

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE

ACTUARIAL AND UNDERWRITING COMMITTEE TELECONFERENCE MEETING

March 10, 2020

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened telephonically on Tuesday, March 10, 2020 at 11:30 a.m. (EDT).

The following members of the A&U were present telephonically:

John Wortman, Chair
Reynolds Henderson
William Kastroll
Fred Strauss

The following Citizens staff members were present telephonically:

Ariel Shami	Dan Sumner
Barry Gilway	Jeremy Pope
Barbara Walker	Candace Bunker
Bonnie Gilliland	Bethany Kocher
Steve Bitar	Janice Watts
Jay Adams	Charlie Broward
Scott Crozier	Karen Holt
March Fisher	

Call Meeting to Order

Roll was called and a quorum present.

1. Approval of Prior Meeting Minutes

A motion was made and seconded to approve the December 3, 2019 minutes. All were in favor. Motion carried.

2. Action Item – Digital Signature Services for Contracts, Agreements, and Documents

Mr. Bitar: This action item is for digital signature services for contract agreements and documents. This is an enterprise item, in that several business units take advantage of the digital signature services that are offered through DocuSign, but because Underwriting and Agency Services is such a heavy user of this technology, we felt it best to bring it forward here at the Actuarial and Underwriting Committee to seek the ultimate approval. If I may, I will just go through the action item briefly, give you a little background about the item and then I will move forward to the recommendation. The item --

Chairman Wortman: Go ahead.

Mr. Bitar: Thank you very much, Mr. Chairman. The item is indeed budgeted. Funding was included in the 2020 annual operating budget and annually each year for the prior contract year. This action item does request a total of \$26,487.40 and will result in a total spend of \$181,908.53 for digital signature services over a five-year period since 2016. We wanted to bring some awareness to what the past spend has been and what we are budgeting for the upcoming year. We started receiving digital signature services from DocuSign in 2016. We have continued to purchase these services through one-year purchase order to third-party resellers under the GSA Schedule 70 contract with the majority of the purchases through Carahsoft Technology.

What we are seeking today is a one-year term of service that would run from April 27th of 2020 through April 26th of 2021, and this would allow our services to be continuous from when we began in 2016 through April 26, 2021. The scope here, the action item is requesting approval for an additional one-year term of digital signature services from DocuSign ending April 26, 2021. We will be seeking with your support, Board approval due to Citizens' cumulative spend on these services through a series of purchase orders that began in 2016. The requested one-year term will result in a total expenditure, as I stated, of \$181,908.53. These digital signature services as I stated are being utilized throughout the organization and they provide a secure electronic signature process that allows for signature through a computer online or a mobile device instead of requiring a wet signature. Some departments that use this, as you can imagine, the Vendor Management Office, Legal Services, as well as Underwriting and Agency Services. We specifically use this to make sure that all of our agency agreements and contracts can be signed electronically.

As you know we have roughly 7,000 agents across roughly 5,000 locations. So it

is important for us to be able to secure their agreement signatures electronically instead of going back and forth with costly paper and mailing, et cetera. So this allows us an efficient way to be able to secure signatures, and similarly it is used by other business units as well for signatures that they need to secure.

The procurement method as I stated, one-year term that was procured utilizing the GSA Schedule 70 contract. All of the above referenced purchase orders have been procured utilizing contracts under the GSA Schedule 70 Information Technology Equipment Software and Services as approved by the State of Florida, Department of Management Services. At this time, Mr. Chairman, if there are no questions, I would be more than happy to move forward to the recommendation.

Chairman Wortman: Any questions? If not, go ahead, Steve, do the recommendation.

Mr. Bitar: All right, thank you, sir. Staff recommends that the Citizens' Actuarial and Underwriting Committee approve and recommend to Citizens' Board of Governors to, A, approve an additional one-year term of services with DocuSign beginning on April 27, 2020, for an amount of \$26,487.40 as set forth in this action item. And B, authorize staff to take any appropriate or necessary actions consistent with this action item.

Chairman Wortman: Any questions or issues or do I hear a motion to approve?

Mr. Strauss: Mr. Chair, this is Fred. I will make the motion to approve the recommendation as presented.

Governor Henderson: Mr. Chair, this is Reynolds Henderson, I second.

Chairman Wortman: We have a motion and a second. All in favor say aye.

(Chorus of ayes.)

Chairman Wortman: Opposed say nay. The motion carries. And if I read this right, you know, the five-year cost was \$182,000 and this one-year cost is \$26,000. So that looks like the cost is competitive.

Mr. Bitar: No issues there from pricing.

A motion was made and seconded to approve the Staff's Recommendation for Digital Signature Services for Contracts, Agreements, and Documents action item on Tuesday, March 10, 2020.

Chairman Wortman: Yes. With that passed, lets go to the next item on the agenda, item three.

3. Consent Item – Inbound and Outbound Call Center Services

Mr. Bitar: All right. Wonderful. The next item is a consent item we want to bring forward. We were approached by one of our main call center vendors about a pricing amendment. And so with that we have taken this approach to come forward to amend the contract from a temporary basis as we look to investigate our other contracted vendors to see where we can secure the best pricing possible for these services through Citizens. That is a little bit of a background. I am more than happy to take us through the actual consent item, provide some more background if that is all right with you, Mr. Chairman.

Chairman Wortman: Let's proceed.

Mr. Bitar: Thank you. This item is indeed budgeted, and funding was included in the 2020 annual operating budget. The contract temporary increase that is being sought at this time is in pricing, and it is requested under the consent item and not expected to increase the original contract amount that was approved by the Board for a total of seven vendors in the amount of \$47,850,803. This consent item will result in additional cost of approximately \$150,000 over the next three months, but that will be absorbed with the original contract amount, and we do not see ourselves going anywhere near the overall spend that was previously approved.

Just a little history on this item specifically. The contract itself was approved by the Board on December 13th, 2017, and we entered into Y&Y Holdings, LLC, also known as Agility Marketing on January 31st, 2018. This vendor was awarded as the vendor for First Notice of Loss as well as claim inquiry calls. They do work 24 hours a day, seven days a week, 365 days a year to provide support for us on those lines. And as the first event contingent vendor for Tier 1 calls as well.

The vendor was also awarded a contract to serve on a panel of vendors for catastrophe response and outbound calls to the extent those services become needed. This consent item only seeks to amend pricing related to the First Notice of Loss/claim inquiry as well as Tier 1 call categories. We are only going to see an increase in those categories specifically. That is what is being requested. On February 11th, 2020, the vendor advised us that they could no longer provide the services at the contracted prices due to unforeseen increases in labor costs that were beyond their reasonable control.

The vendor offered to continue services at the current contracted rate through March 31st, 2020, but starting April 1st, 2020, the vendor advised that the rates would need to increase to the level set forth in this consent item.

Due to Y&Y Holdings' unwillingness to continue providing services at the contracted price, we do intend to pursue the most favorable pricing for these services through our other vendors who received the contract award under this Invitation to Negotiate Number 17-0013. The contract award under this ITN provides for primary and contingent vendors in a ranked order as the handling of First Notice of Loss/claim inquiry and Tier 1 support calls is critical to our Citizens' business and being able to provide support to meet the needs of our policyholders should a loss occur.

Citizens staff has begun working on transition plans to identify the contingent vendors who could potentially provide optimal pricing to us and then we would enact a plan to move services from the current vendor to another vendor assuming the pricing is

more beneficial.

So because we were just faced with this and because the primary calls are going to this vendor, our approach is to seek a temporary adjustment with no interruption in service for these priority calls that Citizens currently offers and handles, and what we would like to do in the meantime is investigate our other vendors, confirm their pricing as well and potentially move, transition the work from the current vendor to another vendor assuming the pricing is more advantageous and provides the best value for Citizens in performing that transition. What we are asking for today is the time to do that investigation appropriately and in the meantime, we would seek a temporary increase in the categories as presented by Agility Y&Y and then move forward. The contract term is a five-year based term through January 30th, 2023, with an available renewal option of an additional three-year renewal term and then a final two-year renewal term.

Purpose and scope, I will get into the details here. The consent item does seek approval from the Board for an amendment to allow for a temporary pricing adjustment in the contracted Y&Y Holdings Agility Marketing. The price adjustment will allow Citizens the time necessary to transition the services to a new vendor at more favorable pricing assumed that that exist. The temporary price adjustments are as follows.

For the Tier 1 calls as I stated, the current price per call is roughly \$3.95 to \$4.17. That range depends on the monthly volume of calls that is given to our vendor, and they are proposing an increase to a flat price of \$8.40. The First Notice of Loss/claim inquiry, their current pricing is anywhere from \$5.21 per call to \$5.50 per call. Again, sliding scale depending on the range of calls that we provide them that month, and they are seeking an increase to \$9.40. And as you can see these price increases are significant which is why we want to take the approach of a temporary increase only to ensure continuity of service as we work with our other vendors to guarantee and secure their current pricing and then pull forth a plan to transition any calls appropriately should that be the best option for Citizens.

As I stated, the term for temporary price adjustments would be April 1, 2020 to June 30th, 2020. The impact of the price adjustments is estimated not to exceed \$150,000 over the three-month period. The impact of course could vary depending on actual call volume. The occurrence of a CAT event and the speed in which we are able to transition services to another contingent vendor if that is necessary.

The panel for Tier 1 call vendors does include four other vendors. The panel for First Notice of Loss/claim inquiry call vendors also includes four other vendors. Citizens' staff will work with vendor management and purchasing to determine which vendors are best suited to provide the services. Again, we would seek this temporary adjustment in pricing as we do our due diligence to secure the best pricing for these services and then put forth a transition plan if that is the most appropriate thing to do.

The procurement method, as I stated, the contract was originally procured pursuant to an Invitation to Negotiate Number 17-0013. It resulted in the award of primary contract to the top ranked vendors and included the right for Citizens to pursue additional contracts with contingent vendors in a ranked order in the event additional vendors are needed due to volume, performance or it is otherwise in Citizens' best interest.

Y&Y Holdings is the primary awarded vendor at this time for First Notice of Loss/claim inquiry calls and the first ranked contingent vendor for Tier 1 calls. MacNeill Group currently is the primary awarded vendor for Tier 1 calls. Our recommendation at

this time, sir, if there are no questions I will pause to see if there are any and then I will be happy to move forward if you like.

Chairman Wortman: Any questions of Steve?

Mr. Strauss: This is Fred. I do have one question.

Mr. Bitar: Sure.

Mr. Strauss: The proposed price per call, that will affect only the Y&Y Holdings, correct?

Mr. Bitar: That is correct. This would only be the pricing that we would incur if we sent calls to Y&Y. And as I stated, we do plan to continue to send calls to them for roughly three months because of a continuity situation. We want to make sure we can continue our operations as stated, but we would work swiftly to secure our pricing with our other vendors, and if it is more advantageous we would start transitioning the calls from Y&Y to the best value from our other list of vendors.

Mr. Strauss: Thank you.

Mr. Bitar: You are very welcome.

Chairman Wortman: Steve, I had just a couple of questions. I guess the --

Mr. Bitar: Sure.

Chairman Wortman: -- contract that we sign with them allows them to ask for a price increase midterm in the contract?

Mr. Bitar: Well, the contract does allow for a 2% inflation increase that we build in on a yearly basis, and if they do come to us asking for a price amendment, it does allow us to amend. At this point, Governor Wortman, I have asked these similar questions. If they did not receive this price adjustment, at that point what I would predict is that they may be in breach if they didn't perform at this level, or at that cost that was contracted, or they would turn off their lines for instance which could turn into a performance issue for us. In either of those situations it would absolutely hurt our customer base and the service that we provide. So we did feel it was advantageous to at least bring forward this temporary pricing to ensure continuity of service and operation and not encounter any of those potential problems that could occur should the vendor refuse to continue operations at the current contracted amount.

Chairman Wortman: Number two, have we thought about building this inside?

Mr. Bitar: Oh, we have done this, sir. Previously we do handle First Notice of Loss calls. But remember we need these contracts in place, A, because we aren't a 24/7

operation. So that would be a change to Citizens' business, because for the most part these calls are our claims, First Notice of Loss calls which requires 24/7, 365 and the current operation is not that at Citizens. We do have the ability to handle these calls internally during regular business hours, but as you know there is a major need for us to be able to scale and take some time, up to 40,000 calls a day depending on the size of Citizens and the size of the CAT event. It is in our best interest to have these call center partners in place so that if we do need to ramp up we have terms in our contracts that requires them to ramp up within 72 hours to be able to take a volume of calls, that it just would not make sense for Citizens to staff to on a normal basis.

Chairman Wortman: Right, yes, yes, okay, all right. Any other questions of Steve? If not, why don't you go to the recommendation.

Mr. Bitar: I will be happy to. Staff recommends that the Citizens' Actuarial and Underwriting Committee approve and recommend to Citizens' Board of Governors, approve a contract amendment for the period of April 1, 2020 to June 30, 2020 for temporary pricing adjustments described above for Y&Y Holdings, LLC, Agility Marketing, not to exceed \$150,000 as further set forth in this consent item, and authorize staff to take any appropriate or necessary actions specific with this consent item.

Chairman Wortman: Okay, any questions or do I hear a motion to approve the recommendation?

Mr. Strauss: Mr. Chair, this is Fred. I will make the motion to approve the recommendation as presented.

Chairman Wortman: Thank you, Fred. Is there a second?

Governor Henderson: Reynolds Henderson, second.

Chairman Wortman: We have a motion and a second. Any discussion? Hearing none, we will call the question. All in favor say aye.

(Chorus of ayes.)

Chairman Wortman: All opposed nay. All right, Steve, you got it, motion carries.

A motion was made and seconded to approve the Staff's Recommendation for the Inbound and Outbound Call Center Services consent item on Tuesday, March 10, 2020.

Mr. Bitar: Thank you very much, sir, we really appreciate your support. And at this time those were the two items that I had, sir, and I believe we turn it back over to you on the agenda for new business.

Chairman Wortman: Okay, is there any new business to come before the committee? Hearing none, I would entertain a motion to adjourn.

Mr. Strauss: This is Fred, so moved.

Governor Henderson: Second.

Chairman Wortman: We have a motion and a second to adjourn. All in favor say aye.

(Chorus of ayes.)

Chairman Wortman: Opposed nay. Okay, meeting is adjourned. Thank you, Steve, and thank you everybody for your attendance and we will stay in touch. Thank you all.

(Whereupon, the meeting was concluded.)

FREEMAN