

# Executive Summary

Actuarial and Underwriting Committee Meeting, March 28, 2023

Board of Governors Meeting, March 29, 2023

## Aerial Inspection Services

### Topic

This Action Item requests Board approval for contracts with Insurance Services Office, Inc. (“ISO”) and CAPE Analytics, Inc., to provide Aerial Inspection Services (“Services”) for use in the underwriting of policies. The contract term will be five years with no option to renew. No additional funds are being requested for this Action Item. The contracts will be managed within the existing authorization of \$43,618,492 for Property Inspection Services for Underwriting approved by the Board on September 22, 2021.

### Overview

Citizens utilizes property inspections to inform the underwriting process. The existing property inspection contracts provide for onsite interior/exterior inspections, exterior-only inspections, roof inspections, and mobile home tie-down inspections. These two new contracts will augment the current inspection capability by providing access to low-cost aerial imagery and property information, which may at times replace higher cost inspection options.

Under Invitation to Negotiate No. 22-0015 for Miscellaneous Property Inspection Products and Services, ISO was selected as best value based on pricing, image quality, accuracy of information, and their extensive property attribute data sets. CAPE Analytics, Inc. was selected as a qualified contingent vendor to provide the Services instead of ISO (or in addition to ISO) if and when a need arises. The Services of each vendor will consist of reports showing photos of existing aerial imagery along with third-party data such as property appraisal records, permit data, and MLS data. The Services also include proprietary risk scores associated with roofs and other property features. Citizens will pay based on the number of reports ordered. There will be no minimum volume commitment.

The utilization of these new reports is expected to result in lower overall contract expenses for Property Inspection Services for Underwriting. The information provided through these low-cost images and data reports (roughly 2% of the cost of current inspections) will, at times, be sufficient to forego on-site exterior only and/or roof inspections, in which case Citizens would save approximately \$20 - \$50 per inspection.

Citizens Underwriting intends to begin using the Services in 2023 with a goal of ordering 4,800 in the 4<sup>th</sup> quarter and increasing the volume to 144,250 in 2024, and 213,250 in 2025. Underwriting plans to use the initial results in a pilot phase to determine the optimal business rules and a standardized process. The results of the pilot phase could lead to significant changes in the volume forecast as the value and benefits are realized.

### Recommendation

The recommendation is stated in the attached Action Item.

## Aerial Inspection Services

**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 Action Item requests Board approval for two contracts for Aerial Inspection Services for use in the underwriting of policies. No additional funds are being requested for this Action Item. The contracts will be managed within the existing authorization of \$43,618,492 for Property Inspection Services for Underwriting, approved by the Board on September 22, 2021.
<b>Contract ID</b>	Aerial Inspection Services  Invitation to Negotiate No. 22-0015  Vendors: Insurance Services Office, Inc. (Primary Vendor) CAPE Analytics, Inc. (Contingent Vendor)
<b>Budgeted Item</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
<b>Procurement Method</b>	Citizens issued Invitation Negotiate No. 22-0015 for Miscellaneous Property Inspection Products and Services on August 9, 2022. Seven (7) responses were received and evaluated. The Evaluations Team advanced two (2) vendors to negotiations for the Aerial Imagery Reports category. On February 27, 2023, after multiple negotiation sessions, the Negotiation Team selected (i) Insurance Services Office, Inc. as the primary vendor, and (ii) CAPE Analytics, Inc. as the contingent vendor in case the primary vendor is unable to meet Citizens' needs.
<b>Contract Amount</b>	Citizens will pay based on the number of reports ordered. There is no minimum volume commitment. The contracts will be managed within the existing authorization of \$43,618,492 for Property Inspection Services for Underwriting,

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	approved by the Board on September 22, 2021. No additional spend authority is being requested at this time.
<b>Contract Terms</b>	The contract will have a five-year term with no option to renew.
<b>Committee Recommendation</b>	<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"> <li>a) Authorize Aerial Inspection Services contracts with Insurance Services Office, Inc. and CAPE Analytics, Inc., for a term of five years for an amount not to exceed the previously approved amount of \$43,618,492 and with no additional funding requested at this time; and,</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li> </ul>
<b>Board Recommendation from Committee</b>	<p>If approved at its March 28, 2023 meeting, the Actuarial and Underwriting Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> <li>a) a) Authorize Aerial Inspection Services contracts with Insurance Services Office, Inc. and CAPE Analytics, Inc., for a term of five years for an amount not to exceed the previously approved amount of \$43,618,492 and with no additional funding requested at this time; and,</li> <li>b) b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li> </ul>
<b>Contacts</b>	<p>Kelly Booten, Chief Operating Officer                  Stephen Mostella, Vice President - Underwriting</p>