

# ACTION ITEM

Actuarial and Underwriting Committee Meeting, September 27, 2016  
Board of Governors Meeting, September 28, 2016

<b>CONTRACT ID:</b>	<b>Property Inspection Administration for Underwriting</b> <b>RECOMMENDED VENDOR: MULTIPLE – 1) C&amp;E INFORMATION SERVICES, INC., 2) MUELLER REPORTS, 3) SUTTON INSPECTION BUREAU AND 4) INSPECTION DEPOT, INC.</b>
<b>BUDGETED ITEM</b>	Yes. Funding for this contract is included in the Annual Operating Budget.
<b>CONTRACT AMOUNT</b>	The estimated cost of this contract, including renewals, is not to exceed \$15,268,905.00 broken down as follows: <ul style="list-style-type: none"><li>• Approximately \$7,985,726.00 for the three-year base term; and</li><li>• Approximately \$7,283,179.00 for the one two (2) year renewal option.</li></ul> *This estimate is based on a projection of 225,255 assignments anticipated over the term of this contract. The totals above represent an estimate of approximately \$3,053,781.00 in annual spend for Property Inspection Services for Underwriting and takes into account potential variances in assignment volumes due to market, legislative and CAT-related impact. There is no guaranteed minimum assignment to any vendor and the requested amount is a maximum spend.
<b>PURPOSE / SCOPE</b>	<p><b>Purpose:</b> On-site property inspections are a key element in the underwriting process as the results are used to develop and evaluate risk-based decisions. Inspections are required on some new business applications, endorsement requests, and policy renewals.</p> <p>Historically, Citizens has ordered two inspection types:</p> <ul style="list-style-type: none"><li>• General Conditions – Personal Lines</li><li>• Mobile Home – Personal Lines</li></ul> <p>All other inspection reports have been provided to Citizens by the Policyholder as a component of the incoming application. This process is intended to remain unchanged, but Citizens desires to have the contractual right to request the following additional inspection types on an as-needed basis:</p> <ul style="list-style-type: none"><li>• Four Point – Personal Lines Only</li><li>• High Value Property – Personal Lines Only</li><li>• Replacement Cost Valuation – Personal and Commercial Lines</li><li>• General Condition/Four Point Combined – Personal and Commercial Lines</li><li>• Wind Mitigation Inspections – Personal and Commercial Lines</li><li>• Other types of inspections associated with property insurance underwriting.</li></ul> <p><b>Scope:</b> The three (3) vendors awarded a contract for Personal Lines will primarily provide the General Conditions and Mobile Home inspections that are currently ordered for new business submissions:</p> <ul style="list-style-type: none"><li>• C &amp; E Information Services, Inc.</li><li>• Mueller Reports</li><li>• Sutton Inspection Bureau</li></ul>

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	<p>The additional inspections are currently provided by the policyholder or can be ordered by Citizens on a case-by-case basis.</p> <p>The Commercial Lines inspections are currently performed by Citizens field staff. The one (1) vendor awarded a contract for Commercial Lines will be available on a case-by-case basis or as needed for potential variances in volume: Inspection Depot, Inc.</p>
<b>CONTRACT TERM(S)</b>	<p>The proposed contract term will have a three (3) year base term and one (1) optional two (2) year renewal term, which may be exercised at Citizens' sole discretion by delivery of written notice to the vendor any time prior to the expiration of the then current contract.</p>
<b>PROCUREMENT METHOD</b>	<p>On February 23, 2016, Citizens issued an ITN No.: 16-0006 Property Inspections Administration for Underwriting. Fifteen (15) responses met Citizens' mandatory requirements and were evaluated by an Evaluation Committee.</p>
<b>RECOMMENDATION</b>	<p>Citizens' staff recommends that the Actuarial and Underwriting Committee approve and recommend that Citizens' Board:</p> <ul style="list-style-type: none"><li>a) Approve the recommended awards and resulting contracts, including renewal periods for Property Inspections Administration for Underwriting ITN No. 16-0006 to the vendors identified in Attachment A of this Action Item;</li><li>b) Authorize staff to take any appropriate or necessary actions consistent with this Action Item; and</li><li>c) Approve this Action Item not to exceed \$15,268,905.00.</li></ul>
<b>CONTACTS</b>	<p>Steve Bitar, Chief of Underwriting and Agency Services</p>