

Executive Summary

Claims Committee Meeting, March 6, 2025

Board of Governors Meeting, March 12, 2025

Claims Legal Services

Topic

This Consent Item seeks Board approval for \$50 million in spend authority under the Claims Legal Services contracts. This approval is requested for expenditures across the initial panel contracts (RFP 21-0012) approved by the Board on December 15, 2021, and the supplemental panel contracts (RFP 22-0021) approved by the Board on March 29, 2023.

History

Citizens regularly engages outside law firms to provide representation in claims-related pre-suit and litigation matters. Citizens currently utilizes a panel comprised of one-hundred and twelve (112) outside defense firms to provide legal representation in the following four (4) claims-related Service Areas:

- First Party Property,
- Third Party Liability,
- Subrogation, and
- Appeals.

The current Claims Legal Services contracts were procured under RFP 21-0012 and RFP 22-0021. The Board approved the initial panel contracts at a December 15, 2021 Board of Governors meeting. At that meeting, Citizens requested \$500 million in spend authority based on the estimated total contract amount over the initial five (5) year term. The Board approved \$50 million in initial authorized spend and requested that Staff provide ongoing litigation updates as justification for spend authority in \$50 million increments as needed. As of September 25, 2024 meetings, the total Board approved amount for Claims Legal Services is \$400 million. The five (5) year base term expires February 2027.

As of January 1, 2025, Citizens has incurred approximately \$399 million in spend under the approved Claims Legal Services contracts. Citizens forecasts that the spend authority of \$50 million requested in this Consent Item will cover the cost of Claims Legal Services through mid-2025.

Citizens has seen a decrease in both new lawsuits and pending litigation in part due to the successful implementation of its non-litigated claims strategy. As of January 31, 2025, the number of pending claims-related lawsuits crossed below 16,000 matters. Citizens has also seen a recent reduction in its policy in force count which has fallen below 845,000 policies. However, despite these positive trends, Citizens continues to maintain a high volume of claims-related litigation in the form of total pending lawsuits.

A summary of the monthly contract spend to date is provided below:

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Year	Month	PIF	Pending Litigation	Fees*
2022	Feb	792,616	17,725	\$5,785,718.60
2022	Mar	817,926	18,115	\$6,556,057.94
2022	Apr	851,066	18,558	\$6,498,089.53
2022	May	883,333	18,898	\$6,763,133.37
2022	June	931,957	19,236	\$7,487,900.64
2022	July	994,456	20,806	\$7,331,711.52
2022	Aug	1,029,829	20,468	\$9,361,644.64
2022	Sept	1,071,850	20,927	\$9,669,797.70
2022	Oct	1,111,283	20,833	\$10,376,969.15
2022	Nov	1,126,319	20,813	\$7,617,890.07
2022	Dec	1,145,811	20,863	\$8,867,051.11
2023	Jan	1,167,579	20,703	\$13,335,467.46
2023	Feb	1,193,725	20,555	\$11,171,285.79
2023	Mar	1,239,396	20,203	\$12,957,826.09
2023	April	1,272,815	19,868	\$13,158,730.23
2023	May	1,304,332	19,576	\$14,154,532.41
2023	June	1,317,174	19,539	\$14,221,564.99
2023	July	1,348,834	19,484	\$12,480,509.30
2023	Aug	1,377,425	19,010	\$14,758,643.99
2023	Sep	1,407,805	18,577	\$14,618,550.28
2023	Oct	1,334,620	18,533	\$17,115,416.77
2023	Nov	1,260,430	18,384	\$11,406,614.31
2023	Dec	1,228,718	18,043	\$13,422,086.49
2024	Jan	1,165,867	17,762	\$12,250,431.94
2024	Feb	1,169,427	17,597	\$12,760,903.11
2024	Mar	1,168,919	17,288	\$10,378,042.87
2024	Apr	1,188,800	17,259	\$13,494,015.49
2024	May	1,193,484	16,991	\$12,966,850.03
2024	June	1,213,495	16,895	\$11,445,694.30
2024	Jul	1,232,161	16,918	\$10,850,176.65
2024	Aug	1,250,791	16,843	\$13,280,275.30
2024	Sep	1,263,055	16,629	\$10,564,162.60
2024	Oct	1,036,913	16,529	\$10,934,071.80
2024	Nov	988,051	16,406	\$15,762,871.90
2024	Dec	936,182	16,126	\$15,505,064.00
Total Spend for Current Contract				\$399,310,709.77**

*Fees include firm fees and expenses only, other vendor expenses have been removed

**Total contract spend excludes a portion of February 2022 covered under the previous panel contacts

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The table below, which breaks down legal spend to date by Catastrophe and Non-Catastrophe litigation, illustrates that much of the defense costs Citizens incurs is attributable to the defense of catastrophe related litigation, a cost that cannot be predicted with certainty.

Year	Month	Catastrophe Litigation	Non-Catastrophe Litigation	Total	% CAT
2022	Feb	\$3,180,345.60	\$2,630,309.10	\$5,810,654.70	55%
2022	Mar	\$3,594,996.20	\$2,939,143.20	\$6,534,139.40	55%
2022	Apr	\$3,544,573.20	\$2,995,750.40	\$6,540,323.60	54%
2022	May	\$3,372,105.30	\$3,386,419.70	\$6,758,525.00	50%
2022	June	\$4,222,266.45	\$3,260,249.60	\$7,482,516.05	56%
2022	July	\$3,664,662.40	\$3,669,559.05	\$7,334,221.45	50%
2022	Aug	\$5,095,421.65	\$4,249,130.00	\$9,344,551.65	55%
2022	Sept	\$5,034,022.10	\$4,620,908.40	\$9,654,930.50	52%
2022	Oct	\$5,612,722.85	\$4,756,782.30	\$10,369,505.15	54%
2022	Nov	\$3,950,677.40	\$3,663,092.10	\$7,613,769.50	52%
2022	Dec	\$4,536,806.60	\$4,311,044.10	\$8,847,850.70	51%
2023	Jan	\$6,922,403.60	\$6,373,083.00	\$13,295,486.60	52%
2023	Feb	\$5,680,568.00	\$5,462,509.20	\$11,143,077.20	51%
2023	Mar	\$6,436,941.60	\$6,493,767.70	\$12,930,709.30	50%
2023	April	\$6,493,085.30	\$6,621,287.30	\$13,114,372.60	50%
2023	May	\$6,975,603.70	\$7,137,091.90	\$14,112,695.60	49%
2023	June	\$6,751,141.06	\$7,427,738.50	\$14,178,879.56	48%
2023	July	\$5,998,470.20	\$6,445,602.50	\$12,444,072.70	48%
2023	Aug	\$7,061,879.60	\$7,638,126.11	\$14,700,005.71	48%
2023	Sep	\$7,209,079.90	\$7,369,064.90	\$14,578,144.80	49%
2023	Oct	\$8,472,876.30	\$8,613,552.70	\$17,086,429.00	50%
2023	Nov	\$5,774,276.60	\$5,598,407.90	\$11,372,684.50	51%
2023	Dec	\$6,392,885.30	\$6,979,316.82	\$13,372,202.12	48%
2024	Jan	\$5,925,014.30	\$6,298,794.60	\$12,223,808.90	48%
2024	Feb	\$6,183,928.50	\$6,552,496.60	\$12,736,425.10	49%
2024	Mar	\$5,114,071.10	\$5,242,019.40	\$10,356,090.50	49%
2024	Apr	\$6,660,178.90	\$6,804,627.80	\$13,464,806.70	49%
2024	May	\$6,712,169.40	\$6,219,816.69	\$12,931,986.09	52%
2024	June	\$5,818,472.40	\$5,603,759.60	\$11,422,232.00	51%
2024	Jul	\$5,382,174.90	\$5,447,479.90	\$10,829,654.80	50%
2024	Aug	\$6,770,389.10	\$6,509,886.20	\$13,280,275.30	51%
2024	Sep	\$5,189,583.30	\$5,374,579.30	\$10,564,162.60	49%
2024	Oct	\$5,667,254.60	\$5,266,817.20	\$10,934,071.80	52%

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2024	Nov	\$7,771,776.80	\$7,991,095.10	\$15,762,871.90	49%
2024	Dec	\$7,589,919.00	\$7,915,145.00	\$15,505,064.00	49%
Grand Total		\$200,762,743.21	\$197,868,453.87	\$398,631,197.08	50%

Based on the above, Staff is requesting approval for \$50 million in spend authority across the initial and supplemental Claims Legal Services contracts to fund these services for the first part of 2025.

Recommendation

The recommendation is listed in the attached Consent Item.

Claims Legal Services

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	Claims Legal Services
Purpose/Scope	This Consent Item seeks Board approval for \$50 million in authorized spend under the Claims Legal Services contracts to fund these services through the first part of 2025. This approval is requested for expenditures across the initial panel contracts (RFP 21-0012) approved by the Board on December 15, 2021, and the supplemental panel contracts (RFP 22-0021) approved by the Board on March 29, 2023. This approval would increase total authorized spend to \$450 million, if approved.
Contract ID	Claims Legal Services 21-21-0012 & 22-22-0021 (Multiple Contracts)
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Procurement Method	On August 3, 2021, Citizens issued Claims Legal Services RFP 21-0012. Ninety-nine (99) proposals were submitted timely. The proposals were reviewed and scored by an Evaluation Committee who recommended awarding contracts to ninety-one (91) law firms on October 26, 2021. These ninety-one (91) contracts were approved by the Board on December 15, 2021. On December 6, 2022, Citizens issued Supplemental Claims Legal Services RFP 22-0021. Twenty-three (23) proposals were timely submitted. The proposals were reviewed and scored by an Evaluation Committee who recommended to award

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	contracts to twenty-two (22) law firms on February 17, 2023. These twenty-two (22) contracts were approved by the Board on March 29, 2023.
Contract Amount	On December 15, 2021, the Board approved an initial \$50 million in spend authority with a request that Staff return to the Board to provide ongoing updates on pending litigation and to request spend authority in \$50 million increments as needed. The Board approved spend in \$50 million increments on July 13, 2022, December 22, 2022, March 29, 2023, September 27, 2023, December 6, 2023, April 10, 2024, and September 25, 2024, bringing the total approved amount to \$400 million.
Contract Terms	The current Claims Legal Services contracts have a five (5) year initial term ending on February 2, 2027, with two (2) one-year optional renewal terms. The Supplemental Claims Legal Services contracts also expire on February 2, 2027, with two (2) one-year optional renewal terms. The contracts do not require Citizens to make any assignments of work or pay any minimum amounts to the contracted firms.
Committee Recommendation	Staff proposes that the Claims Committee review, and if approved recommend the Board of Governors: <ul style="list-style-type: none"> a) Authorize up to \$50 million in spend under the Claims Legal Services contracts as set forth in this Consent Item which, if approved, would make the total spend authorized to-date \$450 million; and b) Authorize staff to take any appropriate or necessary action consistent with this Claims Legal Services Consent Item.
Board Recommendation from Committee	If approved at its March 6, 2025, meeting, the Claims Committee recommends that the Board of Governors: <ul style="list-style-type: none"> a) Authorize up to \$50 million in spend under the Claims Legal Services contracts as set forth in this Consent Item which, if approved, would make the total spend authorized to-date \$450 million; and b) Authorize staff to take any appropriate or necessary action consistent with this Claims Legal Services Consent Item.
Contacts	Jay Adams, Chief Insurance Officer Brian Newman, General Counsel & Chief Legal Officer