

# Executive Summary

**Claims Committee Meeting, March 6, 2025**

Board of Governors Meeting, March 12, 2025

## Independent Adjusting Services – Litigated

### Topic

This Consent Item seeks Board approval for \$125,000,000 in additional spend authority under the Independent Adjusting Services – Litigated contracts.

### History

On May 17, 2017, Citizens awarded contracts to five (5) primary vendors and eight (8) contingent vendors for Litigated Adjusting Services via RFP 17-0002, which were approved by the Board on June 20, 2017. The contracts include a five-year base term with five (5) optional, one-year renewal terms. We have been successful through two (2) annual renewals and are currently operating in the third one-year renewal period. The expiration date is August 6, 2027 after base term and renewals. The Board has approved the contracts for an amount not to exceed \$630,980,650. Citizens is currently utilizing eight (8) contracted vendors in daily operations after activating approved contingency contracts.

The contracts provide independent adjusting services for litigated liability and property claims, as well as for appraisal and mediation. Services are provided through deployed independent litigation adjusters or “litigation specialists”, pre-suit appraisal adjusters, and pre-suit mediation adjusters. Citizens also frequently uses these highly skilled and experienced adjusters for catastrophe responses.

At the onset of the contracts, Citizens estimated an immediate need for 180 adjusters for litigated claims, and a potential need of up to 500 adjusters over the life of the contract. As of January 2025, there are 544 adjusters deployed to meet Citizens’ needs (439 Litigation, 95 Pre-suit Appraisal, & 10 Pre-suit Mediation). Citizens compensates vendors for these deployments on a day rate basis according to their designated role under the contract. Citizens consistently monitors and evaluates services to ensure quality production and appropriate billing.

The litigation adjusters are responsible for investigating, evaluating and negotiating litigated personal lines and homeowner claims. They work with defense counsel to reach a claims settlement. They also work hand in hand with defense counsel to determine necessary depositions, retain experts, acquire discovery, and appear at depositions or at trial on behalf of Citizens if required.

Pre-suit appraisal adjusters play a crucial role in the Alternative Dispute Resolution (ADR) portion of the claims processing workflow. They communicate with field adjusters, policyholders, and other stakeholders to clarify claim information, address concerns, and facilitate a claim resolution. This includes examining inspection reports and documented

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damages provided by both the field adjuster and policyholder to determine the appropriate settlement for the claim.

Pre-suit mediation adjusters assist with mediation, which is another ADR option under the claims processing workflow. The ultimate goal of a pre-suit mediation adjuster is to reach a settlement agreement through a neutral mediation process, acting as a mediator to help both Citizens and the policyholder find common ground and resolve the issue without going to court. They do this by gathering information from both parties, identifying key issues and guiding discussions towards a mutually agreeable resolution.

These adjusters have also provided services for multiple catastrophe responses, including hurricanes Irma, Ian, and others. When deployed for a catastrophe, they are tasked with handling catastrophe claims in addition to their routine duties. The contracts provide for increased pay for these periods of extended work hours. Citizens maximizes the value and impact of their skills and knowledge by deploying them in a catastrophe desk adjuster role. For instance, pre-suit appraisal teams offer invaluable assistance to the front-end catastrophe group by accepting late First Notice of Loss (FNOL) claims along with select reopened catastrophe claims after an event. These late-reported claims present unique challenges, often requiring additional investigation and potentially leading to disputes reporting the scope and value of the damage.

From 2017-2024, it is estimated that \$171,028,803 in contract spend is associated with catastrophe-related litigation matters. At the beginning of the contract in 2017, there was one litigation catastrophe team. Due to the significant increase of catastrophe-related lawsuits reported from Irma and Ian, today's model includes 13 litigated catastrophe teams. The litigation department saw an increase of 107% in total litigation adjusters since 2017 with the highest adjuster count at 468 adjusters, not including pre-suit mediation and appraisal. Catastrophe-related lawsuits, which were not budgeted as a part of the original spend authority, remains the leading cause of loss for both new incoming and pending lawsuits. Non-AOB catastrophe claim related matters increased from 5.11% in 2017 to 48.92% of new incoming suits in 2018. Due to catastrophe events, there has been a significant increase in litigation volume from 2017 to the following years for both insured and AOB lawsuits. From 2017 to 2024 year-end, catastrophe claim related lawsuits represent 43.97% of all lawsuits received by Citizens. Citizens expects a continued need for these teams as the 2024 hurricane season was very active with multiple catastrophes impacting the state of Florida.

Legal developments and regulation changes have also impacted spend over the duration of the contracts. Both pre-suit appraisal and pre-suit mediation teams have experienced an increase in assignments in connection with legally required Notices of Intent to initiate litigation, which an insured must file prior to filing suit on policies issued or renewed after July 1, 2021. Citizens offers Alternative Dispute Resolution (ADR) as a response to these Notices of Intent where appropriate including pre-suit appraisal and pre-suit mediation for scope and pricing disputes.

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These alternate dispute resolution processes are beneficial but have increased spend under the contract for the necessary adjusting resources

The Department of Administrative Hearings (DOAH) was also implemented as an alternative dispute resolution method that can be invoked by Citizens or the policyholder in lieu of a lawsuit. The program provides benefits to both policyholders and Citizens. Cases are typically resolved faster than litigation through the traditional state court system. More litigated teams are being trained to manage DOAH cases as usage of this option continues to increase.

Litigation adjusters have also been essential in managing complexities arising from Assignment of Benefits (AOB) on claims. The substantial growth of AOB during the contracts has significantly altered the landscape of property insurance claims. The associated increase in litigation and complex claim handling has directly driven the need for experienced litigation adjusters. These specialized adjusters are crucial for Citizens to ensure fair claim resolution in the face of AOB-related challenges.

This Consent Item requests approval for an additional \$125,000,000 in spend, for a total not to exceed \$755,980,650 through the August 2027 expiration date. Citizens anticipates that spend will exceed the original Board approved amount of \$630,980,650, given the amount of pending claims-related litigation matters, the catastrophe-related costs associated with catastrophe claims currently in litigation, and the anticipated catastrophe-related costs for the 2024 storms. Catastrophe-related expenses play a major role in the projection to exceed the amount budgeted for this contract. These expenses were not included in the initial budgeted spend due to the unpredictable nature of such events. As of January 2025, Citizens has incurred approximately \$522,624,517 in spend under the contracts since their inception date of August 2017.

## Recommendation

The recommendation is listed in the attached Consent Item.

## Independent Adjusting Services – Litigated

**ACTION ITEM**

**New Contract**

**Contract Amendment**

**Other** \_\_\_\_\_

**CONSENT ITEM**

**Contract Amendment**

**Existing Contract Extension**

**Existing Contract Additional Spend**

**Previous Board Approval**

**Other** \_\_\_\_\_

**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.

Item Description	Independent Adjusting Services – Litigated
<b>Purpose/Scope</b>	<p>This Consent Item seeks Board approval for \$125,000,000 in additional spend authority under the Independent Adjusting Services – Litigated contracts, for a total not to exceed \$755,980,650 through remaining renewals expiring August 2027.</p> <p>Citizens anticipates that spend under the contracts will exceed the original approved amount of \$630,980,650, given the amount of pending claims-related litigation matters, the catastrophe-related costs associated with catastrophe claims currently in litigation, and the anticipated catastrophe-related costs for the 2024 storms. Catastrophe-related expenses play a major role in the projection to exceed the amount budgeted for this contract. These expenses were not included in the initial budgeted spend due to the unpredictable nature of such events. As of January 2025, Citizens has incurred approximately \$522,624,517 in spend under the contracts since their inception date of August 2017.</p>
<b>Contract ID</b>	<p><b>Independent Adjusting Services – Litigated</b></p> <p>RFP 17-0002</p> <p>Vendors: Alacrity Solutions Group, LLC</p> <p>Bradley Stinson and Associates Inc</p> <p>CIS Group, LLC</p> <p>Claims Questions LLC</p> <p>J and D Claim Services Inc</p>

## Independent Adjusting Services – Litigated

	Jimmie Giles Financial LLC Lozano Insurance Adjusters Inc Pacesetter Claims Service Inc Crawford and Company Global Risk Solutions Inc Legacy Claim Services LLC
<b>Budgeted Item</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Procurement Method</b>	On May 17, 2017, Citizens awarded contracts to five (5) primary vendors and eight (8) contingent vendors for Litigated Adjusting Services via RFP 17-0002, which were approved by the Board on June 20, 2017.
<b>Contract Amount</b>	This Consent Item requests an additional \$125,000,000 in contract spend authority, for a total not to exceed \$755,980,650 through remaining renewals expiring August 2027.
<b>Contract Terms</b>	This contract includes a five (5) year base term with optional five (5), one (1) year renewal terms. Citizens is currently in the third renewal year. The contract expiration date is August 6, 2027 including all remaining renewal options.
<b>Committee Recommendation</b>	Staff proposes that the Claims Committee review, and if approved recommend the Board of Governors:  a) Approve an additional \$125,000,000 in contract spend authority, for a total not to exceed \$755,980,650 through remaining renewals expiring August 2027; and  b) Authorize staff to take any appropriate or necessary actions consistent with this Independent Adjusting Services – Litigated Consent Item.
<b>Board Recommendation from Committee</b>	If approved at its March 6, 2025, meeting, the Claims Committee recommends that the Board of Governors:  a) Approve an additional \$125,000,000 in contract spend authority, for a total not to exceed \$755,980,650 through remaining renewals expiring August 2027; and  b) Authorize staff to take any appropriate or necessary actions consistent with this Independent Adjusting Services – Litigated Consent Item.

## Independent Adjusting Services – Litigated

<b>Contacts</b>	Jay Adams, Chief Insurance Officer
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