

CITIZENS PROPERTY INSURANCE CORPORATION

DRAFT

**MINUTES OF THE
SPECIAL BOARD OF GOVERNORS MEETING
Friday, July 28, 2023**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened via Zoom Webinar on Friday, July 28, 2023, at 8:00 a.m. (EDT).

The following members of the Board were present:

Carlos Beruff, Chair
Scott Thomas, Vice Chair
Joshua Becksmith
Jason Butts
Erin Knight
JoAnne Leznoff
Nelson Telemaco

The following Citizens staff members were present:

Tim Cerio	Jeremy Pope	Brian Donovan	Sarai Roszelle
Jennifer Montero	Mark Kagy	Eric Addison	Greg Rowe
Barbara Walker	Ravi Tadiparthi	Ray Norris	Stephen Guth
Kelly Booten	Christine Ashburn	Mathew Carter	
Jay Adams	Michael Peltier	Bonnie Gilliland	
Joe Martins	Carl Rockman	Robert Sellers	
Ken Tinkham	Violet Bloom	Mike Sills	

Call Meeting to Order

Barbara Walker: Good morning. You are dialed in to Citizens Property Insurance Corporation's Special Board of Governors meeting scheduled for July 28, 2023. This meeting is publicly noticed in the Florida Administrative Register to convene at 8:00am and is recorded with transcribed minutes available on our website. For those attending today's session through the public link, you're automatically in listen-only mode. Thank you for identifying yourself prior to addressing the committee. Chairman, we have no speaker requests today other than what is on our agenda. May I proceed with the official roll call?

Chair Carlos Beruff, Vice Chair Scott Thomas, Josh Becksmith, Jason Butts, Erin Knight, JoAnne Leznoff, and Nelson Telemaco were present. Governors Hasner and Lydecker were unable to attend. Quorum established.

Chairman Carlos Beruff: Thank you, Barbara. I guess my report is simply to move on to Ms. Booten, who has 2 items, and we should get this meeting over rather quickly unless there are questions from the governing board, of course.

Kelly Booten: Thank you. Thank you for your time today to move these 2 important strategic initiatives forward. The first item is the Citizens Eligibility Reimagined Action Item. This action item requests approval to contract with Applied for an initiative, intuitive next-generation Citizens Eligibility Reimagined platform. We use this platform to support our obligation for a clearinghouse program which is required under Florida statutes. The platform will connect to private market carriers to obtain quotes for new and renewal policies, and to determine if private market offers impact citizens eligibility for Citizens. The previous platform was procured in 2013, and the contract expires in August. We are in the process of rolling out an interim solution until this product can be implemented. The contract includes a 5-year base term, followed by 5 optional one-year renewal periods. Approval is requested for the 5-year base term and 5 one-year renewals for an amount not to exceed 35,720,892 for the life of the contract. This includes implementation services, product fees based upon number of users, professional services, and a contingency as described in the table on the Executive Summary on the top of the second page. The solicitation was heavily negotiated by a team of Citizens' professionals, including Carl Rockman, Stephen Guth, and Aditya Gavvala. Numerous evaluators in space throughout the company were involved in it. We had input from agents and carriers, and also Governor Telemaco was the Board Observer. I can go into any other level of detail, or entertain any questions, or move forward with the recommendation.

Chairman Beruff: The Board will entertain a motion to approved.

Governor Becksmith: So moved.

Unknown: Second.

Chairman Beruff: So, I have a second. All those in favor signify by saying aye.

Barbara Walker: Did you read the recommendation?

Kelly Booten: I didn't read it.

Barbara Walker: Mr. Chairman. We did not read the recommendation.

Chairman Beruff: Read it into the record, please, Ms. Booten.

Kelly Booten: Citizens' Staff recommends that the Board of Governors authorize the Citizens' Eligibility Reimagined contract with Applied systems for a term of 5 years with 5 optional one-year renewals for an amount not to exceed 35,728,892 as set forth in this action item and authorize staff to take any appropriate or necessary action consistent with this action item.

Chairman Beruff: So, I have a motion and a second. All those in favor signify by saying aye.

(Chorus of ayes; motion carries)

Chairman Beruff: Thank you; and we go on to 2B.

Kelly Booten: Alright. The second action item is for Citizens Business Insurance Suite. A similar version of this action item was approved by the Information Systems Advisory Committee of the Board on June 27, 2023. Since then, we have worked with Chairman Beruff and the vendor to make changes that ensure we have favorable contract terms as well as an appropriate level of expenditure request given that this contract is based upon direct written premium. Also, Governor Leznoff provided valuable feedback and as well as Governor Butts and Governor Becksmith. Thank you. This action item requests board approval to enter into a contract with Guidewire Software, Inc. for Citizens Business Insurance Suite. We currently use Guidewire on-prem software to provide the essential technologies and services that support Citizens' underwriting, policy services, claims and billing functions as well as our customer portal. This action item requests Board approval to enter into a contract with Guidewire for their Cloud Based Insurance Suite. In addition to these managed services that the governor of the vendor will provide in this model. Other advantages of the platform include enhanced customer experience, faster time to market, advanced digital portals for both agents and policy holders, intelligent workflows, value-add predictive and visualized risk data improved and advanced reporting and dashboards. Artificial intelligence baked into the workflows and that's advance devops capabilities. Guidewire was selected through an Invitation to Negotiate. The focus of the negotiation team was to identify the vendors that provide the best value to Citizens based upon product features and functionality implementation services, ongoing operational technical services, contract terms and conditions and total cost of ownership. On June thirteenth the negotiation team recommended Guidewire for various reasons, including ability to extend and customize beyond the functionality of the base solution which meets Citizens' business needs with a predictable implementation path with less potential disruption to our operation, a smooth transition for existing integration points and Guidewires knowledge of Citizens' unique business needs regarding the depopulation efforts. The negotiation team also recommended a contingent award to Duck Creek and Cognizant in the event that Citizens cannot finalize a contract with Guidewire, or if the contract is terminated for cause by Citizens. The top contract will include software subscription, implementation services and post implementation professional services as needed for operational and technical assistance. The initial term of the contract is 10 years with the ability to terminate for convenience after or year 5 with proper notice. Citizens' Staff is requesting authority for the amount not to exceed 66,283,367 for the initial term of 10 years. The pricing model in table one sets forth the projected spend for the 10-year initial term with Guidewire. The subscription service fee is based upon an assumption of decreasing direct written premium, which takes us approximately up to 5.1 billion in 2024, and then drops significantly in the following years. For order years one through 5 Citizens is responsible for the base fee, and any additional costs, such as additional nonproduction environments which totals 25.1 million. This contract is anticipated to offset other costs that would have been expended over the 10-year timeframe ranging from 50 million to 80 million. We'll have more concrete numbers as we get through the discovery phase of the project. Authority for the 10 one-year optional renewals beyond the first 10 years are not included in this action item, because it's just really hard to even predict the first 10 years, let alone the second 10 years. However, Citizens... we have no obligation to renew the Guidewire contract, and we'll have the opportunity to renegotiate renewal pricing before that term at the commences. Citizens estimates an additional 4.6 million will be required for third-party implementation expenses, such as staff augmentation costs. Funding for these expenses would come through the IT action items that the Board sees in probably September, or probably December this year. If there's additional needs that we have to fill out and back-fill for staff, that will be focused on this project. And with that I'll entertain any questions.

Chairman Carlos Beruff: Any of members have any questions. Seeing that I'd like to add some comment to this. I look at this as a 5-year contract, because at the end of 5 years we can give notice if we're not satisfied with the services or the cost parameters, which I think were heavily negotiated in the first 5 years. But I'm not so sure that the economies of scale have been taken into consideration years 6 through 10.

So, there is a cancellation for convenience clause in the contract at the end of 5 years, which you would really start working on in 36 months, if that was the case because it'll take 2 years to change the ship, if we decide that the provider is not keeping up with what we think these industry standards are. So, I just want the board to know that what we're really signing up for is to make sure that the contractor continues to give us the services they provide reasonable prices into the future, and though it's a 10-year contract that we have, for convenience, the right to cancel, at the end of 16 months, with proper notice, and any time after that for any period of time in the second 5-year period. So, I appreciate your consideration, and I'll entertain a motion to approve.

Governor Telemaco: Chairman Beruff, may I ask, just a question?

Chairman Beruff: Of course.

Governor Telemaco: I understand the 5-year term, if you will. How do?... What's the prompt for the evaluation at the end of those 5 years, or up at the end of the 3 years, meeting up to the 5 years. What's the prompt for us to reconsider that?

Chairman Carlos Beruff: I don't. I don't know what, as Ms. Booten clearly said, she's in the discovery phase of this thing, and in September I guess we're going to be approached with some, maybe some money for personnel, or maybe not. The problem with this whole contract is, it's all based on written premium. Well, if the company shrinks, it's a whole different item, the other thing that I was very concerned about... which is why I started paying a lot of somewhat of attention to this contract. Was it? I'm the least sophisticated technology guy on this meeting? I'm sure of that, okay. But I do read a lot. And to me, to ignore the fact that AI is going to have a significant impact on how things are run, and those things should come into fruition in the next 24 to 48 months. I didn't want to have a contract that would tie us in. If somebody invented a better mouse trap and it's significantly less money. Okay? So, the complications that we have. You, Mr. Telemaco, are actually probably as well versed as anybody else on this board to understand the services these people are providing. I, on the other hand, do not. But I'd like to discuss that in the September meeting. I'll set aside 30 min for that because I'd like to get all the board members better educated. This is a big contract for a lot of money, and we have a bunch of these; and if the company is supposed to be the smallest company in the State of Florida, then we have to make sure we address them correctly. I don't know if I answered your question or not.

Governor Telemaco: I think so. I think what I'm hearing you say, and I totally agree with every comment that you've made. But what I'm hearing you say is that in September we'll have more information to evaluate, and I presume that at that point there'll be some sort of a schedule for us to evaluate again at the end of 3 years, maybe 4 years leading up to the 5 years.

Chairman Carlos Beruff: Yeah, I think that's what I would recommend that the Board discussed and then provide certain direction to the staff to... so that this. What we don't want for this Board, or any future boards, is big contracts not for any nefarious reason, but they sneak up on you. And then all of a sudden, you're in a deadline, and I don't like that deadline with the 90 days, you know, gun to my head especially in this particular contract. What I've been advised is that it's the amount of information. If we were to transfer the service to another provider is cumbersome and has this complexity. So, you'd have to start planning somewhere between 12 and 24 months from that expiration. And that's why it's important that I think your comment is timely, that in September we say, okay, Board, we want a policy that says we are going to review where we are in 36 months on this issue, in case we start seeing problems or better things out there for the citizens of Florida and the policy holders of Citizens insurance.

Kelly Booten: If I might add... this is Kelly for the record. I said September and changed it to December as I was talking because I knew the discovery phase ran September to December. So, December is more likely to have been through that discovering part of it. And also, we will report on this through the ISAC regularly. We can report on it at every committee meeting, the progress on this, and stay ahead of it. I went through this for many, many years the first time we implemented Guidewire and reported on it at every board meeting. So, we'll do that. We'll have the toll gates, report outs, whatever it is you want to feel comfortable, and that we're ahead of this and making the right decisions looking forward.

Chairman Carlos Beruff: Okay, any further questions from the board members or from staff, any comments that Mr. Cerio, you're inclined to make, or we good to vote on?

Tim Cerio: No, I think I think that Ms. Booten did an excellent job, Mr. Chair. You know there are benchmarks built in, and Governor Leznoff had some... had a lot of great questions about that, so there will be. They're already going to be benchmarks that Kelly and her team can report on. So, I and that's why I have a strong comfort level, especially as you pointed out, Chair, a big concern with, are we making sure that we're keeping up with the developing technology? We will have those opportunities, and we will keep you and this board apprised.

Chairman Carlos Beruff: So, I think we had a motion in the second.

Kelly Booten: Can I read the motion?

Citizens' staff recommends that the Board of Governors authorize the contract with Guidewire Software for an initial term of 10 years, and an initial term amount not to exceed 66,283,867, as set forth in this action item and authorized staff to take any appropriate or necessary action consistent with the action item.

Chairman Carlos Beruff: Is there a motion?

Governor Becksmith: So moved.

Chairman Carlos Beruff: Second. Is there a second? Oh, we already did this. I don't know. We'll do it a third time. All those in favor signify by saying, aye. (Chorus of ayes) Are there any nays? No, **motion carries unanimously**. This, I think, concludes our meeting, right?

Barbara Walker: Yes sir, it does.

Chairman Beruff: Somebody motion to adjourn, and will everybody enjoy their nice hot summer, and I'll see you in September. Thank you. Bye-bye.