

Citizens Property Insurance Corporation

**The Business Case for an
Integrated ERP Solution
Board of Governors Presentation**

June 22, 2016

The Business Case for an Integrated ERP Solution

There is a compelling business and financial justification to replace the current administrative environment with the Oracle Fusion Cloud Service, which has been selected after a rigorous competitive solicitation and negotiation process, as providing the best overall value to Citizens. With the assistance of Application Software Technology Corporation (AST), this application can be implemented in increments over the next 18 months.



- Revenues > \$38 billion
- More than 122,000 employees
- 1,200+ ERP Cloud customers



- Founded 1995
- Platinum Oracle Partner since 2010
- More than 240 employees

Even considering Citizens' declining policies in force and corresponding reductions in direct written premium, there are several compelling business and financial drivers supporting the recommendation to purchase and implement an integrated ERP solution:

- *Single system of record*
- *Automated workflows*
- *Automated on-boarding/off-boarding*
- *Consolidated view of vendors*
- *Improved expense management*

The Business Case for an Integrated ERP Solution

Scope of Work

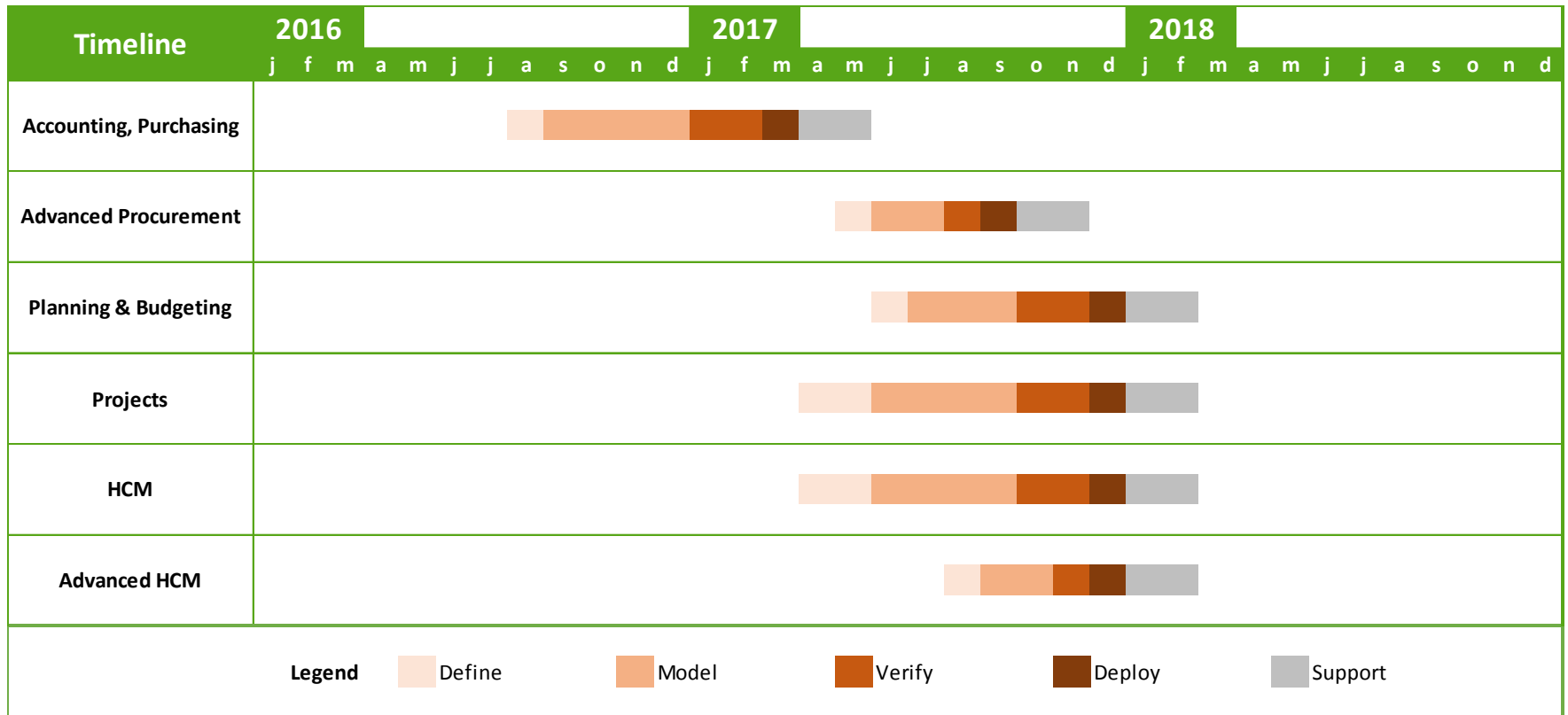
Current Applications	Primary Functionality	Contract Expiration
1099 Pro	1099 reporting	Renewed annually
Lawson	Fixed assets	Perpetual rights
ProFinancials	General Ledger, Accounts Payable	09/30/2018
F9 Report Writer	Accounting reports	09/30/2018
TM1	Budgeting	08/31/2017
SuccessPath (Internal)	Recruiting, Performance Mgt, Learning Mgt	09/26/2017
SuccessPath (External)	Learning Mgt (agents, independent adjusters)	09/16/2016
Kronos	Payroll, time keeping, self-service, compensation, benefits	04/30/2016
OrgPlus	Organization charts	01/22/2017
CAPS	Purchase orders	11/03/2016
Daptiv	Projects	12/31/2016

ERP Increment	ERP Modules
Accounting, Purchasing	Financials, Expenses, Financial Reporting Compliance, Transactional BI, Purchasing, Self-Service Procurement, Inventory Management, Automated Invoice Processing, Webcenter Forms Recognition, HCM Base, UPK
Advanced Procurement	Supplier Portal, Procurement Contracts, Sourcing, Supplier Qualification Management
Planning & Budgeting	Planning & Budgeting, Enterprise Performance Reporting
Projects	Project Contract Billing, Project Financials, Project Management, Project Resource Management, Task Management
HCM	HCM Base, Global Payroll, Time & Labor, Workforce Compensation
Advanced HCM	Performance Management, Talent Acquisition, Talent Review & Succession Management, Goal Management, Learn - Internal, Learn - External, Scheduling

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Alternative #1: Integrated ERP Solution

A multi-release approach to implementation will enable Citizens to replace its current administrative environment with Oracle Fusion Cloud Service over a span of 18 months.



The Business Case for an Integrated ERP Solution

Delivery Model

Traditional ERP Delivery Model

- On premises: application, database, middleware, operating system, servers, storage, networking, disaster recovery
- Customizations to fit how you do business
- Upgrades on our schedule, but can be expensive
- Attract and retain IT staff with requisite skill set
- Total control of security

SaaS ERP Delivery Model

- All-inclusive subscription pricing
- Next generation applications and user interface
- More rapid and less expensive implementation
- Single code line, no customizations
- Updates applied by vendors on their schedule
- Take advantage of new features faster
- Performance may be slower
- State of the art security – vendor’s business model depends on it

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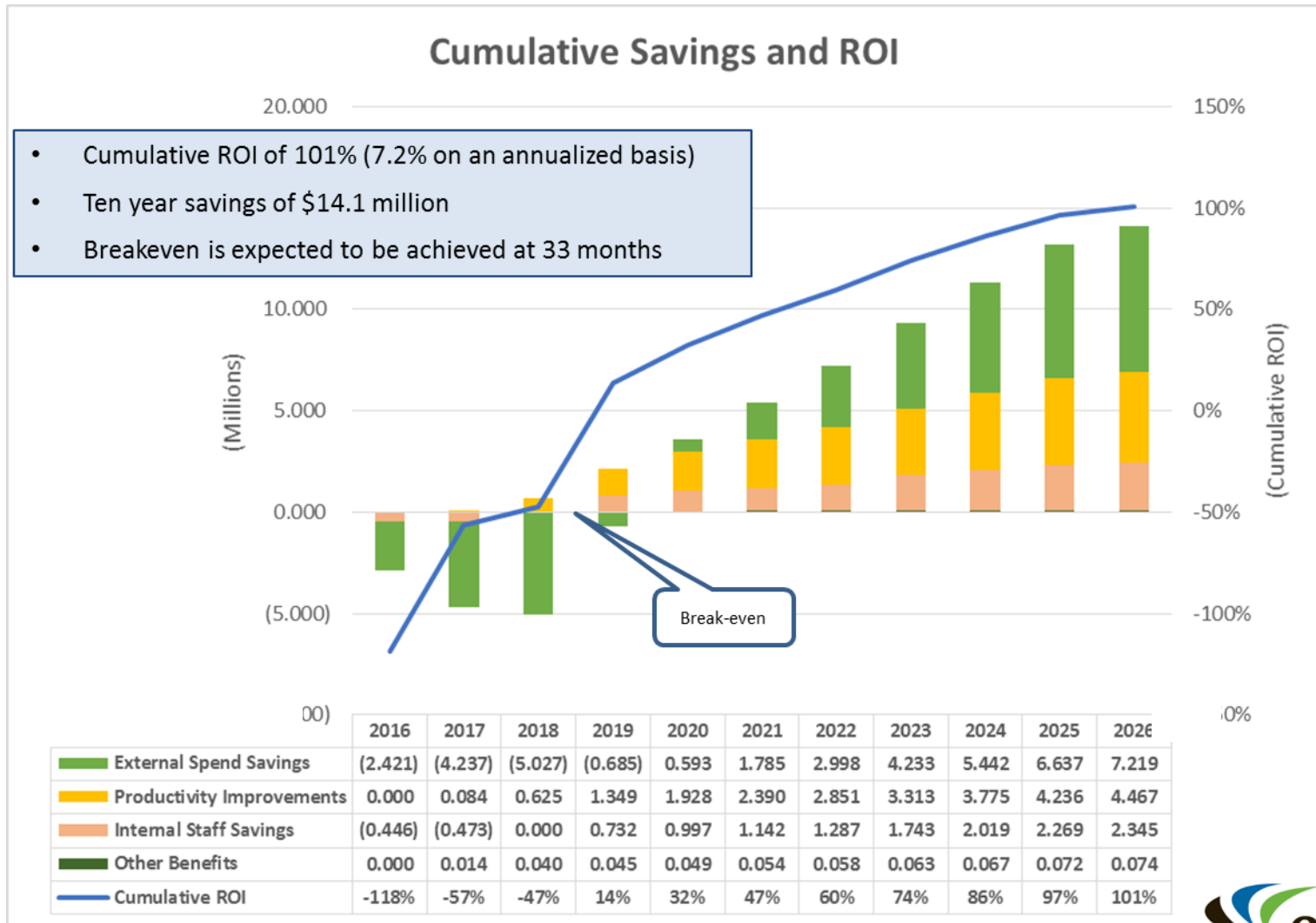
Alternative #2: Other Path Approach

Should Citizens decide to not pursue an integrated ERP solution and instead continues an independent application approach for its administrative environment (the “Other Path Approach”), Citizens will still be required to invest in the administrative environment.

- Citizens’ existing financial systems must be re-solicited at the end of the current contract period (09/30/2018).
- Critical systems to better administer and manage vendors, solicitations, procurements, and contracts are urgently needed.
- Several of the applications currently utilized by Citizens were purchased through Federal GSA (General Services Administration) agreements or Florida STC (State Term Contracts). There is no assurance that the same vendors or products will continue to be available for Citizens in the future when these underlying agreements expire.
- Continuing along the Other Path Approach will require Citizens’ to engage in numerous and costly re-solicitation activities (each subject to protest). This is conservatively estimated to be in excess of 18,000 person hours over the ten year evaluation period, which is reflected in the financial cost-benefit analysis.

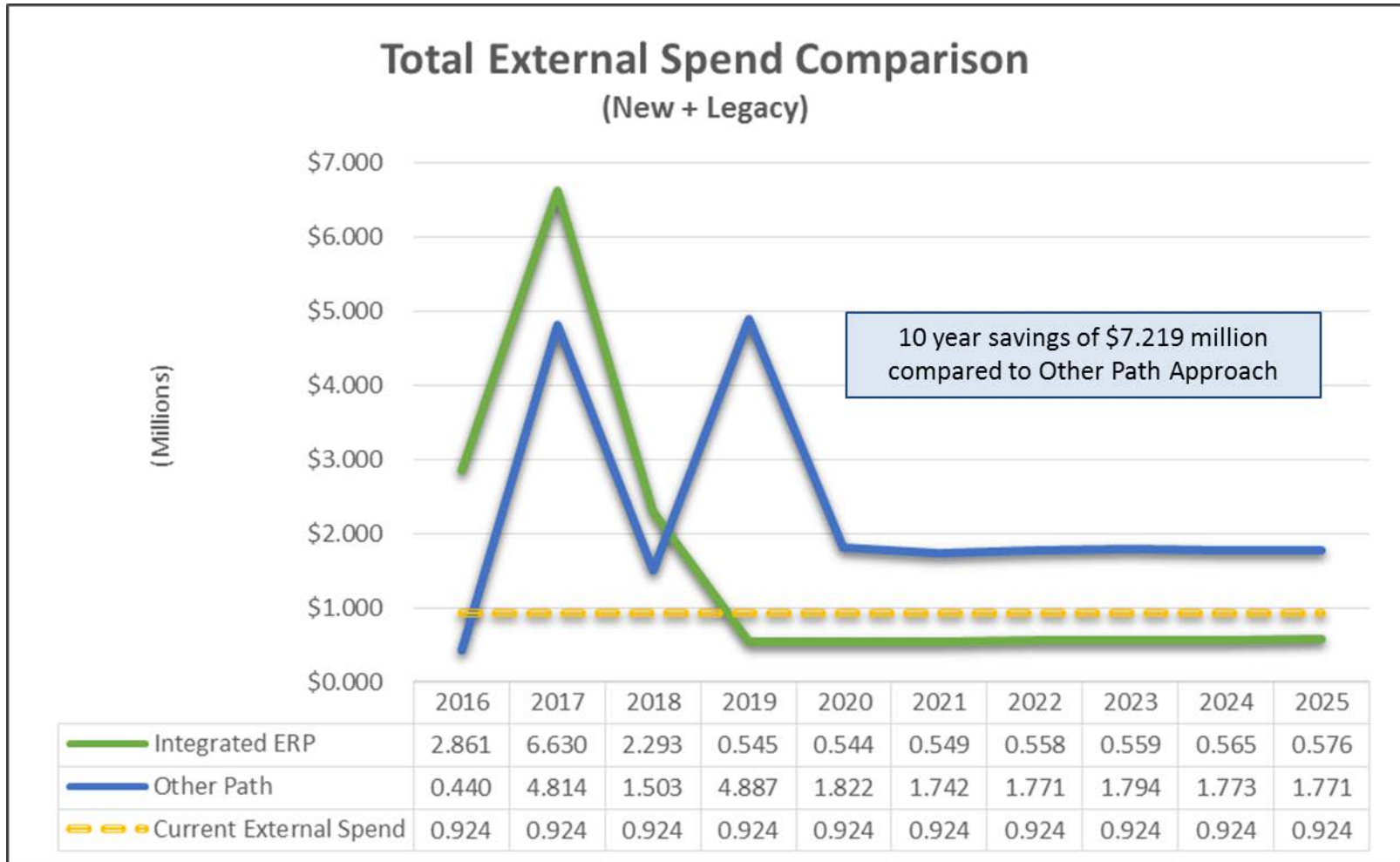
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Financial Analysis



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Recommendation

Citizens' ERP automation needs can be best addressed with an integrated ERP solution. After a rigorous competitive solicitation and negotiation process, the negotiation team has determined that engaging AST Corporation to assist with the implementation of the Oracle Fusion Cloud Service represents the best value to Citizens. It is recommended that Citizens' Board approve the award to AST and authorize staff to proceed with appropriate and necessary action based on the contract amounts and terms described below.

Software Subscription Contract

• Subscription Services	\$4,528,865	
• Software Licenses	195,682	
• Contingency for additional subscriptions	452,887	
Total Costs for 10 years		\$5,177,434

Implementation Services Contract

• Implementation Services	\$6,586,200	
• Training Credits	40,320	
• Contingency for change orders	1,656,630	
Total Costs for 10 years		\$8,283,150

Legacy Systems Consulting Services **\$150,000**

Total Expenditures for 10 Years **\$13,610,584**