

CITIZENS PROPERTY INSURANCE CORPORATION

**Summary Minutes of the
Information Systems Advisory Committee Meeting
Tuesday, March 1, 2016**

The Information Systems Advisory Committee (ISAC) of Citizens Property Insurance Corporation (Citizens) convened telephonically on Tuesday, March 1, 2016 at 10:00 a.m. (EST).

The following members of the ISAC committee were present telephonically.

James Holton (Chairman)
Freddie Schinz (Board)
Brian Foley (Advisor)
John Vaughan (Advisor)
Kelly Booten (*staff*)

Call Meeting to Order

Roll was called.

1. Approval of Prior Meeting's Minutes (December 2, 2015)

Chairman Holton asked if there were any corrections to the prior minutes. There being none, he asked for a motion to approve the minutes from the December 2, 2015 meeting.

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

2. Introduction of New Industry Advisor – John Vaughan

Chairman Holton introduced John Vaughan and welcomed him as the new Industry Advisor. He continued by saying that Mr. Vaughan has 30 years' experience in IT, primarily supporting financial institutions. He currently works for Fidelity National Financial in Jacksonville and has been there nine years. He is a graduate of Oklahoma City University and Emory Business School. Chairman Holton stated that John has a lot of wide experience in this area and welcomed him to the Information Systems Advisory Committee. He then turned the floor over to John for a few words.

John Vaughan began by saying he was very excited about the opportunity to serve the state. He has been at Fidelity for nine years and there are many similarities to the challenges at Citizens. He said he is excited about participating, getting some different viewpoints and serving the state.

Chairman Holton thanked John again, and expressed appreciation for his volunteerism and desire to help the state and Citizens. Chairman Holton stated that he looks forward to working with John, and that he, the staff and any committee members are available if he has

any questions or suggestions. Chairman Holton also asked John if he would be available to attend the regular Board meeting in Orlando, to which John replied, "Yes". Chairman Holton said we look forward to meeting you there personally and thanked him, again.

Brian Foley welcomed John aboard.

3. ISAC Charter Review

Kelly Booten, Chief Systems & Operations, began by saying that every year at this time we review the Information Systems Advisory Committee Charter and open it up for any recommendations for change.

She went on to say that behind tab three there is a copy of the current charter which includes the statement of purpose, the authority, what the committee composition is, the regularity of meetings and then the primary responsibilities.

This year there are no recommendations for change from staff, so Kelly opened it up to the Board to discuss if there are any changes or make a motion to accept as is.

Chairman Holton asked if there was any discussion. With none being heard he asked for a motion to accept the ISAC Charter as is.

Brian Foley made a motion and Freddie Schinz seconded to accept the ISAC Charter as presented. The Charter was unanimously approved.

4. Systems & Operations Update

Chairman Holton turned the floor over to Kelly Booten to give an update on the Third Party Security Risk Mitigation and the External Website Replacement.

Kelly started by saying Citizens conducted a third party security risk assessment for risks related to the relationship Citizens has with its agents and agencies, and is proactively addressing agent and agent security risks, as agents have access to our systems and confidential information.

Since our last meeting we have discussed implementing the recommendations from Buchanan, Ingersoll & Rooney and have worked diligently to get the agreements in front of the agent roundtable and agent associations. There have been multiple meetings to dissect and to discuss the changes that are in the agreements. At this time we all feel that we are in agreement on what the changes are and they are getting prepared for presentation at the MAAC committee meeting, which is the day before the Board meeting in March.

Kelly continued by saying that Citizens has already started working on training material to do webinars and in-person training for agents in the May-June time frame with an effective date for the agreements to be July 1, if everything goes as planned.

Citizens has made great progress in negotiating contract terms of the agreement and feels that we are all aligned at this point. Kelly asked the committee if there were any questions.

Chairman Holton thanked Kelly and her team for a great job. He stated that he also participated in this project for the benefit of the committee, and agreed there was indeed a lot of negotiations back and forth with industry representatives, and Citizens did a great job in accommodating them, especially the mom and pop agencies that were concerned about some of the potential onerous provisions in there, but we worked it all out.

Chairman Holton continued by saying he thinks everyone is on the same page and he thinks it is going to move forward very, very successfully and in a quick fashion. He thanked Kelly and her team, again, and all of the others that participated in this venture, and said he looks forward to getting this approved at the Board of Governor's meeting.

Kelly continued with the next item on the agenda and began by saying that on February 1st, Citizens launched a completely redesigned external website. It was a really great partnership between the communications department, the IT teams and other departments at Citizens to develop and launch a new platform for both technical and content management.

Kelly stated that the external website is a clean, user friendly interface, and it is very intuitive. It has a site search function that Citizens has never had before. It has the ability for end users to be much more self-sufficient with building content, getting approvals and updating the website on their own.

We also implemented our Citizens Authentication Gateway along with the website such that we knew who our users were and we took them to certain sections of the website based upon their security credentials, therefore further protecting data.

We integrated with multiple systems such as the Policyholder Manage My Policy and Citizens Insurance Suite. It integrates with our knowledge base which has content for our agents, agencies and consumers to ask questions, and get answers.

Kelly concluded by saying it has been a very great effort and lots of kudos to the team. It was done by Citizens' staff, both from an IT perspective and a communications department perspective, and it is something that we are all proud of. The next phase will be to move our internal intranet and take it to the same technology so that we will have consistent technology across our internet and intranet sites.

5. ERP

Doug Sherwood, Enterprise Program Director, presented the ERP Update filling in for Sarah Harrell who is the Enterprise Program Director for this project and is out on leave for a short period.

Doug began by saying he has been involved with ERP since the very beginning, helped put the strategy together, and has been shadowing Sarah. He expressed the hope that Citizens will be able to bring this solicitation to conclusion over the next couple of months.

Doug informed the Committee that during the negotiation process with the five vendors, it was determined that some of them had other products that the team believed would provide a better value to Citizens so an ITN amendment was issued that allowed the vendors to submit an alternative proposal.

Those proposals were received in late January and, after reviewing the proposals, two of them were scheduled for demos which took place in February. At the conclusion of all of the demos the teams decided to proceed with focus negotiations with just three of the vendors.

Those vendors are going to be AST involving implementation of the Oracle Cloud product. The second vendor is Rolta also involving the implementation of the Oracle Cloud product. And the third vendor is PWC with the implementation of the Workday products.

The focused negotiations will include checking vendor references, working with the vendors to develop best and final offers and drafting specific contract language.

Doug concluded by saying that the current target is for the business case to be ready for presentation and recommendation to ISAC and to the Board of Governors sometime in late April or early May.

Chairman Holton thanked Doug, and asked John Vaughan, since he has a lot of experience with ERP, if he has any suggestions or ideas at this juncture.

John replied that he doesn't know a lot about Workday, that FNF uses Oracle, so he can offer a lot of opinions about Oracle.

John continued by saying that FNF is very happy with Oracle, but they do not use the cloud based solution. FNF is hosting a more traditional Oracle solution with AT&T and one of their data centers. FNF is very happy with the product and has been using it since around 2008.

John added that FNF is using their solution multi-nationally. It is deployed in India and by several companies under their holding company. So, it is being used in four or five different companies. It is being hosted in the same location with good success, so we are very happy with Oracle.

John stated that he doesn't know anything about Workday.

Chairman Holton informed John that this is in a governmental ITN process, so we can't get into the weeds of specific contract negotiations, but as this progresses Citizens certainly appreciates all his input and help in shepherding this process along. He thanked John, again, for his comments and said he would be kept in the loop.

6. IT Update

Curt Overpeck, Chief Information Officer, began by stating that he has a brief update on three items.

The first item is the Data Center Consolidation. Curt informed the Committee that by the end of May, we will complete the consolidation of Citizens' data centers into the CSX Colo Data Center located in Jacksonville. Just over three years ago Citizens embarked on a project to consolidate the data centers that were housed in Citizens' office location at the CSX Data Center, and we have progressed through a phased implementation program that will conclude in July.

Citizens entered a 10 year lease in July 2012, for the Data Center, with two 5-year options for extension of the lease, so we are well positioned in the future regarding the Data Center.

At the point we complete the consolidation project it will allow us to address disaster recovery data center needs. Citizens does have a disaster recovery data center located at our Tampa office. We have an approved strategic plan to evaluate alternatives and make decisions, possibly with an element of competitive procurement leading to a new alternative for a disaster recovery data center, and we intend to get a start on that yet this year.

The second item is the 2016 CAT Hurricane Preparations. Curt began by saying preparedness for a hurricane is a year round priority at Citizens, but particularly in January and February of every year when we initiate a very structured program to evaluate all elements of preparedness with our IT systems and related processes.

Curt stated that the process has been initiated. There is a disaster recovery planner in IT whose primary focus is managing through the list of assurance items. We have over 100 assurance items that we systematically review to ensure we are prepared. Beyond that IT participates in training exercises and field event drills with the claims department to ensure we are prepared for a hurricane as an organization.

We are at that point in the year where we work hard to ensure we are well prepared because hurricane season is not that far into the future.

Curt continued with the third item - the Everbank Consolidation. Curt reminded the Committee that last July Citizens consolidated Systems and Operations staff in Jacksonville, and then in December all S&O staff was consolidated into one office building along with the rest of the Citizens staff.

Curt reported that we are seeing good benefits across S&O by being consolidated at the Everbank Building; the proximity within the teams, but more importantly, proximity to the user communities that we serve. We have the opportunity for more face-to-face communication and the effectiveness that goes along with that opportunity.

Curt concluded by saying the move was a huge project, and the facilities team under the leadership of Cherri Linn, and the IT team, particularly under the leadership of Robert Sellers, did nothing short of a superb job in managing all of the details that came together when the consolidation started late last year and then was completed in January of this year.

Chairman Holton thanked Curt and gave kudos to the team for a very seamless transition. All the reports Chairman Holton has received have been great and everyone did an outstanding job. Congratulations on a job very, very well done.

7. IT Security Strategic Plan

Mitch Brockbank, Director of IT Risk and Security, began by saying the Citizens Executive Leadership Team recently approved an updated IT security strategy for the organization. We felt it was important for the ISAC to be aware of this strategy and he would go over the strategy with them at a high level.

Mitch pointed out that on slide two of the presentation there is a list of the committees where the strategy was presented for support and approval, and that the final approval by the Citizens ELT occurred on January 25, 2016.

Implementation planning for the strategy is in progress and will be completed in the first quarter. We will have a plan of how we are going to implement the strategy, which is a three-year strategy.

Slide three is an introduction to the strategy. Over the last several years Citizens has made many improvements to information security such as creating the director level position reporting to the CIO and establishing high level organizational governance through corporate level policies. These are policies that apply across the organization at a corporate level.

A cross functional work group has also been established to coordinate information protection efforts. This is the information privacy and security work group which includes IT security, corporate privacy office, Enterprise Risk and the Office of Internal Audit.

Tactical issues associated with known risks identified through multiple internal and external audits and risk assessments have been addressed, and we have approved and initiated multiple information security initiatives and projects throughout the organization.

Mitch continued to say that an important point to know is that the IT security strategy is a refresh of a previous strategy. It isn't a brand new strategy, it is something that has been in place and is just a refresh.

The strategy also supports further implementation of a mature Information Security Program across the organization. And, although it is being presented today on its own, it is actually part of the overall IT strategy. The plan includes a set of goals and key initiatives for program implementation and oversight over the next three years.

Mitch went on to say that six goals listed on slide four make up the strategy. The first goal is to develop, approve and promote a comprehensive IT security policy suite. This includes a refresh of our current IT security policy and development of clear standards which include expectations to comply with the policy.

Goal two is to improve awareness of IT security rules and responsibilities. This is both internally and externally to the organization. Earlier Kelly talked about third party risks - this will include education efforts and awareness efforts that reach outside of our organization to our agents and third parties.

Goal three is to implement the critical security controls. These are focused efforts to mature the controls which protect against the most prevalent and destructive threats. These are controls that have been identified by a consortium of organizations that include both public and private organizations.

As part of this goal we will identify the maturity level for Citizens in each of these controls, conduct a GAP analysis, identify planning efforts to meet the identified maturity and prioritize the controls and efforts associated with implementing these.

Goal four is to establish an IT Security Council. This is specific to within IT, it is an IT council to govern IT security and support initiatives that we bring forward.

Goal five is to establish a process for regular reporting to IT leadership, executive leadership and relevant committees and work groups throughout the organization. This will include increasing governance awareness and status of our IT security program, and it will include metrics, key performance indicators, key risk indicators to identify program issues and the program's effectiveness.

And finally, goal number six is to establish a defined operational IT security operation center. This is to enhance our current computer security incident response capabilities and structure our operational processes to streamline incident identification and response. Those are the six goals of the strategy.

Slide five shows a high level implementation. We will initiate this as an Enterprise project within our organization. It will be monitored within our IT security program which is a program that has oversight over all of the related IT security projects that our organization is working on, and it will identify milestones and track to those to ensure that we are progressing appropriately.

This concluded Mitch's presentation.

8. Consent Items

Robert Sellers, Vice President of Infrastructure and Operations, presented the consent item.

a. Application Performance Management Software

Robert began by saying he is requesting the approval of the consent item labeled Infrastructure Software Application Performance Management Software.

Citizens will be acquiring this software which improves the end user experience to monitor production and development systems across the Enterprise. We are requesting \$506,500 spend authority in 2016 for the acquisition of the software and approval for the maintenance in 2017 and 2018.

We are posed to enter into a multi-year agreement with Computer Associates for the software and maintenance. We have negotiated with them and have struck a significant discount based upon the multi-year acquisition and maintenance.

Robert stated that normally this information would have been provided in the December Board meeting and would have had prior approvals; however, the opportunity to do a multi-year agreement did not come into play until this past month, which is why we are coming back to the Board with a consent item beyond our normal one time at the beginning of the year consent.

This will get us appropriately licensed for the software across our environment on the different machines where this software runs. We expect the benefits to be significant across the environment for our core applications, as well as other systems where the end user experience monitoring capabilities will provide a significant benefit.

This concluded Robert's presentation. He then opened the floor to questions.

Governor Schinz said that the consent shows that the maintenance was included in the 2016 IT budget and it was \$80,000, and now it is going to jump up to \$506,500, then asked if he was reading that correctly.

Robert replied yes, that a number of additional computers have been identified where the software needs to be licensed during that time frame, which is why the number has increased significantly.

Curt Overpeck made a couple of comments. He said that today we are requesting spend authority. When we compare to the operating budget where \$80,000 was allocated this year, that is not a correct basis for comparison. After accounting treatment we will be somewhat over expense, perhaps in the neighborhood of \$35,000 to \$40,000, and that is because of the accounting treatment of the acquisition of perpetual licenses.

Curt said this is spend authority that covers three years and allows Citizens to take advantage of some discounts over that period, but the 2016 expense variance is not nearly all of the impact of the overall spend request.

Governor Schinz asked if there would be an overall savings over the three-year period compared to if it were done the budgeted way.

Robert answered that, yes, if we had gone through the budgeted process, the total number of licenses would have had an additional 120 to \$130,000 beyond the amount that we are requesting today.

Chairman Holton asked if that addressed Governor Schinz's concerns and questions.

Governor Schinz replied that he is fine with it, he just wanted a clarification.

Chairman Holton said basically, the opportunity just arose and it was not foreseeable when we originally did the budget, then asked if that is basically the sum and substance of it?

Kelly replied that if we were to summarize it, it is really two issues. The first being a true-up of the number of licenses that we need to have authorized for the number of services it is running on, which was higher than what we estimated when we did the budget amount. The second, making this a multi-year contract; those two things really have changed the picture.

Chairman Holton asked if the vendor did the true-up or if Citizens caught it on your audit?

Robert replied that it was done internally.

Chairman Holton asked if we can we implement a plan, a failsafe or check plan because software changes so fast in this industry today? Can we have some type of checklist or some kind of an organized plan where we can try to look ahead and project these things prior to having to implement them? In other words, have internal staff who are familiar with these different items and have them project ahead, talk with vendors, do whatever needs to be done within the Sunshine Laws and within the rules and the statute, but be able to project with a little more accuracy in the future?

Robert replied that we have an IT vendor management organization that has recently transitioned over into the Enterprise vendor management organization. They are chartered with working with our teams to do just what you indicated, look forward at acquisitions, requirements for different software and hardware purchases, application purchases, working with the different business unit teams within IT and outside of IT to have just that information so we can avoid any surprises or unnecessary turn of the technology acquisition cycles.

Robert continued by saying we come to the Committee, typically at the beginning of the year, with much of that information gathered, as much as possible at the time of the budget, and we present that to the ISAC and the Board at that point.

There are exceptions, however, where opportunities do arise and our reviews are done internally that requires us to bring it back to the Board.

Barry Gilway added that the improvements that Robert indicated have not only been made in IT. He said the implementation of a vendor management program started roughly a year and a half, two years ago, and it has literally brought us some light years forward in terms of the way we manage our contracts.

Barry continued by saying Citizens has well over \$900 million worth of contract spend and over the course of the last 12 months every single contract that we have has been individually reviewed, evaluated, analyzed.

We have a vendor management team in place now that works directly with the vendor management representatives in each of the divisions. So while this was an understatement of the specific licenses required for this program, it is somewhat of an aberration because overall, the controls we have in place for our contract spend are just simply light years ahead of where we were a couple of years ago.

Kelly added that our controls are what caught it. She agreed that it would have been nicer to have caught it before the budgeting process where we bring forward the whole budget, but confirmed that had we had gotten to that contract by that time it would have been included. She said we are a little bit behind, but assured the Committee that this is monitored and we have check points where the vendor management folks work with our IT folks to check these things ahead of time.

Chairman Holton asked if it is reasonable to assume this is not going to be a continuing issue, that it is obviously not an issue anyway, as the vendor management team really gets fully, fully on board and functioning correctly.

Kelly replied, yes, and continued by saying that we are very transparent about what we do, and when you look at the consent item that came with the budget, there are a lot of line items that went with this consent. You can see the level at which we are tracking - every piece of software that we have - if you go back and look at that consent item.

When we realized that an estimate at that point was inaccurate as we were negotiating, we fix those things and then bring them to you as needed when they are not what we originally presented. So it is a very transparent process.

Governor Holton asked if there were any other questions from the committee members.

Brian Foley stated he had one question from a technology perspective. He asked, "What is driving the need? I am honing in on the purpose and scope section that says all applications are going to be monitored? What is driving the need for all of them?" Typically those are prioritized based on user experience, based on issues, based on complexity, et cetera.

Curt addressed the question and said he believes that is an accurate description of what we are doing. Not all of our applications receive equal monitoring, but the Wiley Suite is used in our mission critical applications as the primary tool. So that includes our Insurance Suite, the Guidewire Suite and other systems that we would consider top priority.

Mr. Foley said that helps, because he would never advocate doing all. So all mission critical is fine, that sounds good.

Curt agreed that that would have been a better description.

With no more questions Governor Holton asked if there was a motion on the Consent Item.

Freddie Schinz made a motion and Brian Foley seconded to approve the Consent Item: Application Performance Management Software. The motion carried unanimously.

9. Addendums

Chairman Holton noted that there were addendums that would not be covered in detail at today's meeting and asked if anyone had any questions about the items. With none being heard, Governor Holton continued to the final item of business.

10. New Business

Governor Schinz took the opportunity to welcome John Vaughan, once again, for coming on board with Citizens, wished him luck in the future, and said thank you for taking the time to join the committee.

Chairman Holton thanked John, again, and said we look forward to working with you and to meeting you personally in Orlando.

11. Final Comments

Chairman Holton reminded everyone that the next Board meeting is scheduled for June 22nd, 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.

Freddie Schinz made the motion to adjourn and Chairman Holton adjourned the meeting.

[Meeting adjourned]