

CITIZENS PROPERTY INSURANCE CORPORATION

**Summary Minutes of the
Information Systems Advisory Committee Meeting
Tuesday, November 29, 2016**

The Information Systems Advisory Committee (ISAC) of Citizens Property Insurance Corporation (Citizens) convened telephonically on Tuesday, November 29, 2016 at 11:00 a.m. (EST).

The following members of the ISAC committee were present telephonically.

James Holton (Chairman)
Juan Cocuy (Board)
Freddie Schinz (Board)
Brian Foley (Advisor)
John Vaughan (Advisor)
Kelly Booten (*staff*)

Call Meeting to Order

Roll was called.

1. Approval of Prior Meeting's Minutes (September 13, 2016)

Chairman Holton asked if there were any changes to the prior minutes. There being none, he asked for a motion to approve the minutes from the September 13, 2016 meeting.

Freddie Schinz made a motion and Brian Foley seconded to approve the minutes as presented. The minutes were unanimously approved.

2. IT Disaster Recovery Strategy Update

Robert Sellers, Vice President of Infrastructure and Operations, began by saying there has been a lot of work on the IT Disaster Recovery Strategy through the latter part of 2016 with the organizational planning activities that we have gone through from an IT organization and from a Systems and Operations organization.

We have looked at the timelines associated with this particular program. The target date is currently in October 2019, which is aligned to our real estate strategy in Tampa where our current disaster recovery center is located. That timeframe, along with the activities that we have planned in 2017 for the organization, had us go back and look at the overall timelines associated with this particular program and the activities that were scheduled for 2017.

Given the different programs that we have underway this year and early next year, and looking at some of the optimizations we can do with some of our other strategies around cloud and around some of the other SaaS solutions that can be provided, we wanted to take a strong

look at the alignment of this program to those programs that will be coming into fruition in 2017.

That allowed us to defer some of the costs that we had planned in 2017 for this program, and to get it aligned to some of the benefits that we see with some of the other strategies and programs that will initiate in 2017. Going forward, we are going to place this particular program, in terms of the data center activities, on hold through the third quarter of 2017. We will continue with some of the refresh activities that we have going on with the technology that we know will be needed regardless of our future decisions for the disaster recovery program.

I want to assure the members of the Board and our advisers that the continuation of our disaster recovery activities and capabilities are in no way impacted by this decision. We maintain at the height of readiness for an event that might take place at one of our data centers or one of our facilities and the ability to recover to our Tampa location during this time period, but we are going through a hold state on this project, and as such, we will not bring forward a further status update on this until third quarter of 2017, at which point we will pick up with project status going forward.

Kelly Booten, Chief Systems & Operations, added that this was one of the things during our annual planning process that, when we looked at budgeted projects and things that we have in our pipeline, since we had enough time to get this implemented by October of 2019, one of the obvious decisions was to put this on hold, get a few other things figured out and then pick this back up in third quarter.

She added that we will be ready by then to bring forward our vendor selection so that we can move forward, and that we have narrowed the field down to two or three vendors. She concluded by saying we are well positioned, and this gives us the opportunity to spread the cost further across multiple years and allow for higher priority projects.

Chairman Holton asked if they are definitely assured that there will be no kind of gap where there is any issue of potential data recovery during this period of pausing.

Robert answered that that is correct.

There being no additional questions, Chairman Holton turned the floor over to Sarah Harrell for the ERP Update.

3. Enterprise Resource Planning (ERP) Recommendation

Sarah Harrell, Director Enterprise Programs, began by saying the teams have been very busy and very productive since the September. The program remains on schedule and on budget. A key development is the branding of the program. We are now calling it Centerpoint and I have included the logo on slide two. As you can see ERP is embedded in Centerpoint with a different color. We thought that was pretty clever. So we are no longer referring to it as ERP, we are referring to it as Centerpoint.

Sarah continued, saying again, that the teams have been very productive. We finished our planning and our process modeling; we configured the system to Citizens specifications and conducted two sprints, or conference room pilots as we call it, where that functionality was demo'ed to the various business and technical teams, and were very successful there. We have our data conversion and integration services designed and that development is underway. System integration testing is our next key milestone, and it begins December 12th, two weeks from today, so everything is going as planned.

Sarah added that we have a huge organizational change management effort related to this program and that, too, is moving along as planned. We have a communication plan developed; we have developed a Centerpoint newsletter, a newsletter specific to everything that is going on with the program, what's coming soon and how development is going. Change agents have also been identified for even division. Those folks will be on the ground, the cheerleaders, if you will, keeping everyone updated and apprised of what is coming next with Centerpoint.

Sarah stated that the key milestones are listed at the bottom of slide two with the target completion dates. As stated earlier, integration testing is our next key milestone. It starts the second week in December and is slated to wrap up in early January. Phases two through five are not currently active, as we are currently focused on phase one.

Slide three is a reiteration of what you have seen previously - the start and end dates for phases one through five.

Slide four is information you have seen before, as well. It is the approved spend for the program for the 10-year contract.

Slide five shows the projected spend for the action item for the implementation period. The numbers in teal represent the invoices that we have received through 10/31. Again, no surprises - these are almost fixed costs. They were contracted and planned, and we are paying invoices as they arrive.

We do know of three change requests that are pending that will consume some of our contingency funds for additional subscriptions and contingency funds for change orders. There are a couple of additional integrations that are needed, some custom reports, and we need to purchase two additional Oracle security modules, so those change orders are pending. We don't have the details on those yet, and they have not been approved by the sponsor committee, but they are known and coming.

Slide six shows the Action Item projected spend post implementation, which is contract years 19 through 25. Again, pretty much fixed costs. We subtract that as those costs are incurred.

Slide seven shows the estimated 2017 Centerpoint budget. The first two items, Professional Services and Software Maintenance and Licensing, are the items that are covered

under the action item. The remaining items are the operational items that were included in the 2017 budget - contingent staffing, travel and meals, employee benefits, et cetera. Sarah concluded her update by saying the 2017 projected budget is at \$6.99 million, with the IT expense allocation of another \$1.5 million for a total of \$8.5 million projected spend in 2017.

There were no questions and Chairman Holton turned the floor over to Kelly Booten to present the consent items.

4. Consent Items

Kelly Booten began by saying as part of our annual planning process we look at the IT support needed to cover our enterprise projects, things we have in our IT Strategy Plan, items we have in our IT Security Strategic Plan, as well as operational activities that run the business, and we bring that together into two consent items every year.

One of the Consent items is the IT Staff Augmentation Services, which we have reduced from last year's spend. Last year it was four million, this year we are down to \$2.4 million. So, over the years we have reduced our IT staff augmentation costs.

The second Consent Item is the IT Infrastructure, Software and Professional Services. The budgeted amount is about equal to last year's amount, a little bit higher at \$17.8 million, but down quite a bit from last year's Consent Item because that had a lot of three-year costs included in it.

At this point, Kelly turn the floor over to Curt Overpeck, Chief Information Office, to read the Consent Items for approval.

a. IT Staff Augmentation Services

Curt Overpeck read the recommendation on the IT Staff Augmentation Services Consent Item saying Citizens' staff recommends that the ISAC approve and recommend that the Citizens' Board of Governors approve the recommended IT Staff Augmentation Services Consent Item and authorize staff to take any appropriate or necessary actions consistent with this consent item.

Chairman Holton asked if there were any questions. With no questions being heard, he asked if there was a motion to approve the Consent Item.

John Vaughan made a motion and Brian Foley seconded to approve the Consent Item for IT Staff Augmentation Services. The motion carried unanimously.

b. IT Infrastructure, Software and Professional Services

Curt Overpeck read the recommendation on the IT infrastructure, Software and Professional Services Consent Item saying Citizens' staff recommends that the ISAC approve and recommend that Citizens' Board approve the recommended IT Infrastructure, Software and

Professional Services Consent Item, and authorize staff to take any appropriate or necessary actions consistent with this consent item.

Chairman Holton asked if there were any questions. With no questions being heard, he asked if there was a motion to approve the Consent Item.

Brian Foley made a motion and Freddie Schinz seconded to approve the Consent Item for IT Staff Augmentation Services. The motion carried unanimously.

Chairman Holton turned the floor over to Kelly to give the IT Audit Report.

Kelly Booten stated that all items, except one from the last report in September and October, have been closed. She stated that we have added items that were part of the network audit, and that all of those items are scheduled to be completed by the end of the year. Kelly concluded by saying we have one new item from the Change Management Audit that will be presented at the Audit Committee which will be closed in early 2017, so we are progressing well with our open audits.

5. New Business

Chairman Holton asked if there was any new business to come before the committee and, with none being heard, he made his final comments.

6. Final Comments

Chairman Holton closed the meeting by saying staff would schedule the next ISAC teleconference in advance of the March 29th Board meeting.

As there was no further comments or questions to be discussed, Chairman Holton entertained a motion to adjourn.

Freddie Schinz made the motion to adjourn and Chairman Holton adjourned the meeting.

[Meeting adjourned]