

ACTION ITEM

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Actuarial and Underwriting Committee Meeting, December 11, 2018
Board of Governors Meeting, December 12, 2018

CONTRACT ID:	Business Process Outsourcing (BPO) Underwriting Production Services RECOMMENDED VENDORS: BLUE COD TECHNOLOGIES, INC., GENPACT LIMITED AND MACNEILL GROUP, INC.
BUDGETED ITEM	Funding for these contracts is included in the 2019 Annual Operating Budget and then will be included with each subsequent budgeting year, for the term of these contracts.
CONTRACT AMOUNT	The cost of the contracts, including renewals, is estimated at \$35,616,803 and shall not exceed this amount. The proposed anticipated spend includes \$19,308,403 for the 5 year base term, \$9,685,040 for the 3 year optional renewal and \$6,623,360 for the 2 year optional renewal. Payments will be based primarily on volume and duration of production activities handled by each vendor, each month. The requested total contract amount is an estimate based on recent history and potential variances in volumes due to market, legislative, and catastrophe related impacts.
CONTRACT TERM(S)	The contracts will replace current contracts which expire beginning September 2019, and will have a five (5) year base term with an optional three (3) year renewal term and a second two (2) year renewal term.
PURPOSE / SCOPE	<p>This Action Item requests Citizens Board of Governors approval to enter into contracts with the three (3) awarded vendors for the purpose of Underwriting Production Services.</p> <p>Underwriting Production Services includes the following work types for Personal Lines and Commercial Lines processing:</p> <ul style="list-style-type: none">• New Business• New Business Automated Processing (applicable to Personal Lines only)• Policy Changes/Endorsements• Cancellations• Reinstatements <p>The outsourcing of these services continues to allow Citizens to increase internal efficiencies and scalability as business conditions change.</p>
PROCUREMENT METHOD	<p>On August 30, 2018, Citizens issued ITN No.: 18-0038 for BPO Underwriting Production Services. Three (3) responses were received, and all three (3) met Citizens' mandatory requirements and were advanced to negotiations.</p> <p>On December 4, 2018, the negotiation team awarded three (3) vendors to provide services. The award was structured as follows:</p> <ul style="list-style-type: none">○ Primary Vendors: Blue Cod Technologies, Inc. MacNeill Group, Inc.○ Contingent Vendor: Genpact Limited

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	<p>The Vendor identified as the "Contingent Vendor" will be utilized in the event the Primary Vendors are unable to perform or meet Citizens' needs. No guarantee of work, which includes a minimum percentage or a specific allocation of any work type, is established with these contracts due to the potential volatility with Citizens' operating model related to overall scalability.</p>
RECOMMENDATION	<p>Citizens staff recommends that Citizens' Actuarial and Underwriting Committee approve and recommend the Citizens Board of Governors:</p> <ul style="list-style-type: none">a) Approve the contracts to the recommended vendors as set forth in this Business Process Outsourcing Underwriting Production Services Action Item in an amount not to exceed \$35,616,803 for the five (5) year base term and optional three (3) year and two (2) year renewal terms; andb) Authorize staff to take any appropriate or necessary actions consistent with this Action Item.
CONTACTS	<p>Steve Bitar, Chief of Underwriting and Agency Services</p>