

# Executive Summary

Information Systems Advisory Committee Meeting, November 29, 2022  
**Board of Governors Meeting, December 7, 2022**

## Smart Communications: Document Generation Software

### Topic

Citizens staff is requesting approval to increase the total contract spend with SmartComms LLC (“SmartComms”) for the continued use of their Document Generation software. The increase in spend is due to a) increased demand related to PIF growth, and b) an expected need for professional services. The request is to increase the currently approved amount of \$3,309,619 to \$4,712,217, an increase of \$1,402,598 through the end of the current renewal period, March 9, 2025.

### History

SmartComms provides Document Generation software which integrates with Guidewire Insurance Suite to facilitate policy and agency document mailing and archiving. Through proactive monitoring and analysis of ongoing contract spend in the context of PIF growth, it has been determined that Citizens will exceed defined usage limits for non-interactive pages in proportion to the rate of change of policies in force. Non-interactive pages are documents generated by automated batch jobs from Guidewire for archiving and/or mailing to policy holders and agents. Additionally, funding for professional services is requested to facilitate integration with a second print/mail vendor to ensure reliable print/mail performance is maintained at increasing volumes and for customizations to improve overall performance.

On July 15, 2011, Citizens issued Invitation to Negotiate No. 11-0043 for Document Generation software. The Negotiation Team recommended an award to SmartComms (f/k/a Thunderhead, Inc.), resulting in a contract for a five (5) year base term and two (2) optional five (5) year renewals with a spend authority of \$2,391,937, approved at the December 14, 2011, Board meeting.

On March 27, 2019, the Board approved an additional spend of \$917,682 to allow for upgrading to the vendor’s enhanced cloud-based platform. This approval resulted in a total authorized spend of \$3,309,619, based on the still decreasing PIF at that time of 427,397 policies.

In 2021, Citizens negotiated an 80% decrease in per transaction pricing. Even with the substantially lower unit cost, the increase in PIF will result in current authorized spend to be exhausted by 2023.

Should Citizens decide to exercise the final renewal term of March 10, 2025 to March 9, 2027, staff will determine whether additional spend is needed, and, if so, will seek additional Board approval. This Consent Item request represents spend associated with the period ending March 9, 2025.

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## Transaction Forecast and Related Costs

|                        | 2022/23     | 2023/24     | 2024/25      |
|------------------------|-------------|-------------|--------------|
| <b>Total Pages</b>     | 324,821,518 | 441,808,256 | 573,878,615  |
| <b>Allowance</b>       | 260,000,000 | 260,000,000 | 260,000,000  |
| <b>Overage</b>         | 64,821,518  | 181,808,256 | 313,878,615  |
| <b>Overage Cost</b>    | \$ 180,000  | \$ 450,000  | \$ 630,000   |
| <b>Cumulative Cost</b> | \$ 180,000  | \$ 630,000  | \$ 1,260,000 |

## Professional Services Required

In addition to funding for overages, professional services are expected to be required for multiple purposes:

- 1) To ensure reliable performance and integrations with existing systems
- 2) Integrate system with new print/mail vendor

The expected costs of professional services are \$143,520, broken down as follows:

|                                 | 2022/23   | 2023/24   | 2024/25   | Total      |
|---------------------------------|-----------|-----------|-----------|------------|
| <b>Print/Mail Integration</b>   | \$ 43,520 | \$ -      | \$ -      | \$ 43,520  |
| <b>Performance/Integrations</b> | \$ -      | \$ 50,000 | \$ 50,000 | \$ 100,000 |
| <b>Total Annual Cost</b>        | \$ 43,520 | \$ 50,000 | \$ 50,000 | \$ 143,520 |

## Total Estimated Spend (Transaction Forecast and Professional Services)

|                         | 2012 - 2021  | 2022/23      | 2023/24      | 2024/25      |
|-------------------------|--------------|--------------|--------------|--------------|
| License & Support       | \$ 2,246,441 | \$ 344,729   | \$ 353,932   | \$ 363,595   |
| Overages                |              | \$ 180,000   | \$ 450,000   | \$ 630,000   |
| Professional Services   |              | \$ 43,520    | \$ 50,000    | \$ 50,000    |
| <b>Total Annual</b>     |              | \$ 568,249   | \$ 853,932   | \$ 1,043,595 |
| <b>Cumulative Spend</b> | \$ 2,246,441 | \$ 2,814,690 | \$ 3,668,622 | \$ 4,712,217 |

## Recommendation

The recommendation is listed in the attached Consent Item.

## Smart Communications: Document Generation Software

**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.

|                      |   |
|----------------------|---|
| <b>Purpose/Scope</b> | This Consent Item seeks Board approval to increase the total contract spend from \$3,309,619 to \$4,712,217, an increase of \$1,402,598 to cover the following: <ol style="list-style-type: none"> <li>1. Increased demand related to PIF growth through renewal term ending March 9, 2025; and</li> <li>2. Additional professional services required a) to ensure reliable performance and integrations with existing systems and b) to integrate this product with a second print/mail vendor.</li> </ol> |
| <b>Contract ID</b>   | Document Generation Software License and Services Agreement<br>Contract No: 12-11-0043-00<br>Vendor: SmartComms LLC   |
| <b>Budgeted Item</b> | <input checked="" type="checkbox"/> Yes<br><input type="checkbox"/> No<br><p>The required funding for 2023 will be 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>   |

## Smart Communications: Document Generation Software

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|--|--|
| <b>Procurement Method</b>                  | On July 15, 2011, Citizens issued Invitation to Negotiate No. 11-0043 for Document Generation software. Nine (9) vendors submitted replies and the Evaluation Team identified four (4) proposals to proceed to the Negotiation phase. Following comprehensive software demonstrations and further negotiations, the Negotiation Team recommended an award for SmartComms LLC (f/k/a Thunderhead, Inc.)   |
| <b>Contract Amount</b>                     | \$4,712,217  |
| <b>Contract Terms</b>                      | Five (5) year base term, originally with two (2) optional five (5) year renewals. The base term was March 10, 2012 – March 9, 2017. The first renewal was exercised in 2017. The second renewal was partially exercised in 2021 to extend through March 9, 2025. Citizens has (1) optional two (2) year renewal remaining.   |
| <b>Committee Recommendation</b>            | Staff proposes that the Information Systems Advisory Committee review, and if approved, recommend the Board of Governors: <ul style="list-style-type: none"> <li>a) Approve additional spend authority in the amount of \$1,402,598 for the Document Generation Software License and Services Agreement contract; and</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.</li> </ul>                                  |
| <b>Board Recommendation from Committee</b> | If approved at its November 29, 2022 meeting, the Information Systems Advisory Committee recommends that the Board of Governors: <ul style="list-style-type: none"> <li>a) Approve additional spend authority in the amount of \$1,402,598 for the Document Generation Software License and Services Agreement, as set forth in this Consent Item; and</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.</li> </ul> |
| <b>Contacts</b>                            | Kelly Booten, Chief Operating Officer  |