attestation; and any others.

X. Attachments and Disclosure

Please check off items included as attachments. If any **required** items are excluded, please indicate an alternate means for our review of requested items.

Required	Included?
ADV Part II	_____
SEC Review Findings Letter	_____
Disaster Recovery and Business Continuity Plans	_____
Code of Ethics	_____
Proof of E&O Insurance Coverage	_____
Presentation	_____

Include, if Applicable	Included?
State or Local Registration for M/WBE	_____
GIPS Verification Letter	_____

Chief Compliance Officer Signature

I, chief compliance officer of _____, have reviewed all of the aforementioned statements and documents. To the best of our ability, we believe all statements and documents to be accurate, truthful and timely.

Signature

Print Name