

Executive Summary

Consumer Services Committee Meeting, November 16, 2022
Board of Governors Meeting, December 7, 2022

Business Process Outsourcing (BPO) – Call Center Services

Topic

This Consent Item seeks Board approval to increase spending authority for Business Process Outsourcing (BPO) Call Center Services beyond the amount approved by the Board on December 16, 2020. Given the unforeseen labor market conditions, rapid increases in Citizens policy counts, and the impact of Hurricane Ian, the current spend authority is expected to be depleted by the end of the first quarter of 2023. The request is to increase the currently approved amount of \$27,470,933 to \$77,705,877, an increase of \$50,234,944 through March 31, 2025.

History

Citizens outsources call center services to ensure appropriate scalability for catastrophe response needs, market fluctuations, and business continuity. These services are provided “on-demand” using unit-based pricing, allowing Citizens to utilize services as needed, with no long-term financial commitment or guarantee of work.

On December 16, 2020, the Board approved contracts for eight (8) vendors for an initial five (5) year term with a total estimated contract amount of \$27,470,933. Seven (7) of those vendors ultimately signed a contract with Citizens. On March 23, 2022, the Board approved an additional ten (10) supplemental vendors for “Catastrophe Only” services, utilizing the previously established spend authority under the Action Item for Business Process Outsourcing (BPO) – Call Center Services. Citizens sought these additional ten (10) vendors for added CAT response capacity given the rapid increase in policy count and to mitigate risk in the event of vendor failure(s).

Spend authority on these contracts was initially calculated based on certain assumptions that have since changed significantly beyond what was initially projected. Key factors contributing to the increase are:

- Rapid increase in Citizens policies-in-force (PIF) due to multiple carrier insolvencies and more restrictive eligibility requirements, reducing private market options.
 - Projected growth in the first year of the contract term (2021) was expected to be an incremental increase of 12% throughout the year, when in fact growth resulted in a 28.52% increase in PIF from the prior year.
 - During the second year of the contract term (2022), policy growth was expected to slow down to 5.35% but PIF has increased 38.92% year to date.
- As a result of the various insolvencies and market activity, new business submissions resulted in overall increased contact rates, additional call volumes and extended handling times.

- Instability in the labor market has yielded higher attrition/lower retention rates resulting in increased vendor training costs in supporting the increased volumes.
- Contractually mandated annual CPI adjustments increasing per unit pricing.
- The Hurricane Ian catastrophe response required more vendor support at a higher rate than was initially forecasted due to labor market conditions.

Citizens staff estimates an additional \$50,234,944 in spend authority is needed through March 31, 2025, based on projected PIF growth and corresponding call volume. Citizens staff will assess the need for additional spend authority for the remainder of the contract term ending March 2026 and seek further approval from the Board if needed.

The following Table 1 outlines actual and projected annual spend through March 31, 2025:

Table 1 – Projected Annual Spend

Year	Total Call Volume	Total Spend	Approved Spend Balance*
			\$27,470,933
2021	659,369	\$5,332,927	\$22,138,006
2022	1,288,157	\$17,777,137	\$4,360,869
2023	1,898,099	\$22,419,146	-\$18,058,277
2024	2,199,521	\$26,087,130	-\$44,145,407
2025 (Jan-Mar)	633,423	\$6,089,537	-\$50,234,944

*The negative spend balance represents the depletion of the current approved spend and the estimated amount of spend required through March 31, 2025.

Recommendation

The recommendation is listed in the attached Consent Item.

Business Process Outsourcing (BPO) – Call Center Services

ACTION ITEM

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval

12/16/2020 & 3/23/2022

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	This Consent Item seeks Board approval for additional spending authority for Business Process Outsourcing (BPO) Call Center Services. The Board previously approved \$27,470,933 in spend authority at its meeting on December 16, 2020. Certain assumptions were considered in calculating the prior spend authority based on known factors at the time. Due to unforeseen market conditions, resulting in unprecedented growth along with increased labor costs for Hurricane Ian response, Citizens is nearing depletion of the prior approved spend by the end of first quarter of 2023. Call center services are considered on-demand support and are calculated using unit-based pricing. These services are utilized depending on business need in supporting our stakeholders, with no guarantee of work associated with these contracts.
Contract ID	<p>Business Process Outsourcing (BPO) – Call Center Services (7 Vendors)</p> <ul style="list-style-type: none"> • MacNeill Group, Inc. (21-20-0035-05) • Xceedance, LLC (21-20-0035-08) • TMONE, LLC dba Mass Markets (21-20-0035-06) • Etech Global Services LLC (21-21-0035-02) • Cognosante, LLC (21-20-0035-01) • Gatestone & C. International, Inc. (21-20-0035-03) • Hexaware Technologies, Inc. (21-20-0035-04) <p>Business Process Outsourcing (BPO) – Call Center Services – Catastrophe Only (10 Vendors)</p> <ul style="list-style-type: none"> • Deloitte Consulting LLP (22-22-0005-01) • Innovative Emergency Management, Inc. (22-22-0005-02) • Inktel Government BPO Services, LLC (22-22-0005-03) • Direct Interactions, Inc. (22-22-0005-04) • TeleNetwork, Inc. dba OneSupport (22-22-0005-05)

Business Process Outsourcing (BPO) – Call Center Services

	<ul style="list-style-type: none">• Tyme Global Technologies LLC (22-22-0005-06)• Activus Connect, LLC (22-22-0005-07)• Cortex Health Inc. (22-22-0005-08)• UniFi Management, LLC (22-22-0005-09)• Crawford & Company (22-22-0005-10)
Budgeted Item	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The required funding for 2023 has been included in the budget request presented at the December 7, 2022 Board meeting, and funding for subsequent contract years will be budgeted in the appropriate budget year.</p>
Procurement Method	<p>On July 30, 2020, Citizens issued ITN No.: 20-0035 for BPO - Call Center Services. On November 5, 2020, the seven (7) vendors listed above were recommended for award.</p> <p>On January 31st, 2022, Citizens issued Request for Proposals No.: 22-0005 for Call Center Services - Catastrophe Only. On March 1, 2022, the ten (10) vendors listed above were recommended for award.</p>
Contract Amount	<p>Contracts spend to date is approximately \$21,140,000. This consent item requests an additional \$50,234,944 through March 31, 2025.</p> <p>The requested contract amounts are derived from best estimates of future policy counts and impacts from catastrophic events. Additional spending authority may be requested for the remainder of the contract term or as needed due to unforeseen events.</p>
Contract Terms	<p>The contracts will expire in March 2026.</p>

Business Process Outsourcing (BPO) – Call Center Services

Committee Recommendation	Staff proposes that the Consumer Services Committee review, and if approved recommend the Board of Governors: a) authorize an additional \$ 50,234,944 in spending authority for the contracts with seventeen (17) vendors referenced in this Consent Item for BPO – Call Center Services, bringing the total authorized contract amount to \$77,705,877; and, b) authorize staff to take any appropriate or necessary action consistent with this Consent Item.
Board Recommendation from Committee	If approved at its November 16, 2022 meeting, the Consumer Services Committee recommends that the Board of Governors: a) authorize an additional \$ 50,234,944 in spending authority for the contracts with seventeen (17) vendors referenced in this Consent Item for BPO - Call Center Services, bringing the total authorized contract amount to \$77,705,877; and, b) authorize staff to take any appropriate or necessary action consistent with this Consent Item.
CONTACTS	Jeremy Pope, Vice President Customer Experience