

CITIZENS PROPERTY INSURANCE CORPORATION

Summary Minutes of the Information Systems Advisory Committee Meeting Tuesday, June 27, 2023

The Information Systems Advisory Committee (ISAC) of Citizens Property Insurance Corporation (Citizens) convened via Zoom webinar on Tuesday, June 27, 2023, at 10:00 a.m. (ET).

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

Jason Butts, Chair
Erin Knight
Nelson Telemaco¹
John Vaughan
Kelly Booten, staff

The following Citizens staff members were present:

Aditya Gavvala	Mike Sills
Barbara Walker	Ray Norris
Bonnie Gilliland	Ricky Polston
Chris Jobczynski	Robert Sellers
Eric Addison	Sarai Roszelle
Greg Rowe	Stephen Guth
Jay Adams	Sudheer Kondabrolu
Jennifer Montero	Tim Cerio
Ken Tinkham	Wendy Perry

Roll was called and a quorum was present.

1. Approval of Prior Meeting's Minutes

Chairman Butts: Good morning, everyone, thank you so much for attending the ISAC committee. To start, I would like to have an approval or recommendation for the prior Minutes.

Governor Erin Knight made a motion to approve the November 29, 2022, Information Systems Advisory Committee (ISAC) Minutes. John Vaughan seconded the motion. All were in favor, and the minutes were approved.

Chairman Butts: With that we will turn it over to Kelly Booten.

2. ISAC Charter

Kelly Booten: Good morning. Kelly Booten for the record. Today we have the ISAC Charter for review and approval. We are not making any recommendations for change. The Charter calls for an annual review, and if there are no changes then we just move on. If there are, they would go to

¹Governor Telemaco joined the call just after roll call.

the Board for approval. So, I will turn it over to the Committee² to see if you would like to adopt the Charter as it exists today.

Chairman Butts: Okay, any concerns on the Charter? So, we will entertain a motion, Kelly, to go ahead and move that forward?

Kelly Booten: Yes, thank you.

Governor Erin Knight made a motion to approve the Information Systems Advisory Committee (ISAC) Charter as presented. John Vaughan seconded the motion. All were in favor, and the motion carried.

Chairman Butts: Go ahead, Kelly, with your report, please.

3. Chief Operating Officer Update

Kelly Booten: Good morning. I have a brief report today. Real quickly, since we are in catastrophe season, a consolidated comprehensive catastrophe presentation will be presented at the July Board meeting. Today I wanted to mention that 94.5 percent of the 155 catastrophe readiness activities are complete with no open critical items, and system performance testing has been successfully conducted for the transactions that are most likely to occur while at 1.5 million policies in force in conjunction with a 525,000-claim event. In addition, improvements have been made in the underlying technology supporting remote independent adjusters, and the adjuster on boarding and telephony capability.

Today's agenda is full with the annual update to the IT Strategic Plan and the Citizens' Business Insurance Suite award recommendation.

ISAC members were provided with a full IT Strategic Plan. This year we are introducing minor updates to keep the plan relevant and consistent with the Citizens' Enterprise Strategic Plan. Today Chris will cover the components of the plan and highlight the updates, and Aditya will then provide any progress that we've made on the key initiatives that enable achievement of the plan.

With that I would like to turn it over Chris to take the next item, if you are okay with that, and move into the IT Strategic Plan presentation.

Chairman Butts: Okay, thank you. Chris.

4. IT Strategic Plan Update

Chris Jobczynski: Thank you. I have turned on my video, can you see me?

Kelly Booten: Yes

Chris Jobczynski: Alright, perfect. Good morning, everyone. Thank you for the time this morning. My name's Chris Jobczynski. I'm the Director of Enterprise Architecture and IT Strategy, and I'm going to present the update today on the IT Strategic Plan. Go ahead to the next slide, please.

² Verbatim correction: Stated as "Board".

The IT Strategic Plan describes how Citizens' IT will deliver business value, drive business outcomes and partner across the enterprise to achieve Citizens' mission. The overall structure of the plan has remained the same this year; however, we have some new, exciting content that we have updated that I will talk about at a high level today. The Strategic Plan Word document and Appendix are also available with additional details, although those are not part of the distributed meeting materials.

The top image on this introductory slide does a nice job of showing how the elements of the Strategic Plan fit together and support the enterprise initiatives. We start with the principles and policies at the foundation and then above that we have three pillars representing how IT uses its people, processes, and technology to enable the initiatives and solutions that are right above the pillars. Those initiatives and solutions automate business functions that reside on top of the initiatives and solutions. Automation of those business functions improves our ability to meet our strategic objectives. So, that is how the structure of the plan fits together.

The text on the left and the image on the bottom more concretely indicate the contents of the Strategic Plan Word document. The image at the bottom has a little bit more detail in terms of the architectural layers (in green) that are represented in the plan. Next slide, please.

Before I go into the details of the changes for the Strategic Plan this year, I would like to talk about the objectives that the Strategic Plan needs to align to. We start on this slide with one overall theme of stabilization shown in the umbrella supported by five strategic objectives. The newest of those objectives is to continue to optimally serve our customers. There are samples of initiatives that are shown underneath each of these objectives. These are some of the key critical initiatives that we have. Some of these initiatives you may have seen come through before as action items, such as the Fraud Analytic Software Implementation under objective one. A few of the other initiatives are coming through very quickly, such as the Cloud-Based Insurance Suite Solicitation under objective two and the Enterprise Litigation Management Solution under objective four.

It is very critical that the IT Strategic Plan aligns with and helps to support us in meeting these initiatives and achieving these objectives. The majority of this slide content came from the Enterprise Strategy and Planning organization led by Brian Weaver. Next slide, please.

On the next two slides I have summarized the content of the plan in terms of the changes for this year and I will go through this information very briefly section by section.

Section two - Business Context. The Business Context represents the macro drivers that shape Citizens' environment, such as increased fraud and increased litigation. This is the environment that we live in that influences us. We have added one driver this year for the democratization of information technology. IT democratization refers to the process by which technology rapidly continues to become more accessible to more people. This may result in applications being built by people who don't have all the skills and training that dedicated IT people have had. This brings both risks and opportunities. The role of IT governance must increase to mitigate these risks and protect Citizens' data. Gartner indicates within a few years that roughly 80 percent of technology products and services will be built by those who are not full-time technical professionals, so IT Governance becomes very important. This does influence our organization, hence, we felt it warrants including in the plan and planning for this.

We talked about Section 3.2 and 3.3 on the previous slide related to objectives and initiatives. I'll move on to the Strategic Principles under section four. Principals guide technology decisions in

alignment with strategic intent. We have 13 principles now that we have added this new one this year for resiliency. We wanted a principle around resiliency to ensure that we keep it in the forefront of our mind as we evaluate vendors and solutions, and as we design solutions and implement them.

We've done something new this year in the plan, as well, in sections five, six, seven and eight by summarizing progress we've made in the previous three years as it relates to key areas of the plan.

Section five includes both Business Architecture and Technology Innovation. Business architecture is a bridge from strategy to execution, and it provides a common vocabulary that we can use across the business, including IT. The thing I am most excited about this year with respect to business architecture is the addition of business functions to our framework. We've worked across the company to define the business functions for policy, claims, and billing areas, and we used those business functions to help identify topics for the Cloud-Based Insurance Suite vendor demos that we had, as well as to ensure completeness of the statements of work. We are also working on leveraging these business functions for implementation as a framework for our requirements and test planning. We are getting a lot of really good traction around the addition of business functions for the business architecture framework.

I'm not going to talk about Technology Innovation right now, because I have a dedicated slide coming up on that, so please go to the next slide.

Section six relates to the IT Strategy Summaries. We have defined individual IT strategies for critical items such as cloud modernization, data warehouse modernization, and systems integration. Those are referenced in the plan. We also mapped each of these strategies to the business drivers and the business objectives. There were changes in the plan this year because we added the driver and the objective that we have talked about. Those mappings have been updated in the IT Strategic Plan.

Section seven relates to people and culture, and there are three main areas that we address in this section – workforce planning, employee engagement, and change management. You can see a reference on this particular slide to the changes that have been made to the IT pay structures this year.

Section eight relates to the process pillar that we talked about in that first image. There are three main areas related to process that we address in the IT Strategic Plan, and those are Agile Transformation, DevOps, and Governance.

For Agile Transformation we added some information about our progress maturing the Enterprise Rhythm Framework, and we also added a reference to our use of Agility Health tools and methods to assess our maturity. That is being led by Clint Rozelle in our Business Agility area.

We have also made some progress maturing our overall DevOps capability. We are in the process of completing a DevOps assessment right now. That's looking at the current state of DevOps within our organization, identifying the root cause and some of the challenges encountered, and providing recommendations for improvement. Acting on that recommendation will help to optimize our development and operations processes and efficiency.

In the IT Governance area, we've enhanced our IT Strategic Plan to reflect the fact that we have made some changes in the end user computing governance area, including the addition of a tracking dashboard for all of our end user computing assets in the company. Go to the next slide.

We have an Emerging Technology Tracking program and one of the key artifacts for that tracking program is the emerging technology radar; there is a sample of that from March in this particular deck that you are looking at. We identify all the technologies that we believe are either relevant now to the insurance industry and our company or will be soon, and we place those technology categories on this radar. The ones that are in the center are the ones that we feel are most critical to be looking at shorter term. The ones in the outer ring are those that we are keeping an eye on regularly and checking the developments within the insurance industry to determine if there is anything that we need to prepare for. And you can see in the dead center, artificial intelligence. We've documented some do's and don'ts related to chat GPT, and we're addressing artificial intelligence in our IT resources policy.

I have just summarized the updates to the IT Strategic Plan. If there are no questions at this time, I would like to turn it over to Aditya Gavvala to provide an update on the execution of our top technology strategies.

Aditya Gavvala: Thank you, Chris. Good morning, Information Systems Advisory Committee members. I am Aditya Gavvala, VP - CIO for the record. I would like to share with you a quick update on critical IT strategies aligned with our business objectives.

The first one that you see on the slide is Cloud Migration Strategy. The intent of this strategy is to host systems that are business and mission critical on an agile, scalable, secure, resilient, and fiscally prudent infrastructure. In 2022, we migrated 13 production systems to Azure cloud from our on-premises data center. In this year we plan to migrate another six major business systems. The remaining systems are anticipated to be completed in the next couple of years in tandem with other major initiatives, such as Cloud-Based Insurance Suite.

The next one is Application Integration Platform. This idea was presented to the committee back in November of 2022. This is to replace our legacy integration software that we use today. Work has been in flight to migrate our legacy integrations. Our major file transfers integrations have already been migrated. This project is anticipated to be completed by the end of next year.

Data Warehouse and Analytics. Our platform is currently on hold until the vendor for Cloud-Based Insurance Suite is engaged on systems migrations.

Unified Communications as a Service replaces our legacy telecom platform and services. This action item was presented to the committee last November, and Verizon started implementation work in Q2 of this year. I am very happy to share with you today that the first phase of the implementation is currently in user acceptance testing and we expect to go live in August of this year. The rest of the functionality is expected to be completed by the end of the year.

Identity and Access Management strategy is to provide more secure single sign-on, robust access management and governance platform for all of our internal and external users of Citizens' systems. I am really thrilled to report to you today that our first implementation of this platform is going live in August. We are currently in the organizational change management aspects of the roll out. The rest of the systems will be migrated to this platform in the next couple of years.

You will be hearing more about our Cloud-Based Insurance Suite in the next segment from Kelly, Robert, and Stephen, so I am going to skip over that.

We are actively working on the foundational components for the major Citizens' Eligibility Reimagined program. This foundational work will enable our agencies to integrate with Citizens' Insurance Suite through the application programming interfaces.

Citizens' teams are actively working on necessary system changes to support 2022 and 2023 legislative session updates, such as FIGA surcharge, Senate Bill 2BA and Rate changes.

I do want to share with you a success story of using Robotics Process Automation technologies at Citizens and what we have been able to accomplish. We developed a robot program which extracted document deferral updates from insolvent insurance companies such as FedNat, Southern Fidelity, Westin, Avatar, Gulf Stream. We were able to process thousands of policies and hundreds of thousands of documents, successfully extract information from it, and were able to save more than 20,000 manhours to-date just with that one program. Another bot that was created to automate binding suspension notices and storm alerts is expected to not only save manual hours, but also to improve the time to market and the quality of service.

There are a couple of very high return on investment use cases currently being worked on to automate the returned checks workflows and inspection workflows. They are expected to provide hundreds of thousands of dollars of savings over the next few years. Additionally, there are a lot of use cases in the pipeline that will leverage robotics process automation technology, artificial intelligence, and machine learning that are expected to provide high yield.

Legacy Retirement and Digital Accessibility are currently operational, and the work has been ongoing.

That concludes my updates today and I will take any questions on any of the updates that I have presented.

Chairman Butts: Any questions for Aditya? Great. Continuing to find those new technologies that are going to be able to save those man hours is fantastic. I enjoy hearing about the wins along the way. I know speed right now is key, so thank you for that. Back over to you, Kelly.

5. Action Item

a. Cloud-Based Insurance Suite [AI]

Kelly Booten: Yes, thank you. All right, today we have an action item to seek approval for the Citizens' Business Insurance Suite, a/k/a, CBIS. This collective set of software services is the backbone of our insurance operations as well as the customer facing and agent facing capability to transact business with Citizens. It's comprised of policy, billing, claims, customer portal, agent portal, and other add on products that were part of the proposal. It's a critical capability for claims management, underwriting, product management, agency services, customer and policy services, billing and payment processing, as well as our customers and agents. A little bit of background on this solicitation. Next slide, please.

We had 11 evaluators from across the organization, five negotiators who I will specifically call out, and then there were numerous subject matter experts, a stellar purchasing team led my Summer

Reeves, and Jennifer Montero, Jay Adams and myself are the sponsors of this initiative. It really impacts almost every business unit.

The negotiators that had to really bring this in for a landing included high caliber people within the organization. We had Greg Rowe in our Claims organization, Sarai Roszelle in our Product and Underwriting group that supports all of those business capabilities in our systems, Robert Sellers, our CTO, Stephen Guth, our expert negotiator in the VMO, and Mike Sills in our Finance department. He was integral, very much so, in looking at this business case.

For background, in 2011, the Citizens Board of Governors approved a contract award to Guidewire Software to provide on-premises software implementation and ongoing support for the core insurance suite, which included at that time, policy, billing and claims. In July of 2011, a 15-year agreement was executed with Guidewire for an amount not to exceed \$47 million for the software side of it. We implemented it in phases over a couple of years with full implementation in 2014. We are currently on version nine of the on-premises software, and under the current Guidewire agreement, Citizens has a perpetual license for the software. A separate agreement for technical support from Guidewire is paid annually and is scheduled to end in July of 2026.

From July of 2011 to June of 2023, we obtained authority to spend an additional \$68 million for various Guidewire and third-party services to maintain, enhance, and expand the system to scale with Citizens' business needs. So, total spend to date is approximately \$115 million.

In 2021, Guidewire notified us that the transition to their cloud-based solution was eminent with a limitation on future enhancements if we stayed on the Guidewire on-prem version ten, the last real version that we could run on-prem, and we would risk, at that point, getting future features. Guidewire proposed to transition Citizens to the cloud-based delivery solution, which, based upon direct written premium projections in today's projections, could have cost us upwards of \$235 million over a 10-year period. Based on that we knew we needed to go out and look to see what was in the market, and if this was the best value to Citizens.

Based upon that, we issued an Invitation to Negotiate in 2022 to obtain competitive vendor solutions and pricing to replace the current on-prem version. As a result, Citizens negotiated with responding vendors Duck Creek partnering with Cognizant for implementation and Guidewire. The five person ITN negotiation team unanimously recommended Guidewire as the primary vendor. As a result of the ITN negotiation team's extensive negotiations with both vendors, we have obtained pricing that is estimated to have lowered the initial Guidewire proposal by \$150 million over ten years. Next slide.

This slide is a look at what is comprised of the transactions that flow through PolicyCenter®, ClaimsCenter®, BillingCenter®, and our portals. This is just to provide some context for how important it is and the amount of activity that flows through this system. There are other stats we could have put here, as well as the number of users, which grows exponentially as the number of agents we've got connected, when we bring adjusters on for catastrophe, our user count goes up dramatically. Next slide.

This is a case for the cloud. We're really moving from on-prem to the cloud version of all this software. You all are familiar with the reasons for cloud - scalability, resiliency, innovation, and security. I'll just tag in on innovation here a little bit with getting the capabilities we need to continue servicing our policyholders and customers. With this we will be getting upgrades from Guidewire

directly in the cloud environment and will hopefully prevent us from getting behind on releases that require a significant investment.

Specific to the Guidewire cloud-based solution, Citizens will have the additional benefit of migrating from the Guidewire on-prem product which reduces the risk of a large, new implementation with integrations, staff experience, skill set, and data migration. Next slide.

Here are some of the enhanced capabilities that we get from the current version that we're on on-prem, which is at least six or seven versions behind where they are in the cloud. Most of this is going to look familiar and what you would expect - Enhanced Customer Experience, Faster Time to Market, enhancements in the configurability of the product and what we are allowed to do without a developer, although we will continue to use our great developers that have the ability to extend for certain things that Citizens is unique, like depopulation. You are not going to find that anywhere else. There's Advanced Digital Portals, there's Intelligent Workflows. For example, Claims AutoPilot should provide a lot of value to our claims department. There's Value-add, Predictive and Visualized Risk Data. The HazardHub product which we really haven't utilized yet, but once we get through the discovery phase, there is a potential that that could mitigate cost elsewhere with other products we currently have, and then additionally provide predictive models and data visualizations that will improve our ability to see inside what is happening in our business process. Improved and Advanced Reporting and Dashboards, AI Powered Capabilities, and Advanced DevOps Capabilities.

The next slide is the slide on cost. The pricing models for both vendors were based upon direct written premium and given the complexity in predicting Citizens' future policy count in direct written premium, the negotiation team considered various scenarios estimating growth and depopulation to get a handle on what does this cost model mean in a couple of scenarios.

In the table on this slide, to the left you see the types of expenses. The first line is the subscription service fees. This is the line item based upon direct written premium, and it is variable across the scenarios. The implementation service fees are constant in both models, as well as post implementation professional fees. So, this would be after the initial implementation. We get upgraded to the cloud. We run out implementation service fees over the 10-year timeframe. The last row is the implementation and post implementation contingency; we added 20 percent to allow us to implement the additional products that were proposed or for any unforeseen implementation issues we encounter.

On the models, themselves, the constant model which is in the middle row is really a worst-case, in my opinion, model that has direct written premium estimated at 2024 of 7.5 million and then starting in 2025, it's set at 10.8 million and runs out the rest of the contract for the first ten years. We are not asking for the full 20 years today, we are asking for ten years, because it is just so hard to predict even ten years. To put that into perspective, our current direct written premium is 4.3 billion, so this would be a significant uplift, probably a worst-case scenario.

The historic model is more realistic and based upon history. We took our actuarial estimates for 2024 and 2025, and then went back and looked at what happened in 2007 as we were growing and then decreased through significant depopulation and ran that number out which led to the \$95 million over ten years in subscription service fees.

I will also mention a third model that is not on this table. I call it the drop model, which is you take 2024 projected out to five billion and then you run out 2025 as if we have dropped with significant

depop at 1.5 billion premium all of the rest of the years. That number ends up at \$57 million based upon direct written premium, so you can see that the model vastly fluctuates based upon the direct written premium that we use.

The other thing that's not on here is reduced and eliminated costs because we are running this. We are early in the stages. We need to get through discovery. This \$103 million that we are asking for today over ten years is not additive. We will be displacing other costs that we currently have, such as the current fees, the cloud cost of running the on-prem version in the cloud, all of those costs are roughly estimated at about \$50 million and that is without going through discovery and adding in other costs that we could and will have for implementing this.

In comparison the secondary vendor, over the 10-year historic direct written premium model including all the costs of implementation and other features that would have had to have been built out because they didn't exist in that product, was around \$121 million, which is \$16.5 million less than the Guidewire cost. I will pause here, that's a lot of information, to see if there are any questions on the cost model.

Chairman Butts: I have just one quick question. Any opportunity to talk to other insurance companies, by chance, that have implemented this product already to identify other areas of potential cost savings or is that on the list to do as you look for implementation?

Kelly Booten: Absolutely. We did do reference checks before making the decision, so we have all that information. We also participate in the Guidewire User Groups, so we have access to other carriers for lessons learned and opportunities to look for improvements and cost savings. Absolutely.

Chairman Butts: Just hope for a massive take out, I guess.

Kelly Booten: Yes.

Chairman Butts: Any other questions for Kelly? I also want to state Governor Telemaco has been able to join us, as well, for the record. Thank you, Governor Telemaco. Go ahead, Kelly, proceed.

Kelly Booten: On the next slide is the recommendation, and before I read the recommendation, I do want to mention one item. The last comment on this slide, "Citizens estimates an additional \$4.6 million to be required for third-party implementation expenses (for example, staff augmentation)". While we are implementing this, we will probably need staff augmentation in the business units as well as in IT to help augment things that we need to do simultaneously to implement this product or for the products in general. We are not asking for that approval today. We bring forward our action items in both September and December for staff augmentation. We want to get through the discovery phase and bring that forward at the December Board meeting when we know more about it and can ask for that approval, so we are not asking for that today. Today we are asking for approval on the Guidewire 10-year contract, and I am prepared to read the recommendation if you are ready for that.

Chairman Butts: Any questions for Kelly? Please go ahead and read the recommendation.

Kelly Booten: Staff proposes that the ISAC committee review and if approved, recommend the Board of Governors authorize the Cloud-Based Insurance Suite contract with Guidewire Software

for an initial term of ten years, not to exceed \$103,318,849 as set forth in this action item, and authorize staff to take any appropriate or necessary action consistent with this action item.

Chairman Butts: I will entertain a motion to accept the motion as read.

Governor Erin Knight made a motion to approve the Cloud-Based Insurance Suite Action Item. John Vaughan seconded the motion. All were in favor, and the Action Item was approved.

Chairman Butts: Thank you, Kelly. Anything else?

Kelly Booten: That concludes our agenda items.

6. New Business

Chairman Butts: Perfect, thank you. Is there any new business? Any questions, comments? Good. With that, I thank everybody again for joining us this morning, and we will see everyone I believe July 11th and 12th for the next Citizens' Board of Governors meetings. I hope you have a great day. Take care.

Kelly Booten: Thank you.

Chairman Butts: The meeting is adjourned.

(Whereupon the meeting was adjourned.)