



# Citizens

## Board of Governors Meeting

### August 22, 2013

Consumer Clearinghouse Program  
Action Item Approval

# Clearinghouse Impetus

- 2012 new business applications: 375,904
  - ~53% of applications from captive agents - 199,229
  - ~47% of applications from independent agents – 176,675
- Validation of market availability and the statutory eligibility threshold (15% rule)
- Projections for private market placement (at current rating levels)
  - As high as 240,000 policies
  - Citizens' study shows captive agents' loss ratio is 15% better than independent agents' loss ratio

# Statutory Background

By statute, Citizens' applicants are not eligible for coverage with Citizens if the applicant is presented with an offer of comparable coverage from a private insurer that is within 15% of the Citizens premium. During the 2013 legislative session, the Florida Legislature passed SB 1770 which created section 627.3518, Florida Statutes. The bill mandates that Citizens establish a Clearinghouse which will provide Florida's insurance consumers additional options for coverage, and that these coverage options must be explored by the agent prior to the agent submitting an application for coverage to Citizens.

# Clearinghouse Goals and Benefits

## Goals:

- Ensure that all Citizens applicants have access to every possible private insurance option, including better policy coverage, before choosing Citizens
- Ensure that all Citizens renewal customers have expanded access to every possible private insurance option, including better policy coverage, before choosing to renew with Citizens
- Provide all Citizens agents expanded market access
- Provide private carriers expanded market distribution
- Ensure that only policies meeting statutory eligibility requirements are placed with Citizens

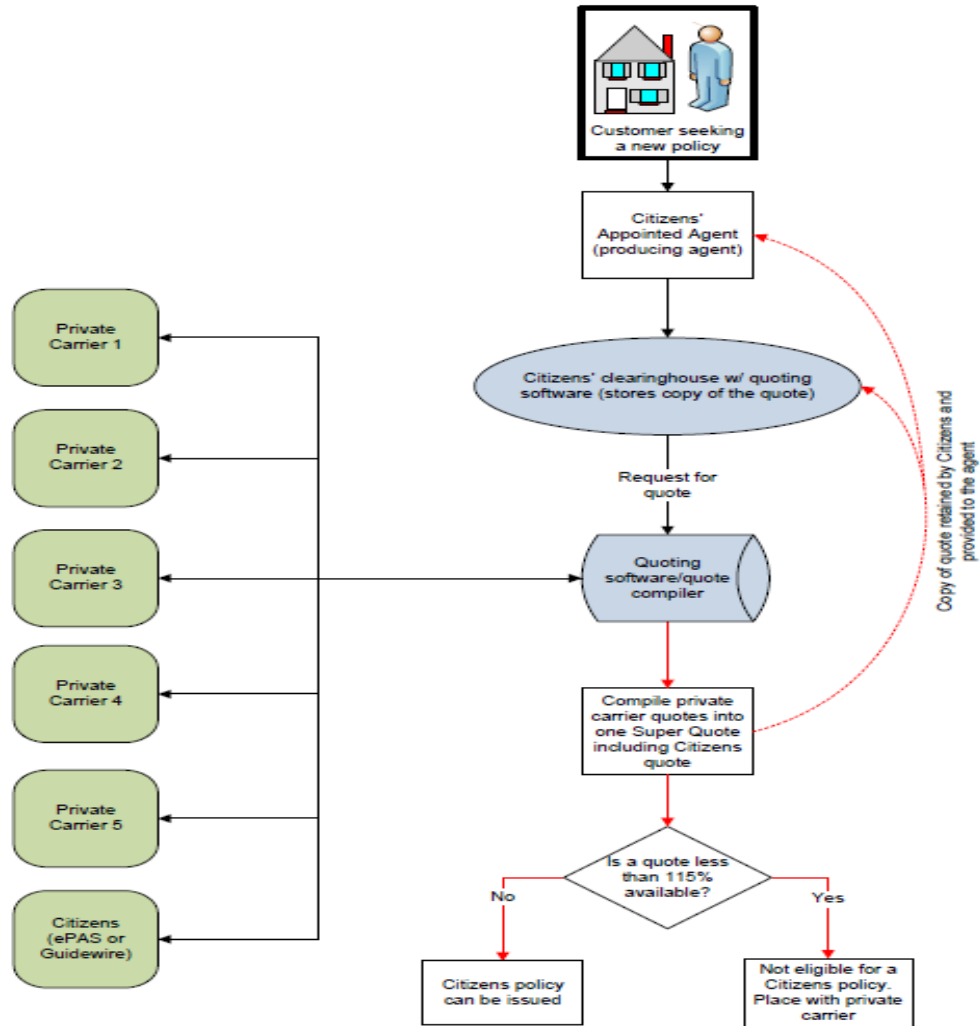
## Benefits for the State:

- Gives applicants a clear picture of their private market options
- Reduce homeowners' assessment liability by shrinking Citizens
- Expand the private carrier access to potential policyholders
- Provide Citizens' agents with the expanded market access
- Creates a mechanism for shrinking Citizens and returning it to a true market-of-last resort

# Overview of Approach

- SB 1770 mandates the implementation of a Citizens Clearinghouse by 01.01.14
- A real-time mechanism that will systematically enable private insurers to make an offer of coverage to personal lines' applicants seeking coverage from Citizens
- Procure a SEMCI (Single Entry Multi-Carrier Interface) software tool
- Based on private carriers' underwriting, exposure and selection criteria, request offers of coverage from "eligible" private insurers participating in the Clearinghouse
- All offers, including coverage and pricing, will be delivered back to the producing agent
- Placement of the business is guided by statutory rules and the consumer's choice
  - For new business if the rate is less than 115% of Citizens quote for comparable coverage, the offer renders the applicant ineligible for Citizens coverage
  - If the rate is greater than 115% of Citizens' rate, the consumer makes the choice
  - If there is no private market offer of coverage rendering the applicant ineligible, the business is placed with Citizens
- For renewal business, if the rate is equal to or less than Citizens quote for comparable coverage, the offer renders the applicant ineligible for Citizens coverage
- A report re: the Clearinghouse approach for commercial residential is due 01.01.14

# Process Flow



→ Request for coverage  
→ Return quotes, coverage written

# Carrier and Agent Visits, Feedback

- Carrier Visits
  - 31 meetings conducted
  - Many misconceptions were clarified
  - High interest from private carriers to participate
- Agent Interests
  - Discussions with agent association representatives
  - Impact analysis meetings with high-volume Citizens agents

- Request for Information (RFI)
  - Used to obtain current market information, gain a better understanding of vendor capabilities and provide a basis for developing the solicitation.
  - 4 responses received on 04.12.13
- Invitation to Negotiate (ITN)
  - Competitive solicitation process consistent with Citizens' policy and Florida Statutes 287.057
  - Governor Don Glisson served as the Board Observer
  - 6 Responses were received on 06.25.13
  - The top 2 vendors advanced to the negotiation phase
  - The negotiation team identified Bolt as providing the best value offer to Citizens because:
    - Ability to implement by January 1
    - Multiple integration platforms enable broad carrier participation
    - Demonstrated required functionality and ease of use
    - Competitive pricing

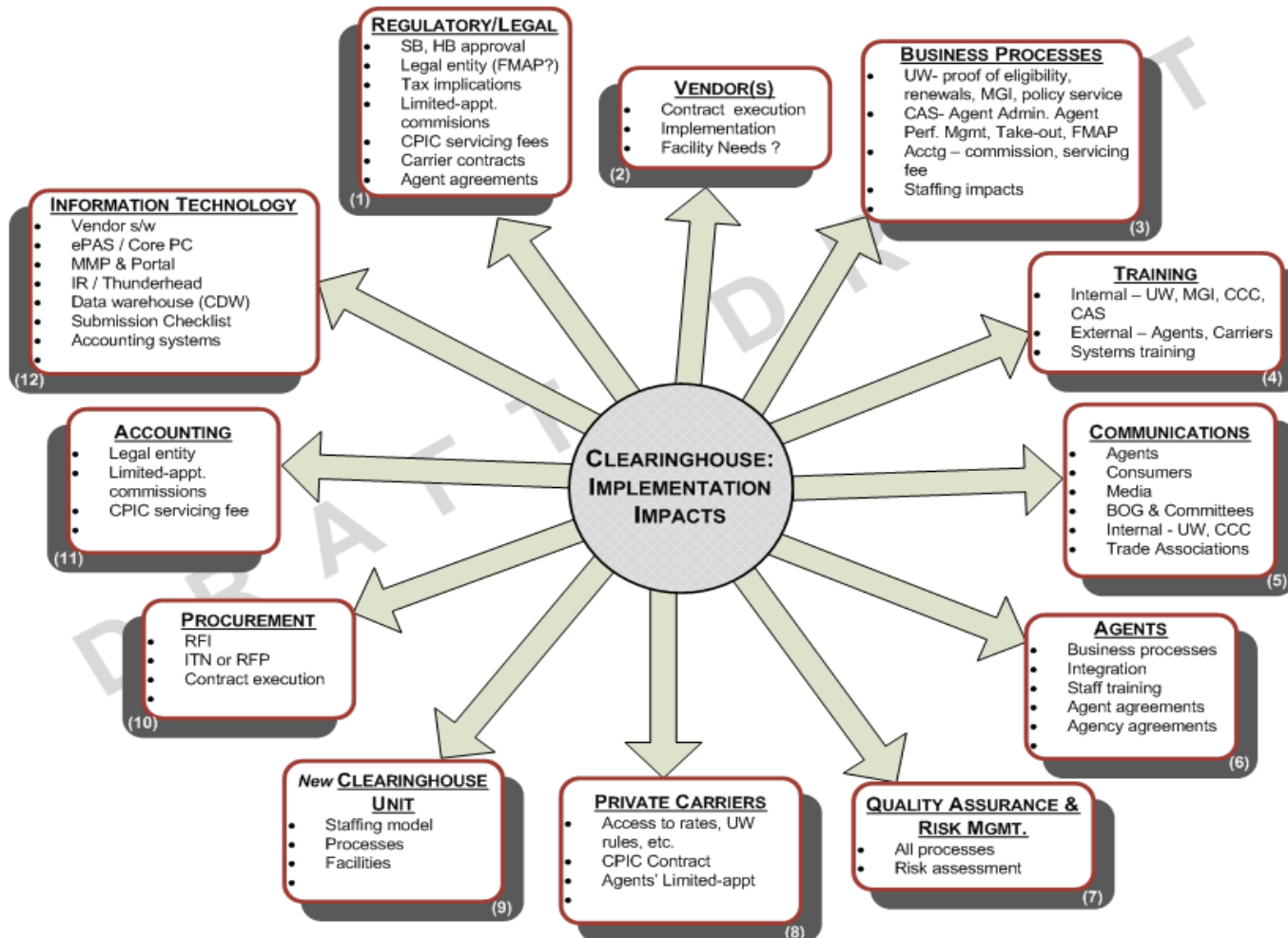


# Multiple Workgroups

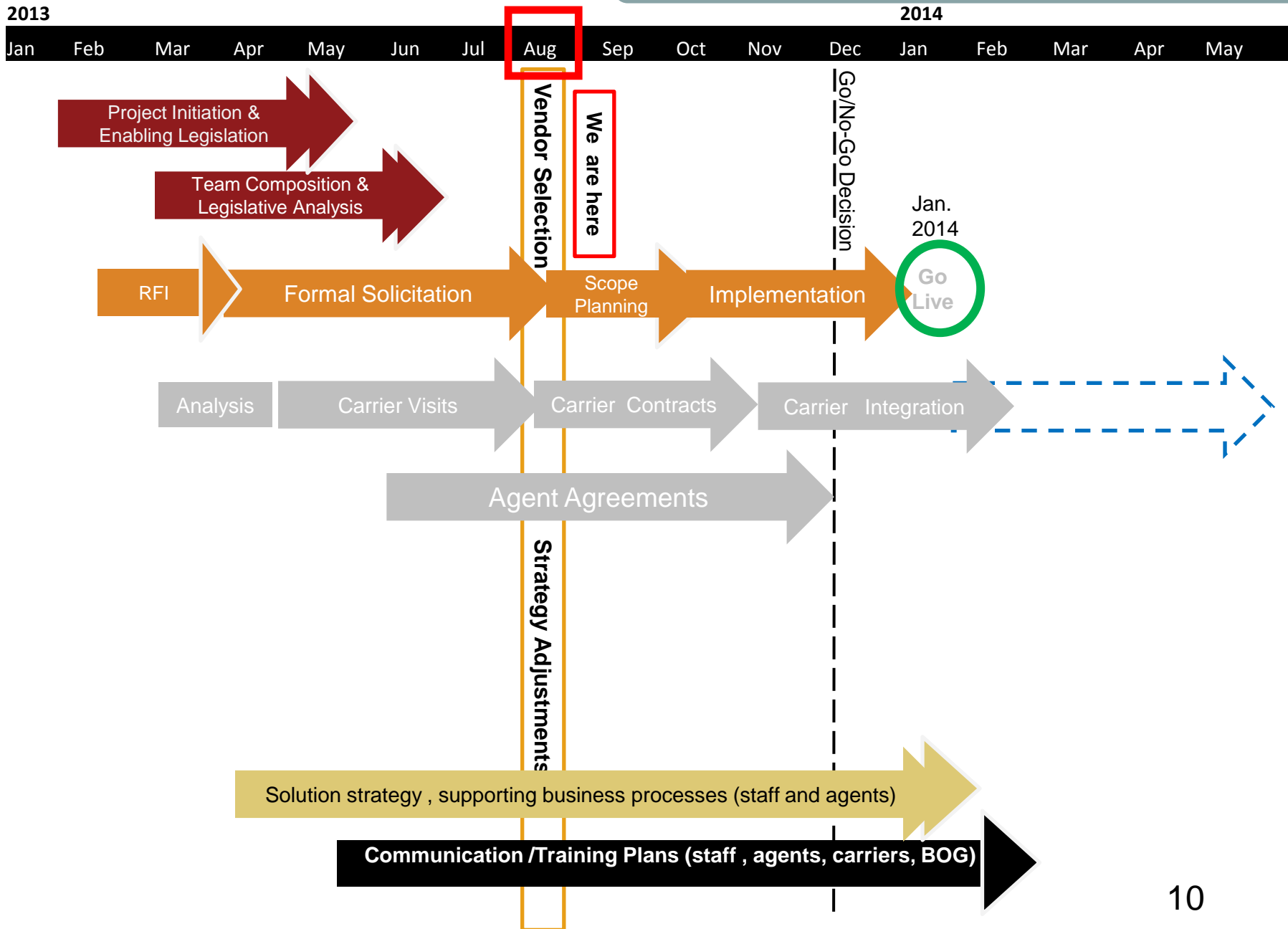
## Consumer Choice Clearinghouse

### Functional Impact Assessment

2/21/2013



# Clearinghouse Schedule Overview



# Action Item Summary

Contract Spend - August 22, 2013 - August 21, 2018						
Cost Item	Year 1	Year 2	Year 3	Year 4	Year 5	Totals
PL Implementation	\$534,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$534,000.00
CL Implementation	\$0.00	\$100,000.00	\$0.00	\$0.00	\$0.00	\$100,000.00
Transactional Spend <sup>1</sup>	\$2,641,495.75	\$4,031,994.00	\$4,019,994.00	\$4,031,994.00	\$4,031,994.00	\$18,757,471.75
Renewal Monthly	\$212,500.00	\$300,000.00	\$300,000.00	\$300,000.00	\$300,000.00	\$1,412,500.00
Professional Services	\$180,000.00	\$180,000.00	\$180,000.00	\$180,000.00	\$180,000.00	\$900,000.00
Annual Spend	\$3,567,995.75	\$4,611,994.00	\$4,499,994.00	\$4,511,994.00	\$4,511,994.00	\$21,703,971.75
Contingency Reserve <sup>2</sup>	\$71,359.92	\$92,239.88	\$89,999.88	\$90,239.88	\$90,239.88	\$434,079.44

Contract Spend - August 22, 2018 - August 21, 2023						
Cost Item	Renewal Year 1	Renewal Year 2	Renewal Year 3	Renewal Year 4	Renewal Year 5	Totals
PL Implementation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CL Implementation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Transactional Spend <sup>1</sup>	\$4,031,994.00	\$4,043,994.00	\$4,019,994.00	\$4,019,994.00	\$4,031,994.00	\$20,147,970.00
Renewal Monthly	\$300,000.00	\$300,000.00	\$300,000.00	\$300,000.00	\$300,000.00	\$1,500,000.00
Professional Services	\$180,000.00	\$180,000.00	\$180,000.00	\$180,000.00	\$180,000.00	\$900,000.00
Annual Spend	\$4,511,994.00	\$4,523,994.00	\$4,499,994.00	\$4,499,994.00	\$4,511,994.00	\$22,547,970.00
Contingency Reserve <sup>2</sup>	\$45,119.94	\$45,239.94	\$44,999.94	\$44,999.94	\$45,119.94	\$225,479.70

<b>Base Contract Spend</b>	\$21,703,971.75
<b>Contingency Reserve</b>	\$434,079.44
<b>Renewal Spend</b>	\$22,547,970.00
<b>Contingency Reserve</b>	\$225,479.70
<b>Total Contract Spend</b>	\$44,911,500.89

<sup>1</sup> Transactional volume based on 8,000 transactions (quotes) per day with no declination in transaction volume over the life of the contract.

<sup>2</sup> Budget for future maintenance costs to support business changes, rate filings, carrier support, etc. Amount included is 2% of Spend for the base contract and 1% for the renewal.

**NOTE:** Costs for 3<sup>rd</sup> party reports, such as loss history, are NOT included in this Action Item.

Refer to Action Item