

# Executive Summary

Actuarial & Underwriting Committee Meeting, July 11, 2023

Board of Governors Meeting, July 12, 2023

## Replacement Cost Estimating Services - Primary Residence Validation Data

### Topic

Citizens staff is requesting approval to increase total contract spend with CoreLogic Spatial Solutions, LLC. ("CoreLogic"), Citizens' provider of Replacement Cost Estimating Services. Legislative changes in 2022 necessitates for Citizens to verify an insured location is used as a "primary" residence. Citizens can do so most efficiently by utilizing CoreLogic, which is the basis for the increased spend. The request is to increase the current approved amount of \$1.7M to \$2.04M, an increase of \$340K through the end of the contract term, April 30, 2026.

### History

Citizens originally procured Replacement Cost Estimating Services in July 2020 via an Invitation to Negotiate ("ITN"). The contract spend was originally approved for \$1.7M expiring April 30, 2026. Under the contract, CoreLogic provides a variety of data elements that inform the underwriting process. Expanding the data elements accessed through the contract will support Citizens in efficiently implementing the recent legislation of Senate Bill 2-A ("SB2A") in a way that improves underwriting efficiency.

The Florida Legislature passed SB2A, which was signed into law on December 16, 2022. Prior to SB2A, no single policyholder was subject to a (non-sinkhole) rate increase greater than 12% in 2023 and 13% in 2024. SB2A includes authorization for Citizens to charge rates based on the status of the residence as "primary" or "non-primary". "Primary residence" is defined as a property which the policyholder or tenant occupies for more than nine months out of the year. Any homes occupied nine months or less are classified as non-primary. SB2A created an exception for calculating the premium on residences that are not considered a "primary" residence. The rate to be applied in calculating the premium for non-primary residences is not subject to the rate increase limitations mentioned above (however, the policyholder may not be charged more than 50 percent above the established rate that was in effect one year before the date of application). This legislative authorization impacts policies written on or after November 1, 2023.

Incorporating the additional data necessary to identify the status of a residence into the new business workflow will increase underwriting efficiency by automating the validation of "primary residence" rating. Without the ability to utilize the CoreLogic data, Citizens estimates that staff time to verify primary residence would equate to 23.5K hours of staff time or \$938K. By utilizing additional CoreLogic data at a cost of \$340K, Citizens estimates a \$598K cost avoidance over the remainder of the contract term.

### Recommendation

The recommendation is listed in the attached Consent Item.

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**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>	Citizens staff is requesting approval to increase total contract spend with CoreLogic Spatial Solutions, LLC. ("CoreLogic"), Citizens' provider of Replacement Cost Estimating Services. The increase in spend is due to requesting additional data from CoreLogic to verify an insured location is used as a "primary" residence. The request is to increase the currently approved amount of \$1.7M to \$2.04M, an increase of \$340K through the end of the contract term, April 30, 2026.
<b>Contract ID</b>	Replacement Cost Estimating Services Contract Number: 21-20-0026-00 CoreLogic Spatial Solutions, LLC,
<b>Budgeted Item</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Procurement Method</b>	The original contract was procured through an Invitation to Negotiate (ITN) No. 20-0026, on July 8, 2020. The contract, executed on March 9, 2021, permits the addition of services already contemplated in the general scope of the contract.
<b>Contract Amount</b>	\$2.04M

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<b>Contract Terms</b>	The initial contract term is from March 9, 2021 through April 30, 2024 with two optional one-year renewal periods.
<b>Committee Recommendation</b>	Staff proposes that the Actuarial and Underwriting Committee review, and if approved, recommend the Board of Governors:  a) Authorize an additional \$340K in spending authority for the Replacement Cost Estimating contract with CoreLogic Spatial Solutions, LLC., bringing the total authorized contract amount to \$2.04M through April 30, 2026; and  a) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
<b>Board Recommendation from Committee</b>	If approved at its July 12, 2023 meeting, the Actuarial and Underwriting Committee recommends that the Board of Governors:  b) Authorize an additional \$340K in spending authority for the Replacement Cost Estimating contract with CoreLogic Spatial Solutions, LLC., bringing the total authorized contract amount to \$2.04M through April 30, 2026; and  c) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
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