

Executive Summary

Actuarial & Underwriting Committee Meeting, July 12, 2022

Board of Governors Meeting, July 13, 2022

Citizens Document Fulfillment Services (Print / Mail)

Topic

This Consent Item seeks Board approval to: (1) add Northeast II, Inc dba TC Delivers (“TC Delivers”) as an additional vendor to reduce the risk of relying on one vendor; (2) add \$7,000,000 in additional spend authorization through December 31, 2023 to meet the increased demand for services due to policy growth; and for this mission-critical service.

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 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 for the services to realize the benefit of the State of Florida’s purchasing power. While Citizens’ print and mail expenses were relatively stable from 2015 to 2020, expenses are now increasing due to rapid policy growth. Further impacting costs, USPS has implemented a postage rate increase effective July 10, 2022, and other supply chain challenges have increased the cost of other pass-through costs such as envelopes and paper used in the process. In the last 7 months, there have been three price adjustments related to the cost of envelopes with two additional price adjustments expected before the end of 2022.

In August 2021, Citizens issued a Request for Quotes (“RFQ”) to the only two vendors contracted under the current Florida State Term Contract (Exela and TC Delivers). Each vendor responded with comparable pricing. Initially, Citizens awarded a contract to the incumbent, Exela, with a base term of two years with one optional one-year renewal. As policies in force continue to rise, the service volume and costs have been impacted. At the time of the RFQ, Citizens estimated an annual envelope volume of 7,992,000. As of the end of May 2022, Citizens’ projections have increased to an estimated annual envelope volume of 9,781,232 envelopes.

To support Citizens’ policy growth and to ensure business resiliency for this critical service, Citizens recommends expanding the services to include the second responding vendor, TC Delivers. Both contracts will expire December 31, 2023.

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Citizens is requesting an additional \$7,000,000 to the previously authorized amount of \$20,000,000 bringing the total authorized amount to \$27,000,000 over the contract term. This amount is for an increased volume of services due to policy growth. Authorized spend will be allocated between the existing vendor and additional vendor for the remaining term of the contracts.

The Table 1 illustrates: (1) actual volume and spend for the services from 2015 through May 2022 and (2) projected volume and spend through December 31, 2023. The projections include an estimated increase in pass-through costs including postage expense per envelope of 7% per year.

Table 1 - Citizens' Print and Mail Services Volume and Spend (Actual and Projected)

| CITIZENS PRINT AND MAIL SERVICES VOLUME AND SPEND | | | | | | | | | |
|---|-----------------------------|-----------------------------|--|---------------------------------|-----------------------|-----------------------------------|----------------|-------------------------------|--------------|
| Year | Print/Mail Volume and Spend | | | | | | | | |
| | Annual # of Envelopes | Avg. # of Envelopes per PIF | 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 | IT Development | Avg. Total Spend per Envelope | Total Spend |
| 2015 (Actual) | 6,302,701 | 11.47 | \$1,624,098 | 0.258 | \$3,645,459 | \$0.58 | \$0 | \$0.84 | \$5,269,557 |
| 2016 (Actual) | 4,458,900 | 9.19 | \$1,567,179 | 0.351 | \$2,812,138 | \$0.63 | \$0 | \$0.98 | \$4,379,317 |
| 2017 (Actual) | 3,728,145 | 8.26 | \$1,250,965 | 0.336 | \$2,122,315 | \$0.57 | \$0 | \$0.90 | \$3,373,280 |
| 2018 (Actual) | 3,470,713 | 7.90 | \$1,206,050 | 0.347 | \$1,981,216 | \$0.57 | \$10,440 | \$0.92 | \$3,187,267 |
| 2019 (Actual) | 3,907,891 | 9.20 | \$1,374,259 | 0.352 | \$2,249,594 | \$0.58 | \$0 | \$0.93 | \$3,623,853 |
| 2020 (Actual) | 3,273,827 | 6.75 | \$1,383,734 | 0.423 | \$2,234,172 | \$0.68 | \$28,560 | \$1.11 | \$3,617,905 |
| 2021 (Actual) | 5,296,041 | 6.97 | \$2,137,922 | 0.404 | \$3,725,684 | \$0.70 | \$10,080 | \$1.11 | \$5,863,606 |
| 2022 (est.) | 9,781,232 | 8.22 | \$4,548,273 | 0.465 | \$7,433,736 | \$0.76 | \$30,000 | \$1.23 | \$11,982,009 |
| 2023 (est.) | 11,169,657 | 8.22 | \$5,551,319 | 0.497 | \$9,083,165 | \$0.81 | \$30,000 | \$1.31 | \$14,634,484 |
| Total Term 2022 - 2023 | | | | | | | | | \$26,616,493 |

For purposes of this Consent Item, Citizens' staff has rounded the estimated Total Spend to \$27,000,000.

Recommendation

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

- Authorize TC Delivers as a vendor under the State Term Contract, and increase the contract amount over the contract term to \$27,000,000 which will be allocated between both vendors, as set forth in this Consent Item; and
- Authorize staff to take any appropriate or necessary action consistent with this Consent Item.

Citizens Document Fulfillment Services (Print/Mail)

ACTION ITEM

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval: September 22, 2021

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.

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| Purpose/Scope | <p>This Consent Item seeks Board approval to:</p> <p>(1) add Northeast II, Inc., dba TC Delivers (“TC Delivers”) as an additional vendor for the services, using the same Florida State Term Contract as has been approved for Citizens existing vendor, Exela Enterprise Solutions, Inc (“Exela”); and</p> <p>(2) add \$7,000,000 in additional spend authorization through December 31, 2023, bringing the total contract amount for the two-year term to \$27,000,000; which will be allocated between both vendors.</p> <p>The services are necessary for Citizens to send policy documents, renewals, cancellations, invoices, claim documents, notices, and communication campaigns, with a proof of mailing process to the extent required by Florida law. The additional spend authorization is needed primarily because of unexpected increases in policy counts and mail volumes and increased pass-through costs related to the price of envelopes.</p> |
| Contract ID | <p>Citizens Document Fulfillment Services (Print/Mail)</p> <p>Contract No. 80141800-21-STC</p> <p>Recommended Vendors: Exela Enterprise Solutions, Inc. Northeast II Inc, dba TC Delivers</p> |

Citizens Document Fulfillment Services (Print/Mail)

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|---------------------------|---|
| Budgeted Item | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Funding will be included in the upcoming 2023 budget request that will be submitted to the Board for approval in December 2022. |
| Procurement Method | Florida State Term Contract No 80141800-21-STC. Only two companies are eligible under this State Term Contract (Exela and TC Delivers). Citizens issued an RFQ to both vendors in August 2021. Citizens initially awarded a contract to Exela only. The contract with Exela was approved at the September 22, 2021 Board of Governor's meeting. Citizens now seeks approval to enter a contract with TC Delivers to help handle additional volume and to offset the risk of relying on one vendor for a mission-critical service. |
| Contract Amount | The original approved contract amount was \$20,000,000 for two years ending December 31, 2023. Citizens staff is requesting an additional \$7,000,000 to cover estimated expenses. The new total contract amount will be \$27,000,000, which will be allocated between Exela and TC Delivers through December 31, 2023. |
| Contract Terms | The TC Delivers contract will take effect upon execution and will expire on December 31, 2023. The contracts do not guarantee any volume of services or compensation. |

Citizens Document Fulfillment Services (Print/Mail)

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| Committee Recommendation | Staff proposes that the Actuarial & Underwriting Committee review, and if approved recommend the Board of Governors: a) Authorize the addition of TC Delivers as a vendor under the same State Term Contract, and increase the contract amount over the contract term to \$27,000,000 which will be allocated between both vendors, 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 | As approved at its July 12, 2022 meeting, the Actuarial & Underwriting Committee recommends that the Board of Governors: a) Authorize the addition of TC Delivers as a vendor under the same State Term Contract, and increase the contract amount over the contract term to \$27,000,000 which will be allocated between both vendors, as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item. |
| Item Qualifies for Consent Index | This Consent Item is a day-to-day operational item, has unanimously passed through the Actuarial & Underwriting Committee or otherwise qualifies to be moved forward on the Consent Index. |
| CONTACTS | Kelly Booten, Chief Operating Officer Stephen Guth, Vice President – Enterprise Services |