

Executive Summary

Actuarial & Underwriting Committee Meeting, September 21, 2021

Board of Governors Meeting, September 22, 2021

Citizens Document Fulfillment Services (Print / Mail)

Topic

This Action Item seeks approval to enter into a Contract with Exela Enterprise Solutions, Inc. (“Exela”), for print and mail services. The proposed Contract was competitively procured via the Florida State Term Contract for Mail Services, Contract No. 80141800-21-STC. The proposed Contract has an initial term of two (2) years with estimated spend of approximately \$7,000,000 for print/mail services and \$13,000,000 in pass-through charges for postage and envelopes (total spend not to exceed \$20,000,000).

History and Analysis

The services are necessary for Citizens to send policy documents, renewals, cancellations, invoices, claim documents, notices, and communication campaigns, and include a proof of mailing process to the extent required by Florida law. The current contract with Exela, which was procured via the Florida State Term Contract in 2016, expires December 31, 2021.

The print and mail process requires Citizens to send PDF files containing the documents to the vendor via secure file transfer protocols. The vendor then begins the process of printing the documents by segmenting them into efficient processing files identified by foreign or domestic address, bill or non-bill, and envelope size (based on number of pages). The documents are printed, automatically inserted into envelopes, and then metered. An Intelligent Mail Barcode (IMB) is added to the documents during the printing process. The envelopes are then sent to a presort facility where they are sorted by 5-digit zip code which reduces processing time for the United States Postal Service (“USPS”) that, in turn, provides a discount on postage. During the presort process, the IMB is scanned to provide the proof of mailing required by Florida Statute for certain documents (such as Cancellations and Non-Renewals).

Citizens began using a Florida State Term Contract in 2005 to realize the benefit of the State of Florida’s purchasing power. While Citizens’ print and mail expenses were relatively stable until 2020, expenses are now increasing due to policy growth. Further impacting costs, USPS implemented a postage rate increase effective August 29, 2021.

As a result of the upcoming contract expiration, Citizens issued a Request for Quotes to the two vendors contracted under the current Florida State Term Contract (Exela and TC Delivers). Both vendors responded. Citizens evaluated the responses and conducted a site visit at TC Delivers’ Jacksonville facility. In making its best value decision, Citizens considered the price, quality, experience, and capacity of each vendor. While TC Delivers provided lower overall pricing, Citizens determined that Exela’s experience and scalability would better serve Citizens’ growing demand and need to react to sudden spikes caused by catastrophic events and market conditions.

The table below illustrates: (1) actual volume and spend for print and mail services from 2015 through 2020; (2) projected volume and spend for 2021 under the existing contract; and, (3) projected volume and spend for the two-year term (January 1, 2022 – December 31, 2023) of the proposed contract. The projections include an estimated increase in postage expense per envelope of 7% per year and an approximate 6% decrease in print expenses based on the reduced unit rates offered by Exela.

Executive Summary

Actuarial & Underwriting Committee Meeting, September 21, 2021

Board of Governors Meeting, September 22, 2021

Table - Citizens' Print and Mail Services Volume and Spend (Actual and Projected)

Year	Print/Mail Volume and Spend								
	Annual # of Envelopes	Annual # of Pages	Average # of Pages per Envelope	Total Print Expense (such as Print, Paper, Envelopes, Brochures, Proof of Mailing)	Avg. Print Expense per Envelope	Total Postage Expense	Avg. Postage Expense per Envelope	Avg. Total Spend per Envelope	Total Spend
2015	6,302,701	29,132,291	5	\$1,624,098	0.258	\$3,645,459	\$0.58	\$0.84	\$5,269,557
2016	4,458,900	28,308,351	6	\$1,567,179	0.351	\$2,812,138	\$0.63	\$0.98	\$4,379,317
2017	3,728,145	21,469,618	6	\$1,250,965	0.336	\$2,122,315	\$0.57	\$0.90	\$3,373,280
2018	3,470,713	19,471,838	6	\$1,206,050	0.347	\$1,981,216	\$0.57	\$0.92	\$3,187,267
2019	3,907,891	22,723,599	6	\$1,374,259	0.352	\$2,249,594	\$0.58	\$0.93	\$3,623,853
2020	3,273,827	25,903,120	8	\$1,383,734	0.423	\$2,234,172	\$0.68	\$1.11	\$3,617,905
2021 (est.)	5,402,554	39,229,076	7	\$2,194,333	0.406	\$3,656,265	\$0.68	\$1.08	\$5,850,597
2022 (est.)	7,953,399	63,627,192	8	\$3,036,575	0.382	\$5,759,371	\$0.72	\$1.11	\$8,795,946
2023 (est.)	9,367,434	74,939,472	8	\$3,576,447	0.382	\$7,258,163	\$0.77	\$1.16	\$10,834,611
2 Year Base Term									\$19,630,557

As shown in the table above, the new contract will result in significant savings for Average Print Expense per envelope even though the Average Number of Pages per envelope is increasing. For purposed of this Action Item, Citizens' staff has rounded the estimated Total Spend to \$20,000,000.

The contract with Exela will include an optional one-year renewal term at the same rates. Staff must request Board approval before renewing the contract.

Recommendation

Staff proposes that the Actuarial and Underwriting Committee review, and if approved, recommend the Board of Governors:

- a) approve a contract with Exela Enterprise Solutions, Inc. for an initial term of two (2) years, with a one-year optional renewal term, for an amount not to exceed \$20,000,000, 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

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Purpose/Scope	Citizens is seeking to contract with Exela Enterprise Solutions, Inc. for print and mail services for a two (2) year period, replacing an existing contract that expires on December 31, 2021. Citizens needs these services for outgoing policy documents, including policy packages, invoices, claim documents, notices, and communication campaigns. The services also provide for a proof of mailing process as required by Florida law.
Contract ID	Citizens Document Fulfillment Services (Print/Mail) Contract No. 80141800-21-STC Recommended Vendor: Exela Enterprise Solutions, Inc.
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Funding for the first year of services will be included in the upcoming 2022 budget request that will be submitted to the Board for approval in December 2021, with the second year of services to be included in the 2023 budget request.
Procurement Method	Florida State Term Contract No 80141800-21-STC. Citizens issued an RFQ to the two eligible vendors on the State Term Contract. Citizens received quotes from both vendors and selected Exela Enterprise Solutions, Inc. as the vendor who offered the best overall value to Citizens based on price and other factors.
Contract Amount	The Contract Amount for the initial two (2) year term is estimated not to exceed \$7,000,000 for print/mail services and \$13,000,000 of pass-through charges (i.e., no markup) for postage and envelopes. The estimates are based on

	current projections in policy growth and may vary based on market activity. If additional funds are required, or if the Contract is renewed for an optional one-year term, Citizens staff will request authorization for the funds via a separate item.
Contract Terms	The Contract will have a two (2) year initial term with an optional one-year renewal term. Citizens staff will request additional Board approval if/when it desires to exercise the renewal option.
Committee Recommendation	Staff proposes that the Actuarial and Underwriting Committee review, and if approved recommend the Board of Governors: <ul style="list-style-type: none"> a) approve the Contract with Exela Enterprise Solutions, Inc. for a term of two (2) years, with a one-year renewal option, for an amount not to exceed \$20,000,000, as set forth in this Action Item; and b) authorize staff to take any appropriate or necessary action consistent with this Action Item.
Board Recommendation from Committee	If approved at its September 21, 2021 meeting, the Actuarial and Underwriting Committee recommends that the Board of Governors: <ul style="list-style-type: none"> a) approve the Contract with Exela Enterprise Solutions, Inc. for a term of two (2) years, with a one-year renewal option, for an amount not to exceed \$20,000,000, as set forth in this Action Item; and b) authorize staff to take any appropriate or necessary action consistent with this Action Item.
Contacts	Kelly Booten, Chief Operating Officer Stephen Guth, Vice President – Enterprise Services