

Executive Summary

Actuarial & Underwriting Committee Meeting, December 15, 2020

Board of Governors Meeting, December 16, 2020

Actuarial Consulting Services - 21-20-0001-00

Topic

Citizens is requesting approval to contract with Insurance Services Office, Inc. (ISO), a subsidiary of Verisk Analytics for a base term of three (3) years with one (1) two-year renewal. These services provide an annual peer review of Citizens' year-end reserves and support for various ad hoc projects.

History

On May 12, 2020, Citizens issued an Invitation to Negotiate (ITN) No. 20-0001 to replace the current expiring contract. The ITN resulted in ten (10) respondents whose competitive sealed replies were reviewed and scored by the Evaluation Team. On August 11, 2020, the Evaluation Team recommended the following four (4) vendors advance to negotiations; Insurance Services Office, Inc., Milliman Inc., Pinnacle Actuarial Resources, LLC., and PricewaterhouseCoopers, LLP.

Negotiation sessions were held with each of the four vendors by Citizens Negotiation Team who determined that Insurance Services Office, Inc. offered the best value to Citizens, pursuant to s. 287.057(1)(c), F.S. The services being contracted will supplement the in-house actuarial staff with a scalable/flexible outside resource. The support includes, but may not be limited to, a peer review of the Citizens' Year-End Reserve Report and ad hoc actuarial-related projects as detailed below:

Reserve Peer Review: In the January through the end of February timeframe, the Vendor will provide a peer review of Citizens' in-house annual reserve review. This will consist of examining Citizens' general reserving methods and specific selections for the various lines of business. The peer review final product will consist of a statement signed by an accredited actuary providing their opinion as to the reasonableness of Citizens' carried reserves. This final work product will be included in the final Annual Reserve Report and provided to the external auditors.

Ad Hoc Pricing Support: From time-to-time, Citizens will require pricing support for various ad hoc projects. Examples of such projects performed in the past by actuarial consultants contracted by Citizens include, but are not limited to, an independent study on the impact of SB 408 on sinkhole claims and hurricane deductible factor update. Any final product would include documented results with a sign-off from an accredited actuary. Also, the actuarial consultant should be prepared to discuss any part of their work product at a public rate hearing.

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Annual Rate Indications and Rate Filings: Citizens currently prepares fourteen (14) annual rate filings in-house. The expectation is that Citizens will continue to prepare these items in-house. However, from time-to-time, other in-house resource demands and tight timelines may require that one or more of the annual rate filings is outsourced to the Vendor. In addition to providing a final rate review work product that can be filed with the OIR, the Vendor should also be prepared to discuss any part of their prepared analysis at a public rate hearing. An example of a Rate Filing that may be requested of the Vendor is HO3/HW2.

Reports: A Year-End Peer Review of the Reserve Analysis will be required by the Vendor once a year, for the life of the contract. Additional reports may be required on an ad hoc basis

If unsuccessful in contract negotiations with Insurance Services Office, Inc., Citizens may undertake efforts to reach contract finalization with the next ranked vendor, Pinnacle Actuarial Resources, LLC.

Citizens initially procured these services from Insurance Services Office (ISO) in 2015, through an Invitation to Negotiate (ITN) No.:15-0024 for a base contract term of three (3) years and a two (2) year renewal term. On September 23, 2020, Citizens staff recommended, and the Board of Governors approved a six-month extension to the contract with ISO to end on July 1, 2021.

Recommendation

If approved at its December 15, 2020 meeting, the Actuarial & Underwriting Committee recommends that the Board of Governors:

- a) Approve a contract for Actuarial Consulting Services with Insurance Services Office, Inc. for an initial term of three (3) years, and for one (1) two-year renewal term, for an amount not to exceed \$500,000 as set forth in this Action Item; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

ACTION ITEM

Actuarial & Underwriting Committee Meeting, December 15, 2020
Board of Governors Meeting, December 16, 2020

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| <input checked="" type="checkbox"/> Contract – New | <input type="checkbox"/> Committee or Board Minutes |
| <input type="checkbox"/> Contract – Amendment of Contract Terms | <input type="checkbox"/> Product Changes |
| <input type="checkbox"/> Contract – Additional Spend | <input type="checkbox"/> Other _____ |

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|---------------------------|---|
| Contract ID | Actuarial Consulting Services Contract number: 21-20-0001-00 Recommended Vendor: Insurance Services Office, Inc. |
| Budgeted Item | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Funding to be included in the 2021 Operating Budget and annually for each respective contract year. |
| Procurement Method | This Vendor was recommended for award following Invitation to Negotiate No: 20-0001 on September 28, 2020. This procurement resulted in ten respondents whose competitive sealed replies were reviewed and scored by the Evaluation Team. On August 11, 2020, the Evaluation Team recommended four (4) vendors advance to negotiations. Negotiation sessions were held on each of the four vendors by Citizens' Negotiation Team who determined that Insurance Services Office (ISO) offered the best value to Citizens, pursuant to s. 287.057(1)(c), F.S. |
| Contract Amount | \$500,000 for the life of the contract including all renewals |
| Contract Term(s) | This contract will have a three (3) year base term with one (1) two-year renewal. Renewals are optional at the discretion of Citizens. |
| Purpose/Scope | This Action Item seeks Board approval for Citizens to negotiate and enter into a contract with Insurance Services Office Inc. (ISO) for Actuarial Consulting Services. These services supplement the in-house actuarial staff with a scalable/flexible outside resource. The support includes but may not be limited to a peer review of the Citizens' year-end reserve report and ad hoc actuarial-related projects, such as the impact of legislative changes, and public rate hearing participation. |
| Recommendation | If approved at its December 15, 2020 meeting, the Actuarial and Underwriting Committee recommends that the Board of Governors: a) Approve a contract for Actuarial Consulting Services with Insurance Services Office, Inc.(ISO) for an initial term of three (3) years, and for one (1) two-year renewal term, for an amount not to exceed \$500,000 as set forth in this Action Item; and |

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| | b) Authorize staff to take any appropriate or necessary action consistent with this Action Item. |
| CONTACTS | Jennifer Montero, Chief Financial Officer |