Information Systems Advisory Committee Minutes

☒ **ACTION ITEM**

☐ **New Contract**

☐ **Contract Amendment**

☒ **Other - <u>Committee Minutes</u>**

☐ **CONSENT ITEM**

☐ **Contract Amendment**

☐ **Existing Contract Extension**

☐ **Existing Contract Additional Spend**

☐ **Previous Board Approval_____**

☐ **Other_____**

Action Items: Items <u>requiring</u> 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 <u>not requiring</u> detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	Information Systems Advisory Committee Meeting Minutes November 29, 2022
Purpose/Scope	Review of the November 29, 2022 Information Systems Advisory Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	N/A
Budgeted Item	☐Yes ☒No - Not applicable
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Committee Recommendation	Staff recommends the review and approval of the November 29, 2022 Information Systems Advisory Committee Meeting minutes.
Contacts	Kelly Booten, Chief Operating Officer

Summary Minutes of the
Information Systems Advisory Committee Meeting
Tuesday, November 29, 2022

The Information Systems Advisory Committee (ISAC) of Citizens Property Insurance Corporation (Citizens) convened via Zoom webinar on Tuesday, November 29, 2022, at 9:00 a.m. (ET).

The following members of the Information Systems Advisory Committee were present:

Jason Butts, Chair
Erin Knight
Nelson Telemaco[1]
Brian Foley
John Vaughan
Kelly Booten, *staff*

The following Citizens staff members were present:

Aditya Gavvala	Mathew Carter
Barbara Walker	Ray Norris
Barry Gilway	Robert Sellers
Bonnie Gilliland	Stephen Guth
David Woodruff	Thomas Dubocq
Jay Adams	Tim Cerio
Jeremy Pope	Wendy Perry

The following Board members were present:

JoAnne Leznoff

Roll was called and a quorum was present.

1. **Approval of Prior Meeting's Minutes**

Chairman Butts: Great, thank you. Hope everyone had a wonderful Thanksgiving and thank you for joining us today at this meeting. I would like to seek approval for the Minutes from the last meeting.

Governor Erin Knight made a motion to approve the August 30, 2022, Information Systems Advisory Committee (ISAC) Minutes. John Vaughan seconded the motion. All were in favor, and the minutes were approved.

Chairman Butts: Thank you. It looks like Governor Telemaco is joining us as well. Perfect. I'd like to turn it over to Kelly Booten to provide the Chief Operating Officer's report. Kelly?

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[1] Governor Telemaco joined the call just after roll was called.

2. **Chief Operating Office Update**

Kelly Booten: Good morning. Today, I have behind the first tab a couple of items I'm going to cover. This is in a little bit different format than the dashboard but has a lot of the same components that the dashboard typically has.

IT Technology Financials, this includes the 2022 year-end projections in the far-right column. There are no anomalies here. We're under budget in a few areas, mainly due to staffing and hiring in the personnel areas, and delays in a few projects, which we're going to talk about today. The Unified Communications as a Service (UCaaS), which is an action item for today, impacted the telecom and professional services categories, and then the Enterprise Integration Platform as a Service (EIPaaS), which Aditya is going to cover a strategy for that. So, there were some delayed costs in the professional services category. So that's the financial section.

In the Key Strategic Initiatives, today, like I said, we have a strategy presentation on our integration platform.

For the Analytics & Data Warehouse Modernization project, this solicitation is in the proof-of-concept phase. The public award date is set out until the June 2023 timeframe with Board approval targeted for September, and implementation in 2024. On this one, we purposely slowed this one down. It was complicated, a lot of work has to be done for it, and we had to stagger it after the implementation of such things as Citizens Reimagined and other large initiatives going on and already planned for. We wanted to not include it in this year's budget but include it in the 2024 budget. That's why we slowed this one down.

Unified Communications, that one is an action item for today, and we'll cover that in great detail.

Identity & Access Management, that's been on our list for a long time. We got through the solicitation this year. We took a lot of time up front to make sure that we as a vendor were in lockstep with the scope of work and the work to be done. We spent months with them getting this finalized, and we did get the contract finalized in Q4. The project was kicked off, and now, we are implementing. It's a 15-month project followed by a three-month warranty. This replaces our authentication gateway and allows us to improve our security identity and access management.

The Cloud Enabled Insurance Suite solicitation was put out on the street. Responses were due on November 1st. We received 10 responses, and the public meeting to advance vendors into negotiation is scheduled for January 5th. This one is in the cone of silence, and is a very, very large initiative for our insurance suites, which includes claims, policy, and billing solutions.

And then last but not least is the Citizens Eligibility Reimagined initiative. The negotiation team is currently focused on refining our proof of concept with the top vendors, and we've been working actively with all vendors. This one has a number of people, subject matter experts, involved in trying to make sure that our architecture is very well laid out. We actually have changed it a little bit from what we originally thought we were going to do and are looking at Citizens potentially taking on more of the load as the hub for this and very integrated with comparative raters. So, we're finalizing that architecture and exploring an additional certified rater component. This public award meeting was moved from November to January 31st and will be taken to the March Board meeting for approval.

Before I move to the next page on this report, are there any questions? Okay.

The next one is Audit Findings. Part of our charter is that we occasionally cover audit findings related to IT. So, I thought I would just mention that from the prior Auditor General audit a couple of years ago, we have a few items remaining. There are very complicated security-related findings that we are implementing, and all are scheduled to be closed by the end of this year. Then we had two new audits recently completed. The Applications & Infrastructure Standards Conformance Audit was completed in August of 2022, and there are two items from that that we are working with dates out into 2023. Then the Vulnerability & Patch Management Audit was completed in October, and there are two items from that one that we're also working with 2023 dates.

And then the last item is IT Hurricane Response. I think every committee is covering hurricane response from Nicole and Ian. So far, for Ian, we have around 57,000 claims, and for Nicole, 2,200. The IT part of this is really behind the scenes. A lot of times, you don't really see what happens with all of the activity in IT. At prior Committee meetings, we've been reporting on pre-event readiness, and we have a little graph that shows all of the pre-event activities that we go through. There are over 100 items that we track to make sure that we're ready when a storm does hit. And when the storm hits, we go into a very active mode with our Claims department. We create an IT catastrophe war room using Microsoft Teams for any technology problem, triage, and resolution. We do independent adjuster orientation onboarding support. That's a pretty heavy lift early on with the number of adjusters that get onboarded, voice mail set up, all of the things that go with these adjusters that are brand new using our systems. We do a lot of reporting enhancements and dash boarding in support of the events. We have an inbound technical support call center activity that ramps up significantly, and service desk inbound tickets also ramp up significantly, which causes some additional spend, which you will see when we present later in our IT Part II technology services action item. In our managed workplace services vendor, we bring on additional resources. Our help desk, same thing with help desk and service desk support, we go to 7-day, 12-hour support. Then also, there's a lot of activity in the identity and access management area. Specifically, getting all of the new resources set up.

Calls to the IT help desk increased as much as four times the normal volume per day, and incidents reported more than doubled during the first two weeks. The access request increased almost tenfold as compared to daily volume. So, it's a big, heavy lift in the first couple of weeks of the event. Our teams do an excellent job. We also provide presence on site support to the trailers, the technologies that's in the trailers at the CRC support. All of the mobile technology and connectivity that happens is quite astounding.

On the next slide, you see some of the pictures from that, our two rock stars on-site support there, Derek and Dean in the upper right-hand corner. You can see a little bit of the technology within the trailers. Then the two trailers to the far bottom left are what the CAT ops uses for connecting up the independent adjusters. So, I think we did a good job of supporting the hurricane events. That concludes my report.

Chairman Butts: Thank you, Kelly. Any questions for Ms. Booten? Good. I think we're going to hand it over to Aditya.

3. <u>Enterprise Integration Platform as a Service (EIPaaS)</u>

Aditya Gavvala: Good morning, ISAC members. For the record, this is Aditya Gavvala, VP - IT Services & Delivery. I would like to provide you with an update on the Citizens Enterprise Integration Platform as a Service (EIPaaS) Strategy today.

Integration Platform is the name of the software used to interconnect Citizens systems for information exchange. Citizens uses Oracle Fusion software as middleware today. It is hosted at Citizens data center on our dedicated hardware platforms due to the software licensing restrictions. As of right now, we have 118 system integrations that run on this software. Approximately 576,000 transactions flow through the software daily during normal business operations. We have seen a fivefold increase in the number of transactions during the catastrophe response.

The current version of the software is tied to the physical hardware. The cost of the license keeps going up whenever the hardware is replaced due to end-of-life support reasons. This is also a blocker for our cloud migration strategy. Back in 2021, through a competitive solicitation, we procured a cloud-based Oracle integration platform. During the initial phase of implementation, some potential shortcomings in product capabilities were uncovered. A recommendation was brought forward to the Board in June of this year to terminate the contract with the vendor. The Chairman requested Citizens staff to bring forward a strategy by the end of this year, and that is what brings us to this item on the agenda.

Current components of the middleware platform are shown on the left-hand side in the middle where you see current versus future options. On the left-hand side, you see the current components, and the cost associated with those components. On the right-hand side, you see our future proposal for proposed software for each of these components. The strategy is to leverage and expand the use of existing contracts. We're proposing that we use some of the services that we currently have contracts with, expand the usage, and migrate our existing integrations from Oracle platform to the new software as a service solution.

In essence, all of our Oracle integrations will be replaced by a product called Jitterbit, which we currently use in a limited capacity for one of our systems. We're going to expand the use of Jitterbit for migrating most of the Oracle integrations, and for the second category of integrations that run on Oracle, our plan is to use Microsoft Azure, which we have a subscription for today. All the existing file transfers will migrate from Flux to Thru, which is also a software that we are using currently today.

The cost of the implementation and the software licenses are included in the budget that's going to the Board in December, and they're also included in the action item that's being reviewed today.

That concludes my presentation on middleware. I'll take any questions, if there are any.

Chairman Butts: Seeing none. Go ahead and move on. I think, Aditya, you're going to cover the next topic as well.

4. **Action Item**

   a. **Unified Communications as a Service and Contact Center as a Service (UCaaS/CCaaS) [Action Item]**

Aditya Gavvala: Yes. Next, I would like to draw your attention to tab 4-A, page number 25 in the attachment. This action item is about replacing Citizens current communication, collaboration, and call center technology platforms with a cloud-based, portable, agile, and scalable technology. Thomas Dubocq, a/k/a TJ, our current Director for IT Infrastructure, who was one of the negotiators on the solicitation will share with you the background, what is UCaaS and CCaaS, why was the change necessary, who was the selected vendor, and the cost breakdown with you today. By the

way, after several years of service at Citizens, TJ has decided to pursue his business venture. He'll be leaving us soon. We wish him the best of luck with his future endeavors. With that, I would like to turn it over to TJ.

Thomas Dubocq: Good morning, Governors. For the record, my name is TJ Dubocq, and I'm the Director of IT Infrastructure. I am thrilled to deliver this presentation recommendation this morning. This represents a major milestone in the execution of our unified communication strategy and is going to fundamentally transform the way that that we interact with our policyholders, the way we support our agency partners, the way our Claims team communicates during a CAT, both internally and in the field, and the way our staff engage and collaborate with one another.

Our journey in this space began before COVID, was significantly accelerated in response to the pandemic, and now, we're in the final stretch to fully realize the benefits of this program. To start with a little bit of background, I know IT is not really known for succinct definitions, so I'll just kind of break it down very, very simply here. Unified Communications and collaboration is all about the convergence of instant messaging, voice meetings, video collaboration all into a single platform, or into a suite of products that are very closely integrated. Graphically put, if we can advance to the next slide, it's a little bit easier to understand here. So, this is basically what it's all about. Bringing all these different capabilities for engaging and collaborating with folks into a single pane of glass or a single platform. Contrasting it with the way that things used to be done before, each of these areas was represented, typically, by a standalone product that wasn't deeply integrated, there was a ton of functional overlap across these products, and it just wasn't a great way of doing things. I'll summarize some of the consolidation opportunities that we've realized as part of our venture into this space in a future slide, but this is basically what UCaaS is at its core.

Moving on to the next slide. Another more specialized area of unified communications is the contact center. I call it a contact center because modern communications have evolved now to a point where voice is not the only way customers and other stakeholders interact with us. We have things like live chat, email, text messaging, intelligent IVR, and self-service capabilities all rolled up in this platform are just some examples. The proposal that we're bringing forward to the Board during this meeting is a solution that we vetted that's going to address all these different communication angles, and really help to modernize the way that we're engaging and supporting all of our stakeholders.

If we can move on to the next slide. One thing I wanted to recap was some of the challenges that we're faced with our current platform. Our current platform is at end of life. We're faced with either a major upgrade of the existing technology set or looking into the next evolution in this space. Our current platform has served us well, up until the point we got into our pandemic response. It's a brick-and-mortar-based solution. It requires generally the workforce to be in the same physical locale as the hardware that we're using to support it. And because it's such a legacy platform, we've had to add and supplement this technology with a number of different third-party solutions to meet the needs of our Consumer & Policy Services and our Agency & Market Services divisions[2], our Underwriting folks and our Claims team. In bolting on all these technically non-integrated third party products, it introduces a lot of complexity with managing this technology stack. We're at a point now where we can't move forward with some of our more modern solutions that are in place because the core platform is so out of date and needs to be completely refreshed. One of the things that we saw as part of our Ian response is just how this legacy solution doesn't adapt well to this new, modern distributed environment that we're in. We had to use solutions like Citrix and other

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[2] Verbatim Correction: Stated as Consumer and Agent Services

things to help bring our contact center capabilities to our employees' home offices, to folks out in the field, and it's been a bit of a clunky approach to delivering that.

And lastly, the big bottleneck for our claims support is the amount of manual, hands-on required to provision users and to set the service up. So, if you can imagine bringing in hundreds of independent adjusters all at one time, if you have a manual process in place for provisioning access, that is a significant bottleneck and directly affects our ability to support claims during a CAT event. So, lots of opportunity for improvement here, and that's what we're bringing forward today.

If we could move on to the next slide. As I mentioned, this has been a journey that's been in the making for a number of years now. I want to recap how we got to this point. IT created a Unified Communication Strategy back in 2019. We took a deep look at all the different communication products that we have in our portfolio, and saw where we had functional overlap, what's the next stage for these tools, and where do we go next? Of course, you all know, six months later, the pandemic hit us, and we went from a brick-and-mortar business to a distributed workforce virtual business practically overnight, and our communication tools really weren't suited for making that transition.

The technology set that we rolled out very, very quickly was based on Microsoft Teams. Today, we can't think of living without Teams. It gives us our instant messaging capability, our ability to do video and meetings such as what we're doing here on Zoom today. It also gave us the ability to provide all these communication tools to folks on mobile devices, which was something that was lacking before.

As I mentioned earlier in the presentation, there was a lot of functional overlap across the different communication tools that we had. Before Teams came around, we had solutions like BlueJeans, OneSource, Skype. We had BlackBerry Enterprise for delivering message capability to remote folks. Again, a lot of overlap. The rollout of Teams allowed us to retire a number of these different solutions, and the savings are already in the six figures annually, ranging from about approximately $186,000, what I've indicated here with the retirement of BlueJeans and OneSource, to being able to get rid of BlackBerry Enterprise and provide a truly mobile app-based solution to all of our users regardless of the device that they're using, using Teams, and that's all part of the Team's license.

The other thing we had to do as part of our COVID response is, how do we get this brick-and-mortar solution out to our contact center folks? We had to use a solution called Citrix. Again, we're kind of adding a middleman here, so to speak, to deliver that, and it just adds a bit more complexity to the way that we provide this service.

After the dust settled with the Teams rollout and us moving to a distributed work model, we engaged a third-party communications consulting firm called RSM for an RFQ to help us, number one, look at our organizational needs as we transitioned into this new distributed work environment. They took a look at the current technologies that we're using, what are the new changes in the marketplace, what things should we be taking advantage of, and then meet individually with all of our stakeholders internally, from our Consumer & Policy Services folks, Claims, and Underwriting, to see exactly how their workflows are going to be impacted by this, what kind of features they can take advantage of, and all that good stuff. This assessment of the marketplace helped us to frame our minds into what we should be looking for from a future standpoint as part of an ITN that we released. Today, we're bringing forward what we identified as the top players in that ITN.

The ITN was released last year, and the response from the market was tremendous. We had 29 vendors respond back, offering many different services, many different capabilities. We sat through

a ton of different demos. Ultimately, we ended up advancing 14 vendors on the UCaaS side, and 13 vendors on the CCaaS side for the final rounds of negotiation. These two areas, UCaaS and CCaaS, were split intentionally. We wanted to make sure we were getting the best of breed from both worlds. And if there were opportunities to consolidate further, we were certainly open to that, but we didn't want to paint ourselves into a corner trying to find a single solution across the board that may not meet our needs. But fortunately, the vendor that we did choose is going to be able to help us across both sides.

Moving into the vendor that we're recommending, Verizon, they're a well-known name in the communication space. They manage their own networks, and they have a very, very mature implementation practice around this area of UCaaS and CCaaS. Some of the other things that brought them to the forefront, obviously, pricing was very competitive, and secondly, a very, very deep partnership with Microsoft, particularly, which is important on the Teams side, and NiCE, which is the contact center platform that they're providing as part of this solicitation. NiCE is a third-party product that Verizon has a lot of expertise in implementing. It's maintained by NiCE, and it's a cloud-based solution, but the implementation delivery is performed by Verizon.

If we can move on to the next slide. In this slide, we're highlighting the differences in what is being proposed with the Verizon solution in contrast to our legacy platform. As you can see, the legacy platform, the longer we keep it around, the more expensive it gets annually. Between very different complex licensing models across all the different products we're using in this space, to these are annual agreements, it just goes up with inflation going forward. One thing that is not reflected on the legacy side is the need for major version upgrades throughout this 10-year life cycle. We covered that as part of the contingency line you'll see down at the bottom to address those kinds of things, so we have more apples-to-apples comparison. The contingency line on the primary vendor that we'd like to award to has been put in place there to support our continued PIF growth if our policy volumes go through the roof, our CAT response, and other changes in the marketplace that we need to very quickly react and respond to. That's baked into the recommendation that we have here.

Moving on to the last slide for cost parameters. I wanted to share the baseline that we used for establishing this dollar amount. Over the last year, IT led a couple of different scenarios for how our staffing is going to change as part of our increased PIF count across the board, across the enterprise, and just to make sure that we're budgeting accordingly. So, the baseline we use is 2,150 users plus an additional 500 for CAT, and this is on the UCaaS side, and then approximately 290 for the contact center side. Now the UCaaS center side is much higher from a licensing standpoint because this will be providing service for the whole enterprise. While everyone is using Teams for this purpose in UCaaS, the one aspect that Teams is missing is the voice piece, which is the ability to dial out outside of the web meetings, having voice mail, and private phone conversations with staff, and UCaaS will bring that capability to Teams.

That concludes my overview of what we're proposing. Before we read the recommendation, I want to see if there were any questions, or anything I can elaborate further on.

Chairman Butts: Any questions. TJ, thank you. That was a great analysis. Three years in, and I wish you the best of luck in your next endeavor. I'm not quite sure why you don't want to stick around for the fun of the implementation, but if you'd go ahead and read the action item, that would be great.

Thomas Dubocq: Absolutely. Staff proposes that the ISAC Committee review, and if approved, recommend to the Board of Governors, approve a contract with Verizon Communications for a base term of five years, followed by an optional three-year renewal. That will be followed by an optional two-year renewal with a combined total contract amount not to exceed $17,591,086.

Chairman Butts: Great, thank you. All in favor of the recommendation as provided by staff.

Governor Telemaco made a motion to approve the Unified Communications as a Service and Contact Center as a Service (UCaaS/CCaaS) Action Item. John Vaughan seconded the motion. The Action Item was unanimously approved.

Thomas Dubocq: Thank you very much.

Chairman Butts: Thank you. I believe it's going back over to Kelly.

   b. **Technology Infrastructure, Software, and Professional and Staff Augmentation Services – Part II [Action Item]**

Kelly Booten: Yes. Behind section 04B is the action item for the Technology Infrastructure, Software, and Professional and Staff Augmentation Services - Part II. For ultimate transparency, I included a PowerPoint ahead of this action item to explain some changes that we've implemented, and to put into context Part I, which was approved in September, plus Part II, which is being approved in this Committee meeting. Next slide.

We worked with Governor Leznoff, who is also on the call. As a result of the last Board meeting in September, Governor Leznoff asked us about the level of detail we were providing for this action item in this omnibus style approach. So, we worked with her and came up with this approach.

One other thing I want to mention. This is the first action item we're doing under this approach for the omnibus, and we may need to tweak this process as we go. The definitions here were based upon what we felt were the right definitions. If you all want to see something different, we're open to whatever ideas you have, but for discussion purposes, here's what we came up with.

Within the Omnibus Executive Summary, we will list all new purchases and identify them as exceeding $100,000. So, within the executive summary, when I go through that, I'll point out where we have included those. For this purpose, the definition of a new purchase means an item associated with new-to-Citizens technology in support of an initiative.

Predominantly in Part I and Part II is run-the-business type stuff, with the exception maybe of contingent resources that supplement projects. The larger initiatives, one of them you just approved, UCaaS/CCaaS, come in separate action items. So, the big, large initiatives are outside of, typically, this omnibus catch-all.

The second thing that we said we would do is allow the Board at the Board meeting to have the ability to request a line item be pulled from the omnibus. So, the summary that's attached to the action item now includes a list that you can look at and see, and I'll get to that in a minute.

For new purchase items estimated to be equal to or exceeding $100,000, but that subsequently have a threshold cost more than 15% or $50,000, whichever is greater, of the estimated amount, then need to be brought back to the Board. If it is something that requires immediate approval, and

would delay a project getting implemented, or would cause us to have adverse impact, let's say we run out of storage, worst case scenario, the Board Chair would then approve those items. Or, if it's a true emergency, we would bring it back post meeting, taking action as we need to.

For new purchases estimated to be below $100,000 that subsequently go above $100,000, we would bring those forward in the same approaches as item number three.

Remember, these are estimates. We do this so that we can go out and purchase and get the best negotiated deal, but at the time we put these action items together, they are estimates, so that the prices can fluctuate.

Then we will include the line-item summary, include a new or continuity of service indicator, and I'll call that out when I get to it, include the omnibus in a publicly posted action item, which it is included, and then make available to Board members upon request of line item detail. I proactively sent that to all Committee members, which is a very transparent spreadsheet that has a lot of information in that for any of your questions.

So, with that, are there any questions on this new process? Okay.

Also, for transparency, like I said, we wanted to include Part I and Part II because when I started looking at the things that were included in Part II, some of it was because we had not done the budget yet when we did Part I, so it was an extension or an addition based upon PIF counts. I want to be able to put some context to this. We have a little bit of a conundrum here with the way this is done. When Governor Dunbar was here, he requested that we bring things to Board meetings in advance, so that if a Board member wanted to vote against something, we had another Board meeting between when that contract would expire for the Board to decide what it wanted to do. So that, unfortunately, caused this process to be a little bit bifurcated. So, Part I includes items that are typically purchased between January 1st and April 31st, and Part II includes contracts from May 1st to December 31st. I thought it was relevant that we show everything together, though Part I has already been approved.

So, the summary total for Part I and Part II for 2023 is $31,104,582. The difference from '22 to '23 is $4.6 million. Remember, contracts come and go, some of them are multi-year, so if you have a big purchase in one year, and not the prior year, it gets a little clunky with the comparison, but we do our best. The summary for this is that the new initiatives are requiring additional contingent and professional services, which I will cover later, PIF growth requires additional licenses for software, additional hardware capacity, and that's approximately about $2 million in this approval, and then talent acquisition challenges. So, we've added contingent staff to compensate for delays in hiring. Next slide.

This is a breakdown of Part I, which you have already approved; the top graph is Part I. Part II is what we're approving today, the total for 2023 is $12,169,221, broken down by the Infrastructure, Software, and Professional and Staff Augmentation Categories.

The next slide goes into the details of Part I, which, again, have already been approved, but just for a totality perspective, have included the additions and the drops so that you can see the ins and outs of what Part I looked like, the fact that it included contract workforce for around $2 million, that was our estimate at the time.

Next slide is Part II comparison, which talks to the additions for what we will be asking for approval today. And that includes added Out of Support HP hardware upgrades for the remaining on-prem applications, predominantly, our insurance suite, which is $1.5 million over a five-year term. It includes additional compute for cloud Azure power for the additional movement to the cloud initiative that we have. It's a $1.5 million increase. It's primarily due to this migration and movement of the data warehouse to the cloud in 2023. There's software for the integration platform migration of $600,000, and then the professional and staff augmentation breakdown is an increase of $3.3 million. It is on the next slide, and I do want to cover that in a little bit more detail. Next slide.

Here, this is very, very detailed, but we felt, again, transparency wise, you'd want to understand why there's contingent staff requests in both Part I and Part II, and it really outlines the supported projects for what we will be using these contingent staff for, and what was included in Part I and Part II. For example, we support our Claims unit for catastrophe support for the fraud analytic software, for litigation management system, for invoicing system, for claims correspondence. There are underwriting and agency services projects. Now, this includes a lot of technology improvements; electronic policy distribution, for example, is one. Growth for the policy systems, additional improvements in here for performance testing, for the estimates we have on policy growth that is included in the budget, taking us to 1.6 million [policies] by the end of next year. I won't go through all of this. It's a detailed itemized list of what we intend to use these contracted resources for.

Before I transition into the recap of what's included in the executive summary and the action item, are there any questions? Okay.

Next, I'm going to just go through the executive summary to point out what's been added. The first page of it recaps what I've already presented on the breakout for the $12,169,221 that we're asking for support by each category. The new rules are listed at the bottom of page 1, which I've already covered.

If you go to page two, in the Infrastructure category, there was one item called out that was greater than $100,000 that was deemed a new item, and that is the Hybrid Work Environment Hardware for $294,840.

If you go to the next page, under the Software category, there was one new item that was included for Business Continuity Management Software with an estimate of $100,000.

If you go to the Professional and Staff Augmentation Services, there was no new item called out that was new services. All of the contracted resources by the definition were additional resources.

I wanted to also cover quickly the summary item that's detailed at the back of the action item itself. It's about 101 items, and it's sorted by omnibus category. So, the first two pages of it are Infrastructure, and you can see that there are four items that are above $100,000. I've already mentioned the $1.2 million for hardware that was a five-year term. So, it's about $250,000 a year. Then for every item that's over $100,000, there is an explanation of that item, and what it currently does, and what the change is.

If you skip forward two more pages from there, there is the Software list that's greater than $100,000, and there are about 14 items that are above $100,000, and this is predominantly continuation of services that we already have. So, for example, myPolicy is in here. That's a system we already have. This is for the licenses to continue running that platform next year.

Then I wanted to call out text messaging service that's listed at $109,200. This was one of the items that was covered under the emergency procurement for Hurricane Ian. We had an issue with text messaging services to the current vendor, so we quickly had to find a new vendor, and we're bringing that back forward for spend in 2023 in this action item.

Then the last section is the Professional and Staff Augmentation Services[3], which recaps everything that I've already talked about in the PowerPoint.

With that, I can read the recommendation for approval, or entertain any questions.

Chairman Butts: Governor Knight.

Governor Knight: Thank you. And forgive me if I'm not understanding clearly or perfectly. Some of these items ring a bell as things we may have approved in the past as part of another motion, for example, some of the cloud migration.

Kelly Booten: Right. So, the last Board meeting did have Cloud Compute in it, but when we estimated it at that time, we hadn't finished budgeting and looking at all the projects that were going to be approved for the following year. After we took a look at, for example, migrating the data warehouse is a big one, we increased the amount of cloud compute we thought we would need, and so we had to add that to Part II. That was one of the items I wanted to make sure to mention. For this item, it would be better to have it all in one place to go with the budget, which is the way we used to do it.

Governor Knight: Right.

Kelly Booten: Now that we're splitting it apart, it makes it a little bit cumbersome at times, and we don't have all the information in September to bring everything forward at once.

Governor Knight: So, there wouldn't have been any amount listed for Part I?

Kelly Booten: There is. For Part I, the Cloud Compute -- if you go back one right here. So, if you look at the software Azure 2023 Part I, $750,000, Part II, $105,000 for a total of $1.8 million. There was some of that in Part I, and the remainder of it in Part II.

Governor Knight: Then if we're looking on page 7, the next page where in the column there's the $600,000 to be approved in December, but nothing in September, I guess that's where I was getting...

Kelly Booten: Oh. So, yeah, for Part I, we did not have that item identified as needing approval. Remember, this also includes contracts. Some of the contracts are towards the May through December timeframe. Part I is typically focused on everything that's due through the end of April.

Governor Knight: Okay.

Kelly Booten: So, there wasn't anything identified that we needed at that point.

Governor Knight: Okay. Thank you.

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[3] Verbatim correction: Stated as Staff Aug and Professional Services

Chairman Butts: Any other questions? Governor Leznoff.

Governor Leznoff: Thank you. Not a question, just some comments. First, to you, Chairman Butts. Thank you for your indulgence in allowing a new process to be brought before your committee. Also, a great thanks to the team, Kelly, Stephen, Tim, and others behind the scenes that I'm sure worked on this. So, just my gratitude, appreciation, and thanks.

Kelly Booten: Thank you.

Chairman Butts: Thank you, Governor Leznoff. Any other questions for Kelly? Kelly, if you would read the action item.

Kelly Booten: Staff proposes that the Information Systems Advisory Committee review, and if approved, recommend the Board of Governors authorize the Technology Infrastructure, Software, and Professional and Staff Augmentation Services Part II contracts for an amount not to exceed $12,169,221, as set forth in this action item, and authorize staff to take any appropriate or necessary action consistent with this action item.

Chairman Butts: Thank you. I'd like to entertain a motion to accept the action item as read.

Governor Knight made a motion to accept the Technology Infrastructure, Software, and Professional and Staff Augmentation Services – Part II Action Item. Governor Nelson Telemaco seconded the motion. The Action Item was unanimously approved.

Chairman Butts: Kelly, I think it's going back over to Aditya, is that correct?

Kelly Booten: Yes, we have one consent item.

5. **Consent Item**

   a. **SmartComm [Consent Item]**

Aditya Gavvala: Hello again. Let's go to page number 68 in the slide deck. Wendy, whenever you're ready.

Secretary: Aditya, we didn't actually have a presentation for SmartComm, but Bonnie is going to pull up the Action Item.

Aditya Gavvala: Yes, please. Thank you, Wendy. SmartComm communication software is used behind Citizens Insurance Suite today to generate documents such as dec pages, cancelations, non-renewals, etc., daily. Through proactive monitoring and analysis in the context of the PIF growth, it has been determined that Citizens will exceed the defined usage limits for the number of pages produced by this software. Total Board approval of spend authority for this software is $3.3 million. Our forecasted cumulative spend since the beginning of the implementation by the end of this year is $2.8 million. That leaves $500,000 in the remaining spend authority. Projected spend based on the current PIF projections through the end of 2025 is $4.7 million. That requires an additional spend of $1.4 million over the approved $3.3 million spend. This overage includes $144,000 for professional services for the next three years for the new print vendor integration, improving reliability, and regular maintenance and performance tuning. The details are on the next page, please.

The estimated transaction forecast and the associated costs are shown on the table at the top. The professional services over the next three years are also shown in the middle table, which includes the print vendor integrations and the performance tuning that I spoke of. The total estimated spend breakdown by the year is shown on the table at the bottom.

I will pause here for any questions before I read the recommendation.

Chairman Butts: Just a real quick question. This went out to bid originally back in 2011, is that correct?

Aditya Gavvala: That is correct. The original contract was approved by the Board on December 14th, 2011 for the contract base term of five years, plus two optional five-year renewals for the total spend authority of $2.39 million at that time. Back in March of 2019, the Board approved an additional spend of $917,000 to allow for the software upgrade to take it to the cloud. So, that total spend authority is $3.3 million.

Chairman Butts: Okay. Was the decrease in the transaction as a result of that movement to the cloud, or was there a driving force behind that?

Aditya Gavvala: The software that we originally procured back in 2011 was the on-premises version of the software that would require it to be run on our gear. Back in 2019, the vendor migrated the platform to the cloud. So as a result, we moved the implementation to the cloud, and that required an additional spend with the vendor, which included migration efforts, implementation, plus the hosting services.

Chairman Butts: Perfect. Any other questions? Thank you, Aditya. Would you go ahead and read the...

Governor Telemaco: Actually, I'm sorry, I do have a question.

Chairman Butts: Go ahead, Governor Telemaco.

Governor Telemaco: If I understand this correctly, the renewal term begins in 2025, March 10th, 2025, is that correct?

Aditya Gavvala: The contract was approved back in 2011 for the base term of five years, and then two optional five-year renewal terms, which takes it all the way to 2027, but what we are seeking here is additional spend authority only through 2025. There are two primary drivers behind why we are only taking it to 2025 instead of 2027. Reason number one is, as Kelly spoke of, there is a solicitation currently in flight for cloud-based insurance suite, which could potentially impact which technology we would be using based on the vendor that we would select for the insurance suite. We will know about that at the conclusion of the solicitation next year. That's reason number one.

Reason number two is we have used our forecasted PIF growth based on where we stand today, and this estimated spend is based on the PIF growth, and by the time we will make a decision on the insurance suite, we will have better clarity to which direction the PIF growth is headed. So, we can revise the numbers and bring back an action item, if necessary, in 2024. That's our plan.

Governor Telemaco: Okay. So, the increase is 100% related to the PIF growth, correct?

Aditya Gavvala: Absolutely correct. Yes.

Governor Telemaco: Is there any way that that can be negotiated? I know that there's been some negotiations in the past. Has that been attempted?

Aditya Gavvala: Yes, it was. Thank you for bringing up that question. Back in 2021, Citizens negotiated an 80% decrease in "per transaction" pricing. Even with lowering the cost, our current projected PIF results in the remaining spend authority to be exhausted by 2020. So, we negotiated the price down back in 2021, 80% decrease. That was in 2021. Our PIF kept going up. Now, based on the new projections, we would be running out of funds by 2023.

Chairman Butts: So, adding on, I think, Governor Telemaco, potentially, and correct me if I'm wrong, have we had any negotiation efforts since that 2021 substantial decrease?

Aditya Gavvala: Have we had any? I think the last negotiation was 2021.

Kelly Booten: Stephen Guth is on and can correct either one of us if we're wrong, but yes, 2021, which was just a year, 18 months ago with an 80% reduction, so we didn't feel there was much more to get reduced on this one.

Chairman Butts: Right. Thank you. So, this is essentially a band-aid to get us down the road until we have more information as to what we want to do moving forward.

Kelly Booten: Right.

Aditya Gavvala: Yes, based on our current projections. Yes, that is correct.

Chairman Butts: Perfect. Governor Telemaco, any additional questions?

Governor Telemaco: No, thank you very much, appreciate it.

Chairman Butts: Thank you. Great. Do you want to go ahead and read the consent item?

Aditya Gavvala: Absolutely. Thank you. Staff proposes that the Information Systems Advisory Committee review, and if approved, recommend the Board of Governors approve additional spend authority in the amount of $1,402,598 for the document duration software license and services agreement contract, and authorize staff to take any appropriate or necessary action consistent with this consent item.

Chairman Butts: Great, thank you. I'll entertain a motion to accept the consent item as read.

Governor Knight made a motion to approve the SmartComm Consent Item. John Vaughan seconded the motion. The Action Item was unanimously approved.

Chairman Butts: Thank you very much, Aditya.

Aditya Gavvala: Thank you, Committee members.

6. New Business

Chairman Butts: Perfect. Final item for today is new business. Is there anything that we'd like to discuss before we adjourn? Anything? Seeing none. Appreciate everybody joining today, and hope the USA wins a match today, and I'll see several of you next week. Have a great day. Thanks again for joining.

This meeting is adjourned.

Governor Knight: Thank you.

Kelly Booten: Thank you.

John Vaughan: Thank you.

Governor Telemaco: Thank you.

Whereupon the meeting was adjourned.