Summary Minutes of the
Information Systems advisory Committee Meeting
Wednesday, December 2, 2015

The Information Systems Advisory Committee (ISAC) of Citizens Property Insurance Corporation (Citizens) convened telephonically on Wednesday, December 2, 2015 at 10:00 a.m. (EST).

The following members of the ISAC committee were present telephonically.

> James Holton (Chairman)
> Juan Cocuy (Board)
> Freddie Schinz (Board)
> Brian Foley (Advisor)
> Kelly Booten (*staff)*

Call Meeting to Order

Roll was called.

1. **Approval of Prior Meeting's Minutes (September 15, 2015)**

   Chairman Holton asked for a motion to approve the minutes from the September 15, 2015 meeting.

   Freddie Schinz made a motion and Juan Cocuy seconded to approve the minutes as presented. The minutes were unanimously approved.

2. **Third Party Security Risk Assessment**

   Kelly Booten informed the Committee that since the last meeting the Third Party Security Risk Assessment had concluded and the final report had been delivered. The report describes the results of an independent review by Buchanan, Ingersoll and Rooney PC of the privacy and cyber security risks to Citizens relating to the interface relationship with Citizens agents and agencies.

   The independent review concluded that Citizens has developed extensive and judicial internal controls for safeguarding the privacy of its policyholders' personal information and is committed to both mandating and encouraging its agents and agencies to implement security practices appropriate to their size and operation.

   In addition to the report, recommendations to the Agent and Agency Appointment Agreements were received, reviewed and included as part of the recommendation.

   Kelly went on to say that most of the recommendations from Buchanan, Ingersoll & Rooney have been accepted and are scheduled for implementation predominantly through

Citizens Agency Appointment Agreement, as well as through training and other forums in place for educating and working with agents and agents' associations.

Kelly added that the first recommendation was to adopt additional revisions to the Agent Appointment Agreement and the Agency Agreement to enhance privacy and security obligations and indemnity obligations. The Agent Agreement has been approved through Citizens legal department and is now under review by agent associations and the Agent Roundtable. The Agency Agreement will follow. Review meetings have been scheduled with the associations for December 4th and 7th, and for the Agent Roundtable on December 4th.

The additional agreement revision recommendations are:
- Require individual passwords for each agent staff;
- Tighten procedures for prompt action when users leave an agency;
- Require agencies to institute remote access controls in their internal IT systems, which is one of the recommendations in our exhibit to the Agent Appointment Agreement;
- Continue ongoing review of the need to collect items of protected information. A thorough review of all of the data was performed - data that is collected from agents and agencies – and it was paired down to only what is necessary to be collected.
- Require agency principles to better understand how their IT systems operate and where they are vulnerable to compromise at each stage of the information lifecycle. That is going to be accomplished through a self-assessment questionnaire and a security due diligence review. The self-assessment questionnaire has been developed and it will also be provided to the associations, and risk based criteria is being developed for requesting a due diligence review.

Other recommendations are to develop and implement a Written Information Security Program for agents and agencies; procure cyber liability insurance coverage; use confidentiality agreements for agency personnel who have access to protected information; develop and implement an Incident Response Plan and a Third Party Access Policy. There is a recommendation to enhance training for agents and agency principles in security threats and appropriate safeguards and incident response. That training is under development and will be rolled out as we progress through rolling out the Agent and Agency Appointment Agreements.

Lastly, there was a recommendation to continue to encourage agencies to develop staff training programs and provide assistance for Citizens as appropriate.

Steve and Carl, through their work with legal, are ready to preview the Agency and Agent Appointment Agreement changes through the associations. There is going to be a walk-thru on Friday for the first round of associations. Their feedback will be considered with the intent to bring those agreements to the Board in the March time frame for final approval.

In conclusion, that is the result of the report. It was a very collaborative process with Buchanan, Ingersoll & Rooney. Kelly felt it went really well, it happened very quickly, and that it is progressing nicely. She then opened it up to questions.

Chairman Holton thanked Kelly and Citizens for a great report and for getting it done in a timely manner. He stated that there had been some discussion in a previous conversation about mandating non-disclosure agreements for agency personnel within our own appointment agreement. Chairman Holton asked if there had been any further discussion on that with the industry or with legal in terms of making it a requirement for all agents and their personnel to sign NDAs recording secure information for our policyholders?

Kelly replied that she does not believe Citizens has had any feedback yet on that specific language in the agreement. She stated that there is a component of the agreement that talks about the agency and what confidentiality agreements it should have when dealing with confidential information, but didn't believe there had been any feedback yet from the associations regarding that.

Steve Bitar addressed the Chairman and the Committee and stated that Citizens is in the process of gathering that feedback. He said the key for us is to make sure that the confidentiality agreement exists between the agency and its staff that comes in contact, specifically, with non-public information related to Citizens' policies. Citizens absolutely wants to recommend it, but whether or not it is a requirement, is going to be under discussion. We will work through the feedback that we get from the associations to see exactly where we take that.

Chairman Holton stated that that was the heart of his question. The NDAs between the agent and their personnel is critical to Citizens and he wanted to see if legal recommended that we require it in our Agency Appointment Agreement. He went on to say that we will have to sort that out with the industry and their representatives as we of move through this, but he felt it would give a lot of teeth rather than just a recommendation that agencies get NDAs from personnel to make that a requirement of a Citizens' appointment, but it is something to consider and vet as we go through the process.

Steve stated that Citizens will be happy to take that under advisement.

Chairman Holton asked if there were any further questions for Kelly or Steve or any of the staff. With none, he went on to the next agenda item.

3. **Enterprise Resource Planning (ERP) Update**

Sarah Harrell, Director of Enterprise Programs began her presentation with an ERP update. She stated that Citizens has received seven responses and the Responsive Review team was in the process of reviewing them to see if there were any DQs in who would advance. Six of the responses were accepted. The seventh was disqualified due to lack of submission of pricing information. The six accepted responses proceeded to the written evaluation phase which

concluded in late September, then five of those vendors advanced to the negotiation stage. The public meeting to announce the advancing vendors was held on October 6th.

Sarah went on to say that three of the on-site demos have been completed, the fourth one is in progress in Tallahassee, and the last one is scheduled for December 17 and 18.

She also stated that since five vendors advanced to the negotiation phase, and only two or three were expected to, the negotiation phase will extend into January of 2016 which will then impact the targeted contract award date. The public meeting for the contract award is currently projected for the January or February time frame. It was previously targeted for mid-December.

The current goal for the business case presentation and subsequent recommendation to this committee, and then the full Board, is March 2016, with a projected implementation start date in the May to June time frame pending BOG approval and execution of the contract with the selected vendors.

Sarah added that there are no surprises with the action item or the 2015 budget. The Gartner action item is on target; the first task order is complete, the second task order is about 70 percent complete, and it will be completed this year. The 2015 budget will come in under budget because three items will not be incurred in 2015 since the projected implementation start date is no longer 4Q15 as originally planned. She reiterated that the projected implementation start date now is May-June 2016.

Sarah concluded by stating the updated projected milestone chart reflects the projected contract award date and BOG approval in the March time frame, with a projected implementation start date in the May or June 2016 time frame.

Governor Cocuy asked Sarah if Citizens has preliminary dollar amounts/estimates from the five vendors to which she answered the price range is $15 to $21 million over a five year period.

4. **IT Update**

Curt Overpeck, Chief Information Officer, began by stating he has two items on which to update the committee.

The first item is the search for a technical adviser. Curt advised that the search is progressing, but a final candidate has not been selected. The candidate that was being pursued, as discussed at the December committee meeting, was extremely qualified but chose to withdraw based on new job related responsibilities. However, based on that candidate's desire to serve he offered to support Citizens with the possibility of one of his senior staff members serving on the committee.

Curt stated that this is a good option because the company that these gentlemen are from can serve in a very good advisory capacity given their size, their IT budgets and strong

similarities in strategies and in staff. Subsequent discussions have been held. Curt met personally with two senior staff members and discussed the committee and potential for them to serve. He will follow up yet this week to determine if, indeed, it looks like we are set to move ahead with a tech adviser from this company.

Curt continued by stating that once a candidate has been selected we will proceed with the approval process which would include review and approval by Chairman Holton and others in the process. Hopefully, by the next committee meeting, we will have a positive report that we have a new tech adviser to the committee.

Chairman Holton responded that he was sorry to hear that the first candidate was not available, and mentioned that he and Kelly had a bit of a discussion regarding fall back candidates. He asked Curt if Citizens is looking at other potential industries, in the financial services insurance or potentially even the medical insurance industry, as there are an abundance of those type companies in Florida, for a potential technical adviser as a fall back.

Curt replied that we are considering where to go next if this avenue doesn't proceed with good results and we are not be able to appoint an adviser from this current possibility.

Curt's second item for update was the IT Security Strategy. Curt stated that information security is a top priority and it has been clearly reflected in committee discussions and Board level discussions for some period of time.

Curt informed the committee that under the leadership of Mitch Brockbank, Director of IT Risk and Security, Citizens has made good progress on establishing a new IT Security Strategic Plan. He stated that this plan is a key part of the IT strategic Plan, and it also aligns with the Enterprise level Strategic and Tactical Plans.

Curt concluded that the IT Security Strategic Plan has been reviewed by and received approval from the IT Steering Committee, but it still needs to be presented to the full Citizens' executive leadership team for feedback and approval. He stated that he would also like to bring the plan to this committee. The tentative plan is to present it to the Committee at the first ISAC meeting of 2016 for a review discussion.

5. **Consent Items**

Curt commented that each year, as we prepare budgets, we prepare corresponding consent/action items to move through approval of this committee and, ultimately, the Board. This year, consistent with what has been done in past years, IT has two consent items to present to the committee today.

a. **IT Staff Augmentation Services**

Curt stated that the first consent item on the agenda is IT Staff Augmentation Services. The 2016 IT Staff Augmentation Services expense is $4,078,000.00, down from our projection this year of $7.3 million.

This is an area where we continue to progress in our objective to reduce expenses. The reduction from 2015 to 2016 reflects ongoing development of internal staff, skills and knowledge development, particularly associated with implementation and startup of the Citizens' Insurance Suite. Beyond 2016, looking to future years, it is our plan to continue to reduce this expense.

We bring this consent item today as it is an important service for us to continue to assure that we have the level of staffing and expertise needed to meet our support objectives across our systems.

Juan Cocuy asked if this is done because it is difficult to find the expertise out in the open market to bring them in in-house.

Curt replied that that is a large part of our consideration and need for contingencies. He explained that it is also a resource we draw upon when we need support staff as attrition happens. Particularly, as the Insurance Suite implementation has been completed, there are key individuals who are providing work effort on that system and we still need to transition their knowledge and skill sets.

Looking into the future, even as we continue to build staff, we will still have an element of attrition to deal with. We are working hard on knowledge transition, which will position us well as we move ahead, but even in the future we will need some level of contingent staffing.

Brian Foley had both a comment and a question. He commented that there is value in having a flexible pool of resources but that you do pay a premium for it, which led to his question. He asked if a true zero base had been determined that says this is absolutely, positively what is required now and over the next foreseeable two or three years as the baseline at which I want employees, and then anything above that is handled through contingents?

Brian went on to say that contingents can be viewed as tactical, filling gaps, but if you do a strategic analysis of your workforce over the next couple of years, you can truly baseline what you think your core (keep the lights on) operational requirements are that you want to have employees fill.

Curt replied that, yes, our plan is to look at future years to develop a baseline that represents the good balance between full time staff and the contingent resources we might need. Curt assured the committee that this year's proposal has been built up by name, by person, by detail, by rate and the complete plan has been scrutinized. There is more planning that needs to be done as we look out to 2017 and beyond, but as we look at another year's budget we will be targeting the sustained level that we think we need going forward in the area of staff augmentation.

Curt concluded by adding that the staff augmentation services are acquired on predominantly state governmental contracts and that we do have very favorable rates that have been negotiated with the state. He added that we pay significantly less than perhaps open

market rates for the high majority of these positions, so that is favorable and an important impact of the dollar plan that we are bringing forward.

Juan Cocuy made a motion and Brian Foley seconded to approve the Action Item for IT Staff Augmentation Services. The motion carried unanimously.

b. **IT Infrastructure, Software and Professional Services**

Curt continued with the second consent item on the agenda - IT Infrastructure, Software and Professional Services. Curt stated that this is a consent item that comes forth concurrently with the budget each year and it is the request for spend authority against State of Florida and Federal contracts to allow us to provide infrastructure software services that are needed.

Curt stated that the request this year is for $37,382,000, and he pointed out that the request this year is for dollars above the budget. The reason for this is to have increased flexibility to enter into multi-year contracts where it makes good sense.

Curt went on to say that in previous years we have found ourselves constrained when we have offers for or have desired multi-year agreements, typically on maintenance agreements. The amount brought forward this year gives the flexibility to look out to future years.

Curt explained that the current year's expense is controlled by the budget. In looking at the request for $37 million, approximately $16 million is associated with dollars that would be an expense or capital budget for this year.   The other dollars give flexibility to enter into the multi-year agreements. The key point is that we will control expenses associated with the budget, but we seek the spend authority that will allow us the opportunity to enter into some cost savings agreement(s) as they become are available to us.

Chairman Holton asked if there were any details on what kind of cost savings Citizens can expect by having multi-year contracts, any numbers.

Curt replied that Citizens has seen vendors come to the table and offer discounts, say in the area of 10 percent, sometimes higher, for multi-year contracts. That level does not categorically apply to all vendors, but even where there is a four or five percent discount, it can really add up quickly to save us dollars.

Curt noted that Citizens very typically negotiates, even with multi-year agreements, so that we make annual payments against those so that we are not required to make an upfront payment.

Robert Sellers, Vice President of IT Infrastructure & Operations, added that Citizens negotiates heavily for each of these items during the course of the year for continuing operational activity. Many of these agreements are through state or federal contracts which become starting points for negotiating the activity. We typically see a significant reduction as we move into multi-year, as Curt mentioned the five percent, but in many cases we are seeing

10, 15, 20 percent reductions because of the negotiating activity that we do through our contract management teams.

Brian Foley commented that with some vendors, like Oracle for instance, negotiating discounts is difficult but getting them to not increase, you know, three percent a year, is more of a cost of weight incentive as a direct reduction, if that makes sense.

Robert agreed and stated that the maintenance cost on many pieces of software run between 18 and 20 percent per year, and Mr. Foley added that they go up three percent a year.

Robert went on to say that it becomes very material at the entrance of a three or five-year term. Examples seen recently have been in alignment with what Brian spoke to, with Oracle licensing and recently with Microsoft licensing.

Robert stated that these are all areas he would consider significant dollar contracts that do go through a negotiation session even though they are on state and federal contracts with listed price for extended term type discounts.

With no further questions Chairman Holton entertained a motion to accept these consent items.

Freddie Schinz made a motion and Juan Cocuy seconded to approve the Action Item for IT Infrastructure, Software and Professional Services. The motion carried unanimously.

6. **Addendums**

Chairman Holton noted that there were addendums that would not be covered in detail at today's meeting but asked if anyone had any questions for Kelly Booten or her staff. With none being heard, he went on to the next agenda item.

7. **New Business**

None

8. **Final Comments**

Governor Holton reminded everyone that the next Board meeting is scheduled for March 16th, and staff will be in touch to arrange the next ISAC teleconference prior to that.

As there was no further business to be discussed, Chairman Holton entertained a motion to adjourn.

Juan Cocuy made the motion to adjourn and Freddie Schinz seconded the motion. Governor Holton adjourned the meeting.

[Meeting adjourned]