

Office of the
Internal Auditor

Advisory Memorandum June 2023

Cloud-Based Insurance Suite
Procurement





Advisory Memorandum

Background

In 2011, Citizens purchased and integrated a suite of products from Guidewire and other vendors to enable core system insurance capabilities. These products were originally designed to be hosted in the data centers of insurance carriers that procure them. A paradigm shift has occurred in the industry, compelling many companies to embrace cloud computing. Guidewire is dramatically changing the architecture of its new releases to be hosted in the AWS cloud. Guidewire is moving toward a cloud-based delivery model and will no longer provide version upgrades beyond version 10, resulting in minimal new features being available to non-SaaS customers.

Given Guidewire's cloud direction and the future expiration of the Guidewire support contract in 2026, Citizens management embarked on a project during 2020 and 2021 to define options for the future deployment of Citizens Insurance Suite (CIS) and recommend the direction Citizens should take. The project resulted in a decision by Citizens' Executive and IT leadership to release an Invitation to Negotiate for a Cloud-enabled Insurance Suite to replace Citizens' current implementation of the Guidewire Insurance Suite. In September 2022, Citizens issued an Invitation to Negotiate (ITN) 22-0018 seeking competitive sealed replies from firms capable of providing Cloud-based Insurance Suite to be used for Citizens' property and casualty business. Citizens should be positioned to continuously improve and implement technological changes to keep pace with current technology trends.

Objectives and Scope

Internal Audit monitored the procurement and provided advisory support to the procurement team during the process in support of ensuring the Cloud-Based Insurance Suite procurement followed Citizen's procurement procedures. Internal Audit also reviewed whether the vendor's systems met the business requirements in the ITN which helps the Negotiation Team in determining the best value when selecting the vendor.

Results

Internal Audit was part of the project team and monitored the procurement process to help ensure the project followed Citizens' procedures and provided advice as a third-party observer. In addition, Internal Audit confirmed the integration of lessons learned from past procurements, appropriate stakeholders were included in the project, and the Negotiation Team focused on selecting a vendor of the best value with a solution that meets the required business and functionality requirements.

Through ITN 22-0018, Citizens invited vendors to submit their replies for a Cloud-based Insurance Suite. The ITN was updated and aligned with feedback from the business units and lessons learned from the previous procurements. The ITN included a thorough vendor questionnaire, scheduled demo sessions with the opportunity for reverse demos, and "Ask-Me-Anything" sessions to ensure vendors understood Citizens' requirements and needs. The process also focused on the implementation phase of the vendors' solutions by including Preliminary Statement of Work (Pre-SoW) requirements.

Purchasing contacted thirty-two (32) vendors to notify them of the ITN. A total of eleven (11) vendors responded to the ITN. These vendor replies were reviewed by the Evaluation Team, composed of eleven (11) members from various Citizens' business units. The down-select process was carried



Advisory Memorandum

out by the Evaluation Team, and seven (7) vendors were advanced to the negotiation phase, as announced by the Evaluation Team in a public meeting held on January 5, 2023.

The Negotiation Team, composed of five (5) members from various Citizens' business units, held regular negotiation strategy meetings. The team also held individual meetings with the vendors to answer questions and obtain clarification, oversaw the vendors' application demo sessions, and held follow-up meetings, pricing negotiation calls, preliminary SoW calls, and initial contract terms and conditions calls with the vendors, all in anticipation of an award. Internal Audit monitored several meetings held as part of this process.

A Notice of Intent to Award will be issued, and a recommendation is expected to be presented to the Citizens Board of Governors for approval at the July 2023 meeting. Citizens will undertake efforts to finalize and sign a contract with the above primary vendor. In the event Citizens is unable to reach contract finalization with the primary vendor, is unable to reach a "go" decision following the Discovery Period, or is unable to satisfactorily implement the proposed solution, Citizens may undertake efforts to reach contract finalization with the contingent vendor. According to the updated project timeline, once the Discovery Period concludes and a "Go" decision is made, the solution is expected to be implemented and in production on or about March 2026. Internal Audit will monitor the implementation process as part of the audit plan.

We thank management and staff for their cooperation and professional courtesy throughout this advisory engagement.



Distribution

Addressee(s) Summer Reeves, Senior Vendor Relationship Administrator

Business Leaders:

Tim Cerio, President/CEO/Executive Director
Jay Adams, Chief of Claims
Jennifer Montero, Chief Financial Officer
Jeremy Pope, VP of Customer Experience
Kelly Booten, Chief Operating Officer
Ricky Polston, General Counsel & Chief Legal Office
Mark Kagy, Inspector General
Jason Atwood, Manager Vendor Relations
Jessica Chapman, Assistant Director Vendor Relations
Spencer Kraemer, Sr. Director Vendor Management & Purchasing
Stephen Guth, VP Enterprise Services

Audit Committee:

Joanne Leznoff, Citizens Audit Committee Chair
Carlos Beruff, Citizens Audit Committee Member and Chairman of the Board
Scott Thomas, Citizens Audit Committee Member

Following Audit Committee Distribution:

The Honorable Ron DeSantis, Governor
The Honorable Jimmy Patronis, Chief Financial Officer
The Honorable Ashley Moody, Attorney General
The Honorable Wilton Simpson, Commissioner of Agriculture
The Honorable Kathleen Passidomo, President of the Senate
The Honorable Paul Renner, Speaker of the House of Representatives

The External Auditor

Completed by John Fox, Director - Internal Audit under the direction of Joe Martins, Chief of Internal Audit.