

Claims Adjusting Services

ACTION ITEM

New Contract

Contract Amendment

Other _____

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval

Other _Award for Contract

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

<p>Item Description</p>	<p>Claims Adjusting Services ITN 23-0001 MULTIPLE VENDOR AWARD – SEE ATTACHMENT A</p>
<p>Purpose/Scope</p>	<p>This Action Item requests approval to contract with thirty-one (31) vendors for comprehensive Claims Adjusting Services as indicated in Attachment A. Approval is requested for a five (5) year base term with one (1) three (3) year renewal period followed by one (1) two (2) year period for an amount not to exceed \$500 million for the life of the contracts.</p> <p>Services include adjuster resources and workflows for commercial, residential, non-catastrophe, and catastrophe claims of varying complexity throughout the State of Florida. Vendors will adjust each claim using an approved workflow suitable to the complexity and nature of the claim.</p> <p>The proposed contracts will replace Citizens’ six (6) current contract panels for non-litigated adjusting services as listed in the Executive Summary. Those existing contracts have a combined Board approved spend of \$600,256,575.</p> <p>All proposed contracts include the same comprehensive Claims Adjusting Services. The contracts differ with respect to anticipated claim assignments, as follows:</p> <p><u>Comprehensive Claims Adjusting Services (Primary):</u> Within 60 days of execution, Citizens anticipates commencing claim assignments for commercial and residential claims involving non-weather water, weather-related water, wind, and a few other losses of lower volume. Causes of</p>

Claims Adjusting Services

	<p>loss in this group accounted for approximately 80% of Citizens' claim volume in 2023.</p> <p><u>Comprehensive Claims Adjusting Services (Supplemental)</u>: Within 60 days of execution, Citizens anticipates commencing claim assignments for residential claims involving hail, lightning, vandalism and malicious mischief, collapse, glass breakage, dropped objects, all other physical damage, and a few other losses of lower volume. Causes of loss in this group accounted for approximately 20% of Citizens' claim volume in 2023.</p> <p><u>Comprehensive Claims Adjusting Services (Contingent)</u>: Citizens does not anticipate commencing services in this category within 60 days of the effective date. Citizens may activate these contracts as needed to expand claims capacity beyond primary and supplemental, for all or specific workflows.</p>
<p>Contract ID</p>	<p>Claims Adjusting Services ITN No. 23-0001</p>
<p>Budgeted Item</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>Procurement Method</p>	<p>Citizens procured the requested contracts through Invitation to Negotiate (ITN) 23-0001 for Adjusting Services for Catastrophe and Non-Catastrophe Claims. Citizens issued the ITN on February 21, 2023. Citizens received sixty-nine (69) replies. The replies were scored independently by members of an Evaluation Committee. On August 8, 2023, the Evaluation Committee met in a public meeting and recommended thirty-six (36) vendors advance to the negotiation phase of the ITN process.</p> <p>The Citizens negotiation team voted to award the contracts as best value to Citizens in a public meeting on April 30, 2024, as indicated in Attachment A. The negotiation team developed and negotiated the contracts through more than sixty (60) internal strategy sessions, and more than sixty (60) meetings with vendors.</p>
<p>Contract Amount</p>	<p>Approval is requested for an amount not to exceed \$500,000,000 across the base and renewal terms.</p>
<p>Contract Terms</p>	<p>The contracts will have a five (5) year initial base term, with one (1) three (3) year renewal period followed by one (1) two (2) year period.</p>

Claims Adjusting Services

Board Recommendation	Staff recommends that the Board of Governors: a) Authorize Claims Adjusting Services contracts with thirty-one (31) vendors as indicated in Attachment A, for an initial term of five (5) years, with one (1) three (3) year renewal option followed by one (1) two (2) year option, for an amount not to exceed \$500,000,000, as set forth in this Claims Adjusting Services Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
Contacts	Jay Adams, Chief Insurance Officer

Executive Summary

Special Board of Governors Meeting, May 14, 2024

Claims Adjusting Services

Topic

This Action Item requests approval to contract with thirty-one (31) vendors for comprehensive Claims Adjusting Services as indicated in Attachment A. Services include adjuster resources and workflows for commercial, residential, non-catastrophe, and catastrophe claims of varying complexity throughout the State of Florida. Approval is requested for a five (5) year base term with one (1) three (3) year renewal period followed by one (1) two (2) year period for an amount not to exceed \$500 million for the life of the contracts. These contracts will replace the six (6) contract panels in the table below.

History

Citizens regularly partners with third-party vendors to provide qualified, licensed adjusters to perform non-litigated adjusting services in both catastrophe and non-catastrophe circumstances for our residential and commercial lines of business. Citizens currently has six (6) different contract panels, each procured under a unique RFP, for non-litigated adjusting services. The combined total Board approved spend for those contracts is \$600,256,575. The contracts are specific to certain types of adjusting services as follows:

Current Contract:	Contract Term:	Contracted Vendors:
<u>Commercial Adjusting Services (23-22-0016)</u> : desk and field adjusting for non-litigated commercial claims	02.24.2023 – 2.23.2026, with two one-year optional renewals available.	4
<u>Adjusting Services – Non-Litigated/Catastrophe (17-17-0006)</u> : desk and field adjusting for non-litigated residential claims	08.04.2017 – 08.03.2022, with two of the five-year optional renewal terms executed.	16
<u>Fast Track Adjusting Services (18-18-0025)</u> : desk adjusting over the phone without physical inspection for certain types of lower severity residential claims	09.11.2018 – 09.10.2023, with one of the five-year optional renewal terms executed.	7
<u>Field Inspection Services (18-18-0023)</u> : field measurements and photographs for certain types of lower severity residential claims, with further handling by an experienced desk adjuster	09.13.2018 – 09.12.2023, with one of the five-year optional renewal terms executed.	4
<u>Adjusting Services – Catastrophe (18-18-0027)</u> : field adjusting for non-litigated residential catastrophe claims	09.27.2018 – 09.26.2023, with one of the four-year optional renewal terms executed.	9
<u>Adjusting Services – Catastrophe (17-17-0020)</u> : field adjusting for non-litigated residential catastrophe claims	09.07.2017 – 09.06.2022, with two of the five-year optional renewal terms executed.	7

Executive Summary

Special Board of Governors Meeting, May 14, 2024

This Action Item requests approval to enter three variations of comprehensive Claims Adjusting Services contracts as indicated in Attachment A. The proposed contracts will replace all the above-mentioned contracts through a comprehensive services model. The comprehensive model includes fast track, field inspection, and field adjusting workflows to meet Citizens needs for both catastrophe and non-catastrophe claims. Vendors will adjust each claim using an approved workflow suitable to the complexity and nature of the claim. This approach is expected to provide an enhanced experience for Citizens' policyholders, a more efficient claims resolution for all parties, and a reduction in the number of contracts and processes that must be managed by Citizens.

All requested contracts include the same comprehensive Claims Adjusting Services. The contracts differ with respect to anticipated claim assignments, as follows:

Comprehensive Claims Adjusting Services (Primary): Within 60 days of execution, Citizens anticipates commencing claim assignments for commercial and residential claims involving non-weather water, weather-related water, wind, and a few other losses of lower volume. Causes of loss in this group accounted for approximately 80% of Citizens' claim volume in 2023.

Comprehensive Claims Adjusting Services (Supplemental): Within 60 days of execution, Citizens anticipates commencing claim assignments for residential claims involving hail, lightning, vandalism and malicious mischief, collapse, glass breakage, dropped objects, all other physical damage, and a few other losses of lower volume. Causes of loss in this group accounted for approximately 20% of Citizens' claim volume in 2023.

Comprehensive Claims Adjusting Services (Contingent): Citizens does not anticipate commencing services in this category within 60 days of the effective date. Citizens may activate these contracts as needed to expand claims capacity beyond primary and supplemental, for all or specific workflows.

Citizens intends to provide roughly even claim assignment volume within contract groups, subject to Citizens sole discretion based on considerations in effect at the time of claim assignment, such as vendor capacity, performance, capability, and Citizens' specific needs. The contracts do not represent or guarantee that a vendor will receive any specific or minimum volume of claim assignments.

The contracts include the same compensation schedule across all vendors. The negotiation team developed the compensation schedule in the course of negotiations, and in consultation with subject matter experts across the organization including claims and corporate analytics. The team developed the schedule based on factors including vendor proposed pricing, current contract pricing, inflation, and historical claims volume by loss type, severity, and handling methods. Citizens also used historical non-catastrophe claims data and average inflation factors in determining the projected contract spend, not to exceed \$500 million, across the base and renewal terms.

The contracts provide a new approach to residential adjusting compensation. The new approach is centered around a flat fee that is paid for each assigned claim. The fee is paid at claim closure and includes all costs related to desk adjusting, triage, training, and other administrative costs. This approach is intended to further incentivize claim closure and limit per-claim costs. The current contracts typically provided payment for desk adjusting on a per day, per adjuster basis. Citizens expects to use the

Executive Summary

Special Board of Governors Meeting, May 14, 2024

administrative fee model for the vast majority of residential claims, though the contract still includes compensation on a daily basis as needed at Citizens sole discretion.

Citizens procured the requested contracts through Invitation to Negotiate (ITN) 23-0001 for Adjusting Services for Catastrophe and Non-Catastrophe Claims. Citizens issued the ITN on February 21, 2023. Citizens received sixty-nine (69) replies. The replies were scored independently by members of an Evaluation Committee. On August 8, 2023, the Evaluation Committee met in a public meeting and recommended thirty-six (36) vendors advance to the negotiation phase of the ITN process.

The Citizens negotiation team voted to award the contracts as best value to Citizens in a public meeting on April 30, 2024 as indicated in Attachment A. The negotiation team developed and negotiated the contracts through more than sixty (60) internal strategy sessions, and more than sixty (60) meetings with vendors. The contracts are intended to provide Citizens a substantial number of vendors with ongoing comprehensive claims experience to increase scalability and efficiency for Citizens.

Due to the unpredictability of a catastrophe, catastrophe-related costs associated with the contracts have not been calculated into the contract spend requested for approval. In the event of a catastrophe, this could deplete the requested Board approved spend before the contract life has ended. If this occurs at any time during the life of the contract, it may require Citizens to return to the Board to seek approval for additional funds.

Recommendation

The recommendation is listed in the attached Action Item.

Attachment A: Contract Awards for Claims Adjusting Services

Comprehensive Claims Adjusting Primary	Comprehensive Claims Adjusting Supplemental	Comprehensive Claims Adjusting Contingent
Alacrity Parent, LLC dba Alacrity Solutions Group, LLC	Allied American Adjusting Company LLC	Accelerated Adjusting LLC
Allcat Claims Service, LLC	Bradley Stinson & Associates, Inc. dba BSA Claims Solutions	Administrative Strategies, LLC
Cor Partners dba Eberl Claims Services LLC	Burton Claim Service, Inc.	Alternative Claims Services, Inc.
Crawford & Company	Evans Claims Services, Inc dba EIG Claims Services, Inc	Barrett Claims Management, Inc
CEFCO National Claims Services Inc dba CNC Catastrophe & National Claims	FKS Insurance Services LLC	Compass Adjusting Services Inc.
Global Risk Solutions, Inc.	Jimmie Giles Financial LLC	Genpact
Pacesetter Claims Service, Inc.	Mid-America Catastrophe Service, LLC	Inspection Depot, Inc.
Pilot Catastrophe Services, Inc.	Quality Assurance Adjusting Services, LLC	Leading Edge Claims Service, LLC dba Leading Edge Claims Service
	RYZE Claim Solutions, LLC	Legacy Claim Services, LLC
	TSI Adjusters, Inc	Lozano Insurance Adjusters, Inc.
	Wardlaw Claims Service, LLC	S&S Claims Services, Inc.
		Seibels Claims Solutions, Inc.