

Executive Summary

Actuarial & Underwriting Committee Meeting, December 15, 2020

Board of Governors Meeting, December 16, 2020

Replacement Cost Estimating Services

Topic

Citizens is requesting approval to enter a contract with CoreLogic Spatial Solutions, LLC. for Replacement Cost Estimating Services. These services are needed to accurately calculate the replacement cost value or actual cash value of a property and are a critical part of the underwriting process.

History

A critical part of underwriting is to estimate the cost to rebuild using the same materials and construction techniques used when the home was built originally. For commercial underwriting purposes, replacement cost estimating service is used to evaluate the accuracy of requested building coverage amounts at issuance. In addition, the service is used to confirm general accuracy of existing business coverage at renewal. The correct construction components are essential to be able to provide an accurate estimate for coverage.

This service is used by approximately 105 underwriters (a combination of internal underwriters and external, vendor-provided underwriters) as well as approximately 7,450 agents when they request policy quotes through Citizens Clearinghouse (if eligible for a Citizens policy) or PolicyCenter. Approximately 436,000 valuations are completed annually.

Citizens currently uses the Insurance Services Office, Inc. "Verisk 360Value®" service for replacement cost estimates. The ISO contract term began in May 2016 and will expire May 14, 2021. The total contract spend for the ISO contract over the five-year term is \$4.9 million.

Citizens issued a new competitive solicitation for this service in July 2020. That solicitation resulted in the requested new contract with CoreLogic Spatial Solutions, LLC for a total contract value over five (5) years of \$1.7 million. Citizens anticipates implementing the CoreLogic solution by November 2021. A six-month extension of the ISO contract is being recommended via a separate Action Item to ensure there is no gap in service.

Recommendation

Staff proposes that the Actuarial and Underwriting Committee review and approve for consideration by the Board of Governors to:

- a) Authorize a contract with CoreLogic Spatial Solutions, LLC for an initial term of three (3) years and two (2) one (1) year optional renewal periods, for an amount not to exceed \$ 1.7 million, as set forth in this Action Item; and
- b) Authorize staff to take any appropriate or necessary actions consistent with this Action Item.

ACTION ITEM

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- Contract – New Committee or Board Minutes
 Contract – Amendment of Contract Terms Product Changes
 Contract – Additional Spend Other _____

Contract ID	Replacement Cost Estimating Services Contract Number: ITN-20-0026 CoreLogic Spatial Solutions, LLC,
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Funding will be included in the 2021 Annual Operating Budget.
Procurement Method	Citizens posted a competitive solicitation, an Invitation to Negotiate (ITN) No. 20-0026, on July 8, 2020. Three vendors responded and all three were moved forward to negotiations. The negotiation team recommended a contract for these services be awarded to CoreLogic as the primary vendor for the requested services.
Contract Amount	\$1.7 million, consisting of: <ul style="list-style-type: none">• \$880,050 for the initial 3-year term• \$721,466 for the optional 2-year renewal term• \$98,484 for professional and ancillary services, if requested by Citizens
Contract Term(s)	The initial contract term shall be three (3) years. The contract may be renewed for two (2), one (1) year renewal periods by Citizens at its discretion.
Purpose/Scope	Accurately calculating the replacement cost value or actual cash value of a property is a critical part of the underwriting process. Citizens agents and underwriting staff currently utilize Insurance Services Office, Inc. to provide this service. That contract will expire on May 14, 2021. The transition to CoreLogic as the new vendor is expected to be completed by November 2021. To avoid any gap in this critical service, Citizens staff is separately recommending a six-month extension of the ISO contract at an additional cost of \$490,000.
Recommendation	Staff proposes that the Actuarial and Underwriting Committee review and approve for consideration by the Board of Governors to: <ul style="list-style-type: none">a) Authorize a contract with CoreLogic Spatial Solutions, LLC for an initial term of three (3) years and two (2) one (1) year optional renewal periods, for an amount not to exceed \$1.7 million, as set forth in this Action Item; andb) Authorize staff to take any appropriate or necessary actions consistent with this Action Item.

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CONTACTS	Kelly Booten, Chief Operating Officer Scott Crozier, VP Underwriting Stephen Guth, VP Enterprise Services
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