

# Executive Summary

Board of Governors Meeting, July 28, 2023

## Citizens Business Insurance Suite

### Topic

This Action Item requests Board approval to enter into a contract with Guidewire Software, Inc. (“Guidewire”) for a Citizens’ Business Insurance Suite (“CBIS”). The contract will include: (i) a software subscription; (ii) implementation services; and, (iii) post-implementation professional services as needed for operational / technical assistance. Guidewire was selected through Invitation to Negotiate (“ITN”) No. 22-0018. The initial term of the contract is ten years with the ability to terminate for convenience after order year 5 with proper notice. Citizens staff is requesting authority for an amount not to exceed \$66,283,867 for the initial term of ten-years. Authority for the ten optional one-year renewals will require separate Board review and approval and will be presented prior to exercising any renewals.

### History

Citizens currently uses Guidewire software to provide the essential technologies and services that support Citizens’ underwriting, claims, and billing functions. Citizens’ contract for the current Guidewire software was approved in 2011 for a term of fifteen-years and an amount not to exceed \$47M. From July 2011 to June 2023, Citizens obtained authority to spend an additional \$68M for various Guidewire and third-party services to maintain, enhance and expand the system to scale with Citizens’ business needs. The total spend to date is \$115M.

Citizens’ current technical support agreement with Guidewire is scheduled to end in July 2026. In 2020, Guidewire proposed a renegotiation to transition Citizens to Guidewire’s upgraded solution which was not acceptable to Citizens and a strategic decision was made by Citizens to release the ITN to evaluate competitive vendor solutions and pricing in the current market.

Citizens released the ITN on September 13, 2022. Eleven vendor responses were received and evaluated. On January 5, 2023, seven vendors were advanced to negotiations. On June 1, 2023, Citizens received best and final offers from the two vendors that the Negotiation Team focused on: (i) Cognizant Technology Solutions U.S. Corporation (“Cognizant”) implementing the Duck Creek Technologies (“Duck Creek”) product; and, (ii) Guidewire implementing the Guidewire product.

The focus of the Negotiation Team was to identify the vendor(s) that provide the best value to Citizens based on product features and functionality, implementation services, ongoing operational / technical support services, contract terms and conditions, and total cost of ownership. Both Duck Creek and Guidewire are market leaders with capable solutions and significant industry experience specifically in the Florida insurance market. On June 13, 2023, the Negotiation Team recommended Guidewire’s proposed solution for various reasons, including: (i) ability to extend and customize beyond the functionality of the base solution which meets Citizens’ business needs; (ii) a predictable implementation path with less potential disruption to Citizens’ operations; (iii) a smooth transition for existing integration points; and, (iv) Guidewire’s knowledge of Citizens’ unique business needs regarding depopulation efforts.

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The Negotiation Team also recommended a contingent award to Duck Creek (product) and Cognizant (implementation and ongoing support) in the event Citizens cannot finalize a contract with Guidewire or if the contract is terminated for cause by Citizens.

The CBIS Pricing Model (Table 1) sets forth the projected spend for the ten-year initial term with Guidewire. The Subscription Services Fee is based on an assumption of decreasing Direct Written Premium (“DWP”). DWP has been projected using a depopulation model. For order years 1 through 5, Citizens is responsible for the base fee and any additional costs such as additional non-production environments which total \$25.1M.

Item	Ten-Year Initial Term
Subscription Services Fee	\$58,248,667
Implementation Services Fee	\$4,296,000
Post-Implementation Professional Services	\$2,400,000
<i>Subtotal</i>	<i>\$64,944,667</i>
Contingency	\$1,339,200
<b>Total</b>	<b>\$66,283,867</b>

Table 1 – CBIS Pricing Model

Authority for the ten one-year optional renewal terms are not included in this Action Item request because of the uncertainty of projecting DWP ten-years into the future. For awareness, Guidewire’s pricing in the renewal years is higher than Duck Creek’s offer and could make Guidewire’s offer more expensive to Citizens over a full 20-year period if depopulation efforts are lower than anticipated in this model. However, Citizens will have no obligation to renew the Guidewire contract and will have the opportunity to renegotiate renewal pricing before the initial term ends and anytime during the renewal terms.

Citizens estimates an additional \$4.6M will be required for third-party implementation expenses such as staff augmentation costs. Funding for these expenses will be requested separately, as needed.

### Recommendation

The recommendation is stated in the attached Action Item.

**Citizens Business Insurance Suite**

**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.

<p><b>Purpose/Scope</b></p>	<p>This Action Item requests Board approval to enter into a contract with Guidewire Software, Inc. for an enhanced insurance suite. The contract will include: (i) a software subscription; (ii) implementation services; and, (iii) post-implementation professional services as needed for operational / technical assistance. Guidewire Software, Inc. was selected through Invitation to Negotiate No. 22-0018. The initial term of the contract is ten years with the ability to terminate for convenience after order year 5 with proper notice.</p> <p>Citizens staff is requesting authority for an amount not to exceed \$66,283,867 for the initial term of ten-years. Authority for any contract renewals will require separate Board review and approval.</p>
<p><b>Contract ID</b></p>	<p>Contract number: 23-22-0018-00 Recommended vendor: Guidewire Software, Inc.</p>
<p><b>Budgeted Item</b></p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p><b>Procurement Method</b></p>	<p>On September 13, 2022, Citizens issued Invitation to Negotiation No. 22-0018. Eleven responses were received and evaluated. On June 1, 2023, Citizens received best and final offers from the two vendors that the Negotiation Team focused on: (i) Cognizant Technology Solutions U.S. Corporation implementing the Duck Creek Technologies product; and, (ii) Guidewire Software, Inc. implementing the Guidewire product. On August 13, 2023, the five-member Negotiation Team unanimously recommended an award to Guidewire Software, Inc.</p>

**Citizens Business Insurance Suite**

<b>Contract Amount</b>	The contract amount for the ten-year initial term shall not exceed \$66,283,867. Citizens staff shall request authority from the Board prior to exercising any renewals.
<b>Contract Term</b>	The contract will have a ten-year initial term. Authority for the ten one-year optional renewal terms will be requested of the Board prior to exercising any renewals bringing the total potential term to 20 years.
<b>Board Recommendation</b>	<p>Citizens' staff recommends that the Board of Governors:</p> <ul style="list-style-type: none"> <li>a) authorize the contract with Guidewire Software, Inc. for an initial term of ten-years and an initial term amount not to exceed \$66,283,867 as set forth in this Action Item; and,</li> <li>b) authorize staff to take any appropriate or necessary action consistent with this Action Item.</li> </ul>
<b>Contacts</b>	Kelly Booten, Chief Operating Officer