

Executive Summary

Actuarial and Underwriting Committee Meeting, December 14, 2021

Board of Governors Meeting, December 15, 2021

ISO Loss History for UW - APLUS

Topic

Due to substantial New Business application growth and the correlated increase in Loss History Reports needed to support underwriting activity, this Consent Item seeks approval for \$2,700,000 in additional spend authority for the Loss History Reporting Services (Underwriting) Contract with Insurance Services Office, Inc. (the "Contract").

History

The Contract was originally approved by the Board of Governors on June 19, 2019, for a 3-year base term with three optional 1-year renewals, for an amount not to exceed \$600,000 over the total 6-year term.

At the time of the original Action Item, Policy in Force (PIF) count was 414,710, monthly New Business was 7,399, and Loss History Report orders averaged 6,000 reports per month. As of September 30, 2021, PIF count has increased to 708,919, monthly New Business has increased to 36,201, and Loss History Report orders have increased to an average of 25,000 reports per month. Loss History Report orders are now projected to average 60,000 per month by the end of the Contract. The increase in monthly report is primarily related to the increase in New Business applications.

Additionally, as of September 2021, Citizens updated underwriting processes to order Loss History Reports on all unbound personal lines policies prior to giving binding approval. Changes to the named insured or property address now also triggers an additional Loss History Report. These enhancements streamline the New Business process and strengthen screening protocols for excluding ineligible risk.

The Contract includes pricing tiers where the unit price per report decreases when certain volume thresholds are exceeded annually. Throughout the remainder of the Contract, Citizens will be at the highest report transaction tier (tier 3) with the lowest pricing tier available.

As shown in Table 1 below, through October 2021, \$447,511 of the authorized \$600,000 spend has been utilized. The remaining total authorized spend is projected to be consumed by March 2022. The additional projected spend of \$2,700,000 for the remainder of the contract is outlined in Table 2 below. Additional spend authority of \$2,700,000, for a total Contract amount not to exceed \$3,300,000 is therefore requested. Approval of this Consent Item request will support the continued utilization of Loss History Reports to inform the underwriting process.

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Table 1 – Actual Spend to Date

Actual Spend To Date	Loss History Actual	
	New Business	Total Spend
Base Term Year 1	147,610	\$ 101,141
Base Term Year 2	302,121	\$ 232,526
Base Term Year 3 (Partial Year Aug 21 - Oct 21)	110,222	\$ 113,844
Total Spend Actual to Date	559,953	\$ 447,511

Table 2 – Projected Spend

Projected Spend	Loss History Projected Spend	
	New Business	Total Spend
Base Term Year 3 (Partial Year Oct 21 - Aug 22)	421,683	\$ 500,000
Renewal Year 1	514,757	\$ 625,000
Renewal Year 2	603,039	\$ 725,000
Renewal Year 3	727,263	\$ 850,000
Requested Additional Spend Authority	2,266,742	\$ 2,700,000
Contingency Funds		\$ 152,489
Total Not to Exceed		\$ 3,300,000

*Actual spend will vary and may exceed the annual projection.

Recommendation

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

- a) Approve additional spend of \$2,700,000 to the Loss History Reporting Services (Underwriting) Contract with Insurance Services Office, Inc., for a total Contract spend not to exceed \$3,300,000, as set forth in this Consent Item; and,
- b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.

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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.

<p>Purpose/Scope</p>	<p>This Consent Item seeks approval for \$2,700,000 in additional spend authority for the Loss History Reporting Services (Underwriting) Contract with Insurance Services Office, Inc.</p> <p>The Contract provides secure reporting of prior loss history information used in the underwriting process, primarily for new Personal Lines business applications. The loss history reports help Citizens to assess risk and to confirm that properties meet certain sinkhole and general underwriting requirements.</p> <p>The Contract with Insurance Services Office, Inc. was originally approved by the Board of Governors on June 19, 2019, for a 3-year base term with three optional 1-year renewals, for an amount not to exceed \$600,000. As further described in the Executive Summary, the additional \$2,700,000 in spend authority requested is necessary to support a sustained increase to new business volume.</p>
<p>Contract ID</p>	<p>Loss History Reporting Services (Underwriting) Contract number: 19-19-0003-00 Vendor: Insurance Services Office, Inc.</p>
<p>Budgeted Item</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

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	Funding for 2022 is included in the 2022 budget request. Funding for the subsequent Contract years will be budgeted in the appropriate budget year.
Procurement Method	On April 4, 2019, Citizens issued Request for Proposal No. 19-0003 for Loss History Reporting Services (Underwriting Dept.). The Board of Governors approved the Contract on June 19, 2019, and it became effective August 14, 2019.
Contract Amount	\$3,300,000
Contract Terms	The Contract Term is a 3-year base term (August 14, 2019 – August 13, 2022) with three optional 1-year renewal terms (August 14, 2022 – August 13, 2025).
Committee Recommendation	<p>Staff proposes that the Actuarial and Underwriting Committee review, and if approved, recommend the Board of Governors:</p> <ul style="list-style-type: none"> a) Authorize additional spend of \$2,700,000 to the Loss History Reporting Services (Underwriting) Contract with Insurance Services Office, Inc., for a total Contract spend not to exceed \$3,300,000, as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
Board Recommendation from Committee	<p>If approved at its December 14, 2021 meeting, the Actuarial and Underwriting Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> a) Approve additional spend of \$2,700,000 to the Loss History Reporting Services (Underwriting) Contract with Insurance Services Office, Inc., for a total Contract spend not to exceed \$3,300,000, as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
Contacts	Kelly Booten, Chief Operating Officer